

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, 2015

Comprehensive Annual

Financial Report

of the

**Harmony Township School District
Board of Education**

Phillipsburg, New Jersey

For the Fiscal Year Ending June 30, 2015

Prepared by

Harmony Township School District

Board of Education

Finance Department

OUTLINE OF CAFR

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
Organizational Chart	2
Roster of Officials	3
Consultants and Advisors	4

FINANCIAL SECTION

Independent Auditor's Report	7-9
Required Supplementary Information – Part I Management's Discussion and Analysis	11-18

Basic Financial Statements

A. District-Wide Financial Statements:	
A-1 Statement of Net Position	21
A-2 Statement of Activities	22
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	24
B-2 Statement of Revenues, Expenditures and Changes in Fund Balance	25
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Proprietary Funds:	
B-4 Statement of Net Position	27
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position	28
B-6 Statement of Cash Flows	29
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	30
B-8 Statement of Changes in Fiduciary Net Position	31

Notes to the Financial Statements	33-58
--	-------

Required Supplementary Information – Part II

C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	61-69
C1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	N/A
C-1b Community Block Development Grant (CDBG) – Budget and Actual	N/A
C-2 Budgetary Comparison Schedule - Special Revenue Fund	70
Notes to Required Supplementary Information - Part II	
C-3 Budget-to-GAAP Reconciliation	71

OUTLINE OF CAFR

Required Supplementary Information – Part III	<u>Page</u>
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1/L- Schedule of the District's Proportionate Share of the Net Pension Liability	72
L-2 Schedule of District Contributions	73
Notes to Required Supplementary Information - Part III	74
Other Supplementary Information	
D. School Level Schedules:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund – Budgetary Basis	77
E-2 Schedule(s) of Preschool Education Aid Expenditures – Preschool-All Programs- Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	79
F-2 Summary Schedule of Revenues and Expenditures	80
F-2a- Schedule of Project Revenues and Expenditures - Detail Schedules F-2c	81-83
G. Proprietary Funds	
Enterprise Fund:	
G-1 Combining Statement of Net Position	See B-4
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Position	See B-5
G-3 Combining Statement of Cash Flows	See B-6
Internal Service Fund:	
G-4 Combining Statement of Net Position	N/A
G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Position	N/A
G-6 Combining Statement of Cash Flows	N/A

OUTLINE OF CAFR

Other Supplementary Information - (Continued)		<u>Page</u>
H.	Fiduciary Funds:	
H-1	Combining Statement of Fiduciary Net Position	86
H-2	Combining Statement of Changes in Fiduciary Net Position	87
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	88
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	89
I.	Long-Term Debt:	
I-1	Schedule of Serial Bonds	N/A
I-2	Schedule of Obligations Under Capital Leases	N/A
I-3	Budgetary Comparison Schedule Debt Service Fund	N/A

STATISTICAL SECTION (Unaudited)

Introduction to the Statistical Section

Financial Trends

J-1	Net Position by Component	92
J-2	Changes in Net Position	93-94
J-3	Fund Balances - Governmental Funds	95
J-4	Changes in Fund Balances - Governmental Funds	96
J-5	General Fund Other Local Revenue by Source	97

Revenue Capacity

J-6	Assessed Value and Estimated Actual Value of Taxable Property	98
J-7	Direct and Overlapping Property Tax Rates	99
J-8	Principal Property Taxpayers	100
J-9	Property Tax Levies and Collections	101

Debt Capacity

J-10	Ratios of Outstanding Debt by Type	102
J-11	Ratios of General Bonded Debt Outstanding	103
J-12	Direct and Overlapping Governmental Activities Debt	104
J-13	Legal Debt Margin Information	105

Demographic and Economic Information

J-14	Demographic and Economic Statistics	106
J-15	Principal Employers	107

Operating Information

J-16	Full-time Equivalent District Employees by Function/Program	108
J-17	Operating Statistics	109
J-18	School Building Information	110
J-19	Schedule of Required Maintenance Expenditures by School Facility	111
J-20	Insurance Schedule	112

OUTLINE OF CAFR

SINGLE AUDIT SECTION		<u>Page</u>
K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	114-115
K-2	Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB's circulars 04-04 and 15-08	116-118
K-3	Schedule of Expenditures of Federal Awards, Schedule A	N/A
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	119
K-5	Notes to the Schedules of Awards and Financial Assistance	120-121
K-6	Schedule of Findings and Questioned Costs	122-130
K-7	Summary Schedule of Prior Audit Findings	131

Introductory Section

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

Mr. Chris Carrubba
Chief School Administrator

Alicia Schauer
School Business Administrator

November, 2015

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, 2015 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's resident enrollment on 10/15/14 was composed of 252 students in Harmony School; 110 sent to Belvidere and one charter school student. The total of 347 students is fewer students than the previous year's enrollment. In addition the district has a preschool program that addresses the needs of 3 & 4 year olds.

The following details the changes in the student enrollment of the Harmony School over the last ten years.

Average Daily Enrollment		
Fiscal <u>Year</u>	Student <u>Enrollment</u>	Percent <u>Change</u>
2014-15	250	-5.3%
2013-14	264	---
2012-13	263	-7.1%
2011-12	283	- 3.4%
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%

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 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 declining 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 the 2014-2015 school year, the Harmony Township School completed various capital projects, which included a repaving and sealing of the parking lot, lighting replacement and alarm system upgrades. Next major initiative set for the district is renovation of the Multi-purpose room.

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 indicates 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. Shared services include speech therapist, school psychologist and CSA.

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 91% 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, 2015.

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 is 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,

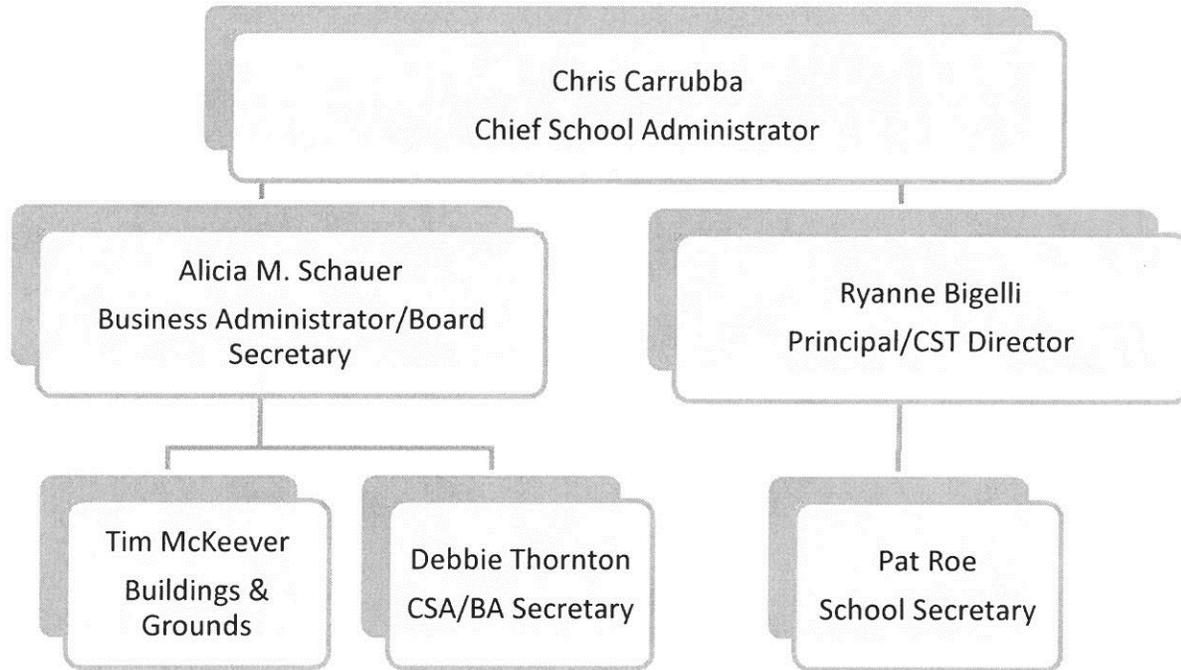


Mr. Chris Carrubba
Chief School Administrator



Mrs. Alicia Schauer
School Business Administrator

Harmony Township School



HARMONY TOWNSHIP SCHOOL DISTRICT

BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2015

Members of the Board of Education

Term Expires

Laura Murphy, President	2015
Angyne Schock-Smith, Vice-President	2015
Paul Williams	2016
Keith Metz	2016
Tadgh LaBar	2015
Heather Weidlick	2017
Denise Carney	2017
George Babula	2017
Ken Koch	2016

Other Officials

Chris Carrubba, *Chief School Administrator*

Alicia M Schauer, *School Business Administrator/Board Secretary*

Randy Wilson, *Treasurer*

HARMONY TOWNSHIP SCHOOL DISTRICT

BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Architect

Gianforaro Engineers & Architects

555 Main Street, Suite One
Chester, New Jersey 07930

Audit Firm

Ardito & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825

Attorney

Adams, Gutierrez & Lattiboudere, LLC

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

Official Depository

PNC Bank

101 Mansfield Street
Belvidere, New Jersey 07823

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

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

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Harmony Township School District Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

-Continued-

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Harmony Township School District Board of Education, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Harmony Township School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's circulars 04-04 and 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

-Continued-

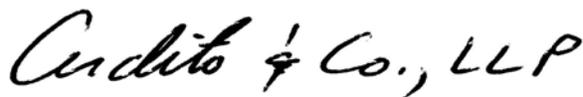
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

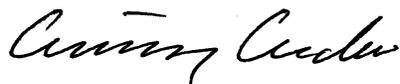
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, on our consideration of the Harmony Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP

November 16, 2015



Licensed Public School Accountant No. 2369

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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, 2015. 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 2015 are as follows:

- ◆ In total, Net Position increased \$478,424 which represents a 9.4% increase from 2014.
- ◆ General revenues accounted for \$6,089,737 in revenue or 81.1% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,417,038 or 18.9% of total revenues of \$7,506,775.
- ◆ Total assets of governmental activities increased by \$476,365, as cash and cash equivalents increased by \$675,065, receivables decreased by \$261,937, and capital assets increased by \$52,211.
- ◆ The School District had \$7,028,351 in expenses; only \$1,417,038 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$6,089,737 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$6,913,493 in revenues and \$6,469,411 in expenditures. The General Fund's surplus balance increased \$444,082 over 2014, which compares favorably to the budgeted decrease of \$222,242.

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's Net Position for 2015 compared to 2014.

	<u>2015</u>	<u>2014</u>
Table 1 Net Position		
Assets		
Current and Other Assets	\$ 2,327,822	\$ 1,903,668
Capital Assets	<u>4,296,205</u>	<u>4,243,994</u>
Total Assets	<u>6,624,027</u>	<u>6,147,662</u>
Deferred Outflows of Resources	<u>65,092</u>	<u>37,993</u>
Liabilities		
Long-Term Liabilities	62,255	35,180
Other Liabilities	<u>916,855</u>	<u>1,052,800</u>
Total Liabilities	<u>979,110</u>	<u>1,087,980</u>
Deferred Inflows of Resources	<u>133,910</u>	<u>-</u>
Net Position		
Invested in Capital Assets, Net of Debt	4,296,205	4,243,994
Restricted	1,917,596	1,404,844
Unrestricted	<u>(637,702)</u>	<u>(551,163)</u>
Total Net Position	<u>\$ 5,576,099</u>	<u>\$ 5,097,675</u>

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Total assets of governmental activities increased by \$476,365, as cash and cash equivalents increased by \$675,065, receivables decreased by \$261,937, and capital assets increased by \$52,211.

The cash increase was due to operational efficiencies towards budget and collection of prior receivables, and the increase in capital assets was due to capital acquisitions, net of depreciation expense.

Table 2 shows the changes in Net Position from fiscal year 2014.

**Table 2
Changes in Net Position**

	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenues:		
Charges for Services	\$85,616	\$ 82,968
Operating Grants and Contributions	\$1,331,422	876,558
General Revenues:		
Property Taxes	6,078,717	6,018,532
Federal & State Aid on Capital Asset Projects		(68,139)
Investment Earnings	991	875
Other	<u>10,029</u>	<u>12,127</u>
Total Revenues	<u>7,506,775</u>	<u>6,922,921</u>
 Program Expenses		
Instruction	3,183,268	2,845,210
Support Services:		
Tuition	1,500,461	1,496,904
Pupils and Instructional Staff	804,357	772,388
General Administration, School Administration, Business	581,559	500,410
Operations and Maintenance of Facilities	597,439	497,328
Pupil Transportation	270,534	275,610
Business-Type Activities	79,327	85,072
Interest and Fiscal Charges	<u>11,406</u>	<u>10,660</u>
Total Expenses	<u>7,028,351</u>	<u>6,483,582</u>
 Increase in Net Position	 <u>\$ 478,424</u>	 <u>\$ 439,339</u>

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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 81.0% percent of revenues for governmental activities for the Harmony Township School District for the fiscal year 2015.

Instruction comprises 45.3% of district expenses. Support services expenses make up 53.4% 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 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>	<u>Total Cost of Services 2014</u>	<u>Net Cost of Services 2014</u>
Instruction	3,183,268	2,507,286	\$ 2,845,210	\$ 2,408,163
Support Services:				
Tuition	1,500,461	1,239,690	1,496,904	1,328,130
Pupils and Instructional Staff	804,357	654,339	772,388	649,084
General Admin., School Admin., Business	581,559	480,487	500,410	443,990
Operation and Maintenance of Facilities	597,439	493,607	497,328	441,255
Pupil Transportation	270,534	223,517	275,610	244,535
Business-Type Activities	79,327	981	85,072	(1,761)
Interest and Fiscal Charges	<u>11,406</u>	<u>11,406</u>	<u>10,660</u>	<u>10,660</u>
Total Expenses	<u>\$7,028,351</u>	<u>\$5,611,313</u>	<u>\$6,483,582</u>	<u>\$5,524,056</u>

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

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

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

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

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

The dependence upon tax revenues is apparent. Over 78.8% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 82.3%. The community, as a whole, is the primary support for the Harmony Township School District.

The School District's Funds

Information about the School District's major funds starts on page 24. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$7,012,129 and expenditures of \$6,568,047. The General Fund's surplus balance increased \$444,082 over 2014, which compares favorably to the budgeted decrease of \$222,242.

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 2015 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$6,494,999, \$25,500 over original budgeted estimates of \$6,469,499. This difference was due primarily to an increase in extraordinary aid over budgeted amounts.

General fund revenues exceeded expenditures by \$441,620. Again this surplus compares to a budgeted deficit of \$222,242, which was due to the budgeted use of surplus and maintenance reserve needed to balance the 2014-2015 budget. The budgeted deficit was reduced due to cost savings in the areas of instruction, administration, operations and health benefits.

Overall general fund balance (budget basis) was \$2,180,957, and amounts ear-marked and reserved for future purposes were \$1,917,596, creating a surplus in unreserved fund balance of \$263,361. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Capital Assets

At the end of the fiscal year 2015, the School District had \$4,296,205 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2015 balances compared to 2014.

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

	<u>2015</u>	<u>2014</u>
Land	\$ 2,500,000	\$ 2,500,000
Land Improvements	71,378	75,983
Buildings and Improvements	1,719,138	1,650,183
Machinery and Equipment	<u>5,689</u>	<u>17,509</u>
 Totals	 <u>\$ 4,296,205</u>	 <u>\$ 4,243,675</u>

Overall capital assets increased \$52,530 from fiscal year 2014 to fiscal year 2015. The increase in capital assets was due to capital additions, net of depreciation expense for the year.

Capital improvements of \$149,202 were purchased during fiscal year 2015.

Debt Administration

At June 30, 2015, the School District had \$62,255 as outstanding long term debt. Of this amount, \$62,255 is for compensated absences.

At June 30, 2015, the School District's overall legal debt margin was \$15,819,341 and the unvoted debt margin was the same.

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

For the Future

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

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

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

Contacting the School District's Financial Management

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

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

JUNE 30, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 928,703	\$ 2,659	\$ 931,362
Receivables from Other Governments	42,238	939	43,177
Interfund Receivables		10,819	10,819
Inventory		3,252	3,252
Restricted Assets:			
Capital and Maint. Reserve Account - Cash	1,339,212		1,339,212
Capital Assets, Net (Note 6):	4,296,205		4,296,205
Total Assets	6,606,358	17,669	6,624,027
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows	65,092		65,092
LIABILITIES			
Accounts Payable	2,519	2,943	5,462
Interfund Payables	10,819		10,819
Unearned Revenue	36,685	1,479	38,164
Net Pension Liability (Note 8)	862,410		862,410
Noncurrent Liabilities (Note 7):			
Due Beyond One Year	62,255		62,255
Total Liabilities	974,688	4,422	979,110
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows	133,910		133,910
NET POSITION			
Invested in Capital Assets, Net of Related Debt	4,296,205		4,296,205
Restricted for:			
Other Purposes	1,917,596		1,917,596
Unrestricted	(650,949)	13,247	(637,702)
Total Net Position	\$ 5,562,852	\$ 13,247	\$ 5,576,099

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, 2015

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Governmental Activities:						
Instruction:						
Regular	\$ 2,586,358	\$ 34,338	\$ 537,905		\$ (2,014,115)	\$ (2,014,115)
Special Education	509,541		88,555		(420,986)	(420,986)
Other Special Instruction	87,369		15,184		(72,185)	(72,185)
Support Services:						
Tuition	1,500,461		260,771		(1,239,690)	(1,239,690)
Student & Instruction Related Serv.	804,357		150,018		(654,339)	(654,339)
School Administrative Services	191,264		33,241		(158,023)	(158,023)
General and Business Admin. Serv.	390,295		67,831		(322,464)	(322,464)
Plant Operations and Maintenance	597,439		103,832		(493,607)	(493,607)
Pupil Transportation	270,534		47,017		(223,517)	(223,517)
Other Charges	1,739				(1,739)	(1,739)
Unallocated Depreciation	9,667				(9,667)	(9,667)
Total Governmental Activities	6,949,024	34,338	1,304,354		(5,610,332)	(5,610,332)
Business-Type Activities:						
Food Service	79,327	51,278	27,068			\$ (981)
Total Business-Type Activities	79,327	51,278	27,068			(981)
Total Primary Government	\$ 7,028,351	\$85,616	\$1,331,422		(\$5,610,332)	(\$981)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes,Net				\$ 6,078,717		\$ 6,078,717
Investment Earnings				991		991
Miscellaneous Income				8,963	\$ 1,066	10,029
Total General Revenues, Special Items, Extraor. Items and Transfers				6,088,671	1,066	6,089,737
Change in Net Position				478,339	85	478,424
Net Position—Beginning (as restated)				5,084,513	13,162	5,097,675
Net Position—Ending				\$ 5,562,852	\$ 13,247	\$ 5,576,099

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, 2015

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 2,159,067		\$ 108,848	\$ 2,267,915
Interfund Receivable	9,249	\$ 20,064		29,313
Receivables from Other Governments	13,849	28,389		42,238
TOTAL ASSETS	<u>\$ 2,182,165</u>	<u>\$ 48,453</u>	<u>\$ 108,848</u>	<u>\$ 2,339,466</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable	\$ 30,883	\$ 9,249		\$ 40,132
Accounts Payable	-	2,519		2,519
Deferred Revenue		36,685		36,685
Total Liabilities	<u>30,883</u>	<u>48,453</u>	<u>-</u>	<u>79,336</u>
Fund Balances:				
<u>Restricted for:</u>				
Capital Reserve Account	629,212			629,212
Maintenance Reserve	710,000			710,000
Excess Surplus	321,213			321,213
Excess Surplus - Designated for Subsequent Year's Expenditures	244,818			244,818
<u>Assigned to:</u>				
Year-End Encumbrances	-			-
Designated for Subsequent Year's Expenditures	12,353			12,353
Capital Projects Fund			108,848	108,848
<u>Unassigned:</u>				
General Fund	233,686			233,686
Total Fund Balances	<u>2,151,282</u>		<u>108,848</u>	<u>2,260,130</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,182,165</u>	<u>\$ 48,453</u>	<u>\$ 108,848</u>	<u>\$ 2,339,466</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,558,160 and the accumulated depreciation is \$2,314,485 (Note 6).	\$4,296,205
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not report in the fund statements. (See Note 8)	65,092
Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 8)	(133,910)
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8)	(862,410)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7).	<u>(62,255)</u>
Net Position of governmental activities	<u>\$5,562,852</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
Local Tax Levy	\$ 6,078,717			\$ 6,078,717
Tuition	34,338			34,338
Interest on Capital Reserve Account	28			28
Miscellaneous	9,926			9,926
Total - Local Sources	<u>6,123,009</u>			<u>6,123,009</u>
State Sources	790,484		-	790,484
Federal Sources		\$ 98,636		98,636
Total Revenues	<u>6,913,493</u>	<u>98,636</u>		<u>7,012,129</u>
EXPENDITURES				
Current:				
Regular Instruction	1,555,096	88,411		1,643,507
Special Education Instruction	340,930			340,930
Other Special Instruction	58,458			58,458
Support services and undistributed costs:				
Tuition	1,500,461			1,500,461
Student and Instruction Related Services	527,964	10,225		538,189
School Administrative Services	127,973			127,973
Other Administrative Services	261,143			261,143
Plant Operations and Maintenance	399,742			399,742
Pupil Transportation	270,534			270,534
Unallocated Benefits	1,262,428			1,262,428
Transfer to Charter School	13,741			13,741
Debt Service:				
Principal				
Interest and Other Charges				
Capital Outlay	150,941		-	150,941
Total Expenditures	<u>6,469,411</u>	<u>98,636</u>		<u>6,568,047</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>444,082</u>			<u>444,082</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Capital Fund	-		-	
Total Other Financing Sources and Uses				
Net Change in Fund Balances	444,082			444,082
Fund Balance—July 1	1,707,200		108,848	1,816,048
Fund Balance—June 30	<u>\$ 2,151,282</u>		<u>\$ 108,848</u>	<u>\$ 2,260,130</u>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 444,082

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	\$ (96,672)	
Capital Outlays	<u>149,202</u>	52,530

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

8,802

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

(27,075)

Change in Net Position of Governmental Activities \$ 478,339

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION
 PROPRIETARY FUNDS

JUNE 30, 2015

		Business-Type Activities - Enterprise Funds	
		<u>Food Service</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 2,659	\$ 2,659
Accounts Receivable		939	939
Interfund Receivables		10,819	10,819
Inventories		3,252	3,252
Total Current Assets		17,669	17,669
Noncurrent Assets:			
Furniture, Machinery and Equipment		27,153	27,153
Less Accumulated Depreciation		(27,153)	(27,153)
Total Noncurrent Assets			
	Total Assets	17,669	17,669
LIABILITIES			
Current liabilities:			
Accounts Payable		2,943	2,943
Deferred Revenue		1,479	1,479
Total Current Liabilities		4,422	4,422
	Total Liabilities	4,422	4,422
NET POSITION			
Invested in Capital Assets Net of Related Debt		13,247	13,247
Unrestricted		13,247	13,247
Total Net Position		\$ 13,247	\$ 13,247

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable/Non-Reimb. Programs	\$ 40,459	\$ 40,459
Daily Sales - Non-Reimb. Programs	10,819	10,819
Miscellaneous	1,066	1,066
Total Operating Revenues	<u>52,344</u>	<u>52,344</u>
 Operating Expenses:		
Cost of Sales	39,193	39,193
Salaries	23,335	23,335
Employee Benefits	6,073	6,073
Supplies	3,001	3,001
Other Purchased Professional Services	7,406	7,406
Depreciation	319	319
Total Operating Expenses	<u>79,327</u>	<u>79,327</u>
 Operating Income (Loss)	<u>(26,983)</u>	<u>(26,983)</u>
 Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	43	43
Federal Sources:		
National School Lunch Program	18,767	18,767
Food Distribution Program	7,921	7,921
Special Milk Program	337	337
Total Nonoperating Revenues (Expenses)	<u>27,068</u>	<u>27,068</u>
 Income (Loss) Before Contributions and Transfers	<u>85</u>	<u>85</u>
 Change in Net Position	85	85
 Total Net Position—Beginning	13,162	13,162
Total Net Position—Ending	<u>\$ 13,247</u>	<u>\$ 13,247</u>

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, 2015

	Business-Type Activities - Enterprise Funds	
	<u>Food Service</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 52,344	\$ 52,344
Payments to Employees	(23,335)	(23,335)
Payments for Employee Benefits	(6,073)	(6,073)
Payments to Suppliers	(52,694)	(52,694)
Net Cash Provided by (used for) Operating Activities	<u>(29,758)</u>	<u>(29,758)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	868	868
Federal Sources	18,279	18,279
Operating Subsidies Transfers from Other Funds	428	428
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>19,575</u>	<u>19,575</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	(10,183)	(10,183)
Balances—Beginning of Year	12,842	12,842
Balances—End of Year	<u>\$ 2,659</u>	<u>\$ 2,659</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (26,983)	\$ (26,983)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Depreciation and Net Amortization	319	319
Federal Commodities	7,921	7,921
(Increase) Decrease in Accounts Receivable	(10,920)	(10,920)
(Increase) Decrease in Inventories	(207)	(207)
Increase (Decrease) in Accounts Payable	112	112
Total Adjustments	<u>(2,775)</u>	<u>(2,775)</u>
 Net Cash Provided by (used for) Operating Activities	<u>\$ (29,758)</u>	<u>\$ (29,758)</u>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

JUNE 30, 2015

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 193,190	\$ 103,684
Total Assets	<u>\$ 193,190</u>	<u>\$ 103,684</u>
LIABILITIES		
Accounts Payable		\$ 708
Payroll Deductions		96,126
Payable to Student Groups		<u>6,850</u>
Total Liabilities		<u>\$ 103,684</u>
NET POSITION		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 193,190</u>	<u> </u>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-8

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

For the Year Ended June 30, 2015

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Contributions:	
Employer	\$ 50,000
Total Contributions	<u>54,930</u>
Investment Earnings:	
Interest	<u>15</u>
Net Investment Earnings	<u>15</u>
Total Additions	<u>54,945</u>
DEDUCTIONS	
Unemployment Claims	<u>7,845</u>
Total Deductions	<u>7,845</u>
Change in Net Position	47,100
Net Position—Beginning of the Year	<u>146,090</u>
Net Position—End of the Year	<u>\$ 193,190</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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, and GAASB No. 68, Accounting for Pensions, and amendment of GASB No. 27. The implementation of these statements effected net position balances as previously reported for the fiscal year ended June 30, 2014 as noted in Note 19.

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, 2015, of 253 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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

Measurement Focus-Basis of Accounting

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

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015

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, 2015

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, 2015, but which were levied to finance fiscal year 2016 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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Position:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015

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, 2015, 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, 2015, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents(A-1)</u>	<u>Cash and Cash Equivalents(B-7)</u>	<u>Total</u>
Checking Accounts	\$2,270,574	\$296,874	\$2,567,448
	<u>\$2,270,574</u>	<u>\$296,874</u>	<u>\$2,567,448</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2015, was \$2,567,448 and the bank balance was \$2,670,319. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$2,420,319 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, 2015, the district's balance was \$0-

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015, consisted of intergovernmental amounts. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$ 13,849	\$ 13,892
Federal Aid	28,389	29,285
Gross Receivable	<u>42,238</u>	<u>43,177</u>
Less: Allow. for Uncollectibles		
Total Receivables, Net	<u>\$ 42,238</u>	<u>\$ 43,177</u>

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2015, consisted of the following:

Food	\$ <u>3,252</u>
	<u>\$ 3,252</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, 2015

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, 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	94,200			94,200
Buildings and Building Improvements	3,716,051	\$ 149,202		3,865,253
Machinery and Equipment	247,909			247,909
Total at Historical Cost	<u>4,058,160</u>	<u>149,202</u>	-	<u>4,207,362</u>
Less Accumulated Depreciation for:				
Land Improvements	(18,217)	(4,605)		(22,822)
Building and Improvements	(2,065,868)	(80,247)		(2,146,115)
Equipment	(230,400)	(11,820)		(242,220)
Total Accumulated Depreciation	<u>(2,314,485)</u>	<u>(96,672)</u>	-	<u>(2,411,157)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>1,743,675</u>	<u>52,530</u>	-	<u>1,796,205</u>
Government Activity Capital Assets, Net	<u>\$ 4,243,675</u>	<u>\$ 52,530</u>	<u>\$ -</u>	<u>\$ 4,296,205</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	\$ 87,005
Unallocated	<u>9,667</u>
Total	<u>\$ 96,672</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015, are as follows:

	Balance <u>7/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/2015</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences Payable	\$35,180	\$27,075		\$62,255	-
Total	\$35,180	27,075	-	\$62,255	-

Compensated absences and capital leases have ben 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, 2015, it is not necessary for the Board to establish a liability for arbitrage rebate.

As of June 30, 2015, the District had no authorized but not issued bonds.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS

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

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

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

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$9,608,718 as measured on June 30, 2014 and \$9,449,173 as measured on June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$517,039 and revenue of \$517,039 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2015 is based upon changes in the collective net pension liability with a measurement period of June 30, 2013 through June 30, 2014. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2013 and June 30, 2014.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

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

	<u>6/30/2013</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	-	\$2,306,623,861
Collective deferred inflows of resources	-	\$1,763,205,593
Collective net pension liability (Nonemployer-State of New Jersey)	\$50,539,213,484	\$53,446,745,367
State's portion of the net pension liability that was associated with the district	\$9,449,173	\$9,608,718
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.018697%	0.017978%

Actuarial assumptions - The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.5%
Salary Increases:	Varies based on experience
Investment Rate of Return:	7.90%

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

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds / Absolute Reti	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

Discount rate. The discount rate used to measure the State's total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Since the District's has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf15.pdf>

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

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

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

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

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

At June 30, 2015, the District reported a liability of \$862,410 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. The District’s proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2014 and 2013. At June 30, 2014, the District’s proportion was 0.00461% which was a decrease of 0.00051% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$29,171. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	-
Changes of assumptions	\$ 27,119	
Net difference between projected and actual earnings on pension plan investments		\$ 51,395
Changes in proportion and differences between District contributions and proportionate share of contributions	-	82,515
District contributions subsequent to the measurement date	37,973	
Total	<u>\$ 65,092</u>	<u>\$ 133,910</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

\$37,973 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability measured as of June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>	
	2015	(\$34,592)
	2016	(\$34,592)
	2017	(\$34,592)
	2018	(\$34,592)
	2019	\$21,929
	Thereafter	<u>\$9,649</u>
	Total	<u>(\$106,791)</u>
	<u>6/30/2013</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	-	\$ 952,194,675
Collective deferred inflows of resources	-	1,479,224,662
Collective net pension liability (Non State - Local Group)	\$19,111,986,911	\$18,722,735,003
District's portion of net pension liability	\$978,023	\$862,410
District's proportion %	0.00511733%	0.00460622%

Actuarial assumptions . The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.01%
Salary Increases:	
2012-2012	2.15%-4.40% based on age
Thereafter	3.15%-5.40% based on age
Investment Rate of Return:	7.90%

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

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount rate. The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability measured as of June 30, 2014, calculated using the discount rate of 5.39%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39%) or 1-percentage-point higher (6.39%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(4.39%)</u>	<u>(5.39%)</u>	<u>(6.39%)</u>
District's proportionate share of the net pension liability	\$ 1,084,941	\$ 862,410	\$ 675,540

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

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

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

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

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

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

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

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

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

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2015	\$37,973	100 %	-0-
6/30/2014	\$38,557	100 %	-0-
6/30/2013	\$37,512	100 %	-0-

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

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

<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>
6/30/2015	\$101,805	100 %	-0-
6/30/2014	\$76,055	100 %	-0-
6/30/2013	\$120,811	100 %	-0-

During the fiscal year ended June 30, 2015, the State of New Jersey did contribute \$263,420 the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$152,612 during the year ended June 30, 2015, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

NOTE 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides 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 \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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.

NOTE 11: COMPENSATED ABSENCES-(Continued)

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, 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, 2015

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>
2014-2015	\$15	\$4,930	\$7,845	\$193,190
2013-2014	\$9		\$7,137	\$146,090
2012-2013	\$3	\$10,183	\$26,369	\$98,218

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.

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$2,151,282 General Fund fund balance at June 30, 2015, \$629,212 has been reserved in the Capital Reserve Account; \$710,000 has been reserved in the Maintenance Reserve Account; \$566,031 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$244,818 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2016); \$12,353 has been appropriated and included as anticipated revenue for the year ending June 30, 2016; and \$233,686 is unreserved and undesignated.

HARMONY TOWNSHIP SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	\$429,184
Interest Earnings	28
Deposits (PL 2007 c.62 (A1)) - June 15, 2015 Resolution	200,000
Ending Balance, June 30, 2015	<u><u>\$629,212</u></u>

The June 30, 2015 LRFP balance of local support costs of uncompleted capital projects at June 30, 2015 is \$629,212.

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, 2015 is \$321,213.

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 2012-2013 and certified by the state department. The resulting 2012-2013 tuition adjustment in accordance with N.J.A.C 6a:23-3.1(f)3, was due in fiscal year 2014-2015, and was paid as part of the 2014-2015 adjusted tuition billings.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 18: INTERFUND BALANCES

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 9,249	\$ 30,883
Food Service Fund	10,819	
Special Revenue Fund	20,064	9,249
Total	<u>\$ 40,132</u>	<u>\$ 40,132</u>

The special revenue fund owes the current fund for cash advances in anticipation of federal grants not yet collected. The general fund owes the current fund for subsidy payments not yet paid over to food service.

NOTE 19: RETROACTIVE RESTATEMENT OF NET POSITION

Restatement of Prior Period:

The District adopted GASB No. 68 -*Accounting and Financial Reporting for Pensions - An amendment of GASB No. 27* during the 2015 fiscal year as required by the pronouncement. The pronouncement requires the district to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of June 30, 2015 and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning Net Position of the district was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014 (as described in Note 8), the restatement adjustments to Net Position relate to the *beginning* net pension liability measured as of June 30, 2013. Also, in accordance with GASB No. 71 -*Pension Transition for Contributions Made Subsequent to the Measurement Date*, The district restated its Net Position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

<u>Governmental Activities Net Position:</u>	
Net Position (per A-1), June 30, 2014	\$ 6,024,543
Restatement of Net Pension Liability	(978,023)
Restatement of Deferred Outflows-Pension	<u>37,993</u>
Net Position (per A-1), June 30, 2015, as Restated	<u>\$ 5,084,513</u>

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, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 6,078,717		\$ 6,078,717	\$ 6,078,717	
Tuition	20,000		20,000	34,338	\$ 14,338
Interest on Capital Reserve Account	100		100	28	(72)
Miscellaneous	12,152		12,152	9,926	(2,226)
Total - Local Sources	6,110,969		6,110,969	6,123,009	12,040
State Sources:					
Transportation Aid	103,351		103,351	103,351	
Special Education Aid	217,130		217,130	217,130	
Security Aid	31,409		31,409	31,409	
PARCC Readiness Aid	3,320		3,320	3,320	
Per Pupil Growth Aid	3,320		3,320	3,320	
Other State Aid				13,460	13,460
TPAF Pension (On-Behalf - Non-Budgeted)				101,805	101,805
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				161,615	161,615
TPAF Social Security (Reimbursed - Non-Budgeted)				152,612	152,612
Total State Sources	358,530		358,530	788,022	429,492
TOTAL REVENUES	6,469,499		6,469,499	6,911,031	441,532

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Pre-Kindergarten - Salaries of Teachers	64,765		64,765	64,765	
Kindergarten - Salaries of Teachers	151,739	(7,500)	144,239	143,867	372
Grades 1-5 - Salaries of Teachers	745,766	(11,000)	734,766	696,036	38,730
Grades 6-8 - Salaries of Teachers	476,157		476,157	425,008	51,149
Regular Programs - Home Instruction:					
Salaries of Teachers	3,000		3,000	1,800	1,200
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	20,432	34,300	54,732	41,654	13,078
Purchased Professional - Educational Services	30,000	(16,600)	13,400	500	12,900
Purchased Technical Services	66,000	(2,700)	63,300	24,788	38,512
Other Purchased Services (400-500 series)	14,000	22,800	36,800	33,497	3,303
General Supplies	125,000		125,000	111,937	13,063
Textbooks	20,000		20,000	10,778	9,222
Other Objects	6,182		6,182	466	5,716
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,723,041	19,300	1,742,341	1,555,096	187,245
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	286,568		286,568	256,783	29,785
Other Salaries for Instruction	99,485		99,485	82,138	17,347
General Supplies	3,000		3,000	2,009	991
Total Resource Room/Resource Center	389,053		389,053	340,930	48,123
TOTAL SPECIAL EDUCATION - INSTRUCTION	389,053		389,053	340,930	48,123

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	55,040		55,040	35,865	19,175
Other Salaries for Instruction	9,645		9,645	7,870	1,775
General Supplies	3,000		3,000	1,399	1,601
Total Basic Skills/Remedial - Instruction	67,685		67,685	45,134	22,551
School Sponsored Co/Extra Curricular Activities-Instruction:					
Salaries	30,000		30,000	12,890	17,110
Supplies and Materials	500		500	434	66
Other Objects					
Total School Sponsored Cocurricular Activities-Instruc.	30,500		30,500	13,324	17,176
Before/After School Programs:					
Salaries	11,000	5,800	16,800	16,781	19
Supplies and Materials	2,500	(2,500)			
Total Before/After School Programs	13,500	3,300	16,800	16,781	19
Summer School:					
Salaries	5,000	13,500	18,500	18,472	28
Supplies and Materials	2,500	(2,500)			
Total Summer School	7,500	11,000	18,500	18,472	28
TOTAL INSTRUCTION	2,231,279	33,600	2,264,879	1,989,737	275,142
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Regular	1,373,107		1,373,107	1,373,107	
Tuition to Other LEAs Within the State-Special	93,000	(45,000)	48,000	42,000	6,000
Tuition to County Voc. District - Regular	25,400		25,400	25,354	46
Tuition to County Voc. District - Special	20,000	40,000	60,000	60,000	
Tuition to CSSD & Regional Day Schools	20,000	(20,000)			
Tuition to Priv Sch Disabled-Other LEA-Spl, O/S State	27,000	(27,000)			
Total Instruction	1,558,507	(52,000)	1,506,507	1,500,461	6,046

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Health Services:					
Salaries	85,855	3,750	89,605	84,939	4,666
Purchased Professional and Technical Services	3,000	(2,250)	750	47	703
Supplies and Materials	1,500		1,500	1,027	473
Total Health Services	90,355	1,500	91,855	86,013	5,842
Other Supp. Services Students-Related Services:					
Salaries	61,295	(34,302)	26,993	26,992	1
Purchased Professional - Educational Services	50,000	17,977	67,977	64,963	3,014
Supplies and Materials	1,500		1,500	944	556
Total Other Supp. Services Students-Related Services	112,795	(16,325)	96,470	92,899	3,571
Other Supp. Services Students-Extra.Serv.:					
Salaries	97,466		97,466	76,455	21,011
Total Other Supp. Services Students-Extra.Serv.	97,466		97,466	76,455	21,011
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	20,000		20,000	9,750	10,250
Other Purchased Professional and Technical Services	9,800		9,800	5,807	3,993
Supplies and Materials	250		250		250
Total Other Supp. Services Students-Regular	30,050		30,050	15,557	14,493
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	69,040		69,040	69,040	
Salaries of Secretarial and Clerical Assistants	10,839		10,839	7,227	3,612
Purchased Professional - Educational Services	25,000	29,100	54,100	34,312	19,788
Other Purchased Professional and Technical Services	7,000	(700)	6,300	5,069	1,231
Misc. Purchased Services (400-500 series O/than Resid.Costs)	900		900		900
Supplies and Materials	2,200		2,200	1,545	655
Total Other Supp. Services Students-Special	114,979	28,400	143,379	117,193	26,186

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<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	9,000		9,000	2,125	6,875
Other Purchased Professional and Technical Services	13,000		13,000	2,934	10,066
Total Improvement of Instruction Services	22,000		22,000	5,059	16,941
Educational Media Services/School Library:					
Salaries	85,855	1,840	87,695	87,695	
Supplies and Materials	6,500	27	6,527	6,527	
Other Objects	5,000	(27)	4,973	1,763	3,210
Total Educational Media Services/School Library	97,355	1,840	99,195	95,985	3,210
Instructional Staff Training Services:					
Purchased Professional - Educational Services	5,000		5,000		5,000
Other Purchased Services (400-500 series)	7,500		7,500	3,498	4,002
Supplies and Materials	600		600	52	548
Total Instructional Staff Training Services	13,100		13,100	3,550	9,550
Supp. Services - General Administration:					
Salaries	26,011	20	26,031	26,030	1
Legal Services	5,000	14,280	19,280	7,347	11,933
Audit Fees	13,500	4	13,504	13,504	
Other Purchased Professional Services	3,700	(2,188)	1,512		1,512
Communications/Telephone	5,000	2,184	7,184	7,047	137
BOE Other Purchased Services	3,000		3,000	1,400	1,600
Other Purchased Services (400-500 series)	78,000		78,000	76,308	1,692
General Supplies	6,000		6,000	1,753	4,247
Miscellaneous Expenditures	1,000		1,000		1,000
BOE Membership Dues and Fees	7,000		7,000	5,758	1,242
Total Supp. Services - General Administration	148,211	14,300	162,511	139,147	23,364

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<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	86,759	3,500	90,259	90,258	1
Salaries of Secretarial and Clerical Assistants	25,542	3,500	29,042	28,907	135
Purchased Professional and Technical Services	5,000	5,100	10,100	4,873	5,227
Other Purchased Services (400-500 series)	500		500	93	407
Supplies and Materials	2,500		2,500	2,384	116
Other Objects	1,500		1,500	1,458	42
Total Support Services - School Administration	121,801	12,100	133,901	127,973	5,928
Central Services:					
Salaries	99,928	20	99,948	98,448	1,500
Purchased Professional Services	15,000	(20)	14,980	14,707	273
Misc. Purchased Services (400-500 series)	1,500		1,500	539	961
Supplies and Materials	7,000		7,000	1,539	5,461
Miscellaneous Expenditures	1,000		1,000	956	44
Total Central Services	124,428		124,428	116,189	8,239
Administrative Information Tech.:					
Salaries	2,000	12,300	14,300	1,276	13,024
Purchased Technical Services	13,397	2,100	15,497	3,831	11,666
Supplies and Materials	6,000		6,000	700	5,300
Total Administrative Information Tech.	21,397	14,400	35,797	5,807	29,990
Required Maintenance for School Facilities:					
Salaries	55,940		55,940	45,943	9,997
Cleaning, Repair and Maintenance Services	88,960		88,960	56,703	32,257
General Supplies	30,000	(9,800)	20,200	3,865	16,335
Total Required Maintenance for School Facilities	174,900	(9,800)	165,100	106,511	58,589
Other Operations and Maintenance of Plant:					
Salaries	92,216		92,216	87,732	4,484
Cleaning, Repair and Maintenance Services	17,000		17,000	72	16,928
Insurance	30,000	809	30,809	30,748	61
Miscellaneous Purchased Services	9,500	(500)	9,000	155	8,845
General Supplies	17,500		17,500	14,714	2,786
Energy (Electricity)	80,000	(16,000)	64,000	42,981	21,019
Energy (Oil)	75,000	(9,000)	66,000	43,789	22,211
Total Other Operations and Maintenance of Plant	321,216	(24,691)	296,525	220,191	76,334

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Care and Upkeep of Grounds:					
Purchased Professional and Technical Services	2,000		2,000		2,000
Cleaning, Repair and Maintenance Services		72,140	72,140	72,140	
General Supplies	5,000		5,000		5,000
Total Care and Upkeep of Grounds	7,000	72,140	79,140	72,140	7,000
Security:					
Cleaning, Repair and Maintenance Services	2,500		2,500		2,500
General Supplies	2,000		2,000	900	1,100
Other Objects	500		500		500
Total Security	5,000		5,000	900	4,100
Student Transportation Services					
Salaries of Non-Instructional Aides	3,000		3,000	2,627	373
Management Fee	1,750		1,750	331	1,419
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	10,608		10,608	4,862	5,746
Contracted Services (Bet. Home and School)-Vendors	232,000	25,000	257,000	251,365	5,635
Contrac.Serv.(Other than Bet.Home and School)-Vendors	750	3,600	4,350	2,969	1,381
Contr Serv (Regular Students) - ESCs & CTSA	21,500	(3,839)	17,661	8,380	9,281
Contr Serv (Sp. Ed. Students) - ESCs & CTSA	55,000	(55,000)			
Total Student Transportation Services	324,608	(30,239)	294,369	270,534	23,835
UNALLOCATED BENEFITS					
Social Security Contributions	54,000		54,000	43,421	10,579
Other Retirement Contributions - PERS	44,000		44,000	37,973	6,027
Other Retirement Contributions - Regular	3,500		3,500	2,111	1,389
Unemployment Compensation	50,000		50,000	50,000	
Workmen's Compensation	25,000	(186)	24,814	20,474	4,340
Health Benefits	791,000	(60,787)	730,213	688,397	41,816
Tuition Reimbursement	12,000		12,000	3,236	8,764
Other Employee Benefits	15,000	4,000	19,000	784	18,216
TOTAL UNALLOCATED BENEFITS	994,500	(56,973)	937,527	846,396	91,131

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
On-behalf TPAF pension Contrib. (non-budgeted)				101,805	(101,805)
On-behalf TPAF PRM Contrib. (non-budgeted)				161,615	(161,615)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				152,612	(152,612)
TOTAL ON-BEHALF CONTRIBUTIONS				416,032	(416,032)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	994,500	(56,973)	937,527	1,262,428	(324,901)
TOTAL UNDISTRIBUTED EXPENDITURES	4,379,668	(45,348)	4,334,320	4,314,992	19,328
TOTAL GENERAL CURRENT EXPENSE	6,610,947	(11,748)	6,599,199	6,304,729	294,470
Equipment:					
Undistributed Expenditures-Instruction	25,700	(25,700)			
Total Equipment	25,700	(25,700)			
Facilities Acquisition and Construction Services					
Construction Services	40,000	109,202	149,202	149,202	
Assessment for Debt Service on SDA Funding	1,739		1,739	1,739	
Total Facilities Acquisition and Construction Services	41,739	109,202	150,941	150,941	
TOTAL CAPITAL OUTLAY	67,439	83,502	150,941	150,941	
Transfer of Funds to Charter Schools	13,355	386	13,741	13,741	
TOTAL EXPENDITURES	6,691,741	72,140	6,763,881	6,469,411	294,470
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(222,242)	(72,140)	(294,382)	441,620	736,002

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<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)	<u>(222,242)</u>	<u>(72,140)</u>	<u>(294,382)</u>	441,620	<u>736,002</u>
Fund Balance, July 1	1,739,337		1,739,337	1,739,337	
Fund Balance, June 30	<u>\$ 1,517,095</u>	<u>\$ (72,140)</u>	<u>\$ 1,444,955</u>	<u>\$ 2,180,957</u>	<u>\$ 736,002</u>
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 629,212	
Maintenance Reserve				710,000	
Excess Surplus				321,213	
Excess Surplus - Designated for Subseq. Year's Expenditures				244,818	
Assigned to:					
Year-End Encumbrances				-	
Designated for Subsequent Year's Expenditures				12,353	
Unassigned:					
Unrestricted Fund Balance				<u>263,361</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				2,180,957	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(29,675)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 2,151,282</u>	

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Federal Sources	\$ 96,250	\$ 41,555	\$ 137,805	\$ 98,636	\$ (39,169)
Total Revenues	96,250	41,555	137,805	98,636	(39,169)
EXPENDITURES:					
Instruction					
Salaries of Teachers	10,380	24,031	34,411	34,411	
Tuition	74,539	(20,539)	54,000	54,000	
General Supplies		16,262	16,262		16,262
Total Instruction	84,919	19,754	104,673	88,411	16,262
Support Services					
Personal Services - Employee Bene.	2,803	4,630	7,433	7,433	
Purchased Profess. - Education Services	2,386	16,837	19,223		19,223
Other Purchased Serv. (400-500 Series)	6,142	(3,350)	2,792	2,792	
Supplies and Materials		1,200	1,200		1,200
Total Support Services	11,331	19,317	30,648	10,225	20,423
Total Expenditures	96,250	39,071	135,321	98,636	36,685
Total Outflows	\$ 96,250	\$ 39,071	\$ 135,321	\$ 98,636	\$ 36,685
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<hr/> <hr/>				
Fund Balance per Governmental Funds(Budgetary Basis)					None
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis					<u>None</u>
Fund Balance per Governmental Funds(GAAP Basis)					<u>None</u>

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

For the Fiscal Year Ended June 30, 2015

Explanation of Differences between Budgetary Inflows and Outflows and

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 6,911,031	\$ 98,636
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
Current Year Encumbrances		N/A
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	32,137	
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(29,675)</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>\$ 6,913,493</u>	<u>\$ 98,636</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 6,469,411	\$ 98,636
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
Current Year Encumbrances		N/A
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 6,469,411</u>	<u>\$ 98,636</u>

**Harmony School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years ***

Exhibit L-3

Teachers' Pension and Annuity Fund (TPAF)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
District's proportion of the net pension liability (asset) **	N/A	N/A								
District's proportionate share of the net pension liability (asset) **	N/A	N/A								
State's proportionate share of the net pension liability (asset) associated with the District	\$ 9,608,718	\$ 9,449,173								
Total	\$ 9,608,718	\$ 9,449,173								
District's covered employee payroll	\$ 2,112,247	\$ 2,032,803								
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A								
Plan fiduciary net position as a percentage of the total pension liability	33.64%	33.76%								

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

Exhibit L-1

Public Employees' Retirement System (PERS)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
District's proportion of the net pension liability (asset)	0.00460622%	0.00511733%								
District's proportionate share of the net pension liability (asset)	\$ 862,410	\$ 978,023								
District's covered employee payroll	\$ 561,656	\$ 602,763								
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	153.55%	162.26%								
Plan fiduciary net position as a percentage of the total pension liability (Local)	52.08%	48.72%								

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

**Harmony School District
Schedule of District Contributions
Last Ten Fiscal Years ***

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Contractually required contribution **	N/A	N/A								
Contributions in relation to the contractually required contribution **	N/A	N/A								
Contribution deficiency (excess)	N/A	N/A								
District's covered employee payroll	\$ 2,112,247	\$ 2,032,803								
Contributions as a percentage of covered-employee payroll	N/A	N/A								

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

Public Employees' Retirement System (PERS)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Contractually required contribution	\$ 38,557	\$ 37,512								
Contributions in relation to the contractually required contribution	<u>(38,557)</u>	<u>(37,512)</u>								
Contribution deficiency (excess)	<u>-</u>	<u>-</u>								
District's covered employee payroll	\$ 561,656	\$ 602,763								
Contributions as a percentage of covered-employee payroll	6.86%	6.22%								

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

HARMONY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Pension Schedules

For the Fiscal Year Ended June 30, 2015

Teachers' Pension and Annuity Fund (TPAF)

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

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

Public Employees' Retirement System (PERS)

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

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

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2015

	Title I	Title I I Part A	IDEA Basic	REAP	Totals
REVENUES					
Federal Sources	\$ 14,748	\$ 2,792	\$ 54,000	\$ 27,096	\$ 98,636
TOTAL REVENUES	14,748	2,792	54,000	27,096	98,636
EXPENDITURES:					
Instruction:					
Salaries of Teachers	12,128			22,283	34,411
Tuition			54,000		54,000
General Supplies					-
Total Instruction	12,128	-	54,000	22,283	88,411
Support Services:					
Personal Services - Employee Bene.	2,620			4,813	7,433
Purchased Profess. - Education Services					-
Other Purchased Serv. (400-500 Series)		2,792			2,792
Total Support Services	2,620	2,792	-	4,813	10,225
TOTAL EXPENDITURES	14,748	2,792	54,000	27,096	98,636
Total Outflows	14,748	2,792	54,000	27,096	98,636
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, 2015

	<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, 2015</u>
Upgrades to Domestic Water Service	9/29/2009					
- State Share		25,100	22,177	22,177		
- Board of Education		37,650	40,872	32,530		\$ 8,342
Replace Phone System	9/29/2009					
- State Share		11,460	11,199	11,199		
- Board of Education		17,190	17,190	16,889	-	301
Partial Roof Replacement (1955 and 1968 wings)	9/29/2009					
- State Share		210,750	145,795	145,795		-
- Board of Education		316,125	318,694	218,489	-	100,205
Totals		\$ 618,275	\$ 555,927	\$ 447,079	-	\$ 108,848

Fund Balance, June 30, 2015 \$ 108,848

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, 2015

Fund Balance - Beginning	<u>\$ 108,848</u>
Fund Balance - Ending	<u><u>\$ 108,848</u></u>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2a

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, 2015

	<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	\$ 22,177		\$ 22,177	\$ 22,177
Transfer from capital reserve	40,872		40,872	40,872
Total Revenues	<u>63,049</u>	<u>-</u>	<u>63,049</u>	<u>63,049</u>
Expenditures and Other Financing Sources				
Purchased Professional Services	\$ 6,222		\$ 6,222	\$ 6,222
Construction Services	48,485		48,485	56,827
Total Expenditures	<u>48,485</u>	<u>-</u>	<u>54,707</u>	<u>63,049</u>
Excess(deficiency) of revenues over(under) expenditures			<u>\$ 8,342</u>	
			Project Fund Balance, 6/30/15	<u>\$ 8,342</u>

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	87%
Original Target Completion Date	6/30/2010
Revised Target Completion Date	9/30/2011

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit F-2b

**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, 2015

	<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	\$ 11,199		\$ 11,199	\$ 11,199
Transfer from capital reserve	17,190		17,190	17,190
Total Revenues	<u>28,389</u>	-	<u>28,389</u>	<u>28,389</u>
Expenditures and Other Financing				
Sources				
Infrastructure	\$ 28,088		\$ 28,088	\$ 28,389
Total Expenditures	<u>28,088</u>	-	<u>28,088</u>	<u>28,389</u>
Excess(deficiency) of revenues over(under) expenditures			<u>\$ 301</u>	
			Project Fund Balance, 6/30/15	<u>\$ 301</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	99%
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
PARTIAL ROOF REPLACEMENT (1955 AND 1968 WINGS)**

From Inception and for the Fiscal Year Ended June 30, 2015

	<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	\$ 145,795		\$ 145,795	\$ 145,795
Transfer from capital reserve	318,694		318,694	318,694
Total Revenues	<u>464,489</u>	-	<u>464,489</u>	<u>464,489</u>
Expenditures and Other Financing Sources				
Purchased Professional Services	\$ 24,169		\$ 24,169	\$ 24,169
Construction Services	340,115		340,115	440,320
Total Expenditures	<u>364,284</u>	-	<u>364,284</u>	<u>464,489</u>
Excess(deficiency) of revenues over(under) expenditures			<u>\$ 100,205</u>	
			Project Fund Balance, 6/30/15	<u>\$ 100,205</u>

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	78%
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 POSITION
FIDUCIARY FUNDS
June 30, 2015**

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	AGENCY FUNDS STUDENT ACTIVITY	PAYROLL AGENCY	TOTALS
ASSETS:				
Cash and Cash Equivalents	\$ 193,190	\$ 6,850	\$ 96,834	\$ 296,874
TOTAL ASSETS	\$ 193,190	\$ 6,850	\$ 96,834	\$ 296,874
LIABILITIES:				
Liabilities:				
Payroll Deductions and Withholdings			\$ 96,126	\$ 96,126
Accounts Payable			708	708
Payable to Student Groups		\$ 6,850		6,850
Total Liabilities		6,850	96,834	103,684
NET POSITION				
Held in Trust for Unemployment Claims and Other Purposes	\$ 193,190			193,190
TOTAL LIABILITIES AND NET POSITION	\$ 193,190	\$ 6,850	\$ 96,834	\$ 296,874

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015**

	UNEMPLOYMENT COMPENSATION INSURANCE	
	<u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 4,930	\$ 4,930
Employer	<u>50,000</u>	<u>50,000</u>
Total Contributions	<u>54,930</u>	<u>54,930</u>
Investment Earnings:		
Interest	15	15
Net Investment Earnings	<u>15</u>	<u>15</u>
Total Additions	<u>54,945</u>	<u>54,945</u>
DEDUCTIONS		
Unemployment Claims	<u>7,845</u>	<u>7,845</u>
Total Deductions	<u>7,845</u>	<u>7,845</u>
Change in Net Position	47,100	47,100
Net Position—Beginning of the Year	<u>146,090</u>	<u>146,090</u>
Net Position—End of the Year	<u>\$ 193,190</u>	<u>\$ 193,190</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>ACTIVITY</u>	<u>BALANCE JULY 1, 2014</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2015</u>
Student Council	\$ 5,186	\$ 12,839	\$ 11,769	\$ 6,256
Eighth Grade Account	202	21,371	20,979	594
Total	\$ 5,388	\$ 34,210	\$ 32,748	\$ 6,850

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>BALANCE JULY 1, 2014</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2015</u>
ASSETS:				
Cash and Cash Equivalents	\$ 14,873	\$ 2,833,665	\$ 2,751,704	\$ 96,834
Total Assets	<u>\$ 14,873</u>	<u>\$ 2,833,665</u>	<u>\$ 2,751,704</u>	<u>\$ 96,834</u>
 LIABILITIES:				
Payroll Deductions and Withholdings	\$ 13,937	\$ 1,250,362	\$ 1,168,173	\$ 96,126
Accounts Payable	936	708	936	708
Salaries and Wages	<u>-</u>	<u>1,582,595</u>	<u>1,582,595</u>	<u>-</u>
Total Liabilities	<u>\$ 14,873</u>	<u>\$ 2,833,665</u>	<u>\$ 2,751,704</u>	<u>\$ 96,834</u>

LONG-TERM DEBT SCHEDULES

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

N/A

Harmony Township School District
Statistical Section

<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.	92-97
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.	98-101
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.	102-105
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.	106-107
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.	108-112

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 Position by Component,
Last Ten Fiscal Years**

Exhibit J-1

(accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 3,651,384	\$ 3,808,654	\$ 3,855,067	\$ 4,014,771	\$ 4,457,217	\$ 4,942,459	\$ 5,147,100	\$ 4,328,919	\$ 4,243,675	\$ 4,296,205
Restricted	1,466,043	1,397,226	1,088,126	1,084,638	620,072	596,598	561,678	736,922	1,404,844	1,917,596
Unrestricted	(55,611)	28,613	163,452	157,485	666,091	391,170	530,757	521,124	376,024	(650,949)
Total governmental activities net position	<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>	<u>\$ 6,239,535</u>	<u>\$ 5,586,965</u>	<u>\$ 6,024,543</u>	<u>\$ 5,562,852</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 4,858	\$ 11,396	\$ 10,582	\$ 9,769	\$ 9,199	\$ 8,630	\$ 5,859	\$ 3,089	\$ 319	\$ -
Restricted									-	-
Unrestricted	19,239	11,620	9,300	15,441	11,316	24,316	4,443	8,312	12,843	13,247
Total business-type activities net position	<u>\$ 24,097</u>	<u>\$ 23,016</u>	<u>\$ 19,882</u>	<u>\$ 25,210</u>	<u>\$ 20,515</u>	<u>\$ 32,946</u>	<u>\$ 10,302</u>	<u>\$ 11,401</u>	<u>\$ 13,162</u>	<u>\$ 13,247</u>
District-wide										
Invested in capital assets, net of related debt	\$ 3,656,242	\$ 3,820,050	\$ 3,865,649	\$ 4,024,540	\$ 4,466,416	\$ 4,951,089	\$ 5,152,959	\$ 4,332,008	\$ 4,243,994	\$ 4,296,205
Restricted	1,466,043	1,397,226	1,088,126	1,084,638	620,072	596,598	561,678	736,922	1,404,844	1,917,596
Unrestricted	(36,372)	40,233	172,752	172,926	677,407	415,486	535,200	529,436	388,867	(637,702)
Total district net position	<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>	<u>\$ 6,249,837</u>	<u>\$ 5,598,366</u>	<u>\$ 6,037,705</u>	<u>\$ 5,576,099</u>

Source: CAFR Schedule A-1

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

Exhibit J-2

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
Expenses										
Governmental activities										
Instruction										
Regular	\$ 1,893,021	\$ 2,046,049	\$ 2,055,382	\$ 2,007,810	\$ 2,243,834	\$ 1,959,353	\$ 2,716,954	\$ 2,305,998	\$ 2,316,079	\$ 2,586,358
Special education	595,104	617,521	683,944	771,767	608,539	647,341	551,929	433,002	441,872	509,541
Other special education	89,431	86,767	108,336	41,144	30,901	90,620	54,593	124,368	87,259	87,369
Support Services:										
Tuition	1,174,077	1,377,338	1,636,253	1,746,299	1,936,385	1,974,145	1,786,158	1,751,201	1,496,904	1,500,461
Student & instruction related services	710,902	752,641	708,504	699,860	735,037	711,401	702,306	771,704	772,388	804,357
School administrative services	113,182	129,953	175,901	137,500	43,427	119,425	151,474	166,450	167,829	191,264
General and business administrative services	395,038	394,769	415,532	383,422	414,889	314,014	284,148	343,479	332,581	390,295
Plant operations and maintenance	640,052	514,688	591,569	482,761	412,787	526,054	494,828	546,377	497,328	597,439
Pupil transportation	381,357	357,810	332,754	326,366	329,726	299,775	338,333	315,051	275,610	270,534
Interest on debt and other fiscal charges	79,026	67,147	54,503	41,380	28,166	13,909	-	1,440	1,739	1,739
Unallocated depreciation	9,514	9,514	9,030	9,030	9,030	10,796	10,796	8,842	8,921	9,667
Total governmental activities expenses	<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>	<u>7,091,519</u>	<u>6,767,912</u>	<u>6,398,510</u>	<u>6,949,024</u>
Business-type activities:										
Food service	91,208	92,399	93,370	93,822	92,231	74,217	84,489	78,166	85,072	79,327
Child Care				8,783	24,960	21,624	-	-	-	-
Total business-type activities expense	<u>91,208</u>	<u>92,399</u>	<u>93,370</u>	<u>102,605</u>	<u>117,191</u>	<u>95,841</u>	<u>84,489</u>	<u>78,166</u>	<u>85,072</u>	<u>79,327</u>
Total district expenses	<u>\$ 6,171,912</u>	<u>\$ 6,446,596</u>	<u>\$ 6,865,078</u>	<u>\$ 6,749,944</u>	<u>\$ 6,909,912</u>	<u>\$ 6,762,674</u>	<u>\$ 7,176,008</u>	<u>\$ 6,846,078</u>	<u>\$ 6,483,582</u>	<u>\$ 7,028,351</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Tuition	\$ 25,424	\$ 21,600	\$ 113,054	\$ 81,763	\$ 109,235	\$ 66,393	\$ 36,493	\$ 48,488	\$ 27,470	\$ 34,338
Operating grants and contributions	1,005,900	1,171,256	1,199,289	1,002,614	1,074,561	751,556	901,072	950,482	845,223	1,304,354
Capital grants and contributions										
Total governmental activities program revenues	<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>	<u>937,565</u>	<u>998,970</u>	<u>872,693</u>	<u>1,338,692</u>
Business-type activities:										
Charges for services										
Food service	71,338	68,357	68,453	69,454	61,917	47,383	48,438	53,765	55,498	51,278
Child Care				14,342	21,944	35,689	1,803	-	-	-
Operating grants and contributions	18,682	22,961	21,783	23,529	26,997	25,186	30,012	25,499	31,335	27,068
Capital grants and contributions										
Total business type activities program revenues	<u>90,020</u>	<u>91,318</u>	<u>90,236</u>	<u>107,325</u>	<u>110,858</u>	<u>108,258</u>	<u>80,253</u>	<u>79,264</u>	<u>86,833</u>	<u>78,346</u>
Total district program revenues	<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>	<u>\$ 1,017,818</u>	<u>\$ 1,078,234</u>	<u>\$ 959,526</u>	<u>\$ 1,417,038</u>
Net (Expense)/Revenue										
Governmental activities	\$ (5,049,380)	\$ (5,161,341)	\$ (5,459,365)	\$ (5,562,962)	\$ (5,608,925)	\$ (5,848,884)	\$ (6,153,954)	\$ (5,768,942)	\$ (5,525,817)	\$ (5,610,332)
Business-type activities	(1,188)	(1,081)	(3,134)	4,720	(6,333)	12,417	(4,236)	1,098	1,761	(981)
Total district-wide net expense	<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>	<u>\$ (6,158,190)</u>	<u>\$ (5,767,844)</u>	<u>\$ (5,524,056)</u>	<u>\$ (5,611,313)</u>

Continued

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

Exhibit J-2

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 4,690,000	\$ 4,928,250	\$ 5,174,000	\$ 5,380,960	\$ 5,503,600	\$ 5,723,744	\$ 5,723,744	\$ 5,838,218	\$ 6,018,532	\$ 6,078,717
Taxes levied for debt service	305,010	308,198	305,598	292,472	299,347	304,173	304,173	-	-	-
Investment earnings	60,210	77,578	58,625	31,342	7,641	2,010	2,010	1,212	875	991
Federal and state aid for capital asset projects	234,428	-	(93,418)		279,135	-	-		(68,139)	
Miscellaneous income	22,652	19,992	19,215	8,437	5,688	5,804	5,804	31,845	12,127	8,963
Transfers										
Total governmental activities	<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>	<u>6,035,731</u>	<u>5,871,275</u>	<u>5,963,395</u>	<u>6,088,671</u>
Business-type activities:										
Miscellaneous income	596	-	-	608	1,638	14	14	1	-	1,066
Transfers										
Total business-type activities	<u>596</u>	<u>-</u>	<u>-</u>	<u>608</u>	<u>1,638</u>	<u>14</u>	<u>14</u>	<u>1</u>	<u>-</u>	<u>1,066</u>
Total district-wide	<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>	<u>\$ 6,035,745</u>	<u>\$ 5,871,276</u>	<u>\$ 5,963,395</u>	<u>\$ 6,089,737</u>
Change in Net Position										
Governmental activities	\$ 262,920	\$ 172,677	\$ 4,655	\$ 150,249	\$ 486,486	\$ 186,847	\$ (118,223)	\$ 102,333	\$ 437,578	\$ 478,339
Business-type activities	(592)	(1,081)	(3,134)	5,328	(4,695)	12,431	(4,222)	1,099	1,761	85
Total district	<u>\$ 262,328</u>	<u>\$ 171,596</u>	<u>\$ 1,521</u>	<u>\$ 155,577</u>	<u>\$ 481,791</u>	<u>\$ 199,278</u>	<u>\$ (122,445)</u>	<u>\$ 103,432</u>	<u>\$ 439,339</u>	<u>\$ 478,424</u>

Source: CAFR Schedule A-2

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

Exhibit J-3

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 798,306	\$ 656,376	\$ 870,010	\$ 883,034	\$ 537,235	\$ 605,062	\$ 622,076	\$ 736,922	\$ 1,476,984	\$ 1,917,596
Unreserved	400,958	539,595	439,151	429,574	376,739	311,649	275,182	266,017	230,216	233,686
Total general fund	<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>	<u>\$ 897,258</u>	<u>\$ 1,002,939</u>	<u>\$ 1,707,200</u>	<u>\$ 2,151,282</u>
All Other Governmental Funds										
Reserved					\$ 145,608					
Unreserved, reported in:										
Special revenue fund					295,885	\$ 139,097	\$ 252,397	\$ 290,287	\$ 108,848	\$ 108,848
Capital projects fund	\$ 404,838	\$ 289,305			-	-	-	-	-	-
Debt service fund		1	2	1	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 404,838</u>	<u>\$ 289,306</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 441,493</u>	<u>\$ 139,097</u>	<u>\$ 252,397</u>	<u>\$ 290,287</u>	<u>\$ 108,848</u>	<u>\$ 108,848</u>

Source: CAFR Schedule B-1

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

Exhibit J-4

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues										
Tax levy	\$ 4,995,010	\$ 5,236,448	\$ 5,479,598	\$ 5,673,432	\$ 5,802,947	\$ 6,027,917	\$ 5,838,218	\$ 5,838,218	\$ 6,018,532	\$ 6,078,717
Tuition charges	25,424	21,600	113,054	81,763	109,235	66,393	36,493	48,488	27,470	34,338
Interest earnings	25,325	29,971	24,318	10,145	2,165	522	60	9	10	28
Miscellaneous	57,537	67,599	53,522	29,634	11,164	7,292	84,984	33,048	12,992	9,926
State sources	1,105,063	1,018,903	968,727	864,326	1,091,168	593,465	719,944	807,476	652,083	790,484
Federal sources	135,265	152,353	137,144	138,288	262,528	158,091	181,128	143,006	125,001	98,636
Total revenue	6,343,624	6,526,874	6,776,363	6,797,588	7,279,207	6,853,680	6,860,827	6,870,245	6,836,088	7,012,129
Expenditures										
Instruction										
Regular Instruction	1,382,754	1,425,105	1,437,366	1,476,551	1,646,355	1,410,274	1,539,162	1,638,716	1,662,416	1,643,507
Special education instruction	461,611	455,957	505,337	600,042	468,675	498,035	418,016	322,647	332,482	340,930
Other special instruction	69,370	64,066	80,045	31,989	23,799	69,719	41,347	92,672	65,657	58,458
Other instruction										
Support Services:										
Tuition	1,174,077	1,377,338	1,636,253	1,746,299	1,936,385	1,974,145	1,786,158	1,751,201	1,496,904	1,500,461
Student & instruction related services	551,434	555,725	523,483	544,135	566,099	547,320	531,907	575,028	581,175	538,189
School administrative services	87,793	95,953	129,966	106,905	33,446	91,880	114,722	124,029	118,856	127,973
Other administrative services	306,424	291,484	307,019	298,107	319,533	241,588	215,206	255,940	250,247	261,143
Plant operations and maintenance	340,038	380,028	437,085	375,342	317,914	404,722	374,769	407,128	374,209	399,742
Pupil transportation	381,357	357,810	332,754	326,366	329,726	299,775	338,333	315,051	275,610	270,534
Unallocated employee benefits	993,220	1,183,581	1,238,360	992,695	1,031,827	1,007,507	1,082,319	1,216,479	1,127,164	1,262,428
Charter Schools	-	-	-	-	-	-	-	1,203	15,414	13,741
Special Revenue										
Capital Outlay	181,732	150,455	19,212	3,238	263,242	304,201	325,041	26,580	13,132	150,941
Debt service:										
Principal	225,000	240,000	250,000	250,000	270,000	289,000	-	-	-	-
Interest and other charges	80,010	68,197	55,597	42,473	29,348	15,173	-	-	-	-
Total expenditures	6,234,820	6,645,699	6,952,477	6,794,142	7,236,349	7,153,339	6,766,980	6,726,674	6,313,266	6,568,047
Excess (Deficiency) of revenues over (under) expenditures	108,804	(118,825)	(176,114)	3,446	42,858	(299,659)	93,847	143,571	522,822	444,082
Other Financing Sources (uses)										
Temporary note redeemed										
Proceeds from borrowing										
Proceeds from refunding										
Capital leases										
Transfers in	351,642	500	195,887		425,100					
Transfers out	(351,642)	(500)	(195,887)		(425,000)					
Total other financing sources (uses)	-	-	-	-	100	-	-	-	-	-
Net change in fund balances	\$ 108,804	\$ (118,825)	\$ (176,114)	\$ 3,446	\$ 42,958	\$ (299,659)	\$ 93,847	\$ 143,571	\$ 522,822	\$ 444,082
Debt service as a percentage of noncapital expenditures	5.0%	4.7%	4.4%	4.3%	4.3%	4.4%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

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

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Rentals</u>	<u>Interest</u> <u>Earned on</u> <u>Capital Reserve</u> <u>Funds</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
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
2012	654			60	36,493	84,330	121,537
2013	1,203			9	48,488	31,845	81,545
2014	875	12,701		10	27,470	584	41,640
2015	991				34,338	8,963	44,292

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>
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
2012	8,629,700	196,425,100	26,281,300	3,995,600	19,984,100	224,926,600	-	515,107,771	34,213,900	651,471	480,893,871	1.214	642,054,276
2013	8,221,300	198,307,000	26,909,600	3,950,500	20,532,200	225,382,300	-	517,203,411	33,207,600	692,911	483,995,811	1.206	595,129,101
2014	7,888,900	198,578,500	25,904,700	3,906,300	19,073,300	225,096,500	-	514,989,516	33,867,100	674,216	481,122,416	1.251	553,971,122
2015	7,768,900	195,001,400	27,095,700	3,912,700	18,765,800	225,096,500	-	513,935,187	35,770,900	523,287	478,164,287	1.271	521,335,225

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	
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
2012	\$1.214	\$0.000	\$1.214	\$0.293	\$0.065	\$0.785	\$2.357
2013	\$1.206	\$0.000	\$1.206	\$0.296	\$0.058	\$0.776	\$2.336
2014	\$1.251	\$0.000	\$1.251	\$0.302	\$0.058	\$0.735	\$2.346
2015	\$1.271	\$0.000	\$1.271	\$0.314	\$0.058	\$0.783	\$2.426

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	2013			2004		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Merrill Creek Reservoir	\$221,059,508	1	46.23%	\$ 187,317,750	1	36.08%
Transcontinental Gas Pipeline Corp.	8,398,400	2	1.76%	2,035,000	5	0.39%
Anchor Concrete Products	3,403,800	3	0.71%			
Signature Estates LLC	2,008,500	4	0.42%			
Harkers Hollow Golf Club	2,000,000	7	0.42%	2,597,440	3	0.50%
Shumack/Tully Rcyclg	1,124,300	8	0.22%			
A Paradise Farm	1,063,400	7	0.22%			
Deep Pool Holding, Inc.	1,030,900	8	0.19%			
Individual Taxpayer #1	899,900	9	0.19%	908,500	7	0.17%
Harmony Sand & Gravel	824,100	10	0.17%	945,700	6	0.18%
Hydropress, Inc.				3,003,200	2	0.58%
Par Four Assoc (Anchor Concrete)				2,247,800	4	0.43%
Gill Properties				839,200	8	0.16%
Bell Atlantic				642,685	9	0.12%
APS Mgmt				573,000	10	0.11%
Total	\$ 241,812,808		50.53%	\$ 201,110,275		38.74%

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	
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%	-
2012	\$5,838,218	\$5,838,218	100.00%	-
2013	\$5,838,218	\$5,838,218	100.00%	-
2014	\$6,018,532	\$6,018,532	100.00%	-
2015	\$6,078,717	\$6,078,717	100.00%	-

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		
2006	\$ 1,299,000	-0-	-0-	-0-	-0-	\$ 1,299,000	1.15%	\$467
2007	\$ 1,059,000	-0-	-0-	-0-	-0-	\$ 1,059,000	0.88%	\$375
2008	\$ 809,000	-0-	-0-	-0-	-0-	\$ 809,000	0.65%	\$287
2009	\$ 559,000	-0-	-0-	-0-	-0-	\$ 559,000	0.45%	\$199
2010	\$ 289,000	-0-	-0-	-0-	-0-	\$ 289,000	0.23%	\$103
2011	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0
2012	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0
2013	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0
2014	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0
2015	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0

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

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

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

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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-	-0-	0.00%	\$0
2012	-0-	-0-	-0-	0.00%	\$0
2013	-0-	-0-	-0-	0.00%	\$0
2014	-0-	-0-	-0-	0.00%	\$0
2015	-0-	-0-	-0-	0.00%	\$0

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, 2015**

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	\$ 5,460,203	100.000%	\$ 5,460,203
Other debt Warren County	5,310,000	4.763%	<u>252,934</u>
Subtotal, overlapping debt			5,713,137
Harmony Township School District Direct Debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 5,713,137</u></u>

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2015

	Equalized valuation basis
	2012 553,421,390
	2013 520,923,994
	2014 507,588,735
	[A] <u>\$ 1,581,934,119</u>
Average equalized valuation of taxable property	[A/3] \$ 527,311,373
Debt limit (3 % of average equalization value)	[B] 15,819,341
Net bonded school debt	[C] -
Legal debt margin	[B-C] <u>\$ 15,819,341</u>

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$17,989,115	\$19,679,698	\$21,141,834	\$20,608,708	\$20,394,926	\$19,811,842	\$19,030,682	\$17,913,441	\$16,616,542	\$15,819,341
Total net debt applicable to limit	<u>1,299,000</u>	<u>1,059,000</u>	<u>809,000</u>	<u>559,000</u>	<u>289,000</u>	-	-	-	-	-
Legal debt margin	<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>	<u>\$19,030,682</u>	<u>\$17,913,441</u>	<u>\$16,616,542</u>	<u>\$15,819,341</u>
Total net debt applicable to the limit as a percentage of debt limit	7.22%	5.38%	3.83%	2.71%	1.42%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2006	2,783	\$ 113,006,498	\$40,606 R	2.4%
2007	2,823	\$ 120,942,966	\$42,842 R	2.2%
2008	2,815	\$ 124,197,800	\$44,120 R	2.9%
2009	2,816	\$ 123,521,024	\$43,864 R	5.3%
2010	2,810	\$ 123,533,220	\$43,962 R	5.5%
2011	2,662	\$ 122,638,340	\$46,070 R	5.0%
2012	2,648	\$ 127,408,520	\$48,115 R	4.9%
2013	2,630	\$ 128,975,200	\$49,040 R	6.8%
2014	2,587	\$ 126,866,480	\$49,040 *	5.9%
2015	2,565	\$ 125,787,600	\$49,040 *	*

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction										
Regular	23.4	23.4	23.4	28.9	28.8	28.0	22.5	22.5	22.0	23.0
Special education	7.0	7.0	7.0	7.0	7.0	7.0	13.4	14.1	8.0	4.0
Support Services:										
Student & instruction related services	8.0	8.0	11.0	9.0	9.0	4.0	4.0	5.1	2.0	1.0
General administrative services	2.0	2.0	2.0	2.0	2.0	1.5	1.0	1.5	2.0	2.0
School administrative services	1.0	1.0	1.0	2.0	2.0	2.0	2.5	2.0	3.0	1.0
Business administrative services	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	4.0	4.0	3.6	3.4	3.0	3.0	2.0	3.0	2.0	2.0
Total	<u>46.4</u>	<u>46.4</u>	<u>49.0</u>	<u>53.3</u>	<u>52.8</u>	<u>45.5</u>	<u>46.4</u>	<u>49.2</u>	<u>40.0</u>	<u>34.0</u>

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				
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%
2012	283	\$6,441,939	22,763	1.90%	26	1:10.9	283.6	272.6	-3.37%	96.12%
2013	269	\$6,700,094	24,907	9.42%	27	1:10	262.6	260.4	-7.40%	99.16%
2014	265	\$6,700,094	25,283	1.51%	27	1:8.3	264.1	253.4	0.59%	95.94%
2015	253	\$6,417,106	25,364	0.32%	27	1:9.4	250.2	237.9	-5.29%	95.10%

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>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	307	309	316	329	298	293	283	269	265	253

Number of Schools at June 30, 2015

Source: District records, ASSA

Elementary = 1

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

HARMONY TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Ten Fiscal Years Ending June 30, 2015

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Harmony School	N/A	\$ 111,200	\$ 118,087	\$ 106,186	\$ 84,598	\$ 102,463	\$ 116,720	\$ 116,497	\$ 146,517	\$ 131,161	\$ 106,511	\$ 1,139,940
Total School Facilities		111,200	118,087	106,186	84,598	102,463	116,720	116,497	146,517	131,161	106,511	1,139,940
Other Facilities												
Grand Total		\$ 111,200	\$ 118,087	\$ 106,186	\$ 84,598	\$ 102,463	\$ 116,720	\$ 116,497	\$ 146,517	\$ 131,161	\$ 106,511	\$1,139,940

HARMONY TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2015
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
SCHOOL PACKAGE POLICY - NJSBAIG		
Property-Blanket Building and Contents-Blanket	\$350,000,000	\$1,000
Comprehensive General Liability	11,000,000	
Comprehensive Automobile Liability	11,000,000	
Comprehensive Crime Coverage	100,000	1,000
Worker's Compensation (NJSBAIG)	2,700,000	
Electronic Data Processing	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	35,000	

SOURCE: District Records

Single Audit Section



ARDITO & Co., LLP

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Harmony Township School District Board of Education in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Harmony Township School District Board of Education's basic financial statements, and have issued our report thereon dated November 16, 2015.

Internal Control Over Financial Reporting

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

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

-Continued-

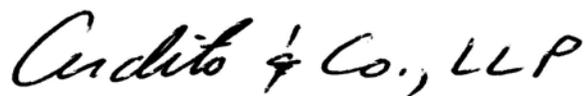
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as findings 2015-1 and 2015-2 in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which are described in the accompanying schedule of findings and questioned costs as items 2015-3 and 2015-4.

Purpose of this Report

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



ARDITO & CO., LLP
November 16, 2015



Licensed Public School Accountant No.2369



ARDITO & Co., LLP

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

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

Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB circulars 04-04 and 15-08

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Harmony Township School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB circulars 04-04 and 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2015. The Harmony Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circulars 04-04 and 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

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

-Continued-

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

Opinion on Each Major State Program

In our opinion, the Harmony Township School District Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with NJ OMB circulars 04-04 and 15-08 and which are described in the accompanying schedule of findings and questioned costs as item 2015-6. Our opinion on each major state program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the Harmony Township School District Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circulars 04-04 and 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Harmony Township School District Board of Education's internal control over compliance.

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

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

-Continued-

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB circulars 04-04 and 15-08, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

ARDITO & Co., LLP

ARDITO & CO., LLP

November 16, 2015

Cynthia Corder

Licensed Public School Accountant No.2369

HARMONY TOWNSHIP SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2015

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2014	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2015			MEMO		
										(ACCTS. RECEIV.)	DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education															
General Fund:															
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	\$ 103,351			\$ 103,351	\$ (103,351)								
Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	217,130			217,130	(217,130)							\$ 8,554	\$ 103,351
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	31,409			31,409	(31,409)							17,972	217,130
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	3,320			3,320	(3,320)							2,599	31,409
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	3,320			3,320	(3,320)							275	3,320
Non-Public Transportation Aid	15-100-034-5120-068	7/1/14-6/30/15	1,444				(1,444)			\$ (1,444)				275	3,320
Non-Public Transportation Aid	14-100-034-5120-068	7/1/13-6/30/14	2,873	\$ (2,873)		2,873									1,444
Extra-ordinary Aid	15-495-034-5120-044	7/1/14-6/30/15	11,917			-	(11,917)			(11,917)					2,873
Extra-ordinary Aid	14-495-034-5120-044	7/1/13-6/30/14	9,579	(9,480)		9,579	(99)								11,917
On-behalf TPAF Pension Contrib.	15-495-034-5094-006	7/1/14-6/30/15	101,805			101,805	(101,805)								9,579
Reimbursed TPAF Soc.Secur.Contrib.	15-495-034-5094-003	7/1/14-6/30/15	152,612			152,124	(152,612)			(488)					101,805
Total General Fund				(12,353)		624,911	(626,407)			(13,849)				29,675	638,760
Capital Projects Fund:															
SDA Grant - Walk-In Freezer	SP#2040-030-09-0ZYV	7/1/09-6/30/10	31,825	(31,825)		31,825									31,825
SDA Grant - Replace Phone System	SP#2040-030-09-0ZJV	7/1/09-6/30/10	11,199	(11,199)		11,199									11,199
SDA Grant - Roof Replacement	SP#2040-030-09-0ZJT	7/1/09-6/30/10	145,795	(145,795)		145,795									145,795
Total Capital Projects Fund				(188,819)		188,819									188,819
State Department of Agriculture:															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	15-100-010-3350-023	7/1/14-6/30/15	865			822	(865)			(43)					865
Nat.School Lunch Prog.(State Share)	14-100-010-3350-023	7/1/13-6/30/14	957	(46)		46									-
Total Enterprise Fund				(46)		868	(865)			(43)					865
Total State Financial Assistance				\$ (201,218)		\$ 814,598	\$ (627,272)			\$ (13,892)				\$ 29,675	\$ 828,444

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, 2015

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 \$2,462 for the general fund and -0- for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
 JUNE 30, 2015

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 790,484	\$ 790,484
Special Revenue Fund	\$ 98,636	-	98,636
Food Service Fund	<u>27,025</u>	<u>43</u>	<u>27,068</u>
Total Financial Assistance	<u>\$ 125,661</u>	<u>\$ 790,527</u>	<u>\$ 916,188</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, 2015. 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, 2015.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Part I - Summary of Auditor's Results

Financial Statement Section

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

- B) Internal control over financial reporting:
 - 1) Material weakness(es) identified? x Yes 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: N/A

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

- F) Type of auditor's report on compliance for major programs: N/A

- 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, 2015

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: Unmodified
- 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

15-495-034-5120-089

Special Education Aid

15-495-034-5120-014

Transportation Aid

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II-Financial Statement Findings

This section identifies significant deficiencies, or other matters that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2015-1

Criteria or Specific Requirement:

Balance sheet accounts are reconciled to the underlying detail

Condition:

Tax levy and state aid receivable accounts were not reconciled to the underlying detail

Context:

Tax levy and state aid amounts comprise ninety-nine percent (99%) of the total district revenue.

Effect:

Receivables and revenues were understated by \$6,437,247. Proposed audit entries were approved to record the appropriate tax levy and state aid receivables and revenues.

Cause:

Balance sheet reconciliations not performed.

Recommendation:

Balance sheet balances should be reconciled to the underlying detail on a monthly basis.

Views of management and planned corrective actions:

Balance sheet balances will be reconciled to the underlying detail on a monthly basis.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**Finding 2015-2****Criteria or Specific Requirement:**

The board secretary report cash balances are in agreement with the Treasurer's bank reconciliation reports.

Condition:

The board secretary report for June 30, 2015 differed from the treasurer's report by \$90,678.89 for the General Fund and \$8,516.67 for the Special Revenue Fund for a total of \$99,195.56.

Context:

\$99,195.56 difference is 4.4% of the district's cash balance.

Effect:

Bank reconciliations do not agree with the general ledger. Treasurer's bank reconciliation cash balance was \$99,195.56 higher than the general ledger.

Cause:

District checks dated June 30, 2015 were issued after the treasurer bank reconciliations were completed.

Recommendation:

That the board secretary report cash balances are in agreement with the Treasurer's bank reconciliation reports on a monthly basis.

Views of management and planned corrective actions:

That the board secretary report will be compared to the Treasurer's bank reconciliation reports on a monthly basis before presented to the board of education for certification.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Finding 2015-3

Criteria or Specific Requirement:

Federal grant cash draw downs should be performed on a reimbursement basis.

Condition:

Cash draw down for IDEA, IDEA preschool, and Title II performed before funds were expended.

Context:

\$25,822 in federal funds drawn down before district expended funds. This amount is 0.35% of total district revenues.

Effect:

District generated grant receipts without related expenditures in the amount of \$25,822, which increased district cash by the same amount.

Cause:

Lack of controls over cash management.

Recommendation:

Federal grants should be drawn down on a reimbursement basis, with adequate expenditure detail to support the cash draw down.

Views of management and planned corrective actions:

Federal grants will be drawn down on a reimbursement basis after expenditures are recorded.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Finding 2015-4

Criteria or Specific Requirement:

Final budgeted appropriations for Special Revenue Grant Funds relate to the current award and prior year deferred revenue.

Condition:

Final budgeted appropriations for Special Revenue Grant Funds were entered incorrectly on the board secretary report.

Context:

\$7,711 in over-expenditures occurred for Title I and REAP grants.

Effect:

Amounts budgeted were greater than the current year allocation increased for prior years unspent grants (prior year deferred revenue) enabling a \$7,711 overexpenditure to occur. Proposed audit entries were approved to reclassify the over-expenditures to the general fund.

Cause:

Lack of controls over budget management.

Recommendation:

The final grant appropriation budget (adjusted budget column in the board secretary report) should equal the current year grant allocation, plus prior year unspent balances (prior year deferred revenue), and prior year encumbrances.

Views of management and planned corrective actions:

Management will ensure that the final grant appropriation budget reflects the current year grant allocation, plus prior year unspent balances and prior year encumbrances.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Finding 2015-5

Criteria or Specific Requirement:

State pass through Federal grants must be spent or encumbered during the grant period or the carryover period.

Condition:

Title II funds for the prior period were unspent or unencumbered as of June 30, 2015 in the amount of \$2,484.

Context:

37% of the title II allocation was unspent or unencumbered.

Effect:

Since the grant was drawn down and cash collected, the unspent Federal funds are to be returned to the State of New Jersey.

Cause:

Inadequate monitoring of budgetary reports.

Recommendation:

The unspent Title II funds should be promptly remitted to the State of New Jersey

Views of management and planned corrective actions:

Management will ensure unspent federal funds are returned to the proper agency.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section III - State Financial Assistance Findings and Questioned Costs

STATE FINANCIAL ASSISTANCE-The following are financial assistance findings or questioned costs that are required to be reported for major programs in accordance with NJOMB Circular 04-04 or 15-08.

Finding 2015-6

Information on the State Program:

TPAF Pension Reimbursement	15-495-034-5094-006
TPAF Soc. Sec. Reimbursement	15-495-034-5094-003

Criteria or Specific Requirement:

TPAF Pension/FICA reimbursement form is to be prepared for TPAF teachers salaries charged to federal grants. The State of New Jersey requires districts to charge TPAF FICA and Pension to the federal grant and reimburse the State for TPAF FICA paid and pension contributions paid on-behalf of the district.

Condition:

The reimbursement form and subsequent payment to the State of New Jersey was overstated by \$1,086.81 creating an overpayment to the State.

Context:

\$1,086.81 in overpayments to the State of New Jersey for TPAF teacher FICA and Pension charged to federal grants.

Effect:

\$1,086.81 in overpayments to the State of New Jersey for TPAF teacher FICA and Pension charged to federal grants.

Cause:

Final budgeted appropriations for teachers salaries and benefits (FICA and Pension) were higher than the total grant(s), which allowed an incorrect calculation of FICA and Pension to be reimbursed to the State. The higher incorrect salary amount was used for the calculation, which exceeded the grant budget.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Recommendation:

That total teacher salary and related benefits do not exceed the grant appropriation budget; That the reimbursement form be prepared to adjust salaries so that adjusted salaries plus calculated benefits (reimbursement to the state) do not exceed the grant appropriation budget.

Views of management and planned corrective actions:

Management will ensure that total teacher salary and related benefits do not exceed the grant appropriation budget.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

