

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, 2011

Comprehensive Annual

Financial Report

of the

**Harmony Township School District
Board of Education**

Phillipsburg, New Jersey

For the Fiscal Year Ending June 30, 2011

Prepared by

Harmony Township School District

Board of Education

Finance Department

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Introductory Section

Harmony Township School
2551 Belvidere Road
Phillipsburg, NJ 08865
Phone: (908) 859-1001
Fax: (908) 859-2277
www.harmonytownshipschool.org

Mr. Dirk Swaneveld
Chief School Administrator

Bruce Cerra
Interim School Business Administrator

October 25, 2011

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Harmony Township School District for the fiscal year ended June 30, 2011 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual audit in conformity with the provisions of the Single Audit Act of 2007 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Harmony Township School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Harmony Township Board of Education and its Elementary School constitute the District's reporting entity.

Services for grade levels 9 through 12 are provided by Belvidere High School on a sending/receiving relationship basis for resident students. The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped youngsters. The District completed the 2010-2011 fiscal year with a resident enrollment of 329 students, which is four fewer students than the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment		
Fiscal <u>Year</u>	Student <u>Enrollment</u>	Percent <u>Change</u>
2010-11	293	- 2.0%
2009-10	298	- 5.9%
2008-09	316	1.5%
2007-08	312	1.0%
2006-07	309	- 1.28%
2005-06	313	---
2004-05	313	+ 0.97%
2003-04	310	- 2.5%
2002-03	318	No change
2001-02	317	+13.21%
2000-01	280	- 1.76%

2) ECONOMIC CONDITIONS AND OUTLOOK: Harmony Township is essentially a rural community with a small population base. Several years ago a number of projects and housing developments were "on the books" totaling almost 1500 homes. Most options on farmlands have lapsed, or the projects failed to obtain the necessary financial support to be initiated due to general economic conditions. While there is considerable building in surrounding communities, most development in Harmony Township consists of individual single-family homes. As the surrounding communities become saturated, the potential for development becomes very real. There are currently two development proposals before the Planning Board (approximately 370 houses). However, passage of the Highlands Act has limited future development to approximately one half of the township.

There is very little expectation for commercial or industrial development. The largest employer is a local golf course and club whose work force is largely made up of seasonal employees. The largest taxpayer is a reservoir operated by a power company consortium. It occupies almost 2000 township acres and accounts for approximately 47% of the tax base and hence the same amount of tax revenues.

There are four or five commercial/industrial facilities in the township such as quarries, small service providers / businesses, and a waste products recycling firm. The school district ranks as the second or third largest employer and expends the largest share of tax revenues.

The consistent enrollment appears to be related to an aging resident population coupled with the lack of available housing for new residents. Families whose children attended the township school and graduated from high school have remained in the community. Construction in surrounding communities has deflected growth to those areas. Previous renovations and construction projects will allow the district to absorb unanticipated enrollment growth "spurts" and provide time to accommodate any long-term growth patterns.

3) MAJOR INITIATIVES: In 2011 the Harmony Township School started various capital projects, which include a cafeteria freezer, water service upgrades, phone system, roof replacement, and flooring project

The district continues to score above state and national norms and above expected local ranges on standardized testing programs. Comments received from students and high school staff indicate that the district is adequately preparing students for their high school experience.

Resident high school students of Harmony Township attend Belvidere High School. The district has continued its association with the cluster sending districts (Belvidere, Hope and White Townships) to improve the curriculum and programs and to maintain a positive working relationship between the respective Boards of Education.

A practical five-year program of building maintenance and improvement has been accepted and implemented by the Board of Education to insure the stability of the facility and to protect the community investment in the school property.

The Harmony Township School District receives only limited state aid aid. Overall, and in spite of this limited government support, the district has been able to offer students a broad program of studies. Approximately 82% of the costs of education are borne by the Township taxpayers. While the local tax rate is the lowest in the county, it presents an obstacle to positive school-community relationships. Reallocation of funds at the state level, while highly unlikely, would help the district immeasurably, and relieve the property owners' tax burden.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line-item basis. Open encumbrances at year-end are either canceled or are included as reappropriation of the fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2011.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect Generally Accepted Accounting Principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. Surplus is sound and will adequately support future budget requirements along with state aid and local tax levy support.

8) DEBT ADMINISTRATION: The district paid off its Serial Bonds Payable in the current fiscal year and is now debt free.

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

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

11) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Co. was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related OMB Circular A-133 and state Treasury Circular Letter OMB 04-04. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

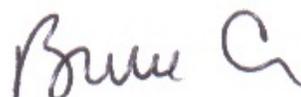
12) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Harmony Township Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully Submitted,



Mr. Dirk Swaneveld
Chief School Administrator



Bruce Cerra
Interim School Business Administrator

HARMONY TOWNSHIP BOARD OF EDUCATION
Organization Chart
(Unit Control)

Board of Education

Chief School
Administrator

Business
Administrator

Assistant
Principal

Support
Staff

Instructional
Staff

HARMONY TOWNSHIP SCHOOL DISTRICT

BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2011

Members of the Board of Education

Term Expires

Denise Ryczek, President	2014
Laura Murphy, Vice-President	2012
Keith Metz	2012
Heather Weidlick	2014
Denise Carney	2014
Angyne Schock-Smith	2012
Paul Williams	2013
Nicole Tipton	2013
James Tipton	2013

Other Officials

Dirk Swaneveld, **Chief School Administrator**

Bruce Cerra, **Interim School Business Administrator/Board Secretary**

Dawn Stanchina, **Treasurer**

Michael Selvaggi, **Attorney**

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

Courter, Kolbert, & Cohen

1001 Route 517
Hackettstown, New Jersey 07840

Official Depository

PNC Bank

101 Mansfield Street
Belvidere, New Jersey 07823

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

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

**UNQUALIFIED OPINIONS ON BASIC FINANCIAL
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY SCHEDULE OF STATE AWARDS
AND OTHER SUPPLEMENTARY INFORMATION-GOVERNMENTAL ENTITY**

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Harmony Township School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Harmony Township School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and 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 June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2011, 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 and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 7 through 7.8, and 38 through 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Licensed Public School Accountant No. 2369
ARDITO & CO., LLP

Date: October 25, 2011

**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, 2011
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, 2011. 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 2011 are as follows:

- ◆ In total, net assets increased \$199,278 which represents a 3.5 percent increase from 2010.
- ◆ General revenues accounted for \$6,035,745 in revenue or 86.7 percent of all revenues. Program specific revenues in the form of charges for services, operating grants were \$926,207 or 13.3 per cent of total revenues of \$6,961,952.
- ◆ Total assets of governmental activities decreased by \$102,396 as cash and cash equivalents decreased by \$237,138, receivables decreased by \$61,529 and capital assets increased by \$195,673.
- ◆ The School District had \$6,762,674 in expenses; only \$926,207 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of \$6,035,745 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$6,394,229 in revenues and \$6,391,492 in expenditures. The General Fund's surplus balance increased \$2,737 over 2010, compared to a budgeted decrease (use of surplus) of \$155,638.

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 Assets 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, 2011
UNAUDITED

Reporting the School District as a Whole

Statement of Net Assets 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 2011?" The Statement of Net Assets 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 assets and changes in those assets. This change in net assets 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. Non-financial 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 Assets 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 10. 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, Capital Projects Fund and Debt Service Fund.

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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 Assets 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 Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

	Table 1	
	Net Assets	
	<u>2011</u>	<u>2010</u>
Assets		
Current and Other Assets	\$1,097,913	\$ 1,395,982
Capital Assets	<u>4,951,089</u>	<u>4,755,416</u>
Total Assets	<u>6,049,002</u>	<u>6,151,398</u>
Liabilities		
Long-Term Liabilities	68,040	68,040
Other Liabilities	<u>17,789</u>	<u>319,463</u>
Total Liabilities	<u>85,829</u>	<u>387,503</u>
Net Assets		
Invested in Capital Assets, Net of Debt	4,951,089	4,466,416
Restricted	596,598	620,072
Unrestricted	<u>415,486</u>	<u>677,407</u>
Total Net Assets	<u>\$ 5,963,173</u>	<u>\$ 5,763,895</u>

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Total assets decreased \$2102,396. Cash and cash equivalents decreased by \$102,396, receivables decreased by \$61,529, and capital assets increased by \$195,673. Cash decreased and capital assets increased due to capital project spending.

Table 2 shows the changes in net assets from fiscal year 2010.

Table 2
Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 149,465	\$ 193,096
Operating Grants and Contributions	776,742	1,101,558
General Revenues:		
Property Taxes	6,027,917	5,802,947
Federal and State Aid for Capital Asset Projects		279,135
Investment Earnings	2,010	7,641
Other	<u>5,818</u>	<u>7,326</u>
Total Revenues	<u>6,961,952</u>	<u>7,391,703</u>
Program Expenses		
Instruction	2,697,314	2,883,274
Support Services:		
Tuition	1,974,145	1,936,385
Pupils and Instructional Staff	711,401	735,037
General Administration, School Administration, Busine:	433,439	458,316
Operations and Maintenance of Facilities	526,054	412,787
Pupil Transportation	299,775	329,726
Business-Type Activities	95,841	117,191
Interest and Fiscal Charges	<u>24,705</u>	<u>37,196</u>
Total Expenses	<u>6,762,674</u>	<u>6,909,912</u>
Increase in Net Assets	<u>\$ 199,278</u>	<u>\$ 481,791</u>

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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 86.6 percent of revenues for governmental activities for the Harmony Township School District for the fiscal year 2011.

Instruction comprises 39.9 percent of district expenses. Support services expenses make up 58.3 percent 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 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Instruction	\$ 2,697,314	\$2,269,359	\$ 2,883,274	\$ 2,265,345
Support Services:				
Tuition	1,974,145	1,796,922	1,936,385	1,703,209
Pupils and Instructional Staff	711,401	611,677	735,037	546,947
General Administration, School				
Administration, Business Admin.Serv.	433,439	394,528	458,316	403,127
Operation and Maintenance of Facilities	526,054	478,829	412,787	363,080
Pupil Transportation	299,775	272,864	329,726	290,021
Business-Type Activities	95,841	(12,417)	117,191	6,333
Interest and Fiscal Charges	<u>24,705</u>	<u>24,705</u>	<u>37,196</u>	<u>37,196</u>
Total Expenses	<u>\$ 6,762,674</u>	<u>\$ 5,836,467</u>	<u>\$ 6,909,912</u>	<u>\$ 5,615,258</u>

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

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.

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 and child care.

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 84.1 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 90.1 percent. 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 10 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,853,680 and expenditures of \$7,153,339. The net change in fund balance for the year was most significant in the Capital Fund, a decrease of \$302,396 due to continued spending of authorized capital projects.

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 2011 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 TPAF on-behalf amount, was \$6,070,644, \$135,502 over original budgeted estimates of \$5,935,142. This difference was due primarily to \$78,748 in extraordinary aid, and \$49,993 in additional tuition revenue.

The General fund revenues and other financing sources/uses of the School District fell short of expenditures by \$31,932, compared to a budgeted deficiency (i.e. budgeted use of surplus) of \$155,638. This was achieved due to additional revenues as noted above.

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Capital Assets

At the end of the fiscal year 2011, the School District had \$4,951,089 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2011 balances compared to 2010.

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

	<u>2011</u>	<u>2010</u>
Land	\$ 2,500,000	\$ 2,500,000
Buildings and Improvements	2,389,688	2,176,845
Machinery and Equipment	<u>61,401</u>	<u>78,571</u>
Totals	<u>\$ 4,951,089</u>	<u>\$ 4,755,416</u>

Overall capital assets increased \$195,673 from fiscal year 2010 to fiscal year 2011, net of depreciation expense.

\$304,201 in improvements were purchased during fiscal year 2011.

Debt Administration

At June 30, 2011, the School District had \$68,040 as outstanding debt for compensated absences. The district has no other long term liabilities.

At June 30, 2011, the School District's overall legal debt margin was \$19,811,842 and the unvoted debt margin was \$19,811,842.

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 continued state funding decreases. However, future finances are not without challenges as the community continues to grow and state funding is decreased.

Harmony Township School District has successfully passed the 2011-2012 school budget. 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. In the past, the District garnered local support of its budget for over 10 years. 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.

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

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 assets 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 ASSETS
JUNE 30, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$290,216	\$23,316	\$313,532
Receivables from Other Governments	376,010		376,010
Inventory		2,566	2,566
Restricted Assets:			
Capital Reserve Account - Cash	405,805		405,805
Capital Assets, Net (Note 6):	4,942,459	8,630	4,951,089
Total Assets	<u>6,014,490</u>	<u>34,512</u>	<u>6,049,002</u>
LIABILITIES			
Deferred Revenue	16,223	1,566	17,789
Noncurrent Liabilities (Note 7):			
Due Beyond One Year	68,040		68,040
Total Liabilities	<u>84,263</u>	<u>1,566</u>	<u>85,829</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,942,459	8,630	4,951,089
Restricted for:			
Other Purposes	596,598		596,598
Unrestricted	391,170	24,316	415,486
Total Net Assets	<u>\$5,930,227</u>	<u>\$32,946</u>	<u>\$5,963,173</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, 2011

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Governmental Activities:						
Instruction:						
Regular	\$ 1,959,353	\$ 66,393	\$295,314		(\$1,597,646)	\$ (1,597,646)
Special Education	647,341		58,113		(589,228)	(589,228)
Other Special Instruction	90,620		8,135		(82,485)	(82,485)
Support Services:						
Tuition	1,974,145		177,223		(1,796,922)	(1,796,922)
Student & Instruction Related Serv.	711,401		99,724		(611,677)	(611,677)
School Administrative Services	119,425		10,721		(108,704)	(108,704)
General and Business Admin. Serv.	314,014		28,190		(285,824)	(285,824)
Plant Operations and Maintenance	526,054		47,225		(478,829)	(478,829)
Pupil Transportation	299,775		26,911		(272,864)	(272,864)
Interest on Long-Term Debt	13,909				(13,909)	(13,909)
Unallocated Depreciation	10,796				(10,796)	(10,796)
Total Governmental Activities	6,666,833	66,393	751,556		(5,848,884)	(5,848,884)
Business-Type Activities:						
Food Service	74,217	47,383	25,186			(\$1,648)
Child Care	21,624	35,689				14,065
Total Business-Type Activities	95,841	83,072	25,186			12,417
Total Primary Government	\$ 6,762,674	\$149,465	\$776,742		(\$5,848,884)	\$12,417
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$5,723,744		\$ 5,723,744
Taxes Levied for Debt Service				304,173		304,173
Investment Earnings				2,010		2,010
Miscellaneous Income				5,804	\$14	5,818
Total General Revenues, Special Items, Extraor. Items and Transfers				6,035,731	14	6,035,745
Change in Net Assets				186,847	12,431	199,278
Net Assets—Beginning				\$5,743,380	20,515	5,763,895
Net Assets—Ending				\$5,930,227	\$32,946	\$ 5,963,173

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, 2011

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 689,223	\$ 6,798		\$ 696,021
Interfund Receivable	140,038			140,038
Receivables from Other Governments	87,450	9,425	\$ 279,135	376,010
TOTAL ASSETS	<u>\$ 916,711</u>	<u>\$ 16,223</u>	<u>\$ 279,135</u>	<u>\$ 1,212,069</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable			\$ 140,038	\$ 140,038
Deferred Revenue		\$ 16,223		16,223
Total Liabilities	<u>-</u>	<u>16,223</u>	<u>140,038</u>	<u>156,261</u>
Fund Balances:				
<u>Restricted for:</u>				
Capital Reserve Account	\$ 405,805			405,805
Excess Surplus	34,155			34,155
Excess Surplus - Designated for Subsequent Year's Expenditures	58,151			58,151
<u>Assigned to:</u>				
Year-End Encumbrances	8,464			8,464
General Fund-Designated for Subsequent Year's Expend.	98,487			98,487
Capital Projects Fund			139,097	139,097
<u>Unassigned:</u>				
General Fund	311,649			311,649
Total Fund Balances	<u>916,711</u>		<u>139,097</u>	<u>1,055,808</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 916,711</u>	<u>\$ 16,223</u>	<u>\$ 279,135</u>	<u>\$ 1,212,069</u>

Amounts reported for *governmental activities* in the statement of net assets (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 \$7,171,087 and the accumulated depreciation is \$2,228,628.	\$4,942,459
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(68,040)
Net assets of governmental activities	<u>\$5,930,227</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, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local Tax Levy	\$ 5,723,744			\$ 304,173	\$ 6,027,917
Tuition	66,393				66,393
Interest on Capital Reserve Account	522				522
Miscellaneous	7,292				7,292
Total - Local Sources	5,797,951			304,173	6,102,124
State Sources	593,465				593,465
Federal Sources	2,813	\$ 155,278			158,091
Total Revenues	6,394,229	155,278		304,173	6,853,680
EXPENDITURES					
Current:					
Regular Instruction	1,290,856	119,418			1,410,274
Special Education Instruction	498,035				498,035
Other Special Instruction	69,719				69,719
Support services and undistributed costs:					
Tuition	1,974,145				1,974,145
Student and Instruction Related Services	511,460	35,860			547,320
School Administrative Services	91,880				91,880
Other Administrative Services	241,588				241,588
Plant Operations and Maintenance	404,722				404,722
Pupil Transportation	299,775				299,775
Unallocated Benefits	1,007,507				1,007,507
Debt Service:					
Principal				289,000	289,000
Interest and Other Charges				15,173	15,173
Capital Outlay	1,805		\$ 302,396		304,201
Total Expenditures	6,391,492	155,278	302,396	304,173	7,153,339
Excess (Deficiency) of Revenues Over Expenditures	2,737		(302,396)		(299,659)
Net Change in Fund Balances	2,737		(302,396)		(299,659)
Fund Balance—July 1	913,974		441,493		1,355,467
Fund Balance—June 30	\$ 916,711		\$ 139,097	-	\$ 1,055,808

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, 2011**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (299,659)

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	\$ (107,959)	
Capital Outlays	<u>304,201</u>	196,242

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 289,000

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 1,264

Change in Net Assets of Governmental Activities \$ 186,847

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 ASSETS
 PROPRIETARY FUNDS

JUNE 30, 2011

	Business-Type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>Child Care</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 6,708	\$ 16,608	\$ 23,316
Inventories	2,566		2,566
Total Current Assets	9,274	16,608	25,882
Noncurrent Assets:			
Furniture, Machinery and Equipment	27,153		27,153
Less Accumulated Depreciation	(18,523)		(18,523)
Total Noncurrent Assets	8,630		8,630
Total Assets	17,904	16,608	34,512
LIABILITIES			
Current liabilities:			
Deferred Revenue	1,566		1,566
Total Current Liabilities	1,566		1,566
Total Liabilities	1,566		1,566
NET ASSETS			
Invested in Capital Assets Net of Related Debt	8,630		8,630
Unrestricted	7,708	16,608	24,316
Total Net Assets	\$ 16,338	\$ 16,608	\$ 32,946

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Fund		
	Food Service	Child Care	Total Enterprise
Operating Revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs	\$34,924		\$34,924
Daily Sales - Non-Reimbursable Programs	12,459		12,459
Miscellaneous	14	\$35,689	35,703
Total Operating Revenues	47,397	35,689	83,086
Operating Expenses:			
Cost of Sales	36,709		36,709
Salaries	20,999	21,366	42,365
Employee Benefits	5,284		5,284
Supplies	3,668	258	3,926
Other Purchased Professional Services	6,988		6,988
Depreciation	569		569
Total Operating Expenses	74,217	21,624	95,841
Operating Income (Loss)	(26,820)	14,065	(12,755)
Nonoperating Revenues (Expenses):			
State Sources:			
State School Lunch Program	1,029		1,029
Federal Sources:			
National School Lunch Program	18,116		18,116
Food Distribution Program	5,506		5,506
Special Milk Program	535		535
Total Nonoperating Revenues (Expenses)	25,186		25,186
Income (Loss) Before Contributions and Transfers	(1,634)	14,065	12,431
Change in Net Assets	(1,634)	14,065	12,431
Total Net Assets—Beginning	17,972	2,543	20,515
Total Net Assets—Ending	\$16,338	\$16,608	\$32,946

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, 2011

	Business-Type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>Child Care</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 47,353	\$ 35,688	\$ 83,041
Payments to Employees	(20,999)	(21,366)	(42,365)
Payments for Employee Benefits	(5,284)		(5,284)
Payments to Suppliers	(45,303)	(1,192)	(46,495)
Net Cash Provided by (used for) Operating Activities	(24,233)	13,130	(11,103)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	1,115		1,115
Federal Sources	19,834		19,834
Operating Subsidies Transfers from Other Funds			
Net Cash Provided by (used for) Non-Capital Financing Activities	20,949		20,949
Net Increase (Decrease) in Cash and Cash Equivalents	(3,284)	13,130	9,846
Balances—Beginning of Year	9,992	3,478	13,470
Balances—End of Year	\$ 6,708	\$ 16,608	\$ 23,316
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Operating Income (Loss)	\$ (26,820)	\$ 14,065	\$ (12,755)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	569		569
Federal Commodities	5,506		5,506
(Increase) Decrease in Accounts Receivable		884	884
(Increase) Decrease in Inventories	335		335
Increase (Decrease) in Accounts Payable	(3,823)	(1,819)	(5,642)
Total Adjustments	2,587	(935)	1,652
Net Cash Provided by (used for) Operating Activities	\$ (24,233)	\$ 13,130	\$ (11,103)

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 ASSETS
FIDUCIARY FUNDS

JUNE 30, 2011

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	<u>\$53,415</u>	<u>\$6,773</u>
Total Assets	<u>\$53,415</u>	<u>\$6,773</u>
LIABILITIES		
Accounts Payable Payable to Student Groups		<u>3,344</u>
Total Liabilities		<u>\$3,344</u>
NET ASSETS		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$53,415</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 ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2011

Unemployment
Compensation
Trust

ADDITIONS

Contributions:	
Plan Member	\$4,275
Employer	78,388
Total Contributions	<u>82,663</u>
Investment Earnings:	
Interest	<u>2</u>
Net Investment Earnings	<u>2</u>
Total Additions	<u>82,665</u>

DEDUCTIONS

Unemployment Claims	<u>33,414</u>
Total Deductions	<u>33,414</u>
Change in Net Assets	49,251
Net Assets—Beginning of the Year	<u>4,164</u>
Net Assets—End of the Year	<u>\$53,415</u>

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, 2011

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, and GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2010.

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, 2011, of 293 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, 2011

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 assets 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 assets 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 assets 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, 2011

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, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

Basis of Accounting

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

District-wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements 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, 2011

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, 2011

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, 2011

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, 2011, but which were levied to finance fiscal year 2012 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, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets 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 assets 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 assets are available.

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011

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, 2011, 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, 2011, 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	\$458,907	\$60,188	\$519,095
	\$458,907	\$60,188	\$519,095

The carrying amount of the Board's cash and cash equivalents at June 30, 2011, was \$519,095 and the bank balance was \$631,139. 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 \$381,139 was covered by collateral pool.

Investments

Pursuant to the Enabling Act, the funds of the district may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the district may approve.

In order to maximize liquidity, the district utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investments. The NJCMF is administered by the New Jersey Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2011, the district's balance was \$260,430.

HARMONY TOWNSHIP SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2: CASH AND CASH EQUIVALENTS (Continued):

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.

NOTE 3: RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental amounts. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>Government-Wide Financial Statements</u>
State Aid	\$ 366,585	\$ 366,585
Federal Aid	<u>9,425</u>	<u>9,425</u>
Gross Receivable	376,010	376,010
Less: Allow. for Uncollectibles		
Total Receivables, Net	<u>\$ 376,010</u>	<u>\$ 376,010</u>

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2011, consisted of the following:

Food	<u>\$ 2,566</u>
	<u>\$ 2,566</u>

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

NOTE 5: DEFERRED BOND ISSUANCE COSTS

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

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 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	2,100			2,100
Buildings and Building Improvements	3,939,896	\$ 302,396		4,242,292
Machinery and Equipment	424,890	1,805		426,695
Total at Historical Cost	<u>4,366,886</u>	<u>304,201</u>	-	<u>4,671,087</u>
Less Accumulated Depreciation for:				
Land Improvements	(2,100)			(2,100)
Building and Improvements	(1,763,051)	(89,553)		(1,852,604)
Equipment	(355,518)	(18,406)		(373,924)
Total Accumulated Depreciation	<u>(2,120,669)</u>	<u>(107,959)</u>	-	<u>(2,228,628)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>2,246,217</u>	<u>196,242</u>	-	<u>2,442,459</u>
Government Activity Capital Assets, Net	<u>\$ 4,746,217</u>	<u>\$ 196,242</u>	<u>\$ -</u>	<u>\$ 4,942,459</u>

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 97,163
Unallocated	<u>10,796</u>
Total	<u>\$ 107,959</u>

HARMONY TOWNSHIP SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011, are as follows:

	Balance		Balance	Amounts
	<u>7/1/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/11</u>
				<u>Due Within</u>
				<u>One Year</u>
Governmental Activities:				
Bonds Payable:				
General Obligation Debt	\$289,000		(\$289,000)	-
Other Liabilities:				
Compensated Absences Payable	68,040			-
Total	\$357,040	-	(\$289,000)	\$68,040

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, 2011, it is not necessary for the Board to establish a liability for arbitrage rebate.

HARMONY TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

C. Defeasance:

The 1996 Series Lease Condemnation Bonds were issued for the purpose of advance refunding the school's 1992 Certificates of Participation. The 1992 COP's were originally issued to provide funding for elementary school additions.

As of June 30, 2011, 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 Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8: PENSION PLANS (Continued)

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.

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:66 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 55 and are generally determined to be 1/55 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 - Legislation enacted during the year ended June 30, 1997, (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets.

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 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8: PENSION PLANS (Continued)

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2011	\$36,836	100 %	-0-
6/30/2010	\$30,588	100 %	-0-
6/30/2009	\$32,112	100 %	-0-

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2011	-0-	100 %	-0-
6/30/2010	-0-	100 %	-0-
6/30/2009	-0-	100 %	-0-

During the fiscal year ended June 30, 2011, the State of New Jersey did contribute \$147,039 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$141,877 during the year ended June 30, 2011, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

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, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9: POST-RETIREMENT BENEFITS - (CONTINUED)

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.

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, 2011, no liability existed for compensated absences in the proprietary fund types.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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>
2010-2011	\$2	\$4,275	\$33,414	\$53,415
2009-2010	\$14	\$4,310	\$18,127	\$4,164
2008-2009	\$10	\$4,718	\$466	\$17,967

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, 2011

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$916,711 General Fund fund balance at June 30, 2011, \$8,464 is reserved for encumbrances; \$405,805 has been reserved in the Capital Reserve Account; \$98,487 is designated for subsequent year's expenditures and has been appropriated and included as anticipated revenue for the year ending June 30, 2012, \$92,306 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$58,151 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2012); and \$311,649 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, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	\$405,283
Interest Earnings	522
Budgeted Withdrawals: Board Resolution Date:	-
Ending Balance, June 30, 2011	<u><u>\$405,805</u></u>

The June 30, 2011 LRFP balance of local support costs of uncompleted capital projects at June 30, 2011 is \$405,805. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the district's Long Range Facilities Plan.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16: 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, 2011 is \$34,155.

NOTE 17: 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 2008-2009 and certified by the state department. The resulting 2008-2009 tuition adjustment charge of \$146,0796 in accordance with N.J.A.C 6a:23-3.1(f)3, was due in fiscal year 2010-2011, was liquidated and was reported in Harmony Township School District's 2010-2011 operating expenditures.

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, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 5,723,744		\$ 5,723,744	\$ 5,723,744	
Tuition	16,400		16,400	66,393	\$ 49,993
Interest on Capital Reserve Account	1,000		1,000	522	(478)
Miscellaneous	4,500		4,500	7,292	2,792
Total - Local Sources	5,745,644		5,745,644	5,797,951	52,307
State Sources:					
Special Education Aid	189,498		189,498	189,498	
Other State Aid				80,382	80,382
TPAF Pension (On-Behalf - Non-Budgeted)				147,039	147,039
TPAF Social Security (Reimbursed - Non-Budgeted)				141,877	141,877
Total State Sources	189,498		189,498	558,796	369,298
Federal Sources:					
Jobs Education Grant		\$ 17,707	17,707		(17,707)
Medicaid Reimbursement				2,813	2,813
Total Federal Sources		17,707	17,707	2,813	(14,894)
TOTAL REVENUES	5,935,142	17,707	5,952,849	6,359,560	406,711

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Pre-Kindergarten - Salaries of Teachers	33,535	33,087	66,622	66,611	11
Kindergarten - Salaries of Teachers	52,090	(6,309)	45,781	45,781	
Grades 1-5 - Salaries of Teachers	492,891	35,755	528,646	510,888	17,758
Grades 6-8 - Salaries of Teachers	475,786	36,190	511,976	511,900	76
Regular Programs - Home Instruction:					
Salaries of Teachers	2,915	(2,915)			
Regular Programs - Undistributed Instruction					
Purchased Technical Services	32,420	(4,685)	27,735	27,735	
Other Purchased Services (400-500 series)	18,600	(400)	18,200	15,444	2,756
General Supplies	48,000	71,965	119,965	111,685	8,280
Other Objects	300	600	900	812	88
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,156,537	163,288	1,319,825	1,290,856	28,969

SPECIAL EDUCATION - INSTRUCTION

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Resource Room/Resource Center:					
Salaries of Teachers	364,644	32,260	396,904	396,865	39
Other Salaries for Instruction	80,033	20,142	100,175	100,163	12
General Supplies	1,400		1,400	1,007	393
Textbooks	500	(500)			
Total Resource Room/Resource Center	446,577	51,902	498,479	498,035	444
TOTAL SPECIAL EDUCATION - INSTRUCTION	446,577	51,902	498,479	498,035	444
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	20,851	21,043	41,894	41,893	1
Total Basic Skills/Remedial - Instruction	20,851	21,043	41,894	41,893	1
School Sponsored Co/Extra Curricular Activities-Instruction:					
Salaries	13,650	14,244	27,894	27,826	68
Supplies and Materials	200		200		200
Total School Sponsored Cocurricular Activities-Instruc.	13,850	14,244	28,094	27,826	268
TOTAL INSTRUCTION	1,637,815	250,477	1,888,292	1,858,610	29,682
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Regular	1,610,076	2,029	1,612,105	1,612,105	
Tuition to Other LEAs Within the State-Special	144,000	26,000	170,000	169,552	448
Tuition to County Voc. District - Regular	26,875	2,285	29,160	29,160	
Tuition to County Voc. District - Special	16,250	1,950	18,200	17,770	430
Tuition to Private Schools for the Disabled-Within State	264,772	(117,892)	146,880	145,558	1,322
Total Instruction	2,061,973	(85,628)	1,976,345	1,974,145	2,200

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Health Services:					
Salaries	78,370	790	79,160	79,160	
Purchased Professional and Technical Services	5,000	(4,155)	845	180	665
Supplies and Materials	1,500		1,500	908	592
Total Health Services	84,870	(3,365)	81,505	80,248	1,257
Other Supp. Services Students-Related Services:					
Salaries	63,749	4,100	67,849	67,815	34
Purchased Professional - Educational Services	40,000	6,192	46,192	46,034	158
Supplies and Materials	800	(800)			
Total Other Supp. Services Students-Related Services	104,549	9,492	114,041	113,849	192
Other Supp. Services Students-Extra.Serv.:					
Salaries	70,326	(900)	69,426	69,165	261
Total Other Supp. Services Students-Extra.Serv.	70,326	(900)	69,426	69,165	261
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	16,719	260	16,979	16,979	
Supplies and Materials	100		100		100
Total Other Supp. Services Students-Regular	16,819	260	17,079	16,979	100
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	101,133	(25,584)	75,549	75,549	
Salaries of Secretarial and Clerical Assistants	23,093	350	23,443	23,439	4
Purchased Professional - Educational Services		20,708	20,708	20,708	
Other Purchased Professional and Technical Services	4,500	12,998	17,498	17,498	
Misc. Purchased Services (400-500 series O/than Resid.Costs)	900		900	380	520
Supplies and Materials	1,200	2,500	3,700	3,639	61
Total Other Supp. Services Students-Special	130,826	10,972	141,798	141,213	585

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Improvement of Instruction Services:					
Salaries of Other Professional Staff	3,000	(3,000)			
Other Purchased Professional and Technical Services	3,000	1,759	4,759	4,759	
Total Improvement of Instruction Services	6,000	(1,241)	4,759	4,759	
Educational Media Services/School Library:					
Salaries	77,095	641	77,736	77,457	279
Supplies and Materials	5,500	900	6,400	6,184	216
Other Objects	300	50	350	316	34
Total Educational Media Services/School Library	82,895	1,591	84,486	83,957	529
Instructional Staff Training Services:					
Purchased Professional - Educational Services		175	175	175	
Other Purchased Services (400-500 series)	1,000	132	1,132	1,115	17
Total Instructional Staff Training Services	1,000	307	1,307	1,290	17
Supp. Services - General Administration:					
Salaries	163,004	(53,100)	109,904	109,073	831
Legal Services	8,950	1,900	10,850	9,309	1,541
Audit Fees	13,000	(1,000)	12,000	12,000	
Other Purchased Professional Services	3,700		3,700	2,797	903
Communications/Telephone	10,000	(6,900)	3,100	3,022	78
Other Purchased Services (400-500 series)	25,865	200	26,065	26,028	37
General Supplies	5,581	9,738	15,319	14,994	325
Miscellaneous Expenditures	1,000		1,000	175	825
BOE Membership Dues and Fees	6,700	(5,810)	890		890
Total Supp. Services - General Administration	237,800	(54,972)	182,828	177,398	5,430

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals		56,800	56,800	56,663	137
Salaries of Secretarial and Clerical Assistants	32,886	500	33,386	33,380	6
Supplies and Materials	1,500	337	1,837	1,837	
Total Support Services - School Administration	34,386	57,637	92,023	91,880	143
Central Services:					
Salaries					
Purchased Professional Services	61,015	4,000	65,015	63,826	1,189
Supplies and Materials	4,069	(3,700)	369	364	5
Total Central Services	65,084	300	65,384	64,190	1,194
Administrative Information Tech.:					
Salaries	4,763	(4,763)			
Total Administrative Information Tech.	4,763	(4,763)			
Required Maintenance for School Facilities:					
Salaries	49,811	800	50,611	50,551	60
Cleaning, Repair and Maintenance Services	30,211	12,362	42,573	42,552	21
General Supplies	11,038	12,995	24,033	23,617	416
Total Required Maintenance for School Facilities	91,060	26,157	117,217	116,720	497
Other Operations and Maintenance of Plant:					
Salaries	85,446	3,000	88,446	88,341	105
Cleaning, Repair and Maintenance Services	16,900	(7,000)	9,900	9,807	93
Insurance	30,000	(6,900)	23,100	23,073	27
Miscellaneous Purchased Services	9,400	2,140	11,540	11,515	25
General Supplies	19,000	(5,338)	13,662	13,475	187
Energy (Electricity)	65,000	8,043	73,043	72,959	84
Energy (Oil)	60,494	8,342	68,836	68,832	4
Total Other Operations and Maintenance of Plant	286,240	2,287	288,527	288,002	525

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Management Fee	1,850	(1,807)	43		43
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	11,366	(3,400)	7,966	7,956	10
Contracted Services (Bet. Home and School)-Vendors	265,000	(52,700)	212,300	212,225	75
Contrac.Serv.(Other than Bet.Home and School)-Vendors	700	1,000	1,700	1,116	584
Contrac.Serv.(Bet.Home and School)-Joint Agreements		2,888	2,888	2,596	292
Contracted Services (Special Ed. Students)-Vendors	26,595	7,512	34,107	33,683	424
Contr Serv (Regular Students) - ESCs & CTSA	1,700	(1,600)	100		100
Contr Serv (Sp. Ed. Students) - ESCs & CTSA	26,926	15,787	42,713	42,199	514
Total Student Transportation Services	334,137	(32,320)	301,817	299,775	2,042
UNALLOCATED BENEFITS					
Social Security Contributions	47,200	2,218	49,418	49,412	6
Other Retirement Contributions - Regular	32,000	5,000	37,000	36,836	164
Unemployment Compensation		78,000	78,000	77,837	163
Workmen's Compensation	126,000	(105,988)	20,012	20,012	
Health Benefits	608,932	(78,289)	530,643	527,285	3,358
Tuition Reimbursement	24,000	(16,791)	7,209	7,209	
Other Employee Benefits	300	(300)			
TOTAL UNALLOCATED BENEFITS	838,432	(116,150)	722,282	718,591	3,691
On-behalf TPAF pension Contrib. (non-budgeted)				147,039	(147,039)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				141,877	(141,877)
TOTAL ON-BEHALF CONTRIBUTIONS				288,916	(288,916)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	838,432	(116,150)	722,282	1,007,507	(285,225)
TOTAL UNDISTRIBUTED EXPENDITURES	4,451,160	(190,336)	4,260,824	4,531,077	(270,253)
TOTAL GENERAL CURRENT EXPENSE	6,088,975	60,141	6,149,116	6,389,687	(240,571)

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Facilities Acquisition and Construction Services					
Infrastructure	1,805		1,805	1,805	
Total Facilities Acquisition and Construction Services	<u>1,805</u>		<u>1,805</u>	<u>1,805</u>	
TOTAL CAPITAL OUTLAY	<u>1,805</u>		<u>1,805</u>	<u>1,805</u>	
TOTAL EXPENDITURES	<u>6,090,780</u>	<u>60,141</u>	<u>6,150,921</u>	<u>6,391,492</u>	<u>(240,571)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(155,638)</u>	<u>(42,434)</u>	<u>(198,072)</u>	<u>(31,932)</u>	<u>166,140</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(155,638)	(42,434)	(198,072)	(31,932)	166,140
Fund Balance, July 1	967,406		967,406	967,406	
Fund Balance, June 30	<u>\$ 811,768</u>	<u>\$ (42,434)</u>	<u>\$ 769,334</u>	<u>\$ 935,474</u>	<u>\$ 166,140</u>
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 405,805	
Excess Surplus				34,155	
Excess Surplus - Designated for Subseq. Year's Expenditures				58,151	
Assigned to:					
Year-End Encumbrances				8,464	
Designated for Subsequent Year's Expenditures				98,487	
Unassigned:					
Unrestricted Fund Balance				<u>330,412</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				935,474	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(18,763)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 916,711</u>	

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Federal Sources	\$ 165,131	\$ 4,839	\$ 169,970	\$ 162,775	\$ (7,195)
Total Revenues	165,131	4,839	169,970	162,775	(7,195)
EXPENDITURES:					
Instruction					
Salaries of Teachers	50,103	(2,510)	47,593	47,593	
Tuition	73,823	(1,999)	71,824	71,824	
Total Instruction	123,926	(4,509)	119,417	119,417	
Support Services					
Personal Services - Employee Bene.	5,701	6,733	12,434	12,434	
Purchased Profess. - Education Services	25,581	(2,495)	23,086	23,086	
Purchased Profess. and Tech Services		631	631	631	
Other Purchased Serv. (400-500 Series)	781	3,917	4,698	4,687	11
Supplies and Materials	9,142	562	9,704	2,520	7,184
Total Support Services	41,205	9,348	50,553	43,358	7,195
Total Expenditures	165,131	4,839	169,970	162,775	7,195
Total Outflows	\$ 165,131	\$ 4,839	\$ 169,970	\$ 162,775	\$ 7,195
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)				None	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				None	
Fund Balance per Governmental Funds(GAAP Basis)				<u>None</u>	

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-3

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2011

Explanation of Differences between Budgetary Inflows and Outflows and

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 6,359,560	\$ 162,775
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	1,529
Current Year Encumbrances	N/A	(9,026)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	53,432	
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(18,763)</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>\$ 6,394,229</u>	<u>\$ 155,278</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 6,391,492	\$ 162,775
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	1,529
Current Year Encumbrances	N/A	(9,026)
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>\$ 6,391,492</u>	<u>\$ 155,278</u>

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, 2011

	Title I	ARRA Title I	Title II Part A	Title II Part D	Title IV	IDEA Basic	IDEA Preschool	ARRA IDEA Basic	REAP	Totals
REVENUES										
Federal Sources	\$ 24,890	\$ 848	\$ 2,567	\$ 322	\$ 781	\$ 92,008	\$ 2,902	\$ 631	\$ 37,826	\$ 162,775
TOTAL REVENUES	24,890	848	2,567	322	781	92,008	2,902	631	37,826	162,775
EXPENDITURES:										
Instruction:										
Salaries of Teachers	18,501								29,092	47,593
Tuition						71,824				71,824
General Supplies										-
Total Instruction	18,501	-	-	-	-	71,824	-	-	29,092	119,417
Support Services:										
Personal Services - Employee Bene.	3,700								8,734	12,434
Purchased Profess. - Education Services						20,184	2,902			23,086
Purchased Profess. and Tech Services								631		631
Other Purchased Serv. (400-500 Series)	2,689	848	369		781					4,687
Supplies and Materials			2,198	322						2,520
Total Support Services	6,389	848	2,567	322	781	20,184	2,902	631	8,734	43,358
TOTAL EXPENDITURES	24,890	848	2,567	322	781	92,008	2,902	631	37,826	162,775
Total Outflows	24,890	848	2,567	322	781	92,008	2,902	631	37,826	162,775
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)										

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-1

**CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES**

For the Fiscal Year Ended June 30, 2011

	<u>Date</u>	<u>Original</u>	<u>Revised</u>	<u>Expenditures to Date</u>		<u>Unexpended</u>
		<u>Appropriations</u>	<u>Appropriations</u>	<u>Prior</u>	<u>Current</u>	<u>Balance</u>
				<u>Years</u>	<u>Year</u>	<u>June 30, 2011</u>
Convert Walk-in Freezer to Refrigerator/New Freezer	9/24/2009					
- State Share		\$ 31,825	\$ 31,825	\$ 6,606	\$ 25,219	-
- Board of Education		47,738	48,344		86,234	\$ (37,890)
Upgrades to Domestic Water Service	9/29/2009					
- State Share		25,100	25,100	25,100		
- Board of Education		37,650	40,872	29,607		11,265
Replace Phone System	9/29/2009					
- State Share		11,460	11,460	11,460		
- Board of Education		17,190	17,190	12,108	4,520	562
Partial Roof Replacement (1955 and 1968 wings)	9/29/2009					
- State Share		210,750	210,750	177,861	32,889	-
- Board of Education		316,125	318,694		153,534	165,160
Totals		\$ 697,838	\$ 704,235	\$ 262,742	\$ 302,396	\$ 139,097

Fund Balance, June 30, 2011 \$ 139,097

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2

**CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2011

Expenditures and Other Financing

Uses

Construction Services	\$ 186,423
Purchased Professional Services	111,453
Infrastructure	<u>4,520</u>
Total Expenditures	<u>302,396</u>
Excess(deficiency) of revenues over(under) expenditures	(302,396)
Fund Balance - Beginning	<u>441,493</u>
Fund Balance - Ending	<u>\$ 139,097</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2a

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
COVERT WALK-IN FREEZER TO REFRIGERATOR AND INSTALL NEW WALK-IN FREEZER

From Inception and for the Fiscal Year Ended June 30, 2011

	<u>Prior</u>	<u>Current</u>	<u>Totals</u>	<u>Revised</u>
	<u>Periods</u>	<u>Year</u>		<u>Authorized</u>
				<u>Costs</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 31,825		\$ 31,825	\$ 31,825
Transfer from capital outlay	48,344		48,344	48,344
Total Revenues	<u>80,169</u>	<u>-</u>	<u>80,169</u>	<u>80,169</u>
Expenditures and Other Financing Sources				
Construction Services				
Purchased Professional Services	\$ 6,606	\$ 111,453	\$ 118,059	\$ 80,169
Total Expenditures	<u>6,606</u>	<u>111,453</u>	<u>118,059</u>	<u>80,169</u>
Excess(deficiency) of revenues over(under) expenditures			<u>\$ (37,890)</u>	
			Project Fund Balance, 6/30/11	<u>\$ (37,890)</u>

Additional project information:

Project Number	SP#2040-030-09-0ZYV
Grant Date	9/24/2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$79,563
Additional Authorized Cost	\$606
Revised Authorized Cost	\$80,169
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	147%
Original Target Completion Date	6/30/2010
Revised Target Completion Date	6/30/2011

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2b

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
UPGRADES TO DOMESTIC WATER SERVICE

From Inception and for the Fiscal Year Ended June 30, 2011

	<u>Prior</u>	<u>Current</u>	<u>Totals</u>	<u>Revised</u>
	<u>Periods</u>	<u>Year</u>		<u>Authorized</u>
				<u>Costs</u>
Revenues and Other Financing				
Sources				
State Sources - SDA Grant	\$ 25,100		\$ 25,100	\$ 25,100
Transfer from capital outlay	40,872		40,872	40,872
Total Revenues	<u>65,972</u>	<u>-</u>	<u>65,972</u>	<u>65,972</u>
Expenditures and Other Financing				
Sources				
Purchased Professional Services	\$ 6,222		\$ -	\$ -
Construction Services	48,485		48,485	65,972
Total Expenditures	<u>48,485</u>	<u>-</u>	<u>48,485</u>	<u>65,972</u>
Excess(deficiency) of revenues over(under) expenditures			<u>\$ 17,487</u>	

Project Fund Balance, 6/30/11 \$ 17,487

Additional project information:

Project Number	SP#2400-030-09-0ZJS
Grant Date	9/29/2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$62,750
Additional Authorized Cost	\$3,222
Revised Authorized Cost	\$65,972
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	73%
Original Target Completion Date	6/30/2010
Revised Target Completion Date	9/30/2011

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2c

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
REPLACE PHONE SYSTEM

From Inception and for the Fiscal Year Ended June 30, 2011

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
Revenues and Other Financing				
Sources				
State Sources - SDA Grant	\$ 11,460		\$ 11,460	\$ 11,460
Transfer from capital outlay	17,190		17,190	17,190
Total Revenues	<u>28,650</u>	-	<u>28,650</u>	<u>28,650</u>
Expenditures and Other Financing				
Sources				
Infrastructure	\$ 23,568	\$ 4,520	\$ 28,088	\$ 28,650
Total Expenditures	<u>23,568</u>	<u>4,520</u>	<u>28,088</u>	<u>28,650</u>
Excess(deficiency) of revenues over(under) expenditures			<u>\$ 562</u>	
			Project Fund Balance, 6/30/11	<u>\$ 562</u>

Additional project information:

Project Number	SP#2040-030-09-0ZJV
Grant Date	9/29/2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$28,650
Additional Authorized Cost	N/A
Revised Authorized Cost	\$28,650
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	98%
Original Target Completion Date	6/30/2010
Revised Target Completion Date	9/30/2011

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2d

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
PARTIAL ROOF REPLACEMENT (1955 AND 1968 WINGS)

From Inception and for the Fiscal Year Ended June 30, 2011

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 210,750		\$ 210,750	\$ 210,750
Transfer from capital outlay	318,694		318,694	318,694
Total Revenues	<u>529,444</u>	-	<u>529,444</u>	<u>529,444</u>
Expenditures and Other Financing Sources				
Purchased Professional Services	\$ 24,169		\$ 24,169	\$ 24,169
Construction Services	153,692	186,423	340,115	505,275
Total Expenditures	<u>177,861</u>	<u>186,423</u>	<u>364,284</u>	<u>529,444</u>
Excess(deficiency) of revenues over(under) expenditures			<u>\$ 165,160</u>	

Project Fund Balance, 6/30/11 \$ 165,160

Additional project information:

Project Number	SP#2040-30-09-0ZJT
Grant Date	9/29/2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$526,875
Additional Authorized Cost	\$2,569
Revised Authorized Cost	\$529,444
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	69%
Original Target Completion Date	9/30/2010
Revised Target Completion Date	9/30/2011

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

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

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

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

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

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011**

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	AGENCY FUNDS STUDENT ACTIVITY	PAYROLL AGENCY	TOTALS
ASSETS:				
Cash and Cash Equivalents	\$53,415	\$3,344	\$3,429	\$60,188
TOTAL ASSETS	<u>\$53,415</u>	<u>\$3,344</u>	<u>\$3,429</u>	<u>\$60,188</u>
LIABILITIES:				
Liabilities:				
Payroll Deductions and Withholdings			\$3,429	\$3,429
Accounts Payable				
Payable to Student Groups		\$3,344		3,344
Total Liabilities		<u>3,344</u>	<u>3,429</u>	<u>6,773</u>
NET ASSETS				
Held in Trust for Unemployment				
Claims and Other Purposes	\$53,415			53,415
TOTAL LIABILITIES AND NET ASSETS	<u>\$53,415</u>	<u>\$3,344</u>	<u>\$3,429</u>	<u>\$60,188</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011**

	UNEMPLOYMENT COMPENSATION INSURANCE	
	<u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 4,275	\$ 4,275
Employer	<u>78,388</u>	<u>78,388</u>
Total Contributions	<u>82,663</u>	<u>82,663</u>
Investment Earnings:		
Interest	2	2
Net Investment Earnings	<u>2</u>	<u>2</u>
Total Additions	<u>82,665</u>	<u>82,665</u>
DEDUCTIONS		
Unemployment Claims	<u>33,414</u>	<u>33,414</u>
Total Deductions	<u>33,414</u>	<u>33,414</u>
Change in Net Assets	49,251	49,251
Net Assets—Beginning of the Year	<u>4,164</u>	<u>4,164</u>
Net Assets—End of the Year	<u>\$ 53,415</u>	<u>\$ 53,415</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>ACTIVITY</u>	<u>BALANCE JULY 1, 2010</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2011</u>
Student Council	\$ 1,845	\$ 2,012	\$ 1,830	\$ 2,027
Eighth Grade Account	1,000	32,769	32,452	1,317
Total	\$ 2,845	\$ 34,781	\$ 34,282	\$ 3,344

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 4,980	\$ 2,722,135	\$ 2,723,686	\$ 3,429
Total Assets	<u>\$ 4,980</u>	<u>\$ 2,722,135</u>	<u>\$ 2,723,686</u>	<u>\$ 3,429</u>
 LIABILITIES:				
Payroll Deductions and Withholdings	\$ 267	\$ 1,099,600	\$ 1,096,438	\$ 3,429
Accounts Payable	4,713		4,713	-
Salaries and Wages	-	<u>1,622,535</u>	<u>1,622,535</u>	-
Total Liabilities	<u>\$ 4,980</u>	<u>\$ 2,722,135</u>	<u>\$ 2,723,686</u>	<u>\$ 3,429</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.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2011**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2010</u>	<u>RETIRE</u>	<u>BALANCE JUNE 30, 2011</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Advance Refunding - Lease Purchase Agreement	10/1/96	\$ 3,014,000	6/1/11	\$ 289,000	5.25%	\$ 289,000	\$ 289,000	-
Total						\$ 289,000	\$ 289,000	-

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 304,173		\$ 304,173	\$ 304,173	
TOTAL REVENUES	304,173		304,173	304,173	
EXPENDITURES:					
Regular Debt Service:					
Interest	15,173		15,173	15,173	
Redemption of Principal	289,000		289,000	289,000	
Total Regular Debt Service	304,173		304,173	304,173	
TOTAL EXPENDITURES	304,173		304,173	304,173	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-		-	-	
Fund Balance, July 1				-	
Fund Balance, June 30	-		-	-	
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance					

Harmony Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	62-67
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	68-71
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	72-75
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	76-77
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	78-82

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.

**Harmony Township School District
Net Assets by Component,
Last Nine Fiscal Years**

(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	N/A	\$ 3,242,787	\$ 3,358,190	\$ 3,651,384	\$ 3,808,654	\$ 3,855,067	\$ 4,014,771	\$ 4,457,217	\$ 4,942,459
Restricted		1,255,767	1,360,133	1,466,043	1,397,226	1,088,126	1,084,638	620,072	596,598
Unrestricted		101,751	80,573	(55,611)	28,613	163,452	157,485	666,091	391,170
Total governmental activities net assets	-	<u>\$ 4,600,305</u>	<u>\$ 4,798,896</u>	<u>\$ 5,061,816</u>	<u>\$ 5,234,493</u>	<u>\$ 5,106,645</u>	<u>\$ 5,256,894</u>	<u>\$ 5,743,380</u>	<u>\$ 5,930,227</u>
Business-type activities									
Invested in capital assets, net of related debt		\$ 5,305	\$ 6,846	\$ 4,858	\$ 11,396	\$ 10,582	\$ 9,769	\$ 9,199	\$ 8,630
Restricted									-
Unrestricted		17,350	17,793	19,239	11,620	9,300	15,441	11,316	24,316
Total business-type activities net assets	-	<u>\$ 22,655</u>	<u>\$ 24,639</u>	<u>\$ 24,097</u>	<u>\$ 23,016</u>	<u>\$ 19,882</u>	<u>\$ 25,210</u>	<u>\$ 20,515</u>	<u>\$ 32,946</u>
District-wide									
Invested in capital assets, net of related debt		\$ 3,248,092	\$ 3,365,036	\$ 3,656,242	\$ 3,820,050	\$ 3,865,649	\$ 4,024,540	\$ 4,466,416	\$ 4,951,089
Restricted		1,255,767	1,360,133	1,466,043	1,397,226	1,088,126	1,084,638	620,072	596,598
Unrestricted		119,101	98,366	(36,372)	40,233	172,752	172,926	677,407	415,486
Total district net assets	-	<u>\$ 4,622,960</u>	<u>\$ 4,823,535</u>	<u>\$ 5,085,913</u>	<u>\$ 5,257,509</u>	<u>\$ 5,126,527</u>	<u>\$ 5,282,104</u>	<u>\$ 5,763,895</u>	<u>\$ 5,963,173</u>

Source: CAFR Schedule A-1

Harmony Township School District
Changes in Net Assets, Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities									
Instruction									
Regular	N/A	\$ 1,798,768	\$ 1,882,904	\$ 1,893,021	\$ 2,046,049	\$ 2,055,382	\$ 2,007,810	\$ 2,243,834	\$ 1,959,353
Special education		425,431	584,854	595,104	617,521	683,944	771,767	608,539	647,341
Other special education		55,392	67,816	89,431	86,767	108,336	41,144	30,901	90,620
Support Services:									
Tuition		1,078,293	1,156,607	1,174,077	1,377,338	1,636,253	1,746,299	1,936,385	1,974,145
Student & instruction related services		730,302	656,257	710,902	752,641	708,504	699,860	735,037	711,401
School administrative services		117,830	85,798	113,182	129,953	175,901	137,500	43,427	119,425
General and business administrative services		301,188	403,189	395,038	394,769	415,532	383,422	414,889	314,014
Plant operations and maintenance		428,595	492,681	640,052	514,688	591,569	482,761	412,787	526,054
Pupil transportation		321,985	325,808	381,357	357,810	332,754	326,366	329,726	299,775
Interest on long-term debt		100,485	82,749	79,026	67,147	54,503	41,380	28,166	13,909
Unallocated depreciation		11,354	11,354	9,514	9,514	9,030	9,030	9,030	10,796
Total governmental activities expenses		<u>5,369,623</u>	<u>5,750,017</u>	<u>6,080,704</u>	<u>6,354,197</u>	<u>6,771,708</u>	<u>6,647,339</u>	<u>6,792,721</u>	<u>6,666,833</u>
Business-type activities:									
Food service		91,297	87,128	91,208	92,399	93,370	93,822	92,231	74,217
Child Care							8,783	24,960	21,624
Total business-type activities expense		<u>91,297</u>	<u>87,128</u>	<u>91,208</u>	<u>92,399</u>	<u>93,370</u>	<u>102,605</u>	<u>117,191</u>	<u>95,841</u>
Total district expenses		<u><u>\$ 5,460,920</u></u>	<u><u>\$ 5,837,145</u></u>	<u><u>\$ 6,171,912</u></u>	<u><u>\$ 6,446,596</u></u>	<u><u>\$ 6,865,078</u></u>	<u><u>\$ 6,749,944</u></u>	<u><u>\$ 6,909,912</u></u>	<u><u>\$ 6,762,674</u></u>
Program Revenues									
Governmental activities:									
Charges for services:									
Tuition		\$ 4,539	\$ 18,863	\$ 25,424	\$ 21,600	\$ 113,054	\$ 81,763	\$ 109,235	\$ 66,393
Operating grants and contributions		920,475	970,027	1,005,900	1,171,256	1,199,289	1,002,614	1,074,561	751,556
Capital grants and contributions									-
Total governmental activities program revenues		<u>925,014</u>	<u>988,890</u>	<u>1,031,324</u>	<u>1,192,856</u>	<u>1,312,343</u>	<u>1,084,377</u>	<u>1,183,796</u>	<u>817,949</u>

Harmony Township School District
Changes in Net Assets, Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business-type activities:									
Charges for services:									
Food service		68,536	71,550	71,338	68,357	68,453	69,454	61,917	47,383
Child Care							14,342	21,944	35,689
Operating grants and contributions		18,218	17,426	18,682	22,961	21,783	23,529	26,997	25,186
Capital grants and contributions		-	-	-	-	-	-	-	-
Total business type activities program revenues		<u>86,754</u>	<u>88,976</u>	<u>90,020</u>	<u>91,318</u>	<u>90,236</u>	<u>107,325</u>	<u>110,858</u>	<u>108,258</u>
Total district program revenues		<u>\$ 1,011,768</u>	<u>\$ 1,077,866</u>	<u>\$ 1,121,344</u>	<u>\$ 1,284,174</u>	<u>\$ 1,402,579</u>	<u>\$ 1,191,702</u>	<u>\$ 1,294,654</u>	<u>\$ 926,207</u>
Net (Expense)/Revenue									
Governmental activities		\$ (4,444,609)	\$ (4,761,127)	\$ (5,049,380)	\$ (5,161,341)	\$ (5,459,365)	\$ (5,562,962)	\$ (5,608,925)	\$ (5,848,884)
Business-type activities		(4,543)	1,848	(1,188)	(1,081)	(3,134)	4,720	(6,333)	12,417
Total district-wide net expense		<u>\$ (4,449,152)</u>	<u>\$ (4,759,279)</u>	<u>\$ (5,050,568)</u>	<u>\$ (5,162,422)</u>	<u>\$ (5,462,499)</u>	<u>\$ (5,558,242)</u>	<u>\$ (5,615,258)</u>	<u>\$ (5,836,467)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes levied for general purposes, net		\$ 4,502,720	\$ 4,564,581	\$ 4,690,000	\$ 4,928,250	\$ 5,174,000	\$ 5,380,960	\$ 5,503,600	\$ 5,723,744
Taxes levied for debt service		297,927	302,298	305,010	308,198	305,598	292,472	299,347	304,173
Investment earnings		14,895	26,144	60,210	77,578	58,625	31,342	7,641	2,010
Federal and state aid for capital asset projects			27,000	234,428	-	(93,418)		279,135	
Miscellaneous income		46,371	39,695	22,652	19,992	19,215	8,437	5,688	5,804
Transfers									
Total governmental activities		<u>4,861,913</u>	<u>4,959,718</u>	<u>5,312,300</u>	<u>5,334,018</u>	<u>5,464,020</u>	<u>5,713,211</u>	<u>6,095,411</u>	<u>6,035,731</u>
Business-type activities:									
Miscellaneous income		121	136	596	-	-	608	1,638	14
Transfers									
Total business-type activities		<u>121</u>	<u>136</u>	<u>596</u>	<u>-</u>	<u>-</u>	<u>608</u>	<u>1,638</u>	<u>14</u>
Total district-wide		<u>\$ 4,862,034</u>	<u>\$ 4,959,854</u>	<u>\$ 5,312,896</u>	<u>\$ 5,334,018</u>	<u>\$ 5,464,020</u>	<u>\$ 5,713,819</u>	<u>\$ 6,097,049</u>	<u>\$ 6,035,745</u>
Change in Net Assets									
Governmental activities		\$ 417,304	\$ 198,591	\$ 262,920	\$ 172,677	\$ 4,655	\$ 150,249	\$ 486,486	\$ 186,847
Business-type activities		(4,422)	1,984	(592)	(1,081)	(3,134)	5,328	(4,695)	12,431
Total district		<u>\$ 412,882</u>	<u>\$ 200,575</u>	<u>\$ 262,328</u>	<u>\$ 171,596</u>	<u>\$ 1,521</u>	<u>\$ 155,577</u>	<u>\$ 481,791</u>	<u>\$ 199,278</u>

Source: CAFR Schedule A-2

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

Exhibit J-3

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved	\$ 602,913	\$ 724,768	\$ 970,444	\$ 798,306	\$ 656,376	\$ 870,010	\$ 883,034	\$ 537,235	\$ 605,062
Unreserved	574,020	715,253	524,354	400,958	539,595	439,151	429,574	376,739	311,649
Total general fund	<u>\$ 1,176,933</u>	<u>\$ 1,440,021</u>	<u>\$ 1,494,798</u>	<u>\$ 1,199,264</u>	<u>\$ 1,195,971</u>	<u>\$ 1,309,161</u>	<u>\$ 1,312,608</u>	<u>\$ 913,974</u>	<u>\$ 916,711</u>
All Other Governmental Funds									
Reserved	\$ 24,752	\$ 14,162						\$ 145,608	
Unreserved, reported in:									
Special revenue fund	(1,000)								
Capital projects fund		(27,000)	\$ 500	\$ 404,838	\$ 289,305			\$ 295,885	\$ 139,097
Debt service fund	18,396				1	\$ 2	\$ 1	-	-
Total all other governmental funds	<u>\$ 42,148</u>	<u>\$ (12,838)</u>	<u>\$ 500</u>	<u>\$ 404,838</u>	<u>\$ 289,306</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 441,493</u>	<u>\$ 139,097</u>

Source: CAFR Schedule B-1

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

Exhibit J-4

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues										
Tax levy	\$ 4,316,662	\$ 4,643,861	\$ 4,800,647	\$ 4,866,879	\$ 4,995,010	\$ 5,236,448	\$ 5,479,598	\$ 5,673,432	\$ 5,802,947	\$ 6,027,917
Tuition charges			4,539	18,863	25,424	21,600	113,054	81,763	109,235	66,393
Interest earnings	8,479	16,347	5,978	14,034	25,325	29,971	24,318	10,145	2,165	522
Miscellaneous	55,474	45,345	55,288	51,805	57,537	67,599	53,522	29,634	11,164	7,292
State sources	595,517	944,478	774,892	848,227	1,105,063	1,018,903	968,727	864,326	1,091,168	593,465
Federal sources	76,618	124,030	145,582	148,800	135,265	152,353	137,144	138,288	262,528	158,091
Total revenue	5,052,750	5,774,061	5,786,926	5,948,608	6,343,624	6,526,874	6,776,363	6,797,588	7,279,207	6,853,680
Expenditures										
Instruction										
Regular Instruction	1,128,469	1,151,226	1,311,548	1,343,226	1,382,754	1,425,105	1,437,366	1,476,551	1,646,355	1,410,274
Special education instruction	229,850	259,670	334,365	448,963	461,611	455,957	505,337	600,042	468,675	498,035
Other special instruction	25,608	33,140	43,535	52,059	69,370	64,066	80,045	31,989	23,799	69,719
Other instruction	15,244	19,510								
Support Services:										
Tuition	1,098,642	1,061,394	1,078,293	1,156,607	1,174,077	1,377,338	1,636,253	1,746,299	1,936,385	1,974,145
Student & instruction related services	467,868	492,503	573,977	503,775	551,434	555,725	523,483	544,135	566,099	547,320
School administrative services	40,025	60,597	92,608	65,863	87,793	95,953	129,966	106,905	33,446	91,880
Other administrative services	256,831	273,633	236,717	309,508	306,424	291,484	307,019	298,107	319,533	241,588
Plant operations and maintenance	264,028	323,697	336,852	378,206	340,038	380,028	437,085	375,342	317,914	404,722
Pupil transportation	300,414	357,745	321,985	325,808	381,357	357,810	332,754	326,366	329,726	299,775
Unallocated employee benefits	602,575	708,855	825,493	973,015	993,220	1,183,581	1,238,360	992,695	1,031,827	1,007,507
Charter Schools				3,224	-	-	-	-	-	-
Special Revenue	89,768	416,222								
Capital Outlay	40,617	11,536	86,376	13,941	181,732	150,455	19,212	3,238	263,242	304,201
Debt service:										
Principal	311,500	195,000	210,000	215,000	225,000	240,000	250,000	250,000	270,000	289,000
Interest and other charges	127,139	112,560	102,323	91,298	80,010	68,197	55,597	42,473	29,348	15,173
Total expenditures	4,998,578	5,477,288	5,554,072	5,880,493	6,234,820	6,645,699	6,952,477	6,794,142	7,236,349	7,153,339
Excess (Deficiency) of revenues over (under) expenditures	54,172	296,773	232,854	68,115	108,804	(118,825)	(176,114)	3,446	42,858	(299,659)
Other Financing Sources (uses)										
Temporary note redeemed	121,500									
Proceeds from borrowing										
Proceeds from refunding										
Capital leases										
Transfers in			48,500		351,642	500	195,887		425,100	
Transfers out			(48,500)		(351,642)	(500)	(195,887)		(425,000)	-
Total other financing sources (uses)	121,500	-	-	-	-	-	-	-	100	-
Net change in fund balances	\$ 175,672	\$ 296,773	\$ 232,854	\$ 68,115	\$ 108,804	\$ (118,825)	\$ (176,114)	\$ 3,446	\$ 42,958	\$ (299,659)
Debt service as a percentage of noncapital expenditures	8.8%	5.6%	5.7%	5.2%	5.0%	4.7%	4.4%	4.3%	4.3%	4.4%

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>
2002	\$ 11,904	\$ 7,218	\$ 27,500	\$ 8,479		\$ 7,748	\$ 62,849
2003	9,333	131	30,450	16,347		4,357	60,618
2004	8,917	328	30,825	5,978	\$ 4,539	15,218	65,805
2005	12,110		28,413	14,034	18,863	11,282	84,702
2006	34,885	537	10,609	25,325	25,424	11,506	108,286
2007	47,607	5,611	10,609	29,971	21,600	3,772	119,170
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

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>
2002	\$10,542,480	\$118,093,780	\$15,416,550	\$2,448,150	\$19,590,340	\$183,006,100	\$155,000	\$360,499,039	\$10,525,350	\$721,289	\$349,973,689	\$1.105	\$414,715,480
2003	9,784,130	119,884,800	15,734,350	3,186,900	19,227,740	182,966,600	155,000	362,482,159	10,753,650	788,989	351,728,509	1.449	432,028,222
2004	12,549,600	184,370,100	24,866,800	4,175,200	20,645,600	271,401,800	180,900	536,576,428	17,392,800	993,628	519,183,628	0.925	473,945,349
2005	14,259,100	185,406,400	25,715,000	3,909,500	19,959,100	269,837,600	180,900	541,508,119	21,279,100	961,419	520,229,019	0.937	522,707,956
2006	13,092,600	188,724,800	25,605,800	3,893,500	20,036,800	269,837,600	180,900	545,911,886	23,646,500	893,386	522,265,386	0.957	569,214,678
2007	12,629,800	192,858,000	26,670,700	3,808,800	20,036,800	241,476,100	180,900	522,188,952	23,881,300	646,552	498,307,652	1.051	690,215,362
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

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 ^a	General Obligation Debt Service ^b	Total Direct	Harmony Township	Library	Warren County	
2002	\$1.043	\$0.062	\$1.105	\$0.179	\$0.074	\$0.842	\$2.200
2003	\$1.387	\$0.062	\$1.449	\$0.208	\$0.072	\$0.801	\$2.530
2004	\$0.863	\$0.062	\$0.925	\$0.157	\$0.049	\$0.569	\$1.700
2005	\$0.875	\$0.062	\$0.937	\$0.191	\$0.054	\$0.618	\$1.800
2006	\$0.895	\$0.062	\$0.957	\$0.190	\$0.057	\$0.646	\$1.850
2007	\$0.989	\$0.062	\$1.051	\$0.210	\$0.071	\$0.768	\$2.100
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

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	2010			2001		
	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	\$244,971,600	1	49.93%	\$ 189,061,150	1	54.40%
Transcontinental Gas Pipeline Corp.	8,398,400	2	1.71%			
Harkers Hollow Golf Club	3,447,100	3	0.70%	2,887,540	2	0.83%
Par Four Associates, LLC	3,303,800	4	0.67%			
Harmony Sand & Gravel	1,662,200	7	0.34%	1,259,027	6	0.36%
Individual Taxpayer #1	1,180,900	8	0.23%	1,377,052	5	0.40%
Shumack Investment, LLC	1,124,300	7	0.23%			
Deep Pool Holding, Inc.	1,030,900	8	0.19%			
Individual Taxpayer #2	947,800	9	0.19%	972,543	8	0.28%
Warren County Farmer's Fair Assoc.	933,300	10	0.19%			
Anchor Concrete				1,458,740	3	0.42%
Witco				1,388,150	4	0.40%
Bell Atlantic				936,276	9	0.27%
Trans-Mix Corp.				915,620	10	0.26%
Total	\$ 267,000,300		54.20%	\$ 200,256,098		57.62%

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	
2002	\$3,865,303	\$3,865,303	100.00%	-
2003	\$4,339,460	\$4,339,460	100.00%	-
2004	\$4,502,720	\$4,502,720	100.00%	-
2005	\$4,564,581	\$4,564,581	100.00%	-
2006	\$4,690,000	\$4,690,000	100.00%	-
2007	\$4,928,250	\$4,928,250	100.00%	-
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%	-

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 ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2002	\$ 2,199,160	-0-	-0-	-0-	-0-	\$ 2,199,160	2.36%	\$800
2003	\$ 1,949,000	-0-	-0-	-0-	-0-	\$ 1,949,000	2.04%	\$704
2004	\$ 1,739,000	-0-	-0-	-0-	-0-	\$ 1,739,000	1.76%	\$625
2005	\$ 1,524,000	-0-	-0-	-0-	-0-	\$ 1,524,000	1.49%	\$548
2006	\$ 1,299,000	-0-	-0-	-0-	-0-	\$ 1,299,000	1.18%	\$467
2007	\$ 1,059,000	-0-	-0-	-0-	-0-	\$ 1,059,000	0.89%	\$375
2008	\$ 809,000	-0-	-0-	-0-	-0-	\$ 809,000	0.67%	\$287
2009	\$ 559,000	-0-	-0-	-0-	-0-	\$ 559,000	0.47%	\$199
2010	\$ 289,000	-0-	-0-	-0-	-0-	\$ 289,000	0.24%	\$103
2011	\$ -	-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

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
2002	\$ 2,199,160	-0-	\$ 2,199,160	0.63%	\$800
2003	\$ 1,949,000	-0-	\$ 1,949,000	0.55%	\$704
2004	\$ 1,739,000	-0-	\$ 1,739,000	0.33%	\$625
2005	\$ 1,524,000	-0-	\$ 1,524,000	0.29%	\$548
2006	\$ 1,299,000	-0-	\$ 1,299,000	0.25%	\$467
2007	\$ 1,059,000	-0-	\$ 1,059,000	0.21%	\$375
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-	\$ -	0.00%	\$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, 2011**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Township of Harmony	\$ 8,529,725	100.000%	\$ 8,529,725
Other debt Warren County	7,775,000	5.115%	<u>397,657</u>
Subtotal, overlapping debt			8,927,382
Harmony Township School District Direct Debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 8,927,382</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 2011

	Equalized valuation basis
	2008 \$ 665,424,702
	2009 665,145,556
	2010 650,613,893
	[A] <u>\$ 1,981,184,151</u>
Average equalized valuation of taxable property	[A/3] \$ 660,394,717
Debt limit (3 % of average equalization value)	[B] 19,811,842
Net bonded school debt	[C] -
Legal debt margin	[B-C] <u>\$ 19,811,842</u>

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$12,120,740	\$13,055,462	\$14,218,360	\$15,477,812	\$17,989,115	\$19,679,698	\$21,141,834	\$20,608,708	\$20,394,926	\$ 19,811,842
Total net debt applicable to limit	<u>2,144,000</u>	<u>1,949,000</u>	<u>1,739,000</u>	<u>1,524,000</u>	<u>1,299,000</u>	<u>1,059,000</u>	<u>809,000</u>	<u>559,000</u>	<u>289,000</u>	<u>-</u>
Legal debt margin	<u>\$9,976,740</u>	<u>\$11,106,462</u>	<u>\$12,479,360</u>	<u>\$13,953,812</u>	<u>\$16,690,115</u>	<u>\$18,620,698</u>	<u>\$20,332,834</u>	<u>\$20,049,708</u>	<u>\$20,105,926</u>	<u>\$19,811,842</u>
Total net debt applicable to the limit as a percentage of debt limit	17.69%	14.93%	12.23%	9.85%	7.22%	5.38%	3.83%	2.71%	1.42%	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 ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2002	2,749	\$ 93,039,905	\$33,845 R	4.4%
2003	2,770	\$ 95,606,550	\$34,515 R	4.8%
2004	2,782	\$ 98,977,996	\$35,578 R	3.5%
2005	2,781	\$ 102,568,842	\$36,882 R	2.2%
2006	2,783	\$ 109,783,784	\$39,448 R	2.4%
2007	2,823	\$ 118,362,744	\$41,928 R	2.2%
2008	2,815	\$ 120,971,810	\$42,974 R	2.9%
2009	2,816	\$ 120,048,896	\$42,631 P	5.3%
2010	2,810	\$ 119,793,110	\$42,631 *	5.5%
2011	2,810	* \$ 119,793,110	\$42,631 *	*

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

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

P =Projected

R =Revised

* Current data unavailable

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

Exhibit J-16

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction										
Regular		21.0	24.0	23.4	23.4	23.4	23.4	28.9	28.8	28.0
Special education		5.0	5.5	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Support Services:										
Student & instruction related services		6.0	6.0	8.0	8.0	8.0	11.0	9.0	9.0	4.0
General administrative services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.5
School administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0
Business administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0
Plant operations and maintenance	4.0	4.0	4.0	4.0	4.0	4.0	3.6	3.4	3.0	3.0
Total	8.0	40.0	43.5	46.4	46.4	46.4	49.0	53.3	52.8	45.5

Source: District Personnel Records

Harmony Township School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2002	317	\$4,429,554	13,973	-9.27%	35	1:9		312.4	298.5	5.90%	95.55%
2003	318	\$4,741,970	14,912	6.72%	36	1:9		318.5	302.7	1.95%	95.04%
2004	318	\$5,155,373	16,212	8.72%	38	1:9		309.5	296.3	-2.83%	95.74%
2005	312	\$5,560,254	17,821	9.93%	38	1:9		312.4	299.8	0.94%	95.97%
2006	307	\$5,748,078	18,723	5.06%	35	1:9		313.0	300.9	0.19%	96.13%
2007	309	\$6,187,047	20,023	6.94%	35	1:9		308.8	296.7	-1.34%	96.08%
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%

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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</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	312	318	309	312	307	309	316	329	298	293

Number of Schools at June 30, 2011

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 Nine Fiscal Years Ending June 30, 2011

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
Harmony School	N/A	\$ 98,795	\$ 103,933	\$ 135,450	\$ 111,200	\$ 118,087	\$ 106,186	\$ 84,598	\$ 102,463	\$ 116,720	\$ 977,432
Total School Facilities		98,795	103,933	135,450	111,200	118,087	106,186	84,598	102,463	116,720	977,432
Other Facilities											
Grand Total		\$ 98,795	\$ 103,933	\$ 135,450	\$ 111,200	\$ 118,087	\$ 106,186	\$ 84,598	\$ 102,463	\$ 116,720	\$977,432

HARMONY TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2011
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
SCHOOL PACKAGE POLICY - NJSBAIG		
Property-Blanket Building and Contents-Blanket	\$300,000,000	\$1,000
Comprehensive General Liability	11,000,000	
Comprehensive Automobile Liability	11,000,000	
Comprehensive Crime Coverage	100,000	500
Worker's Compensation (NJSBAIG)	2,000,000	
Electronic Data Processing	327,713	1,000
Equipment	100,000,000	1,000
SCHOOL BOARD LEGAL LIABILITY - NJSBAIG		
Directors and Officers Policy	11,000,000	5,000
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND - Ohio Casualty		
Treasurer	170,000	
Business Administrator	25,000	

SOURCE: District Records

Single Audit Section



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 Douglas R. Williams, CPA, RMA, PSA
 Anthony F. Ardito, PA, 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**

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

We have audited the financial statements of the Board of Education of the Harmony Township School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 25, 2011. 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 Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harmony Township School District Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Harmony Township School District Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Harmony Township School District Board of Education's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

-Continued-

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Harmony Township School District Board of Education'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, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

We noted certain matters that we reported to the Board of Education of the Harmony Township School District in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated October 25, 2011.

This report is intended solely for the information and use of the audit committee, management, the Harmony Township School District Board of Education, the New Jersey State Department of Education, and other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: October 25, 2011



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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04

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

Compliance

We have audited the compliance of the Harmony Township School District in the County of Warren, State of New Jersey, with the types of compliance requirements described in the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Harmony Township School District Board of Education's management. Our responsibility is to express an opinion on the Harmony Township School District Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Harmony Township School District Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Harmony Township School District Board of Education's compliance with those requirements.

-Continued-

In our opinion the Board of Education of the Harmony Township School District, in the County of Warren, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with New Jersey OMB's Circular 04-04, and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 through 2011-4.

Internal Control Over Compliance

The management of the Board of Education of the Harmony Township School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Harmony Township School District of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, the Harmony Township School District Board of Education, the New Jersey State Department of Education, and other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: October 25, 2011

HARMONY TOWNSHIP SCHOOL DISTRICT

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2011

K-4

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2010	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2011			MEMO		
										(ACCTS. RECEIV.)	DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education															
General Fund:															
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	\$ 189,498			\$ 189,498	\$ (189,498)							\$ 18,763	\$ 189,498
Non-Public Transportation Aid	10-100-034-5120-068	7/1/09-6/30/10		\$ (1,666)		1,666									
Non-Public Transportation Aid	11-100-034-5120-068	7/1/10-6/30/11	1,634				(1,634)			\$ (1,634)					1,634
Extra-ordinary Aid	10-495-034-5120-044	7/1/09-6/30/10		(53,234)		53,234									
Extra-ordinary Aid	11-495-034-5120-044	7/1/10-6/30/11	78,748				(78,748)			(78,748)					78,748
On-behalf TPAF Pension Contrib.	11-495-034-5095-001	7/1/10-6/30/11	147,039			147,039	(147,039)								147,039
Reimbursed TPAF Soc.Secur.Contrib.	11-495-034-5095-002	7/1/10-6/30/11	141,877	(114)		134,923	(141,877)			(7,068)					141,877
Total General Fund				<u>(55,014)</u>		<u>526,360</u>	<u>(558,796)</u>			<u>(87,450)</u>				<u>18,763</u>	<u>558,796</u>
Capital Projects Fund:															
SDA Grant - Walk-In Freezer	SP#2040-030-09-0ZYV	7/1/09-6/30/10	31,825		\$ (6,606)		(25,219)			(31,825)					31,825
SDA Grant - Domestic Water Service	SP#2040-030-09-0ZJS	7/1/09-6/30/10	25,100	(25,100)						(25,100)					25,100
SDA Grant - Replace Phone System	SP#2040-030-09-0ZJV	7/1/09-6/30/10	11,460	(11,460)						(11,460)					11,460
SDA Grant - Roof Replacement	SP#2040-030-09-0ZJT	7/1/09-6/30/10	210,750	(153,692)	(24,169)		(32,889)			(210,750)					210,750
Total Capital Projects Fund				<u>(190,252)</u>	<u>(30,775)</u>	<u>-</u>	<u>(58,108)</u>	<u>-</u>	<u>-</u>	<u>(279,135)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,135</u>
State Department of Agriculture:															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	10-100-010-3350-023	7/1/09-6/30/10		\$ (86)		86									
Nat.School Lunch Prog.(State Share)	11-100-010-3350-023	7/1/10-6/30/11	1,029			1,029	(1,029)								1,029
Total Enterprise Fund				<u>(86)</u>		<u>1,115</u>	<u>(1,029)</u>			<u>-</u>					<u>1,029</u>
Total State Financial Assistance				<u>\$ (245,352)</u>	<u>(30,775)</u>	<u>\$ 527,475</u>	<u>\$ (617,933)</u>	<u>-</u>	<u>-</u>	<u>\$ (366,585)</u>	<u>-</u>	<u>-</u>	<u>\$ 18,763</u>	<u>\$ 838,960</u>	

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2011

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 \$34,669 for the general fund and \$(7,497) 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, 2011

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 2,813	\$ 593,465	\$ 596,278
Special Revenue Fund	155,278	-	155,278
Food Service Fund	<u>24,157</u>	<u>1,029</u>	<u>25,186</u>
Total Financial Assistance	<u>\$ 182,248</u>	<u>\$ 594,494</u>	<u>\$ 776,742</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, 2011. 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, 2011.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part I - Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified

- B) 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

- C) Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards Section

N/A

- D) Dollar threshold used to determine Type A programs: \$300,000

- E) Auditee qualified as low-risk auditee? ___ Yes ___ No

- F) Type of auditor's report on compliance for major programs: Unqualified

- G) Internal Control over compliance:
 - 1) Material weakness(es) identified? ___ Yes ___ No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ No

- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? ___ Yes ___ No

- I) Identification of major programs:

CFDA NUMBER(S)

NAME OF FEDERAL PROGRAM OR CLUSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part I - Summary of Auditor's Results

State Financial Assistance Section

- J) Dollar threshold used to determine Type A programs: \$300,000
- K) Auditee qualified as low-risk auditee? (1) x yes ___ no
- L) Type of auditor's report on compliance for major programs: Unqualified
- M) Internal Control over compliance:
- 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
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? x yes ___ no
- O) Identification of major programs:

GMIS Number(s)

Name of State Program

11-495-034-5120-89

Special Education Aid

11-495-034-5095-002

Reimbursed TPAF Soc. Sec.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Section II-Financial Statement Findings

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

STATE FINANCIAL ASSISTANCE-There were no state financial assistance findings or questioned costs noted, that are required to be reported in accordance with NJOMB Circular 04-04.

Finding 2011-1:

Information on the state program:

Special Education Aid 11-495-034-5120-089

Criteria or specific requirement:

Minutes must include board approval of monthly financial statements of the secretary and the treasurer per N.J.S.A. 10:4-6 et seq.

Condition:

The monthly financial statements of the secretary and the treasurer were not approved on a timely basis for three months, and were not approved at all for eight months.

Questioned Costs:

None

Context:

The July 2010 financial statements of the secretary and the treasurer were approved on October 25, 2010, and the September and October 2010 statements were approved in June 2011. Furthermore there is no documentation of board approval for the November 2010 through June 2011 financial statements.

Effect:

The monthly financial statements of the secretary and the treasurer are not reviewed and approved by the board on a timely basis.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

STATE FINANCIAL ASSISTANCE - (Continued)

Finding 2011-1 (Continued):

Cause:

Late presentation of the monthly secretary and the treasurer reports to the governing body.

Recommendation:

That the minutes include board approval of monthly financial statements of the secretary and the treasurer within 60 days per N.J.S.A. 10:4-6 et seq.

Finding 2012-2:

Information on the state program:

SDA Grant SP#2040-030-09-0ZYV

Criteria or specific requirement:

In managing capital projects, the Business Administrator must certify the availability of funds before the board can award contracts and/or a change order on a capital project that increases the cost of the project. (N.J.A.C. 6A:26-4.9(a)(3)).

Condition:

The capital project to convert a walk-in freezer to a refidgerator and install a new walk-in freezer is over-expended by \$37,890.

Questioned Costs:

\$37,890.00

Context:

The final SDA project cost approval on September 24, 2009 was for \$79,563. Subsequently the board approved an additional \$606 in local share, for a total approved project cost of \$80,169. A bid was awarded for \$112,000 on June 21, 2010, and subsequently \$6,606 was expended for architectural services as of June 30, 2010, and an additional \$111,453 was expended in fiscal year 2011 on the awarded contract, for a total project expenditure of \$118,059.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

STATE FINANCIAL ASSISTANCE - (Continued)

Finding 2011-2 (Continued):

Effect:

The capital project is over-expended and must be funded in order to liquidate the project deficit balance.

Cause:

The Business Administrator did not properly certify the availability of funds before the board awarded the contract.

Recommendation:

That the Business Administrator certify the availability of funds before the board awards a contract and/or a change order on a capital project that increases the cost of the project. (N.J.A.C. 6A:26-4.9(a)(3)). Also the board should liquidate the deficit balance in fiscal year 2013 by inclusion of a budgeted withdrawal of capital reserve, or by any other available financing options, such as seeking state approval for additional state share funding.

Finding 2012-3:

Information on the state program:

SDA Grant SP#2040-30-09-0ZJT

Criteria or specific requirement:

Change orders on bid awarded capital projects must be approved by the board and documented in the board minutes per N.J.S.A. 18A:18A-1 et seq.

Condition:

The roof replacement project cost exceeded the bid award by \$40,815.

Questioned Costs:

\$40,815.00

Context:

On April 10, 2010 a bid was properly awarded to a contractor for the replacement of the school roof in the amount of \$299,300. Total expenditures through June 30, 2011 to the roof contractor were \$340,115, exceeding the awarded bid amount by \$40,815 or 13.6%. Although N.J.S.A 5:30-11.3 permits change orders up to 20% of the original bid amount, the change orders were not approved by the board in the board minutes.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

STATE FINANCIAL ASSISTANCE - (Continued)

Finding 2011-3 (Continued):

Effect:

Actual expenditures improperly exceeded the bid award.

Cause:

No documentation of board approved change orders documented in the board minutes.

Recommendation:

That change orders on bid awarded capital projects be approved by the board and documented in the board minutes per N.J.S.A. 18A:18A-1 et seq.

Finding 2012-4:

Information on the state program:

Special Education Aid 11-495-034-5120-089

Criteria or specific requirement:

Line-item transfers from an advertised appropriation account as defined under N.J.A.C. 6A:23A-13.3(e) which on a cumulative basis exceed 10 percent of the amount included in the original budget, require Executive County Superintendent approval. Also, line-item transfers to an advertised appropriation account as defined by N.J.A.C. 6A:23A-13.3(g)) identified as general administration, school administration, central services and administrative information technology or other support services, require Executive County Superintendent approval.

Condition:

The district transferred from appropriation accounts as defined under N.J.A.C. 6A:23A-13.3(e), an amount on a cumulative basis exceeding 10 percent of the total amount in the original budget, without proper department approval. Additionally, the district transferred to appropriation accounts as defined under N.J.A.C. 6A:23A-13.3(g), an amount on a cumulative basis exceeding 10 percent of the total amount in the original budget, without proper department approval

Questioned Costs:

\$72,103 in transfers from advertised appropriation accounts exceeding the 10% limitation, and \$54,198 in transfers to administrative appropriations exceeding the 10% limitation.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

STATE FINANCIAL ASSISTANCE - (Continued)

Finding 2011-4 (Continued):

Context:

Budget transfers exceeding the 10% limitation per N.J.A.C. 6A:23A-13.3(e), and N.J.A.C. 6A:23A-13.3(g), were not approved by the Executive County Superintendent.

Effect:

Budget transfers exceeded the 10% limitation per N.J.A.C. 6A:23A-13.3(e), and N.J.A.C. 6A:23A-13.3(g)

Cause:

The Board Secretary did not submit the proper transfer request for approval to the Executive County Superintendent.

Recommendation:

That budget transfers exceeding the 10% limitation per N.J.A.C. 6A:23A-13.3(e), and N.J.A.C. 6A:23A-13.3(g), are submitted to the Executive County Superintendent for approval.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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