

**Comprehensive Annual
Financial Report**

of the

Borough of Hawthorne Board of Education

County of Passaic

Hawthorne, New Jersey

For the Fiscal Year Ended June 30, 2015

Prepared by

**Borough of Hawthorne, Board of Education
Finance Department**

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INTRODUCTORY SECTION

HAWTHORNE BOARD of EDUCATION

445 LAFAYETTE AVENUE - P.O. BOX #2

HAWTHORNE, NJ 07507-0002

Phone: 973-427-1300

Fax: 973-427-1757

December 1, 2015

Honorable President and
Members of the Board of Education
Hawthorne Public Schools
County of Passaic, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Hawthorne Public Schools (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 of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and required supplementary information, as well as the auditor's report thereon. The financial section also includes Management's Discussion and Analysis, which is an overview of the District's current financial status and future outlook. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, as amended, and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES:

The Hawthorne Public Schools is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. The Hawthorne Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational and special education programs. The District completed the 2014-2015 fiscal year with an average daily enrollment of 2424 students, a decrease of 24 students from 2013-2014. The following details the in-District student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Annual Percent Change</u>
2014-2015	2424	(.98%)
2013-2014	2448	(.69%)
2012-2013	2464	.14%
2011-2012	2430	(.21%)
2010-2011	2481	.61%
2009-2010	2,466	.78%
2008-2009	2,447	.78%
2007-2008	2,428	1.9%
2006-2007	2,383	2.10%
2005-2006	2,334	.69%
2004-2005	2,318	1.85%
2003-2004	2,276	(.39%)

2. MAJOR INITIATIVES 2014-2015:

Hawthorne Public Schools installed a new gym floor at the high school.

In terms of curriculum and instruction during the 2014-2015 school year, several new courses were introduced at Hawthorne High School:

1. AP World History
2. Micro Economics
3. Macro Economics
4. Essentials for Learning in the 21st Century-Math
5. Essentials for Learning in the 21st Century-ELA

New initiatives for the 2014-2015 school year were:

1. Phonics First
2. Envisions Math
3. Worldly Wise

4. Readers Workshop
5. NWEA Map Assessment
6. Achieve 3000
7. IXL
8. Newsela
9. Professor in Residence for Technology
10. Professor in Resident for K-5

3. INTERNAL ACCOUNTING CONTROLS:

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

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

4. BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance as of June 30, 2015.

5. 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. These funds are explained in "Notes to the Basic Financial Statements," Note 1.

6. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements," Note 4. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7. RISK MANAGEMENT:

The District is a member of the Northeast Bergen County School Board Insurance Group (the "Fund"). The Fund is a risk-sharing public entity pool established for the purpose of insuring against workers' compensation claims, general liability, property and vehicle insurance.

8. OTHER INFORMATION:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board's finance committee selected the accounting firm of Suplee, Clooney & Company. 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 as amended and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements 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.

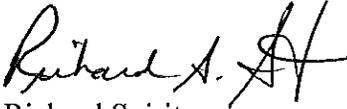
The Hawthorne School Board entered into a new contract with Pomptonian Food Services to manage the District's cafeteria operation for the 2014/2015, 2015/2016 & 2016/2017 school years. The award is based on Pomptonian's prior performance and that firm's 2013/2014 selection via the Request for Proposal process. The Hawthorne School Board will conduct Request for Proposal process for the 2017/2018 school year.

The Hawthorne Board of Education renewed its membership in the Northeast Bergen County Insurance Group. This is a joint insurance group participating with other local school boards to provide general liability, vehicle, and worker's compensation coverage in a cost-effective manner. The Hawthorne Board of Education participates with State Health Benefit Program (SHBP) for medical insurance, Horizon Blue Cross Blue Shield of NJ Prescription Plan for prescription insurance, and dental coverage from Delta Dental.

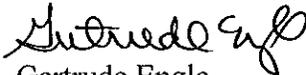
9. ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Hawthorne Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our administrative, financial, accounting, and secretarial staffs.

Respectfully submitted,



Richard Spirito
Superintendent of Schools



Gertrude Engle
Board Secretary/Business Administrator

**HAWTHORNE BOARD OF EDUCATION
HAWTHORNE, NJ**

**ROSTER OF OFFICIALS
JUNE 30, 2015**

<u>Board Members</u>	<u>Term Expires</u>
Mr. Alexander Clavijo, President	2016
Ms. Michele Hyams, Vice President	2015
Ms. Abigail Goff	2015
Mr. Bruce Reicher	2016
Mr. Victor Terraglia	2015
Mr. Louis B. Turco	2016
Mr. Michael Doyle	2017
Mr. Anthony Puluse	2017
Mr. Michael Sciarra	2017

Other Officials

Mr. Richard Spirito, Superintendent of Schools
Ms. Gertrude Engle, Business Administrator/Board Secretary
Mr. Stephen Fogarty, Esq.

**HAWTHORNE BOARD OF EDUCATION
HAWTHORNE, NJ
CONSULTANTS AND ADVISORS**

Audit Firm

Suplee, Clooney & Company
308 East Broad Street
Westfield, NJ 07090

Attorney

Fogarty & Hara, Esqs.
21-00 Route 208 South
Fair Lawn, NJ 07410

Official Depository

Columbia Bank
60 Godwin Ave
Midland Park, NJ 07432

FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300 Fax 908-789-8535

E-mail info@senco.com

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Borough of Hawthorne School District
County of Passaic
Hawthorne, New Jersey 07506

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Hawthorne School District, County of Passaic, New Jersey 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, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, the provisions of U.S. Office of Management and Budget (OMB) *Circular A-133* "Audits of States, Local Governments and Non-Profit Organizations" and State of New Jersey *OMB Circular 04-04* "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

SUPLEE, CLOONEY & COMPANY

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

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

Opinion

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

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 6 to the basic financial statements, in 2015, the District adopted Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement 68). Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information in Exhibit C-1 through C-3 and the schedules related to accounting and reporting for pensions in Exhibit L-1 through L-4 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.

SUPLEE, CLOONEY & COMPANY

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Hawthorne School District's basic financial statements. The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organization," New Jersey's OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and the State of New Jersey, Department of Education, Division of Finance, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organization," New Jersey's OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," and by the State of New Jersey, Department of Education, Division of Finance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, such as the introductory and statistical sections, has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2015 on our consideration of the Borough of Hawthorne School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Hawthorne School District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 93

December 1, 2015

REQUIRED SUPPLEMENTARY INFORMATION – Part I

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

The discussion and analysis of the Borough of Hawthorne School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements-Management's Discussion and Analysis-for the State and Local Governments* issued in June 1999. Certain comparative information between the current fiscal year (2014-2015) and the prior fiscal year (2013-2014) is required to be presented in the MD&A. In FY2015 the District implemented GASB 68 "Accounting and Financial Reporting for Pensions". Information necessary to restate the financial information provided for FY2014 was not available; therefore, the information has not been restated.

Financial Highlights

Key financial highlights for 2015 are as follows:

- The state continues to delay the final two state aid payments into the subsequent budget year. Therefore, the final two payments were not reflected on the GAAP basis financial statements for the 2014/2015 school year. The amount of the deferred state aid payments, which were received in July 2015, is \$167,724.
- General revenues accounted for \$35,785,621 or 76% of all revenues. Program specific revenues in the form of charges for services and operating/capital grants and contributions accounted for \$11,544,966 or 24% of all revenues.
- The District had \$46,356,396 in expenses that were adequately provided for by general revenues consisting primarily of state aid and property taxes.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other non-major funds presented in total in one column. In the case of the district, the General Fund is by far the most significant fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the 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 answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. 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 District's net position and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include 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 District is divided into two distinct kinds of activities:

- **Government Activities** – All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, student transportation and extracurricular activities.
- **Business-Type Activities** – 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 program and the Adult Community School program are reported as business activities.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund Financial reports provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transactions. The District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

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

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities. These statements closely resemble financial statements of a private sector business entity.

The School District as a Whole

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Table 1 provides a comparative summary of the District's net assets for 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Table 1		
Net Assets		
Assets		
Current and Other Assets	\$3,159,062.52	\$4,001,150.21
Capital Assets	<u>7,021,108.00</u>	<u>7,358,779.00</u>
Total Assets	10,180,170.52	11,359,929.21
Deferred Outflows:		
Related to Pensions	841,746.00	
Loss on Refunding of Long-term Debt	<u>110,560.00</u>	<u>146,533.00</u>
	952,306.00	146,533.00
Liabilities		
Other Liabilities	903,975.24	1,556,229.18
Long-Term Liabilities	<u>20,884,396.69</u>	<u>10,154,370.56</u>
Total Liabilities	21,788,371.93	11,710,599.74
Deferred Inflows:		
Related to Pensions	<u>977,458.00</u>	<u> </u>
Net Position		
Net Investment in Capital Assets	(680,863.97)	(633,369.95)
Restricted	593,748.93	120,640.89
Unrestricted	<u>(11,546,238.37)</u>	<u>308,591.53</u>
Total Net Assets	<u><u>(\$11,633,353.41)</u></u>	<u><u>(\$204,137.53)</u></u>

The District's combined net assets were (\$11,633,353.41) on June 30, 2015. The Net Assets for June 30, 2014 have not been restated to reflect the District's Net Pension Liability required by the implementation of GASB 68. The District's investment in capital assets is shown net of any related debt used to acquire those assets.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

Table 2 shows changes in net assets for fiscal years 2015 and 2014.

**Table 2
Changes in Net Assets**

	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenues:		
Charges for Services	\$829,739.10	\$933,284.05
Operating Grants and Contributions	10,643,284.98	6,807,422.97
Capital Grants and Contributions	71,941.73	
General Revenues:		
Property Taxes	35,441,966.00	34,766,609.00
Grants and Entitlements	648,332.00	
Other	<u>(304,677.21)</u>	<u>665,000.28</u>
Total Revenues	<u>47,330,586.60</u>	<u>43,172,316.30</u>
 Program Expenses		
Instruction	27,519,039.14	26,418,029.61
Support Services:		
Student and Instruction Related	7,342,948.21	6,566,566.10
General Administration	685,664.65	587,346.89
School Administration	2,172,465.23	2,087,226.03
Central Services/ Adm. Of Technology	844,580.17	867,882.76
Maintenance of Facilities	4,759,491.89	3,969,126.68
Student Transportation	1,675,955.06	1,475,122.69
Business Type Activities	1,105,263.09	1,091,204.42
Other	<u>350,989.04</u>	<u>426,352.50</u>
Total Expenses	<u>46,456,396.48</u>	<u>43,488,857.68</u>
Increase/ (Decrease) in Net Position	<u>\$874,190.12</u>	<u>(\$316,541.38)</u>

Also, as previously noted, the information for FY2014 has not been restated to reflect the effect of the District's implementation of GASB 68 and the related pension liability. Both revenues and expenses increased mainly as a result of the district recognizing a larger on-behalf TPAF contribution as a revenue and as an expense based upon the State's Actuarial report

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

Government Activities

The nature of funding public education primarily through property taxes in New Jersey creates the legal requirements to annually seek voter approval for the School District budget. Property taxes made up 81 percent of revenues for governmental activities in the District. There was a \$675,357 increase in property taxes or 2 percent from the prior year. The District's total revenues were \$43,106,389 for the year ended June 30, 2015.

Instruction comprises 38 percent of district expenses. Support services make up 57 percent of the district expenses and other services and expenses make up 10 percent.

Business-Type Activities

Revenues for the District's business-type activities were comprised of charges for services and operating grants and contributions in the food service program and the adult community school program. The following are some of our major business type activity results.

- Business type expenses exceeded revenues by \$5,398.
- Revenues consist of \$761,408 in operating revenue from charges for services and \$348,760 in non-operating revenue from State, Federal and other sources.

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

**Table 3
Net Cost of Services**

	<u>Total Cost of Services 2015</u>	<u>Total Cost of Services 2014</u>	<u>Net Cost of Services 2015</u>	<u>Net Cost of Services 2014</u>
Instruction	\$27,519,039.14	26,418,029.61	\$19,830,497.65	\$20,949,536.16
Support Services:				
Students and Instruction Related	7,342,948.21	6,566,566.10	6,031,992.22	6,120,847.36
General Administration, School & Central Administration	3,702,710.05	3,542,455.68	3,097,300.06	3,266,698.73
Maintenance of Facilities	4,759,491.89	3,969,126.68	4,227,314.28	3,752,152.49
Student Transportation	1,675,955.06	1,475,122.69	1,378,242.24	1,272,146.48
Other	350,989.04	426,352.50	350,989.04	426,352.50
Business-Type Activities	<u>1,105,263.09</u>	<u>1,091,204.42</u>	<u>(4,904.82)</u>	<u>(39,583.06)</u>
Total Net Cost of Services	<u>\$46,456,396.48</u>	<u>\$43,488,857.68</u>	<u>\$34,911,430.67</u>	<u>\$35,748,150.66</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

Instruction expenses include activities directly dealing with the teaching of students and the interaction between teacher and student, including extracurricular activities. Tuition paid to other schools for regular and special education students is also included here.

Students and instruction related include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration, and central services include expenses associated with administrative and financial management of the District.

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

Student transportation includes activities with the conveyance of special education students to and from school, school activities and athletic events, as provided by state law.

“Other” includes unallocated depreciation and interest on long term debt.

Business-Type activities include activities in the food service program and the adult community school program.

The School District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund, and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$43,106,389 and expenditures were \$42,382,285.

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, which required significant budget adjustments to contend with state aid reductions. The following schedules, which do not include the Capital Project Fund's activity, present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2015, and the amount and percentage of increase or decrease in relation to prior year revenues.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase(Decrease) from FY 2014</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$35,616,213.95	82.62%	\$634,383.01	2.24%
State Sources	6,333,788.79	14.69%	274,312.11	1.08%
Federal Sources	<u>1,156,386.17</u>	<u>2.68%</u>	<u>156,673.09</u>	<u>10.59%</u>
Total	<u>\$43,106,388.91</u>	<u>100.00%</u>	<u>\$1,065,368.21</u>	<u>1.93%</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

The following schedule represents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2015, and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase(Decrease) from FY 2014</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$16,184,086.12	37.95%	(\$509,140.80)	-3.25%
Support Services	24,310,603.40	57.01%	(672,614.78)	-2.85%
Capital Outlay	829,486.04	1.95%	442,879.73	34.81%
Debt Service	<u>1,318,296.13</u>	<u>3.09%</u>	<u>(937.63)</u>	<u>-0.07%</u>
Total	<u>\$42,642,471.69</u>	<u>100.00%</u>	<u>(\$739,813.48)</u>	<u>-1.37%</u>

General Fund Budgeting Highlights

The 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.

Over the course of the year, the Board of Education, when appropriate, approved budget transfers to keep accounts in balance. Transfers to the budget were made to accurately reflect expenditures according to state guidelines and prevent over-expenditures in specific line item accounts. These revisions bear notation:

- TPAF, which is the State's contribution to the pension fund, post-retirement benefits and the employer's share of FICA costs, is neither a revenue or expenditure item in the budget; however, the School District is required to present this information in the revenue and expenditure sections of the report.

Debt Administration

At June 30, 2015, the District had \$20,884,397 of outstanding long-term liabilities. Of this amount, \$658,301 is for compensated absences; \$417,930 for capital leases; \$102,225 for deferred pension obligation, \$11,729,940 and \$7,976,000 of serial bonds for school construction.

Capital Assets

At the end of the fiscal year 2015, the District had a net of (\$680,864) invested in land, building and building improvements, and machinery and equipment. Table 4 shows fiscal year 2015 balances compared to 2014.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

**Table 4
Capital Assets (Net of Depreciation)**

	<u>2015</u>	<u>2014</u>
Governmental Activities Capital Assets, Net:		
Land	\$310,876.00	\$310,876.00
Building and Building Improvements	5,823,987.00	6,081,037.00
Machinery and Equipment	<u>690,138.00</u>	<u>745,417.00</u>
Total Governmental Activities Capital Assets, Net	<u>6,825,001.00</u>	<u>7,137,330.00</u>
Business Type Activities Capital Assets, Net:		
Machinery and Equipment	<u>196,107.00</u>	<u>221,449.00</u>
Total Business Type Activities Capital Assets, Net:	<u>196,107.00</u>	<u>221,449.00</u>
Total Capital Assets, Net	<u><u>\$7,021,108.00</u></u>	<u><u>\$7,358,779.00</u></u>

Overall net capital assets decreased by \$337,671 from fiscal year 2014 to fiscal year 2015.

For the Future

Everyone associated with the Hawthorne School District is grateful for the community support of the schools. A major concern is the financial support required to maintain appropriate class sizes and services. This, in an environment of virtually flat state aid support, means an ever-increasing reliance on local property taxes.

In conclusion, the Hawthorne School District has committed itself to financial and educational excellence. Its system for financial planning, budgeting and internal financial controls is audited annually and it plans to continue to manage its finances in order to meet the many challenges ahead.

Contacting the School District's Financial Management Office

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 any questions about this report or need additional information contact: Gertrude Engle, Business Administrator/Board Secretary, Hawthorne Board of Education, 445 Lafayette Avenue, Hawthorne, NJ 07507. Also, please visit our website to learn more about our School District.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2015

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of changes in net position 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.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash and cash equivalents	\$2,077,810.73	\$232,437.32	\$2,310,248.05
Receivables, net	749,219.60	20,750.24	769,969.84
Internal Balances		70,778.21	70,778.21
Inventory		8,066.42	8,066.42
Capital assets:			
Non Depreciable	310,876.00		310,876.00
Depreciable - Net	6,514,125.00	196,107.00	6,710,232.00
Total Assets	<u>9,652,031.33</u>	<u>528,139.19</u>	<u>10,180,170.52</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to pension	841,746.00		841,746.00
Loss on Refunding of Long-Term Debt	110,560.00		110,560.00
Total deferred outflow of resources	<u>952,306.00</u>		<u>952,306.00</u>
LIABILITIES:			
Accounts payable	694,173.22	9,206.86	703,380.08
Payable to state government	42,392.12		42,392.12
Payable to other funds	58,168.96		58,168.96
Unearned revenue	10,192.89	2,095.21	12,288.10
Accrued interest payable	87,745.98		87,745.98
Noncurrent liabilities:			
Due within one year	1,187,039.74		1,187,039.74
Due beyond one year	19,697,356.95		19,697,356.95
Total liabilities	<u>21,777,069.86</u>	<u>11,302.07</u>	<u>21,788,371.93</u>
DEFERRED INFLOWS OF RESOURCES:			
Related to pension	977,458.00		977,458.00
NET POSITION:			
Net Investment in capital assets(deficit)	(876,970.97)	196,107.00	(680,863.97)
Restricted for:			
Capital projects	249,170.71		249,170.71
Other purposes	432,315.98		432,315.98
Unrestricted(deficit)	<u>(11,954,706.25)</u>	<u>320,730.12</u>	<u>(11,633,976.13)</u>
Total net position	<u>(\$12,150,190.53)</u>	<u>\$516,837.12</u>	<u>(\$11,633,353.41)</u>

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

**BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2015**

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position				
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities:									
Instruction:									
Regular	\$ 12,832,487.20	\$ 4,693,201.38	\$	\$ 3,256,328.82	\$ 71,941.73	\$ (14,197,418.04)	\$	\$	\$ (14,197,418.04)
Special	6,379,468.84	1,775,806.00		3,936,315.79		(4,150,628.03)			(4,150,628.03)
Other Instruction	1,354,415.53	483,660.18		355,624.13		(1,482,451.58)			(1,482,451.58)
Support services:									
Student & instruction related services	5,629,954.78	1,712,993.42		1,310,955.99		(6,031,992.22)			(6,031,992.22)
General administrative services	528,959.45	156,705.20		88,782.74		(596,881.91)			(596,881.91)
School administrative services	1,535,702.14	636,763.09		398,524.39		(1,773,940.84)			(1,773,940.84)
Central services	340,043.39	123,406.12		78,834.55		(384,614.96)			(384,614.96)
Administration information technology	319,688.32	61,442.34		39,268.31		(341,862.35)			(341,862.35)
Plant operations and maintenance	3,615,563.42	1,143,928.48		532,177.61		(4,227,314.28)			(4,227,314.28)
Pupil transportation	1,439,024.06	236,931.00		297,712.82		(1,378,242.24)			(1,378,242.24)
Unallocated benefits	10,518,201.20	(10,518,201.20)							
Unallocated depreciation and amortization	506,636.00	(506,636.00)							
Interest on Long-Term Debt	350,989.04					(350,989.04)			(350,989.04)
Total governmental activities	45,351,133.39	\$	68,331.02	10,294,525.15	71,941.73	(34,916,335.49)			(34,916,335.49)
Business-type activities									
Food Service	840,880.93			348,759.83		6,723.08			6,723.08
School Aged Child Care Program	264,382.16					(1,818.26)			(1,818.26)
Total business-type activities	1,105,263.09			348,759.83		4,904.82			4,904.82
Total primary government	\$ 46,456,396.48	\$	829,739.10	10,643,284.98	71,941.73	(34,916,335.49)	\$	4,904.82	\$ (34,911,430.67)
General Revenues:									
Taxes:									
Property taxes, levied for general purposes, net						\$	\$	\$	\$
Taxes levied for debt service						1,115,733.00			1,115,733.00
Federal and state aid not restricted						445,768.00			445,768.00
Federal and state aid restricted						202,564.00			202,564.00
Miscellaneous income						87,537.01		493.45	88,030.46
SDA Grant Canceled						(392,707.67)			(392,707.67)
Total general revenues and special items						35,785,127.34		493.45	35,785,620.79
Change in net position						868,791.85		5,398.27	874,190.12
Net Position (as restated) - beginning						(13,018,982.38)		511,438.85	(12,507,543.53)
Net Position ending						(12,150,190.53)		516,837.12	(11,633,353.41)

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

MAJOR FUND FINANCIAL STATEMENTS

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>CAPITAL</u> <u>PROJECTS</u> <u>FUND</u>	<u>DEBT</u> <u>SERVICE</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
ASSETS:					
Cash and cash equivalents	\$ 1,173,434.51	\$ 73,798.97	\$ 830,569.03	\$ 8.22	\$ 2,077,810.73
Accounts receivable:					
Federal		155,516.56			155,516.56
State	593,703.04				593,703.04
Interfunds	155,504.10				155,504.10
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,922,641.65</u>	<u>\$ 229,315.53</u>	<u>\$ 830,569.03</u>	<u>\$ 8.22</u>	<u>\$ 2,982,534.43</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 187,443.55	\$ 33,835.67			\$ 221,279.22
Interfund payable	70,778.21	142,894.85			213,673.06
Intergovernmental payables:					
State		42,392.12			42,392.12
Unearned revenue		10,192.89			10,192.89
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>258,221.76</u>	<u>229,315.53</u>			<u>487,537.29</u>
Fund balances:					
Restricted for:					
Capital reserve account	300,000.00				300,000.00
Maintenance reserve account	50,000.00				50,000.00
Excess surplus	82,315.98				82,315.98
Capital projects			830,569.03		830,569.03
Debt service				8.22	8.22
Assigned:					
Year-end encumbrances	400,825.41				400,825.41
SEMI ARRA	3,310.39				3,310.39
Designated for subsequent years expenditures	100,000.00				100,000.00
Unassigned:					
General fund	727,968.11				727,968.11
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>1,664,419.89</u>		<u>830,569.03</u>	<u>8.22</u>	<u>2,494,997.14</u>
Total liabilities and fund balances	<u>\$ 1,922,641.65</u>	<u>\$ 229,315.53</u>	<u>\$ 830,569.03</u>	<u>\$ 8.22</u>	<u>\$ 2,982,534.43</u>

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

Total Fund Balances (Brought Forward)	\$	2,494,997.14
<p>Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Cost of Assets	\$ 21,852,674.00	
Accumulated Depreciation	<u>(15,027,673.00)</u>	6,825,001.00
<p>Cost associated with the issuance of Bonds are expensed in the Governmental Funds in the year the bonds are issued, but are capitalized on the Statement of Net position:</p>		
Deferred Amount on Refunding, net		110,560.00
<p>Long term liabilities, including bonds payable, and other related amounts that are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
Serial bonds payable	(7,976,000.00)	
Net Pension Liability	(11,729,940.00)	
Capital leases payable	(417,930.29)	
Deferred pension obligation	(102,225.00)	
Compensated absences payable	<u>(658,301.40)</u>	(20,884,396.69)
<p>Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.</p>		
Pensions:		
Deferred Outflows		
Pension related		368,853.00
Deferred Inflows:		
Pension related		(977,458.00)
<p>Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.</p>		
Accrued Interest Payable		<u>(87,745.98)</u>
Net Position of Governmental Activities	\$	<u><u>(12,150,189.53)</u></u>

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Local sources:					
Local tax levy	\$ 34,326,233.00	\$	\$	\$ 1,115,733.00	\$ 35,441,966.00
Interest earned on capital reserve funds	216.95				216.95
Tuition	68,331.02				68,331.02
Miscellaneous	87,320.06	18,379.92			105,699.98
Total - local sources	34,482,101.03	18,379.92		1,115,733.00	35,616,213.95
State sources	5,800,657.18	258,625.88	71,941.73	202,564.00	6,333,788.79
Federal sources	73,701.59	1,082,684.58			1,156,386.17
Total revenues	40,356,459.80	1,359,690.38	71,941.73	1,318,297.00	43,106,388.91
EXPENDITURES:					
Current expense:					
Regular instruction	10,217,550.60	311,744.14			10,529,294.74
Special instruction	3,709,050.16	753,969.96			4,463,020.12
Other Instruction	1,145,258.40	46,512.86			1,191,771.26
Support services:					
Tuition	2,074,597.75				2,074,597.75
Student & instruction related services	4,824,501.24	247,463.42			5,071,964.66
General administrative services	483,829.87				483,829.87
School administrative services	1,327,596.60				1,327,596.60
Central services	300,148.22				300,148.22
Administrative information technology	299,026.61				299,026.61
Plant operations and maintenance	2,858,854.87				2,858,854.87
Student transportation	1,363,464.41				1,363,464.41
Unallocated benefits	10,531,120.41				10,531,120.41
Debt Service:					
Principal				1,000,000.00	1,000,000.00
Interest				318,296.13	318,296.13
Capital outlay	649,631.72		179,854.32		829,486.04
Total expenditures	39,784,630.86	1,359,690.38	179,854.32	1,318,296.13	42,642,471.69
Excess (deficiency) of revenues over (under) expenditures	571,828.94		(107,912.59)	0.87	463,917.22
Other financing sources (uses):					
Operating transfers in/out	23,769.60		(23,769.60)		
Cancelled SDA Grant			(392,707.67)		(392,707.67)
Capital leases (non-budgeted)	174,507.41				174,507.41
Total other financing sources	198,277.01		(416,477.27)		(218,200.26)
Net change in fund balances	770,105.95		(524,389.86)	0.87	245,716.96
Fund balances, July 1, 2014	894,313.94	-0-	1,354,958.89	7.35	2,249,280.18
Fund balances, June 30, 2015	\$ 1,664,419.89	\$ -0-	\$ 830,569.03	\$ 8.22	\$ 2,494,997.14

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total net change in fund balances - governmental funds (from B-2) \$ 245,716.96

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	\$ (506,636.00)	
Capital outlays	829,486.04	
Less: Capital outlays not capitalized	(635,179.04)	(312,329.00)

Proceeds from debt issues are a financing source in governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.

Capital lease proceeds		(174,507.41)
Original Issue Discount on Refunding Bonds		(1,254.00)
Deferred Amount on Refunding Bond Payments to Escrow Agent		(34,719.00)

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

Payment of capital lease principal	153,577.07	
Payment of deferred pension	7,925.00	
Payment of bond principal	1,000,000.00	1,161,502.07

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The accrued interest is an increase in the reconciliation.

Decrease in accrued interest payable		6,603.02
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District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

District pension contributions	516,484.00	
Less: Pension expense	(551,624.00)	(35,140.00)

In the statement of activities, certain expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

Decrease in compensated absences payable		12,919.21
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Change in net position of governmental activities		\$ 868,791.85
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The accompanying Notes to the Financial Statements are an integral part of this statement.

OTHER FUNDS

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

BUSINESS-TYPE
ACTIVITIES
ENTERPRISE
FUNDS
NON-MAJOR

ASSETS:

Current assets:

Cash and cash equivalents	\$	232,437.32
Accounts receivable:		
Federal		20,151.48
State		598.76
Interfunds		70,778.21
Inventories		<u>8,066.42</u>
Total current assets		<u>332,032.19</u>

Noncurrent assets:

Furniture, machinery and equipment		401,735.00
Less accumulated depreciation		<u>(205,628.00)</u>
Total noncurrent assets		<u>196,107.00</u>
Total assets		<u>528,139.19</u>

LIABILITIES:

Current liabilities:

Accounts payable		9,206.86
Unearned revenue		<u>2,095.21</u>
Total current liabilities		<u>11,302.07</u>
Total liabilities		<u>11,302.07</u>

NET POSITION:

Net Investment in capital assets		196,107.00
Unrestricted		<u>320,730.12</u>
Total net position	\$	<u><u>516,837.12</u></u>

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS NON-MAJOR</u>
OPERATING REVENUES:	
Charges for services:	
Daily sales	\$ 234,568.91
Daily sales - non-reimbursable programs	231,201.77
Special Functions	33,073.50
Child care activities	<u>262,563.90</u>
	<u>761,408.08</u>
OPERATING EXPENSES:	
Cost of sales	382,885.99
Salaries and employee benefits	501,569.57
Other purchased services	97,190.38
Supplies and materials	35,097.07
Miscellaneous	63,178.08
Depreciation	<u>25,342.00</u>
Total operating expenses	<u>1,105,263.09</u>
Operating (loss)	<u>(343,855.01)</u>
NON-OPERATING REVENUES:	
State Sources	
State school lunch program	9,096.73
Federal Sources	
National school lunch program	285,538.20
National school breakfast program	11,286.33
National food distribution commodities	42,838.57
Interest and investment revenue	<u>493.45</u>
Total non-operating revenues	<u>349,253.28</u>
Net income before contributions and transfers	5,398.27
Change in net position	5,398.27
Total net position - beginning	<u>511,438.85</u>
Total net position - ending	<u>\$ 516,837.12</u>

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS NON-MAJOR</u>
Cash flows from operating activities:	
Receipts from customers	\$ 761,408.08
Payments to employees and employee benefits	(467,358.39)
Payments to suppliers	<u>(577,077.17)</u>
Net cash provided by (used for) operating activities)	<u>(283,027.48)</u>
Cash flows from noncapital financing activities:	
State Sources	9,245.16
Federal Sources	<u>301,055.74</u>
Net cash provided by noncapital financing activities:	<u>310,300.90</u>
Cash flows from investing activities:	
Interest on investments	<u>493.45</u>
Net cash provided by (used for) investing activities	<u>493.45</u>
Net decrease in cash and cash equivalents	27,766.87
Cash and cash equivalents, July 1, 2014	<u>204,670.45</u>
Cash and cash equivalents, June 30, 2015	<u>\$ 232,437.32</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (343,855.01)
Adjustments to reconciling operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation and net amortization	25,342.00
Change in assets and liabilities:	
Increase (decrease) in accounts payable	(8,849.49)
Increase (decrease) in unearned revenue	669.77
(Increase) decrease in inventories	<u>826.68</u>
	<u>60,827.53</u>
Net cash provided by (used for) operating activities	<u>\$ (283,027.48)</u>

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>PRIVATE PURPOSE SCHOLARSHIP FUNDS</u>	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>AGENCY FUNDS</u>
ASSETS:			
Cash and cash equivalents	\$ <u>3,992.43</u>	\$ <u>109,075.00</u>	\$ <u>270,532.13</u>
Total assets	<u>3,992.43</u>	<u>109,075.00</u>	<u>270,532.13</u>
LIABILITIES:			
Payroll deductions and withholdings			17,164.27
Due to other funds			240,758.61
Due to student groups			<u>12,609.25</u>
Total liabilities			<u>\$ 270,532.13</u>
NET POSITION:			
Held in trust for unemployment claims		<u>\$ 109,075.00</u>	
Held in trust for scholarships	<u>\$ 3,992.43</u>		

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>PRIVATE PURPOSE SCHOLARSHIP FUNDS</u>	<u>UNEMPLOYMENT COMPENSATION TRUST</u>
ADDITIONS:		
Contributions:		
Unemployment	\$ _____	\$ 241,845.23
Total contributions	_____	241,845.23
Investment earnings:		
Interest earned	3.52	27.03
Net investment earnings	3.52	27.03
Total additions	3.52	241,872.26
DEDUCTIONS:		
Other purposes	500.00	
Unemployment claims		152,501.74
Total deductions	500.00	152,501.74
Change in net position	(496.48)	89,370.52
Net position beginning of year	7,067.15	\$ 32,719.23
Net position end of year	\$ 6,570.67	\$ 122,089.75

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

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hawthorne School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's accounting policies are described below:

Reporting Entity

The School District is a Type II District located in Passaic County, New Jersey. The School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Hawthorne School District is governed by a seven member board, which is the primary governing authority of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

The primary criterion for including activities within the District's reporting entity, are set forth in Statement No. 39 of the Governmental Accounting Standards Board entitled "*Determining Whether Certain Organizations are Component Units*" (GASB 39) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

Organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discretely presented as component units:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources of the organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The financial statements include all funds of the District over which the Board exercises operating control.

The operations of the District include pre-kindergarten through high school education. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The 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.

District-Wide Statements: The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish generally between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activities of the 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 requirement 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 District.

Fund Financial Statements: During the fiscal year, the District segregates transactions related to certain 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 are presented for each fund category-governmental, proprietary, and fiduciary. 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 as the oversight entity believes that the presentation of all funds as major is important for the public interest and to promote consistency among District financial reporting models.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 non instructional equipment which are classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. U.S. 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 capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to the current expense by Board resolution; in certain instances approval by the County Superintendent of Schools may also be required.

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

Capital Projects Funds 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 debt issued to finance major property acquisition, construction and improvement programs.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

Enterprise Fund The enterprise fund accounts for all revenues and expenses pertaining to the District's Food Service and School Age Child Care program operations. These funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (*i.e.* expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Funds

Agency Funds The agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District. The agency funds included are as follows:

Payroll and Student Activities Funds These are agency funds used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Private Purpose Trust Funds These trust funds are used to account for assets donated by individuals that will provide for the payment of awards and other purposes.

Unemployment Insurance Trust Funds An expendable trust fund used to account for unemployment compensation claims as they arise.

Basis of Accounting-Measurement Focus

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

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting-Measurement Focus (Continued)

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. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation for expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State 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 are 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 transactions 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 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 from the issuance of 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, Account Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the School Board election to the date of the November general election thereby eliminating the vote on the annual base budget unless required by the mandated State budget CAP. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(f)1. Expenditures may not legally exceed budgeted appropriations at the line item level. All budget amendments and transfers must be approved by School Board resolution. Budget amendments during the year ended June 30, 2015 totaled \$302,567.96, representing the balance of June 30, 2014 general fund encumbrances and a maintenance reserve transfer.

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 (GAAP) with the exception of the legally mandated (NJSA 18A:22-44.2) revenue recognition of deferred State Aid payments for budgetary purposes only and the accounting treatment of encumbrances in the special revenue fund as described 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 recognized 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 records.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrance Accounting

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

Open encumbrances in the special revenue and capital project funds for which the District has received advances are reflected in the balance sheet as unearned 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.

Interfunds

Interfund receivables and payables arise from transactions between particular funds and are considered short term in duration. The interfund transactions are recorded by all funds affected in the period in which the transactions are executed and are part of the district's available expendable resources.

Inventories and Prepaid Expenses

Inventories of materials and supplies held for consumption in the governmental funds are recorded as expenditures at the time of purchase and year end balances are not reported in the financial statements.

Inventories of food and/or supplies in the food service fund are recorded at cost on a first-in, first-out basis or, in the case of Food Distribution Commodities, at stated value which approximates market.

Prepaid expenses which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures in the year of purchase.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The District has an established formal system of accounting for its capital assets. Capital Assets used for governmental purposes, which include land, buildings and improvements and furniture and equipment, are only reported in the district-wide financial statements. The District generally defines capital assets as assets with an initial cost of \$2,000.00 or more and an estimated useful life in excess of one year. 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.

Capital assets are depreciated in the district-wide statements using the straight-line method over the following estimated useful lives:

	<u>Estimated</u>
School Buildings	40
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

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 varying amounts of vacation and sick leave in accordance with the District's personnel policy and/or collective bargaining unit contracts. Upon termination, employees are paid for accrued vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after four years of service.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave and vacation days that are 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.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

For the district-wide statements, the current portion is the amount estimated to be used in the following year. For the governmental funds in the fund financial statements, a liability is reported only for to the extent of the amount actually due at year end as a result of employee resignations/retirements. Compensated absences are a reconciling item between the fund level and district-wide presentations.

Fund Equity

Fund balance restrictions are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designation of portions of the fund balances are established to indicate tentative plans for financial utilization in a future period. The unassigned fund balances represent the amount available for future budgetary operations.

Unassigned net position represents the remains of the District's equity in the cumulative earnings of the proprietary fund.

Unearned Revenue

Unearned revenue in the special revenue and capital projects funds represents funds which have been received but not yet earned. A corresponding accounts receivable has also been established for any open encumbrances at year end which is an allowable practice under generally accepted accounting principles.

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. Long term debt is recognized as a liability on the fund financial statements when due.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

GASB 63 provides guidance for reporting net position in the statement of financial position and related disclosures. In compliance with GASB 63, the Statement of Net Assets has been renamed the Statement of Net Position. Net Position represents the difference between assets and liabilities. Net investment in capital assets 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 is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Balance

Under GASB 54, in the fund financial statements, governmental funds report the following classifications of fund balance:

Non-Spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation. The District reports the Capital Reserve, Emergency Reserve, Maintenance Reserve and Excess Surplus as Restricted Fund Balance.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education. The District reports amounts Designated for Subsequent Year's Expenditures as Committed Fund Balance.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves (Continued)

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District’s policy, amounts may be assigned by the Business Administrator. The District reports Year End Encumbrances as Assigned Fund Balance.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

The general fund is the only fund that will report a negative unassigned fund balance. For all other governmental funds the amount of a residual deficit would be classified as unassigned.

Revenues, Exchange and Non-Exchange 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.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues Exchange and Non-Exchange Transactions (Continued)

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales and program fees in the Enterprise Funds. 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 the 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.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent of occurrence. Special items are transactions or events that are within 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 GAAP requires management to make assumptions that affect the amounts reported as revenue and expenditures/expenses during the reporting period. These estimates may differ from actual results.

Accounting and Financial Reporting for Pensions

In fiscal year 2015, the District implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (Continued)

The District has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has two items that qualify for reporting in this category, deferred amounts from an loss on refunding debt and deferred amounts related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the District has only one item that qualifies for reporting in this category, deferred amounts related to pensions.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. Each depository participating in the GUDPA system must pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds. No collateral is required for amounts covered by FDIC insurance. The collateral which may be pledged to support these deposits includes obligations of the State and federal governments, insured securities and other collateral approved by the Department. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of June 30, 2015, based upon the coverage provided by FDIC and NJGUDPA, \$-0- of cash equivalents was exposed to custodial credit risk. Of the \$3,358,532.75 cash and cash equivalents on deposit, \$455,218.75 was covered by Federal Depository Insurance, \$2,903,313.93 was covered under the provisions of NJGUDPA.

As of June 30, 2015, cash and cash equivalents of the District consisted of the following:

<u>Bank</u> <u>Balance</u>	<u>Reconciling Items</u>		<u>Reconciled</u> <u>Balance</u>
	<u>Additions</u>	<u>Deletions</u>	
\$2,661,524.78	\$0.41	\$583,714.46	\$2,077,810.73
292,150.22	0.00	59,712.90	232,437.32
<u>404,857.75</u>	<u>1,374.44</u>	<u>22,632.63</u>	<u>383,599.56</u>
<u>\$3,358,532.75</u>	<u>\$1,374.85</u>	<u>\$666,059.99</u>	<u>\$2,693,847.61</u>

Investments

The types of investments which may be purchased by the District are strictly limited by the express authority of the N.J.S.A. 18A:20-37 Education, Administration of School Districts. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a1 et seq., and operated in accordance with 17 C.F.R. § 270.2a7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by School Districts;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:2037. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 C. 52:18A-90.4); or

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 C. 17:1941); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

At June 30, 2015, the District had no outstanding investments that were not considered "cash equivalents".

Based upon the limitation set forth by New Jersey Statutes 18A:20-37 and its existing investment practices, the District is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risks for its deposits and investments.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 3: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Ending Balance</u>
Governmental Activities: Capital assets not being depreciated:				
Land	\$310,876.00			\$310,876.00
Total Capital Assets not being depreciated	<u>310,876.00</u>			<u>310,876.00</u>
Buildings & Building Improvements	16,693,689.00	\$15,000.00		16,708,689.00
Machinery & Equipment	<u>4,653,802.00</u>	<u>179,307.00</u>		<u>4,833,109.00</u>
Totals at historical cost	<u>21,347,491.00</u>	<u>194,307.00</u>		<u>21,541,798.00</u>
Gross Assets (Memo only)	<u>21,658,367.00</u>	<u>194,307.00</u>		<u>21,852,674.00</u>
Less: Accumulated Depreciation				
Buildings & Building Improvements	(10,612,652.00)	(272,050.00)		(10,884,702.00)
Machinery & Equipment	<u>(3,908,385.00)</u>	<u>(234,586.00)</u>		<u>(4,142,971.00)</u>
Total Depreciation	<u>(14,521,037.00)</u>	<u>(506,636.00)</u>		<u>(15,027,673.00)</u>
Total capital assets being depreciated, net of depreciation	<u>6,826,454.00</u>	<u>(312,329.00)</u>		<u>6,514,125.00</u>
Total Governmental Fund Activities	<u>\$7,137,330.00</u>	<u>(\$312,329.00)</u>		<u>\$6,825,001.00</u>
Proprietary Activities:				
Machinery & Equipment	<u>\$401,735.00</u>			<u>\$401,735.00</u>
Totals at historical cost	<u>401,735.00</u>			<u>401,735.00</u>
Less: Accumulated Depreciation				
Machinery & Equipment	<u>(180,286.00)</u>	<u>(\$25,342.00)</u>		<u>(205,628.00)</u>
Total Depreciation	<u>(180,286.00)</u>	<u>(25,342.00)</u>		<u>(205,628.00)</u>
Total Proprietary Fund Activities	<u>\$221,449.00</u>	<u>(\$25,342.00)</u>		<u>\$196,107.00</u>

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 3: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functional expenses areas of the District as follows:

Instruction:	
Regular	\$143,672.00
Support services:	
Student & instruction related services	48,968.00
General administrative services	5,313.00
School administrative services	13,200.00
Plant operations and maintenance	283,246.00
Pupil transportation	<u>12,237.00</u>
	<u><u>\$506,636.00</u></u>

NOTE 4: LONG-TERM LIABILITIES

Bonds are issued by the District pursuant to the provisions of Title 18A, Education, of the New Jersey Statutes and are required to be approved by the voters of the municipality through referendum. The proceeds of bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond referendum. All bonds are retired in annual installments within the statutory period of usefulness.

School Bonds issued by the District are entitled to and benefit from the provision of the New Jersey School Board Reserve Act P.L. 1980 c.72. Basically, funds are held by the State of New Jersey within its State Fund for the Support of Free Public Schools as a school bond reserve pledged by law to secure payment of principal and interest due on such bonds in the event of the inability of the issuer to make payments.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of transactions that affect long-term liabilities for the year ended June 30, 2015:

	Balance, <u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2015</u>	Due Within <u>One Year</u>
Bonds Payable	\$8,976,000.00		(\$1,000,000.00)	\$7,976,000.00	\$1,035,000.00
Compensated Absence	671,220.61		(12,919.21)	658,301.40	
Deferred Pension Obligation	110,150.00		(7,925.00)	102,225.00	
Net Pension Liability	12,303,406.00		(573,466.00)	11,729,940.00	
Capital Leases Payable	<u>396,999.95</u>	<u>\$174,507.41</u>	<u>(153,577.07)</u>	<u>417,930.29</u>	<u>152,039.74</u>
Total	<u>\$22,457,776.56</u>	<u>\$174,507.41</u>	<u>(\$1,747,887.28)</u>	<u>\$20,884,396.69</u>	<u>\$1,187,039.74</u>

Debt Service Requirements

The annual requirements to amortize all debt outstanding as of June 30, 2015, including interest payments on issued debt, are as follows:

Fiscal Year <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$1,035,000.00	\$284,915.00	\$1,319,915.00
2017	1,070,000.00	250,119.00	1,320,119.00
2018	1,075,000.00	212,721.00	1,287,721.00
2019	1,065,000.00	173,965.00	1,238,965.00
2020	1,060,000.00	133,790.00	1,193,790.00
2021-2025	2,175,000.00	363,400.00	2,538,400.00
2026	<u>496,000.00</u>	<u>19,840.00</u>	<u>515,840.00</u>
	<u>\$7,976,000.00</u>	<u>\$1,438,750.00</u>	<u>\$9,414,750.00</u>

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

General obligation school and refunding bonds payable with their outstanding balances are comprised of the following individual issues:

<u>Issue</u>	<u>Amount Outstanding June 30, 2015</u>
\$1,475,000.00 in 2002 Bonds due in remaining annual installments of and \$100,000.00 ending December, 2019 with interest between 4.000% to 4.400%	\$500,000.00
\$5,850,000.00 in 2005 Refunding Bonds due in remaining annual installments of between \$590,000.00 and \$635,000.00 ending November, 2019 with interest between 3.625% to 4.000%	3,065,000.00
\$5,476,000.00 in 2011 Bonds due in annual remaining installments of between \$300,000.00 and \$496,000.00 ending February, 2026 with interest between 2.500% to 4.000%	<u>4,411,000.00</u>
	<u>\$7,976,000.00</u>

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

Capital Leases Payable

The District is leasing communications and copier equipment under capital leases. The capital leases are for terms up to five years. The following is a schedule of the future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, 2015:

Fiscal Year Ended	<u>Amount</u>
<u>June 30,</u>	
2016	\$160,999.16
2017	158,316.26
2018	57,974.81
2019	<u>57,974.81</u>
Total Minimum Lease Payments	435,265.04
Less: Amount Representing Interest	<u>(17,334.75)</u>
 Present Value of Lease Payments	 <u><u>\$417,930.29</u></u>

NOTE 5: PENSION PLANS

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

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 5: PENSION PLANS (CONTINUED)

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

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

Defined Contribution Retirement Program (DCRP) The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 5: PENSION PLANS (CONTINUED)

Significant Legislation (Continued)

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PFRS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Vesting and Benefit Provisions The vesting and benefit provisions of 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 ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

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.

Contribution Requirements The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2011, c. 78 provides for an increase in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of TPAF (i.e. the State of New Jersey makes the employer contribution on-behalf of public school districts).

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 5: PENSION PLANS (CONTINUED)

Three Year Trend Information for PERS

Year Ended <u>June 30,</u>	Annual Pension Cost <u>(APC)</u>	2009 Deferral Ch. 19 P.L. Principal and <u>Interest Cost</u>
2015	\$546,988.10	19,292.00
2014	504,347.00	19,292.00
2013	491,714.00	18,733.00

During fiscal year ended June 30, 2009, the District deferred 50% of its normal and accrued PERS liability. The deferred amount will be paid back with interest over 15 years. During fiscal year ending June 30, 2015, the District made a principal payment of \$7,925.00.

During the fiscal year ended June 30, 2015, 2014 and 2013, the State of New Jersey contributed \$759,245.00, \$583,933.00 and \$990,829.00, respectively to the TPAF pension system on-behalf of the District.

Also, in accordance with N.J.S.A. 18A:66-66 during the years ended June 30, 2015, 2014 and 2013, the State of New Jersey reimbursed the District \$1,118,396.18, \$1,190,693.31 and \$1,109,117.61 respectively for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At June 30, 2015, the District reported a liability of \$11,729,940.00 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 used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.0626507810 percent, which was a decrease of 0.001810256800 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$551,624.00. 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 Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Changes of assumptions		\$368,852.00
Net difference between projected and actual earnings on pension plan investments	\$699,041.00	
Changes in proportion and differences between District contributions and proportionate share of contributions	278,417.00	
District contributions subsequent to the measurement date		<u>472,894.00</u>
	<u>977,458.00</u>	<u>\$841,746.00</u>

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(Continued)

Public Employees Retirement System (PERS) (Continued)

The \$472,894.00 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 in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2016	(\$106,956.44)
2017	(\$106,956.44)
2018	(\$106,956.44)
2019	\$67,803.73
Thereafter	\$29,833.64

Additional Information

Collective balances at June 30, 2014 and 2013 are as follows:

	<u>6/30/2014</u>	<u>6/30/2013</u>
Collective deferred outflows of resources	\$952,194,675	Not Available
Collective deferred inflows of resources	1,479,224,662	Not Available
Collective net pension liability	18,722,735,003	19,111,986,911
District's Proportion	0.0626507810%	0.0643753349%

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

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

Inflation	3.01 Percent
Salary Increases	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

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

Mortality Rates

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

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Long-Term 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bond	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 U.S. Equities	25.90%	8.22%
Developed Foreign Markets	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Returns	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
	<u>100.00%</u>	

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

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 collective net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participating employers as of June 30, 2014 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2014		
	1% Decrease <u>4.39%</u>	At Current Discount Rate <u>5.39%</u>	1% Increase <u>6.39%</u>
District's proportionate share of the pension liability	\$14,756,664.00	\$11,729,940.00	\$9,188,262.00

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are 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 local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2015 was as follows:

Net Pension Liability:	
Districts proportionate share	-0-
State's proportionate share associated with the District	<u>\$80,285,496</u>
	<u><u>\$80,285,496</u></u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the proportion of the TPAF net pension liability associated with the District was .1502158748%.

For the year ended June 30, 2015, the District recognized on-behalf pension expense and revenue of \$4,320,113.00 for contributions provided by the State.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

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 rate	2.50%
Salary increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Mortality rates

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:

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return (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 Return	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%
	<u>100.00%</u>	

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 6: ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68
(CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the 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 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 determining the total pension liability,

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Because the District's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

NOTE 7: OTHER POST-RETIREMENT BENEFITS

For eligible retired employees, the School District participates in the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 *et seq.*, to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 7: OTHER POST-RETIREMENT BENEFITS (CONTINUED)

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

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 eligible for 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 premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School Commission for the years ended June 30, 2015, 2014 and 2013 were, \$1,292,018.00, \$1,041,940.00 and \$1,179,324.00 respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School Commission was not determined or made available by the State of New Jersey.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 8: LITIGATION

The District's counsel advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the School District and which might materially affect the District's financial position.

NOTE 9: CONTINGENCIES

The District receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expended in the 2014-2015 fiscal year were subject to the U.S. OMB Circular A-133 and New Jersey OMB Circular 04-04 which mandates that grant revenues and expenditures be audited in conjunction with the District's annual audit if expenditures for federal or state programs exceed \$500,000. Findings and questioned costs, if any, relative to federal and state financial assistance programs are discussed in the Single Audit Section, Schedule of Findings and Questioned Costs. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. The District's management does not believe any such audit would result in material amounts of disallowed costs.

NOTE 10: 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 insurance coverage covering each of those risks of loss. The administration believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 10: RISK MANAGEMENT(CONTINUED)

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 fiduciary trust fund for the current and previous two years:

Year Ended <u>June 30,</u>	Employer <u>Contributions</u>	Employee <u>Contributions</u>	Amount <u>Reimbursed</u>	Ending <u>Balance</u>
2015	\$188,027.03	\$53,845.23	\$152,501.74	\$109,075.00
2014	54,621.68	11,774.43	79,410.86	19,704.48
2013	59,848.09	63,563.25	105,998.62	32,719.23

NOTE 11: COMPENSATED ABSENCES

The District accounts for compensated absences (e.g. unused vacation and 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 varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the Districts agreements with the various employee unions.

The liability for vested compensated absences of the governmental fund types are recorded in the district - wide statement of net assets. As of June 30, 2015, a liability existed for compensated absences for governmental fund-types in the district-wide Statement of Net Position of \$658,301.40.

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 funds.

For additional descriptive information see Note 1, Summary of Significant Accounting Policies.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 12: FUND BALANCE APPROPRIATED

General Fund Of the \$1,664,419.89 in General Fund Balance at June 30, 2015, \$400,825.41 has been assigned for encumbrances; \$82,315.98 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F7; \$300,000.00 has been restricted for Capital Reserve; \$50,000.00 has been restricted as Maintenance Reserve; \$3,310.39 has been assigned for ARRA/SEMI- Unreserved- Designated for Subsequent Year's Expenditures, \$100,000.00 has been assigned for subsequent years expenditures and \$727,968.11 is unassigned.

NOTE 13: CALCULATION OF EXCESS SURPLUS (BUDGETARY BASIS)

In accordance with N.J.S.A.18A:7F-7, as amended by P.L. 2004,c.73 (S1701), the Restricted Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). 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. Based on this calculation, the District has \$82,315.98 excess fund balance resulting from the year ended June 30, 2015.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2015:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$155,504.10	\$70,778.21
Special Revenue Fund		142,894.85
Enterprise Funds	70,778.21	
Fiduciary Funds		12,609.25
	<u>\$226,282.31</u>	<u>\$226,282.31</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were received.

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 15: MAINTENANCE RESERVE ACCOUNT

In accordance with N.J.S.A. 18A:7G-13, a Maintenance reserve account was established by the District. The Maintenance reserve account is maintained in the general fund.

A district board of education or board of school estimate, as appropriate, may increase the balance in the maintenance reserve account by appropriating funds in the annual general fund budget certified for taxes.

A district board of education or board of school estimate, as appropriate, may by resolution withdraw such funds from the maintenance reserve account and appropriate into the required maintenance account lines at budget time or any time during the year for use on required maintenance activities for a school facility as reported in the comprehensive maintenance plan pursuant to N.J.A.C. 6A:26A-4.

The district board of education shall ensure that the maintenance reserve account balance does not, at any time, exceed four percent of the replacement cost of the school district's school facilities for the current year. If the account exceeds this maximum amount at June 30, the district board of education shall reserve and designate such excess in the subsequent year's budget.

The activity of the maintenance reserve during the year ended June 30, 2015, is as follows:

Balance, July 1, 2014 and	
June 30, 2015	<u>\$50,000.00</u>

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 16: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District 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 of Education, 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 (June 1 to June 30) of any unanticipated revenue or unexpended line item appropriations, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special election dates authorized by N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve during the year ended June 30, 2015, is as follows:

Balance, July 1, 2014		\$160,082.39
Interest Earnings	\$216.95	
Transfers In	23,769.60	
Deposits:		
Board Resolution dated 6/6/15	300,000.00	
		\$323,986.55
Withdrawals:		
2014-15 Budget		184,068.94
Balance, June 30, 2015		\$300,000.00

Hawthorne School District
Notes to the Financial Statements
For the Fiscal Year Ending June 30, 2015

NOTE 17: INVENTORY

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

Food and Supplies	<u>\$8,066.42</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

NOTE 18: DEFERRED COMPENSATION

The District offers its employees a choice of the deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans permit 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. Since the District does not have any property or rights to the plan assets and no fiduciary relationship exists between the District and the deferred compensation plan, the plan assets are not included in the District's financial statements as of June 30, 2015.

NOTE 19: PRIOR PERIOD ADJUSTMENT

As stated in Note 6 in FY2015, the District implemented GASB 68. As a result, the District's Net Position at June 30, 2014 was restated as follows:

	<u>Governmental Activities</u>
Beginning Net Position 06/30/14	\$ (715,576.38)
Adjustments:	
Recognition of Net Pension Liability	<u>(12,303,406.00)</u>
Beginning Net Position 06/30/14 (as Restated)	<u>\$ (13,018,982.38)</u>

NOTE 20: SUBSEQUENT EVENTS

The District has evaluated subsequent events occurring after the financial statement date through December 1, 2015, which is the date the financial statements were available to be issued. The District has determined that there are no material subsequent events needed to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 34,326,233.00	\$	\$ 34,326,233.00	\$ 34,326,233.00	\$
Interest Earned on Capital Reserve Funds	500.00		500.00	216.95	(283.05)
Tuition	150,000.00		150,000.00	68,331.02	(81,668.98)
Miscellaneous	76,678.00		76,678.00	87,320.06	10,642.06
Total Local Sources	34,553,411.00		34,553,411.00	34,482,101.03	(71,309.97)
State Sources:					
Special Education Aid	1,474,759.00		1,474,759.00	1,474,759.00	
Equalization Aid	333,115.00		333,115.00	333,115.00	
Categorical Security Aid	66,013.00		66,013.00	66,013.00	
Categorical Transportation Aid	124,605.00		124,605.00	124,605.00	
Extraordinary Aid	369,125.00		369,125.00	507,596.00	138,471.00
Other State Aid	46,640.00		46,640.00	46,640.00	
Reimbursed Non Public Transportation				29,504.00	29,504.00
On-behalf TPAF Contributions-non-budgeted				759,245.00	759,245.00
NCGI-non-budgeted				54,624.00	54,624.00
Post Retirement Medical-non budgeted				1,292,018.00	1,292,018.00
Reimbursed TPAF Social Security Contribution-non-budgeted				1,118,396.18	1,118,396.18
Total State Sources	2,414,257.00		2,414,257.00	5,806,515.18	3,392,258.18
Federal Sources:					
Medicaid Reimbursement	43,215.00		43,215.00	70,391.20	27,176.20
Medicaid Reimbursement-ARRA				3,310.39	3,310.39
Total Federal Sources	43,215.00		43,215.00	73,701.59	30,486.59
Total Revenues	37,010,883.00		37,010,883.00	40,362,317.80	3,351,434.80
EXPENDITURES:					
CURRENT EXPENSE:					
Instruction - Regular Programs:					
Preschool / Kindergarten	576,630.00	(6,304.98)	570,325.02	557,274.41	13,050.61
Grades 1-5	3,168,296.00	927,550.29	4,095,846.29	4,073,175.44	22,670.85
Grades 6-8	2,159,642.00	(66,153.59)	2,093,488.41	2,012,705.44	80,782.97
Grades 9-12	2,847,708.00	45,486.54	2,893,194.54	2,861,835.02	31,359.52
Regular programs - home instruction:					
Salaries of teachers	27,000.00	(19,320.01)	7,679.99	7,141.82	538.17
Purchased professional educational services	15,700.00	(824.34)	14,875.66	14,875.66	
Regular programs - undistributed instruction:					
Other salaries for instruction	1,036,780.00	(901,720.17)	135,059.83	106,785.76	28,274.07
Purchased technical services	39,200.00	53,456.55	92,656.55	64,820.32	27,836.23
Other purchased services (400 - 500 series)	170,740.00	(17,972.22)	152,767.78	142,137.01	10,630.77
General supplies	386,428.72	(45,353.46)	341,075.26	324,184.85	16,890.41
Textbooks	102,183.02	41,950.31	144,133.33	51,108.19	93,025.14
Other objects	1,500.00	6.68	1,506.68	1,506.68	
Total regular programs	10,531,807.74	10,801.60	10,542,609.34	10,217,550.60	325,058.74
Instruction - Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers	1,386,278.00	(29,681.90)	1,356,596.10	1,356,596.10	
Other salaries for instruction	131,131.00	82,928.00	214,059.00	214,059.00	
General Supplies	2,690.00	(1,566.40)	1,123.60	633.28	490.32
Total Learning and/or Language Disabilities	1,520,099.00	51,679.70	1,571,778.70	1,571,288.38	490.32
Resource Room / Resource Center:					
Salaries of Teachers	1,666,916.00	(24,653.26)	1,642,262.74	1,641,838.47	424.27
Other salaries for instruction	36,664.00	111,081.44	147,745.44	147,745.44	
General Supplies	2,200.00	350.48	2,550.48	2,548.40	2.08
Total Resource Room / Resource Center	1,705,780.00	86,778.66	1,792,558.66	1,792,132.31	426.35
Preschool Disabilities - Part - Time:					
Salaries of Teachers	181,580.00	43,586.84	225,166.84	225,166.84	
Other Salaries for Instruction		55,603.57	55,603.57	55,603.57	
General Supplies		1,100.30	1,100.30	1,100.30	
Total Preschool Disabilities - Part - Time	181,580.00	100,290.71	281,870.71	281,870.71	
Preschool Disabilities - Full - Time:					
Salaries of Teachers	105,177.00	(60,981.25)	44,195.75	44,195.75	
Other Salaries for Instruction	55,118.00	(36,278.65)	18,839.35	18,839.35	
Total Preschool Disabilities - Full - Time	160,295.00	(97,259.90)	63,035.10	63,035.10	
Home Instruction:					
Salaries of Teachers		723.66	723.66	723.66	
Total Home Instruction		723.66	723.66	723.66	
Total Special Education	3,567,754.00	142,212.83	3,709,966.83	3,709,050.16	916.67
Basic Skills / Remedial:					
Salaries of Teachers	447,148.00	(17,406.73)	429,741.27	429,741.27	
General Supplies	470.00	(24.05)	445.95	445.95	
Total Basic Skills / Remedial	447,618.00	(17,430.78)	430,187.22	430,187.22	

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	ORIGNAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Bilingual Education:					
Salaries of Teachers	\$ 115,389.00	\$ 24,234.00	\$ 139,623.00	\$ 139,623.00	\$
General Supplies	300.00		300.00	136.58	163.42
Total Bilingual Education:	115,689.00	24,234.00	139,923.00	139,759.58	163.42
School Sponsored Co-Curricular Activities:					
Salaries	92,693.00	22,953.04	115,646.04	110,763.79	4,882.25
Supplies and Materials	5,300.00	(551.23)	4,748.77	3,704.31	1,044.46
Other Objects	24,500.00	(4,271.22)	20,228.78	22,595.23	7,633.55
Total School Sponsored Co-Curricular Activities	122,493.00	18,130.59	140,623.59	127,063.33	13,560.26
School Sponsored Athletics:					
Salaries	335,364.00	3,613.57	338,977.57	331,190.84	7,786.73
Supplies and Materials	47,621.97	15,605.61	63,227.58	58,511.78	4,715.80
Other Objects	71,766.00	(12,741.00)	59,025.00	58,545.65	479.35
Total School Sponsored Athletics	454,751.97	6,478.18	461,230.15	448,248.27	12,981.88
Summer School Instruction:					
Salaries	159,500.00	(159,500.00)			
Total Summer School Instruction	159,500.00	(159,500.00)			
Total Other Instructional Programs	1,300,051.97	(128,088.01)	1,171,963.96	1,145,258.40	26,705.56
Total - Instruction	15,399,613.71	24,926.42	15,424,540.13	15,071,859.16	352,680.97
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	57,435.00	(44,715.96)	12,719.04		12,719.04
Tuition to Other LEA's within the State - Special	121,821.00	(20,740.57)	101,080.43	82,310.12	18,770.31
Tuition to County Vocational School District - Regular	863,938.00	(85,272.56)	778,665.44	753,848.00	24,817.44
Tuition to County Vocational School District - Sp Ed	37,658.00	68,329.00	105,987.00	104,804.00	1,183.00
Districts & Regional Day Schools	442,711.00	(110,505.54)	332,205.46	296,020.50	36,184.96
Tuition to Private Schools for the Handicapped w/in State	804,518.00	5,184.26	809,702.26	797,835.13	11,867.13
Tuition - State Facilities	39,780.00	1.00	39,781.00	39,780.00	1.00
Total Undistributed Expenditures - Instruction	2,367,861.00	(187,720.37)	2,180,140.63	2,074,597.75	105,542.88
Attendance and Social Work Services:					
Salaries	2,000.00	485.78	2,485.78	2,485.78	
Total Attendance and Social Work Services	2,000.00	485.78	2,485.78	2,485.78	
Health Services:					
Salaries	457,385.00	(23,940.34)	433,444.66	433,444.66	
Purchased Professional and Technical Services	22,625.94	29,245.50	51,871.44	50,921.44	950.00
Supplies and Materials	21,534.36	(1,430.61)	20,103.75	20,103.75	
Other Objects	2,340.00	(251.75)	2,088.25	2,088.25	
Total Health Services	503,885.30	3,622.80	507,508.10	506,558.10	950.00
Other Support Services - Speech, OT, PT & Related Services:					
Salaries	925,351.00	(302,156.20)	623,194.80	614,307.88	8,886.92
Purchased Professional - Educational Services	16,195.00	9,526.00	25,721.00	21,351.00	4,370.00
Supplies and Materials	1,100.00		1,100.00	315.45	784.55
Total Other Support Services - Speech, OT, PT & Related Services	942,646.00	(292,630.20)	650,015.80	635,974.33	14,041.47
Other Support Services - Students - Extra Services					
Salaries	468,506.00	26,634.65	495,140.65	480,077.24	15,063.41
Purchased Professional - Educational Services	512,906.00	(23,725.65)	489,180.35	450,522.51	38,657.84
Total Other Support Services - Students - Extra Services	981,412.00	2,909.00	984,321.00	930,599.75	53,721.25
Guidance:					
Salaries of Other Professional Staff	226,535.00	98,839.31	325,374.31	325,374.31	
Salaries of Secretarial and Clerical Assistants	100,946.00	(42,609.76)	58,336.24	58,336.24	
Purchased Professional - Educational Services	4,900.00	(1,449.22)	3,450.78	3,450.78	
Supplies and Materials	4,440.00	(1,726.16)	2,713.84	2,713.84	
Total Guidance	336,821.00	53,054.17	389,875.17	389,875.17	
Child Study Teams:					
Salaries of Other Professional Staff	841,403.00	104,376.52	945,779.52	945,779.52	
Salaries of Secretarial and Clerical Assistants	51,171.00	7,531.14	58,702.14	58,702.14	
Salaries of ABA In Home Therapy	75,000.00	38,449.85	113,449.85	113,449.85	
Purchased Professional Educational Services	29,258.00	64,746.93	94,004.93	94,004.93	
Other Purchased Professional and Technical Services	312,200.00	367,339.92	679,539.92	632,387.50	47,152.42
Other Purchased Services (400-500 series)	19,058.00	(19,058.00)			
Misc. Purchased Services	500.00	(257.28)	242.72	242.72	
Supplies and Materials	18,514.06	5,487.77	24,001.83	24,823.75	(821.92)
Other Objects	6,559.96	729.99	7,289.95	7,258.98	30.97
Total Child Study Teams	1,353,664.02	569,346.84	1,923,010.86	1,876,649.39	46,361.47

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Improvement of Instruction Services					
Other Support Services - Instructional Staff:					
Summer Curriculum Development	\$	\$ 10,295.00	\$ 10,295.00	6,899.60	\$ 3,395.40
Salaries of Supervisors of Instruction	283,697.00	(14,394.52)	269,302.48	183,102.48	86,200.00
Salaries of Other Professional Staff	9,695.00	(9,695.00)			
Purchased Prof. and Tech. Services	36,200.00	(25,724.00)	10,476.00	9,976.00	500.00
Other Purch Prof. and Tech. Services	5,000.00	1,889.04	6,889.04	6,440.04	449.00
Other Purchased Services (400-500)	3,344.00	(1,763.31)	1,580.69	358.56	1,222.13
Purch Prof Serv-Staf-Dir Ed		5,644.31	5,644.31	5,144.31	500.00
Supplies and materials	500.00	(221.00)	279.00	145.00	134.00
Other Objects	2,000.00		2,000.00		2,000.00
Total Improvement of Instruction Services / Other Support Services - Instructional Staff	340,436.00	(33,969.48)	306,466.52	212,065.99	94,400.53
Educational Media Services / School Library:					
Salaries	259,974.00	(2,505.95)	257,468.05	257,467.45	0.60
Supplies and materials	17,075.00	(4,249.27)	12,825.73	12,825.28	0.45
Total Educational Media Services / School Library	277,049.00	(6,755.22)	270,293.78	270,292.73	1.05
Support Services General Administration:					
Salaries	181,109.00	(878.26)	180,230.74	159,369.37	20,861.37
Salaries of Secretarial and Clerical Assistants	130,071.00	1,030.00	131,101.00	131,101.00	
Legal Services	80,000.00	(500.00)	79,500.00	54,908.72	24,591.28
Expenditure and Internal Control Audit Fees	27,275.00	7,510.00	34,785.00	7,490.00	27,295.00
Other Purchased Professional Services	26,750.00	500.00	27,250.00	27,250.00	
Other Purchased Technical Services	9,175.00	14,774.00	23,949.00	23,949.00	
Communications / Telephone	67,860.00	(7,383.97)	60,476.03	50,577.74	9,898.29
Travel - Superintendent		366.98	366.98	366.98	
General Supplies	2,500.00	139.85	2,639.85	2,628.85	11.00
Miscellaneous Expenditures	17,100.00	(8,248.83)	8,851.17	6,570.34	2,280.83
BOE Membership Dues and Fees	22,000.00	(1,877.50)	20,122.50	19,617.87	504.63
Total Support Services General Administration	563,840.00	5,432.27	569,272.27	483,829.87	85,442.40
Support Services School Administration:					
Salaries of Principals / Asst. Principals	849,942.00	46,138.46	896,080.46	896,080.46	
Salaries of Secretarial and Clerical Assistants	383,041.00	24,730.22	407,771.22	407,771.22	
Other Purchased Services	11,000.00	(2,141.00)	8,859.00	3,528.24	5,330.76
Supplies and Materials	3,021.68	901.00	3,922.68	3,922.68	
Other Objects	11,350.00	4,944.00	16,294.00	16,294.00	
Total Support Services School Administration	1,258,354.68	74,572.68	1,332,927.36	1,327,596.60	5,330.76
Central Service:					
Salaries	273,401.00	(15,277.51)	258,123.49	257,922.89	200.60
Purchased Professional Services	6,600.00	6,600.00	6,600.00	6,600.00	
Other Purchase Professional Service	18,471.00	3,873.72	22,344.72	22,344.72	
Insurance		1,654.00	1,654.00	1,654.00	
Travel	1,500.00	(685.00)	815.00	491.17	323.83
Supplies and Materials	6,000.00	(1,180.98)	4,819.02	3,799.23	1,019.79
Interest on Lease Purchase Agreements	6,707.00	0.25	6,707.25	6,707.25	
Miscellaneous Expenditures	1,665.00	(46.04)	1,618.96	628.96	990.00
Total Central Service	314,344.00	(5,061.56)	302,682.44	300,148.22	2,534.22
Administrative Information Technology:					
Salaries	194,133.00	(65,658.92)	128,474.08	128,474.08	
Purchased Technical Services		169,950.00	169,950.00	169,950.00	
Supplies and Materials	24,401.60	(23,799.07)	602.53	602.53	
Total Administrative Information Technology	218,534.60	80,492.01	299,026.61	299,026.61	
Required Maintenance for School Facilities:					
Salaries	533,345.38	(88,396.20)	444,949.18	444,949.18	
Cleaning, Repair and Maintenance Services	102,105.00	101,765.47	203,870.47	154,431.58	49,438.89
Supplies and Materials	15,000.00	19,299.39	34,299.39	24,972.94	9,326.45
Other Objects	5,282.00	(2,629.00)	2,653.00	2,653.00	
Total Required Maintenance for School Facilities	655,732.38	30,039.66	685,772.04	627,006.70	58,765.34

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
Custodial Services:					
Salaries	\$ 1,250,846.15	\$ (4,206.97)	\$ 1,246,639.18	1,246,639.18	\$
Salaries of Non-Instructional Aides	90,297.00	(90,297.00)			
Purchased Professional and Technical Services	42,468.00	(34,326.50)	8,141.50	8,141.50	
Cleaning, Repair and Maintenance Services		9,264.00	9,264.00	9,264.00	
Rental of Land and Building	88,000.00	(800.00)	87,200.00	87,200.00	
Other Purchased Property Services	21,385.02		21,385.02	21,359.09	125.93
Insurance	260,921.00	(6,624.00)	254,297.00	254,297.00	
Professional Development and Travel		250.00	250.00	250.00	
General Supplies	76,256.03	(16,663.95)	59,592.08	58,522.08	1,070.00
Energy (Natural Gas)	108,650.00	91,700.10	200,350.10	201,313.29	(963.19)
Energy (Heat and Electricity)	401,800.00	(92,421.45)	309,378.55	291,096.01	18,282.54
Other Objects	9,668.00	(5,513.05)	4,154.95	4,154.95	
Total Custodial Services	2,350,291.20	(149,638.82)	2,200,652.38	2,182,137.10	18,515.28
Care and Upkeep of Grounds:					
Purchased Professional and Technical Services	4,500.00	1,700.00	6,200.00		6,200.00
Total Care and Upkeep of Grounds	4,500.00	1,700.00	6,200.00		6,200.00
Security:					
Salaries	52,290.00	(2,753.62)	49,536.38	49,536.38	
Supplies		174.69	174.69	174.69	
Total Security	52,290.00	(2,578.93)	49,711.07	49,711.07	
Student Transportation Services:					
Salaries of Non-Instructional Aides	77,382.00	23,233.15	100,615.15	100,615.15	
Salaries for Pupil Transportation (Between Home and School) - Regular	168,746.00	102,201.96	270,947.96	270,947.96	
Salaries for Pupil Transportation (Between Home and School) - Special	82,478.00	15,787.29	98,265.29	98,265.29	
Management Fee - ESC & CTSA Trans. Program	26,046.00	(26,046.00)			
Cleaning, Repair and Maintenance Services	34,000.00	(4,818.62)	29,181.38	24,948.20	4,233.18
Lease Payments	36,537.00	(537.00)	36,000.00	36,000.00	
Contracted Services - Aid in Lieu Payments	88,400.00	33,592.00	121,992.00	102,841.67	19,150.33
Contracted Services (Between Home & School) - Vendors	122,004.00	800.83	122,804.83	122,804.83	
Contracted Services (Other than Between Home and School) - Vendors	50,500.00	(25,766.20)	24,733.80	24,733.80	
Contracted Services (Spec. Ed. Students) - Joint Agreements	532,219.89	5,854.85	538,074.74	537,366.64	708.10
Miscellaneous Purchased Services - Transportation		1,326.00	1,326.00	1,326.00	
General Supplies	500.00	8,681.87	9,181.87		9,181.87
Transportation Supplies	52,000.00	(52,000.00)			
Transportation Gas and Oil		42,461.07	42,461.07	40,262.87	2,198.20
Other Objects	1,350.00	2,002.00	3,352.00	3,352.00	
Total Student Transportation Services	1,272,162.89	126,773.20	1,398,936.09	1,363,464.41	35,471.68
Total Other Support Services					
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	530,000.00	7,291.17	537,291.17	537,291.17	
Other Retirement Contributions - PERS	555,193.00	8,026.78	563,219.78	561,719.78	1,500.00
Unemployment Compensation	350,000.00	(165,000.00)	185,000.00	185,000.00	
Workmen's Compensation	188,712.00	(6,162.00)	182,550.00	182,550.00	
Health Benefits	6,469,492.00	(438,550.46)	6,030,941.54	5,711,281.38	319,660.16
Tuition Reimbursements	110,000.00		110,000.00	53,609.00	56,391.00
Other Employee Benefits	14,928.18	14,889.93	29,818.11	14,660.90	15,157.21
Unused sick payment		60,725.00	60,725.00	60,725.00	
Total Unallocated Benefits - Employee Benefits	8,218,325.18	(518,779.58)	7,699,545.60	7,306,837.23	392,708.37
On-Behalf TPAF Contributions (Non-Budgeted):					
On-behalf TPAF Contributions-non-budgeted				759,245.00	(759,245.00)
NCGI-non-budgeted				54,624.00	(54,624.00)
Post Retirement Medical-non budgeted				1,292,018.00	(1,292,018.00)
Reimbursed TPAF Social Security Contribution-non-budgeted				1,118,396.18	(1,118,396.18)
Total On-Behalf TPAF Contributions (Non-Budgeted)				3,224,283.18	(3,224,283.18)
Total Undistributed Expenditures	22,014,149.25	(248,705.75)	21,758,843.50	24,063,139.98	(2,304,296.48)
TOTAL EXPENDITURES - CURRENT EXPENSE	37,413,762.96	(223,779.33)	37,183,383.63	39,134,999.14	(1,951,615.51)

HAWTHORNE SCHOOL DISTRICT
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	BUDGET TRANSFERS AND AMENDMENTS	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
CAPITAL OUTLAY:					
Capital Reserve- Transfer to Capital Projects	\$ 245,000.00	\$ (245,000.00)	\$ 500.00	\$	\$ 500.00
Interest Deposit to Capital Reserve	500.00				
Equipment:					
Undistributed-Req. Maint. For Schools		15,000.00	15,000.00	15,000.00	
Undistributed-Custodial Services		4,800.00	4,800.00	4,800.00	
Total Equipment		19,800.00	19,800.00	19,800.00	
Facilities Acquisition and Construction Services:					
Architectural/engineering services		6,012.50	6,012.50	6,012.50	
Other purch prof & tech services		27,972.32	27,972.32	27,972.32	
Construction services		421,594.51	421,594.51	322,151.49	99,443.02
Lease purchase agreements - principal	99,000.00		99,000.00	99,000.00	
Assessment for Debt Service on SDA Funding	188.00		188.00	188.00	
Total Facilities Acquisition and Construction Services	99,188.00	455,579.33	554,767.33	455,324.31	99,443.02
Assets acquired under capital leases (non-budgeted)					
Undistributed expenditures:					
Equipment				174,507.41	174,507.41
Total assets acquired under capital leases (non-budgeted)				174,507.41	174,507.41
TOTAL CAPITAL OUTLAY	344,688.00	230,379.33	575,067.33	649,631.72	274,450.43
TOTAL EXPENDITURES	37,758,450.96	6,600.00	37,758,450.96	39,784,630.86	(1,677,165.08)
Excess (deficiency) of revenues over (under) expenditures	(747,567.96)	(6,600.00)	(747,567.96)	577,686.94	1,674,269.72
Other financing sources (uses)					
Proceeds from Capital Lease (non-budgeted)				174,507.41	(174,507.41)
Transfers in - capital projects fund to capital reserve				23,769.60	(23,769.60)
Total other financing sources				198,277.01	(198,277.01)
Excess of revenues and other financing sources over expenditures and other expenditures and other financing sources	(747,567.96)	(6,600.00)	(747,567.96)	775,963.95	1,475,992.71
Fund balances, July 1	1,056,179.94		1,056,179.94	1,056,179.94	
Fund balances, June 30	\$ 308,611.98	\$ (6,600.00)	\$ 308,611.98	\$ 1,832,143.89	\$ 1,475,992.71
Recapitulation:					
Assigned - year-end encumbrances				\$ 400,825.41	
Committed - designated for subsequent years expenditures				100,000.00	
Restricted - excess surplus - current year				82,315.98	
Restricted - capital reserve				300,000.00	
Assigned - SEMI ARRA				3,310.39	
Restricted - maintenance reserve				50,000.00	
Unassigned fund balance				895,692.11	
				1,832,143.89	
Reconciliation to governmental funds statements (GAAP):					
Prior Year aid payment not recognized on GAAP basis				(167,724.00)	
Fund balance per governmental funds (GAAP)				\$ 1,664,419.89	

BOROUGH OF HAWTHORNE
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR FISCAL YEARS ENDED JUNE 30, 2015

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS/ AMENDMENTS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FINAL TO ACTUAL</u>
REVENUES:					
Other Sources	\$ 5,950.00	\$ 16,046.91	\$ 21,996.91	\$ 18,379.92	\$ (3,616.99)
State Sources	196,120.00	104,898.00	301,018.00	258,625.88	(42,392.12)
Federal Sources	875,814.27	231,052.42	1,106,866.69	1,033,701.04	(73,165.65)
Total Revenues	<u>\$ 1,077,884.27</u>	<u>\$ 351,997.33</u>	<u>\$ 1,429,881.60</u>	<u>\$ 1,310,706.84</u>	<u>\$ (119,174.76)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 334,907.00	\$ (171,401.16)	\$ 163,505.84	\$ 163,505.84	\$ 42,392.12
Purchased Professional/Technical Services	114,785.00	75,506.00	190,291.00	147,898.88	
Tuition	507,067.00	110,734.00	617,801.00	617,801.00	
General Supplies	50,126.27	93,095.88	143,222.15	122,146.70	21,075.45
Textbooks	28,346.00	9,044.45	37,390.45	36,761.00	629.45
Total Instruction	<u>1,035,231.27</u>	<u>116,979.17</u>	<u>1,152,210.44</u>	<u>1,088,113.42</u>	<u>64,097.02</u>
Support Services:					
Purchased Services Employee Benefits	42,653.00	48,220.31	48,220.31	48,220.31	
Purchased Professional/Technical Services	42,653.00	186,797.85	229,450.85	174,373.11	55,077.74
Total Support Services	<u>42,653.00</u>	<u>235,018.16</u>	<u>277,671.16</u>	<u>222,593.42</u>	<u>55,077.74</u>
Total expenditures	<u>\$ 1,077,884.27</u>	<u>\$ 351,997.33</u>	<u>\$ 1,429,881.60</u>	<u>\$ 1,310,706.84</u>	<u>\$ 119,174.76</u>

HAWTHORNE BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
NOTE TO RSI (REQUIRED SUPPLEMENTARY INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note A - Explanation of difference between budgetary inflows and outflows and GAAP revenues and expenditures

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 40,362,317.80	\$ 1,310,706.84
Difference - budget to GAAP:		
State aid payment recognized for GAAP statements in the current year, previously it was recognized for budgetary purposes.	161,866.00	
The last state aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	(167,724.00)	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Adjust for encumbrances:		
Add prior year encumbrances		24,870.00
Less current year encumbrances		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 40,356,459.80</u>	<u>\$ 1,335,576.84</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$	\$ 1,310,706.84
Difference - budget to GAAP:		
Adjust for encumbrances:		
Add prior year encumbrances		24,870.00
Less prior year encumbrances canceled		
Less current year encumbrances		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	<u>\$</u>	<u>\$ 1,335,576.84</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)

Borough of Hawthorne School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees Retirement System
Last Ten Years

Fiscal Year Ending <u>June 30,</u>	District's Proportion Share of the Net Pension <u>Liability (Asset)</u>	District's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	District's Covered-Employee <u>Payroll</u>	District's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered- <u>Employee Payroll</u>	Plan Fiduciary Net Position as a percentage of the total <u>Pension Liability</u>
2014	0.0349652477%	\$ 12,303,406	\$ 3,930,885.61	312.99%	40.71%
2015	0.0626507810%	11,729,940	3,930,885.61	298.40%	42.74%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Borough of Hawthorne School District
Schedule of the District's Contributions
Public Employees Retirement System
Last Ten Years

Fiscal Year Ending <u>June 30,</u>	Contractually Required <u>Contribution</u>	Contributions in Relation to the Contractually Required <u>Contributions</u>	Contribution Deficiency <u>(Excess)</u>	District's Covered- Employee <u>Payroll</u>	Contributions as a Percentage of Covered- Employee <u>Payroll</u>
2014	\$ 516,484	\$ 516,484	\$ -0-	\$ 3,930,885.61	13.14%
2015	546,988	546,988	-0-	3,930,885.61	13.92%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of the District's Proportionate Share of the Net Pension Liability
Teachers Pension and Annuity Fund

Last Ten Years

Fiscal Year Ending <u>June 30,</u>	District's Proportion Share of the Net Pension <u>Liability (Asset)</u>	District's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	District's Covered-Employee <u>Payroll</u>	District's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered- <u>Employee Payroll</u>	Plan Fiduciary Net Position as a percentage of the total <u>Pension Liability</u>
2014	0.1614102495%	\$ -0-	\$ 15,751,516.14	-0-	33.76%
2015	0.1502158748%	-0-	15,340,212.75	-0-	33.64%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Borough of Hawthorne School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2015

Public Employees Retirement System

Change in benefit terms: None

Change in assumptions: The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (4.63%) to the current measurement date (4.29%), resulting in a change in the discount rate from 5.55% to 5.39%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

Teacher Pension and Annuity Fund

Change in benefit terms: None

Change in assumptions: The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (4.63%) to the current measurement date (4.29%), resulting in a change in the discount rate from 4.95% to 4.68%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	NONPUBLIC TECHNOLOGY	NONPUBLIC COMPENSATORY EDUCATION	NONPUBLIC SUPPLEMENTAL INSTRUCTION	NONPUBLIC ESL	NONPUBLIC EXAM AND CLASS	NONPUBLIC SPEECH CORRECTION
REVENUES:						
Local Sources	\$ 19,744.00	\$ 30,457.20	\$ 29,112.37	\$ 4,019.40	\$ 50,246.66	\$ 26,063.25
State Sources						
Federal Sources						
Total Revenues	19,744.00	30,457.20	29,112.37	4,019.40	50,246.66	26,063.25
EXPENDITURES:						
Instruction:						
Salaries of Teachers						
Purchased Professional / Technical Services						
Tuition						
General Supplies	19,744.00	30,457.20	29,112.37	4,019.40	50,246.66	26,063.25
Textbooks						
Total Instruction	19,744.00	30,457.20	29,112.37	4,019.40	50,246.66	26,063.25
Support Services:						
Personal Services Employee - Benefits						
Purchased Professional / Technical Services						
Total Support Services						
Total Expenditures	19,744.00	30,457.20	29,112.37	4,019.40	50,246.66	26,063.25
Excess (Deficiency) of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-	-0-	-0-

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	LIFE SKILLS	NONPUBLIC NURSING	NONPUBLIC TEXTBOOKS	HEF PROGRAMS	TITLE III	TITLE I
REVENUES:						
Local Sources	262.46					
State Sources		62,222.00	36,761.00	8,670.19	8,531.85	326,361.00
Federal Sources						
Total Revenues	<u>262.46</u>	<u>62,222.00</u>	<u>36,761.00</u>	<u>8,670.19</u>	<u>8,531.85</u>	<u>326,361.00</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers						163,505.84
Purchased Professional / Technical Services						8,000.00
Tuition						
General Supplies	262.46			8,670.19	5,148.45	78,584.85
Textbooks			36,761.00			
Total Instruction	<u>262.46</u>		<u>36,761.00</u>	<u>8,670.19</u>	<u>5,148.45</u>	<u>250,090.69</u>
Support Services:						
Personal Services Employee - Benefits						48,220.31
Purchased Professional / Technical Services		62,222.00			3,383.40	28,050.00
Total Support Services		<u>62,222.00</u>			<u>3,383.40</u>	<u>76,270.31</u>
Total Expenditures	<u>262.46</u>	<u>62,222.00</u>	<u>36,761.00</u>	<u>8,670.19</u>	<u>8,531.85</u>	<u>326,361.00</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	OTHER LOCAL	IDEA PART B BASIC	IDEA PART B PRESCHOOL	TITLE IIA	Totals
REVENUES:					
Local Sources	\$ 9,447.27	\$	\$	\$	\$ 18,379.92
State Sources		632,800.18	27,239.48	38,768.53	258,625.88
Federal Sources					1,033,701.04
Total Revenues	9,447.27	632,800.18	27,239.48	38,768.53	1,310,706.84
EXPENDITURES:					
Instruction:					
Salaries of Teachers					163,505.84
Purchased Professional / Technical Services					147,898.88
Tuition		590,851.00	26,950.00		617,801.00
General Supplies	9,447.27		289.48		122,146.70
Textbooks					36,761.00
Total Instruction	9,447.27	590,851.00	27,239.48		1,088,113.42
Support Services:					
Personal Services Employee - Benefits					48,220.31
Purchased Professional / Technical Services		41,949.18		38,768.53	174,373.11
Total Support Services		41,949.18		38,768.53	222,593.42
Total Expenditures	9,447.27	632,800.18	27,239.48	38,768.53	1,310,706.84
Excess (Deficiency) of Revenues Over (Under) Expenditures	-0-	-0-	-0-	-0-	-0-

CAPITAL PROJECTS FUND DETAIL STATEMENTS

The capital projects fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES-BUDGETARY BASIS
AS OF JUNE 30, 2015

<u>ISSUE/PROJECT TITLE</u>	<u>APPROPRIATIONS</u>	<u>EXPENDITURES TO DATE</u>		<u>BALANCE</u> <u>JUNE 30, 2015</u>
		<u>PRIOR YEAR</u>	<u>CURRENT YEAR</u>	
Partial Roof and HVAC Replacement Hawthorne High School	\$ 183,737.00 \$	183,737.00 \$	\$	
Rehabilitation of School Facilities and Technology Upgrades at Senior High School, Lincoln Middle School, Roosevelt Elementary, Washington Elementary, and Jefferson Elementary Schools	<u>6,949,124.92</u>	<u>5,938,701.57</u>	<u>179,854.32</u>	<u>830,569.03</u>
Totals	<u>\$ 7,132,861.92 \$</u>	<u>6,122,438.57 \$</u>	<u>179,854.32 \$</u>	<u>830,569.03</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

EXPENDITURES AND OTHER FINANCING USES:	
Purchased Professional and Technical Services	\$ 62,153.16
Construction Services	117,701.16
Transfer to Debt Service	<u>23,769.60</u>
Total Expenditures and Other Financing Uses	<u>203,623.92</u>
Excess (deficiency) of revenues over (under) expenditures	(203,623.92)
Other financing sources (uses):	
Canceled	<u>(729,118.48)</u>
Total other financing sources (uses)	<u>(729,118.48)</u>
Net change in fund balances	(932,742.40)
Fund Balance - Beginning of Year	<u>1,763,311.43</u>
Fund Balance - End of Year	<u>\$ 830,569.03</u>
<u>Reconciliation to GAAP Financial Statements:</u>	
Fund Balance- Budgetary Basis (Exhibit F-2)	\$ 830,569.03
Less: Unearned Revenue (GAAP Basis)	<u> </u>
Fund Balance- GAAP Basis (Exhibit B-1)	<u>\$ 830,569.03</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS -
BUDGETARY BASIS
REHABILITATION OF SCHOOL FACILITIES AND TECHNOLOGY UPGRADES AT HAWTHORNE SENIOR
HIGH SCHOOL, LINCOLN MIDDLE SCHOOL, ROOSEVELT ELEMENTARY SCHOOL, WASHINGTON
ELEMENTARY SCHOOL AND JEFFERSON ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>PRIOR PERIODS</u>	<u>CURRENT YEAR</u>	<u>TOTALS</u>	<u>REVISED AUTHORIZED COST</u>
REVENUES AND OTHER FINANCING SOURCES:				
SDA Grant	\$ 2,189,375.00	\$	\$ 2,189,375.00	\$ 2,189,375.00
Bond Proceeds	5,476,000.00	_____	5,476,000.00	5,476,000.00
Total Revenues and Other Financing Sources	7,665,375.00	_____	7,665,375.00	7,665,375.00
EXPENDITURES AND OTHER FINANCING USES:				
Purchased Professional and Technical Services	586,946.08	62,153.16	649,099.24	626,435.07
Construction Services	5,276,176.55	117,701.16	5,393,877.71	6,958,471.48
General Supplies	75,578.94	_____	75,578.94	80,468.45
Total Expenditures and Other Financing Uses	5,938,701.57	179,854.32	6,118,555.89	7,665,375.00
Other financing sources (uses):				
Canceled SDA Grant	_____	716,250.08	716,250.08	_____
Total other financing sources (uses)	_____	716,250.08	716,250.08	_____
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,726,673.43	\$ (896,104.40)	\$ 830,569.03	_____
ADDITIONAL PROJECT INFORMATION:				
Project Number	2100-050-10-1001	2100-050-10-1006		
Project Number	2100-050-10-1002	2100-050-10-1008		
Project Number	2100-050-10-1003	2100-050-10-1009		
Project Number	2100-050-10-1004	2100-050-10-1010		
Project Number	2100-050-10-1005	2100-050-10-1011		
Grant Date	9/28/10			
Bond Authorization Date	9/28/10			
Bonds Authorization	\$ 5,476,476.00			
Bonds Issued	\$ 5,476,476.00			
Original Authorized Cost	\$ 7,665,851.00			
Additional Authorized Cost	-			
Revised Authorized Cost	\$ 7,665,851.00			
Percentage Increase over Original Authorized Cost	N/A			
Percentage Completion	79.82%			
Original Target Completion Date	6/30/14			
Revised Target Completion Date	6/30/14			

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS
BUDGETARY BASIS
PARTIAL ROOF AND HVAC REPLACEMENT - HAWTHORNE HIGH SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>PRIOR PERIODS</u>	<u>CURRENT YEAR</u>	<u>TOTALS</u>	<u>REVISED AUTHORIZED COST</u>
REVENUES AND OTHER FINANCING SOURCES:				
SDA Grant	\$ 88,150.00	\$	\$ 88,150.00	\$ 88,150.00
Capital Reserve	132,225.00		132,225.00	132,225.00
	<u>220,375.00</u>		<u>220,375.00</u>	<u>220,375.00</u>
EXPENDITURES AND OTHER FINANCING USES:				
Purchased Professional Services	10,558.00		10,558.00	10,558.00
Construction Services	173,179.00		173,179.00	209,817.00
Transfer to Debt Service Fund		23,769.60	23,769.60	
	<u>183,737.00</u>	<u>23,769.60</u>	<u>207,506.60</u>	<u>220,375.00</u>
Other financing sources (uses):				
Canceled SDA Grant		12,868.40	12,868.40	
		<u>12,868.40</u>	<u>12,868.40</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	\$ <u>36,638.00</u>	<u>(36,638.00)</u>	<u>\$</u>	
ADDITIONAL PROJECT INFORMATION:				
Project Number	2100-050-09-1001			
Grant Date	2/26/09			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 220,375.00			
Additional Authorized Cost	-			
Revised Authorized Cost	220,375.00			
Percentage Increase over Original Authorized Cost	N/A			
Percentage Completion	100.00%			
Original Target Completion Date	6/30/14			
Revised Target Completion Date	6/30/14			

PROPRIETARY FUND DETAIL STATEMENTS

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 within the school district.

CHILD CARE FUND: This fund provides for the operation of a Child Care program within the school district.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		
	NON-MAJOR		
	FOOD SERVICE	SCHOOL AGE CHILD CARE PROGRAM	TOTALS
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 40,276.81	\$ 192,160.51	\$ 232,437.32
Accounts receivable:			
Federal	20,151.48		20,151.48
State	598.76		598.76
Interfunds	70,778.21		70,778.21
Inventories	8,066.42		8,066.42
Total Current Assets	139,871.68	192,160.51	332,032.19
Capital Assets:			
Equipment	401,735.00		401,735.00
Less: Accumulated Depreciation	(205,628.00)		(205,628.00)
Total Capital Assets	196,107.00		196,107.00
Total Assets	335,978.68	192,160.51	528,139.19
LIABILITIES			
Current Liabilities:			
Accounts payable	8,412.72	794.14	9,206.86
Unearned revenue	2,095.21		2,095.21
Total Current Liabilities	10,507.93	794.14	11,302.07
Total Liabilities	10,507.93	794.14	11,302.07
NET POSITION			
Restricted for:			
Net Investment in Capital Assets	196,107.00		196,107.00
Unrestricted	129,363.75	191,366.37	320,730.12
Total Net Position	\$ 325,470.75	\$ 191,366.37	\$ 516,837.12

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>		
	<u>NON-MAJOR</u>		<u>TOTALS</u>
	<u>FOOD SERVICE</u>	<u>SCHOOL AGE CHILD CARE PROGRAM</u>	
OPERATING REVENUES:			
Charges for services:			
Daily sales	\$ 234,568.91	\$	\$ 234,568.91
Daily sales - non-reimbursable programs	231,201.77		231,201.77
Miscellaneous	33,073.50		33,073.50
Child care activities		262,563.90	262,563.90
Total Operating Revenues	<u>498,844.18</u>	<u>262,563.90</u>	<u>761,408.08</u>
OPERATING EXPENSES:			
Cost of sales	382,885.99		382,885.99
Salaries and employee benefits	317,719.13	183,850.44	501,569.57
Other purchased services	46,055.38	51,135.00	97,190.38
Supplies and materials	31,935.97	3,161.10	35,097.07
Miscellaneous	36,942.46	26,235.62	63,178.08
Depreciation	25,342.00		25,342.00
Total Operating Expenses	<u>840,880.93</u>	<u>264,382.16</u>	<u>1,105,263.09</u>
Operating Income (Loss)	<u>(342,036.75)</u>	<u>(1,818.26)</u>	<u>(343,855.01)</u>
NONOPERATING REVENUES:			
State Sources			
State School Lunch Program	9,096.73		9,096.73
Federal Sources			
National School Lunch Program	285,538.20		285,538.20
National School Breakfast Program	11,286.33		11,286.33
National Food Distribution Commodities	42,838.57		42,838.57
Interest and Investment Revenue	89.66	403.79	493.45
Total Nonoperating Revenues	<u>348,849.49</u>	<u>403.79</u>	<u>349,253.28</u>
Net Income (Loss) before Contributions and Transfers	<u>6,812.74</u>	<u>(1,414.47)</u>	<u>5,398.27</u>
Change in net position	6,812.74	(1,414.47)	5,398.27
Total Net Position, Beginning of Year	<u>318,658.01</u>	<u>192,780.84</u>	<u>511,438.85</u>
Total Net Position, End of Year	<u>\$ 325,470.75</u>	<u>\$ 191,366.37</u>	<u>\$ 516,837.12</u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
PROPRIETARY FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND		
	FOOD SERVICE	SCHOOL AGE CHILD CARE PROGRAM	TOTALS
Cash flows from operating activities:			
Receipts from customers	\$ 498,844.18	\$ 262,563.90	\$ 761,408.08
Payments for employees' salaries and benefits	(283,507.95)	(183,850.44)	(467,358.39)
Payments to suppliers for goods and services	(495,718.62)	(81,358.55)	(577,077.17)
Net Cash Provided by (Used for) Operating Activities	<u>(280,382.39)</u>	<u>(2,645.09)</u>	<u>(283,027.48)</u>
Cash Flows from Noncapital Financing Activities:			
State Sources	9,245.16		9,245.16
Federal Sources	301,055.74		301,055.74
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>310,300.90</u>		<u>310,300.90</u>
Cash Flows from Investing Activities:			
Interest on investments and deposits	89.66	403.79	493.45
Net Cash Provided by (Used for) by Investing Activities	<u>89.66</u>	<u>403.79</u>	<u>493.45</u>
Net increase in cash and cash equivalents	30,008.17	(2,241.30)	27,766.87
Cash and cash equivalents, July 1	10,268.64	194,401.81	204,670.45
Cash and cash equivalents, June 30	<u>\$ 40,276.81</u>	<u>\$ 192,160.51</u>	<u>\$ 232,437.32</u>
Operating Income (Loss)	\$ (342,036.75)	\$ (1,818.26)	\$ (343,855.01)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Net Amortization	25,342.00		25,342.00
Non-Cash Federal Assistance Food Distribution Program	42,838.57		42,838.57
Change in Assets and Liabilities:			
Increase / (Decrease) in Accounts Payable	(8,022.66)	(826.83)	(8,849.49)
Increase / (Decrease) in Unearned Revenue	669.77		669.77
(Increase) / Decrease in Inventory	826.68		826.68
Net Cash Provided by (Used for) by Operating Activities	<u>\$ (280,382.39)</u>	<u>\$ (2,645.09)</u>	<u>\$ (283,027.48)</u>

FIDUCIARY FUNDS DETAIL STATEMENTS

Fiduciary funds are used to account for assets when a school district is functioning either as a trustee or as an agent for another party.

Unemployment Compensation Insurance Trust Fund:	This trust fund is used to account for board contributions which are utilized to pay unemployment compensation claims as they arise.
Scholarship Trust Fund:	This trust fund is used to account for assets held by the district for grants to students where there are no restrictions regarding the use of principal and interest.
Student Activity Fund:	This agency fund is used to account for student funds held at the schools.
Payroll Agency Fund:	This agency fund is used to account for the payroll transactions of the school district.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2015

		PRIVATE PURPOSE SCHOLARSHIP FUNDS	UNEMPLOYMENT COMPENSATION TRUST	TOTAL TRUST FUNDS		STUDENT ACTIVITY	AGENCY FUNDS PAYROLL	TOTAL AGENCY FUNDS
ASSETS:								
Cash and Cash Equivalents	\$	3,992.43	\$ 109,075.00	\$ 113,067.43	\$	240,758.61	\$ 29,773.52	\$ 270,532.13
Total assets	\$	<u>3,992.43</u>	<u>\$ 109,075.00</u>	<u>\$ 113,067.43</u>	\$	<u>240,758.61</u>	<u>\$ 29,773.52</u>	<u>\$ 270,532.13</u>
LIABILITIES:								
Payroll Deductions and Withholdings	\$				\$		\$ 17,164.27	\$ 17,164.27
Due to Student Groups						240,758.61		240,758.61
Due to Other Funds							12,609.25	12,609.25
Total liabilities	\$				\$	<u>240,758.61</u>	<u>\$ 29,773.52</u>	<u>\$ 270,532.13</u>
NET POSITION:								
Held in trust for unemployment claims	\$		\$ 109,075.00	\$ 109,075.00				
Held in trust for scholarships		<u>3,992.43</u>		<u>3,992.43</u>				
TOTAL NET POSITION	\$	<u>3,992.43</u>	<u>\$ 109,075.00</u>	<u>\$ 113,067.43</u>				

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>TOTALS</u>
ADDITIONS:			
Contributions:			
Unemployment	\$ <u>241,845.23</u>	\$ <u>1,691.67</u>	\$ <u>243,536.90</u>
Total contributions	<u>241,845.23</u>	<u>1,691.67</u>	<u>243,536.90</u>
Investment Earnings:			
Interest Earned	<u>27.03</u>	<u>3.52</u>	<u>30.55</u>
Net Investment Earnings	<u>27.03</u>	<u>3.52</u>	<u>30.55</u>
Total additions	<u>241,872.26</u>	<u>1,695.19</u>	<u>243,567.45</u>
DEDUCTIONS:			
Scholarships awarded		500.00	500.00
Unemployment claims and contributions	<u>152,501.74</u>		<u>152,501.74</u>
Total deductions	<u>152,501.74</u>	<u>500.00</u>	<u>153,001.74</u>
Change in Net Position	89,370.52	1,195.19	90,565.71
Net Position, Beginning of Year	<u>19,704.48</u>	<u>2,797.24</u>	<u>22,501.72</u>
Net Position, End of Year	<u>\$ <u>109,075.00</u></u>	<u>\$ <u>3,992.43</u></u>	<u>\$ <u>113,067.43</u></u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>BALANCE</u> <u>JUNE 30, 2014</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSE-</u> <u>MENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2015</u>
ASSETS:				
Cash and cash equivalents	\$ <u>214,249.63</u>	\$ <u>428,509.15</u>	\$ <u>402,000.17</u>	\$ <u>240,758.61</u>
Total assets	\$ <u><u>214,249.63</u></u>	\$ <u><u>428,509.15</u></u>	\$ <u><u>402,000.17</u></u>	\$ <u><u>240,758.61</u></u>
LIABILITIES:				
Due student groups	\$ <u>214,249.63</u>	\$ <u>428,509.15</u>	\$ <u>402,000.17</u>	\$ <u>240,758.61</u>
Total liabilities	\$ <u><u>214,249.63</u></u>	\$ <u><u>428,509.15</u></u>	\$ <u><u>404,000.17</u></u>	\$ <u><u>238,758.61</u></u>

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>BALANCE</u> <u>JUNE 30, 2014</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2015</u>
ASSETS:				
Cash and cash equivalents	\$ 1,212,319.33	\$ 24,196,475.41	\$ 25,379,021.22	\$ 29,773.52
Total assets	<u>\$ 1,212,319.33</u>	<u>\$ 24,196,475.41</u>	<u>\$ 25,379,021.22</u>	<u>\$ 29,773.52</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 939,640.12	\$ 10,276,311.36	\$ 11,198,811.33	\$ 17,140.15
Payroll	268,555.21	13,911,678.80	14,180,209.89	24.12
Due to General Fund	<u>4,124.00</u>	<u>8,485.25</u>		<u>12,609.25</u>
Total liabilities	<u>\$ 1,212,319.33</u>	<u>\$ 24,196,475.41</u>	<u>\$ 25,379,021.22</u>	<u>\$ 29,773.52</u>

LONG-TERM DEBT SCHEDULES

The Long-Term schedules are used to reflect the outstanding principal balances of the long-term liabilities of the District. This includes obligations under Serial Bonds and Capital Leases.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2015

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>MATURITIES</u>		<u>RATE OF INTEREST</u>	<u>BALANCE JUNE 30, 2014</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2015</u>
			<u>DATE</u>	<u>AMOUNT</u>				
School Improvements	12/1/2002	\$ 1,475,000.00	12/1/2015	\$ 100,000.00	4.00%	\$	\$	
			12/1/2016	100,000.00	4.130%			
			12/1/2017	100,000.00	4.250%			
			12/1/2018	100,000.00	4.300%			
			12/1/2019	100,000.00	4.400%	600,000.00	100,000.00	500,000.00
Refunding Bonds	3/15/2005	5,850,000.00	11/1/2015	635,000.00	3.750%			
			11/1/2016	625,000.00	3.625%			
			11/1/2017	615,000.00	3.750%			
			11/1/2018	600,000.00	3.750%	3,685,000.00	620,000.00	3,065,000.00
			11/1/2019	590,000.00	4.000%			
School Bonds	2/1/2011	5,476,000.00	2/1/2016	300,000.00	2.500%			
			2/1/2017	345,000.00	3.000%			
			2/1/2018	360,000.00	3.250%			
			2/1/2019	365,000.00	3.500%			
			2/1/2020	370,000.00	3.500%			
			2/1/2021	420,000.00	4.000%			
			2/1/2022	425,000.00	4.000%			
			2/1/2023	435,000.00	4.000%			
			2/1/2024	445,000.00	4.000%			
			2/1/2025	450,000.00	4.000%			
		2/1/2026	496,000.00	4.000%	4,691,000.00	280,000.00	4,411,000.00	
					\$ 8,976,000.00	\$ 1,000,000.00	\$ 7,976,000.00	

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
AS OF JUNE 30, 2015

<u>SERIES</u>	<u>INTEREST RATE PAYABLE</u>	<u>AMOUNT OF ORIGINAL LEASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2014</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>AMOUNT OUTSTANDING JUNE 30, 2015</u>
Building Rewiring	Various	495,000.00	\$ 297,000.00	\$	99,000.00	\$ 198,000.00
Digital Copiers	Various	99,999.95	99,999.95		18,577.07	81,422.88
Bus	Various	174,507.41		174,507.41	36,000.00	138,507.41
			\$ 396,999.95	\$ 174,507.41	\$ 153,577.07	\$ 417,930.29

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>ORIGINAL BUDGET</u>	<u>TRANSFERS</u>	<u>MODIFIED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:					
Local sources:					
Local tax levy	\$ 1,115,733.00		\$ 1,115,733.00	\$ 1,115,733.00	
State sources:					
Debt Service Aid Type II	<u>202,564.00</u>		<u>202,564.00</u>	<u>202,564.00</u>	
Total revenues	<u>1,318,297.00</u>		<u>1,318,297.00</u>	<u>1,318,297.00</u>	
EXPENDITURES:					
Regular debt service:					
Interest	318,297.00		318,297.00	318,296.13	0.87
Redemption of principal	<u>1,000,000.00</u>		<u>1,000,000.00</u>	<u>1,000,000.00</u>	
Total regular debt service-expenditures	<u>1,318,297.00</u>		<u>1,318,297.00</u>	<u>1,318,296.13</u>	<u>0.87</u>
Excess (deficiency) of revenues over (under) expenditures				0.87	0.87
Fund balance, July 1	<u>7.35</u>		<u>7.35</u>	<u>7.35</u>	
Fund balance, June 30	<u>\$ 7.35</u>		<u>\$ 7.35</u>	<u>\$ 8.22</u>	<u>\$ 0.87</u>

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STATISTICAL SECTION
(UNAUDITED)

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends:	
These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	J-1 to J-4
Revenue Capacity:	
These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	J-5 to J-9
Debt Capacity:	
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.	J-10 to J-13
Demographic and Economic Information:	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	J-14 to J-15
Operating Information:	
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.	J-16 to J-20

Sources

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

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
NET POSITION BY COMPONENT
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Net investment in capital assets	(876,970.97)	\$ 7,342,792	\$ 7,213,779	\$ 5,754,297	\$ 5,341,862	\$ 4,902,544	\$ 4,659,627	\$ 4,358,409	\$ 4,127,300	\$ 4,025,299
Restricted	249,170.71	2,837,605	2,238,135	133,137	92,213	23,987	218,390	239,321	285,081	127,495
Unrestricted	(11,954,706.25)	(1,464,273)	(1,794,812)	(1,031,117)	(1,099,849)	(1,617,430)	(853,961)	(98,783)	167,182	620,350
Total governmental activities net position	\$ (12,582,507)	\$ 8,716,125	\$ 7,657,102	\$ 4,856,317	\$ 4,334,226	\$ 3,309,101	\$ 4,024,156	\$ 4,496,947	\$ 4,579,563	\$ 4,773,144
Business-type activities										
Net investment in capital assets	196,107.00	\$ 28,883	\$ 8,898	\$ 32,695	\$ 32,455	\$ 25,898	\$ 26,331	\$ 25,388	\$ 27,437	\$ 12,132
Unrestricted	320,730.12	261,715	446,522	404,915	335,239	254,805	178,187	119,632	96,258	119,047
Total business-type activities net position	\$ 516,837	\$ 290,599	\$ 455,420	\$ 437,610	\$ 367,694	\$ 280,703	\$ 204,518	\$ 145,020	\$ 123,695	\$ 131,179
District-wide										
Net investment in capital assets	(680,863.97)	\$ 7,371,675	\$ 5,786,992	\$ 5,374,317	\$ 4,928,442	\$ 4,665,958	\$ 4,383,797	\$ 4,154,737	\$ 4,037,431	\$ 3,502,784
Restricted	249,170.71	2,837,605	133,137	92,213	23,987	218,390	239,321	285,081	127,495	138,005
Unrestricted(Deficit)	(11,633,976.13)	(1,202,557)	(626,202)	(764,610)	(1,362,625)	(675,674)	(614,376)	(263,440)	739,397	252,947
Total district net position	\$ (12,065,669)	\$ 9,006,723	\$ 5,293,927	\$ 4,701,920	\$ 3,589,804	\$ 4,228,674	\$ 4,643,967	\$ 4,703,258	\$ 4,904,323	\$ 3,893,736

Source: CAFR Schedule A-1

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CHANGES IN NET POSITION
(accrual/basis of accounting)
UNAUDITED

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities										
Instruction										
Regular	\$ 17,525,689	\$ 14,592,988	\$ 14,404,030	\$ 13,508,306	\$ 13,591,186	\$ 13,324,774	\$ 13,524,283	\$ 13,428,527	\$ 12,754,375	\$ 12,067,752
Special education	8,155,275	8,673,073	9,118,080	8,993,260	8,908,910	8,403,023	7,764,135	7,084,382	6,184,627	5,145,831
Other instruction	1,838,076	2,582,185	1,275,097	656,570	743,141	987,767	1,098,145	1,193,358	1,240,937	1,303,432
School sponsored activities and athletics				618,809	609,102	585,460	663,295	640,881	570,198	522,025
Support Services:										
Student and instruction related services	7,342,948	5,127,709	5,163,537	5,515,931	4,862,359	4,847,228	4,830,563	4,265,823	3,994,853	3,653,984
Educational media/school library								374,462	320,420	311,263
General administration	685,665	907,347	810,542	689,107	657,247	682,126	631,886	559,837	548,355	512,673
School administration	2,172,465	2,109,731	2,156,745	1,920,335	1,904,951	1,786,761	1,720,957	1,723,804	1,600,341	1,582,647
Central services	844,580	797,181	728,794	648,109	557,226	585,214	549,617	493,214	491,210	489,060
Plant operations and maintenance	4,759,492	4,454,981	4,082,915	3,666,748	3,657,576	3,445,432	3,350,446	2,916,477	2,897,749	2,655,220
Pupil transportation	1,675,955	1,408,788	1,091,192	1,213,287	1,235,050	1,410,385	1,310,924	1,243,685	1,181,927	1,358,714
Interest on long-term debt	350,989	390,391	455,276	324,824	324,311	356,875	341,929	428,383	506,571	381,043
Unallocated amortization	52,200	52,200	58,133							
Total governmental activities expenses	45,351,133	41,096,576	39,344,332	37,755,286	37,031,059	36,415,045	35,986,180	34,352,833	32,291,563	29,983,644
Business-type activities:										
Food service	840,881	1,005,853	845,151	757,040	772,445	746,607	713,137	676,635	707,350	547,024
Community School	264,382	268,781	266,276	264,971	264,212	258,905	267,009	276,451	207,292	268,220
Total business-type activities expense	1,105,263	1,274,634	1,111,427	1,022,011	1,036,657	1,005,512	980,146	953,086	914,642	815,244
Total district expenses	\$ 46,456,396	\$ 42,371,210	\$ 40,455,759	\$ 38,777,297	\$ 38,067,716	\$ 37,420,557	\$ 36,966,326	\$ 35,305,919	\$ 33,206,205	\$ 30,798,888
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (Tuition)	\$ 68,331	\$ 234,691	\$ 318,406	\$ 193,095	\$ 6,168,816	\$ 4,952,717	\$ 6,544,089	\$ 6,333,260	\$ 5,225,209	\$ 4,781,597
Operating grants and contributions	10,294,525	6,622,253	6,401,819	5,502,933	73,495					
Capital grants and contributions	71,942	207,029	1,452,348	184,412						
Total governmental activities program revenues	10,434,798	7,063,973	8,172,572	5,880,440	6,242,311	4,952,717	6,544,089	6,333,260	5,225,209	4,781,597
Business-type activities:										
Charges for services:										
Food service	498,844	493,151	545,411	546,756	564,431	566,476	537,261	531,055	532,358	491,563
Community School	262,564	271,950	262,795	265,823	284,326	289,601	318,959	277,258	237,493	220,376
Operating grants and contributions	348,760	343,384	318,974	276,437	270,660	212,003	176,615	156,152	131,067	114,867
Total business-type activities program revenues	1,110,168	1,108,485	1,127,181	1,085,016	1,119,417	1,078,080	1,032,835	964,465	900,918	826,806
Total district program revenues	11,544,966	8,172,458	9,299,753	6,969,456	7,361,728	6,030,797	7,576,924	7,297,725	6,126,127	5,608,403
Net (Expense)/Revenue										
Governmental activities	(34,916,335)	(34,032,604)	(31,171,760)	(31,874,846)	(30,788,748)	(31,462,328)	(29,442,091)	(28,019,573)	(27,066,354)	(25,202,047)
Business-type activities	4,905	(166,149)	15,754	67,005	82,760	72,568	52,689	11,379	(13,724)	11,562
Total district-wide net expense	\$ (34,911,431)	\$ (34,198,753)	\$ (31,156,006)	\$ (31,807,841)	\$ (30,705,988)	\$ (31,389,760)	\$ (29,389,402)	\$ (28,008,194)	\$ (27,080,078)	\$ (25,190,485)

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CHANGES IN NET POSITION
(accrual basis of accounting)
UNAUDITED

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 34,326,233	\$ 32,993,304	\$ 32,346,376	\$ 31,446,287	\$ 30,225,447	\$ 28,930,867	\$ 27,630,749	\$ 26,377,804	\$ 25,618,957	\$ 25,468,924
Taxes levied for debt service	1,115,733.00	1,117,574.00	1,091,621	673,115	644,807	643,412	646,052	669,217	527,998	248,602
State aid restricted for debt service	445,768.00	412,225.00	205,754	146,565	167,360	159,539	152,176	204,127	248,780	319,022
Unrestricted state aid	202,564.00	205,967.00	271,752	57,862	607,623	891,535	388,003	466,658	321,649	10,000
Gain on refinancing										
Miscellaneous income	87,537.01	100,841.05	57,041	73,108	162,866	121,920	150,320	221,151	152,081	150,593
SDA Grant Canceled	(392,707.67)				5,770				3,308	
Donation - Capital asset										
Total governmental activities	<u>35,785,127</u>	<u>34,829,911</u>	<u>33,972,544</u>	<u>32,396,937</u>	<u>31,813,873</u>	<u>30,747,273</u>	<u>28,967,300</u>	<u>27,938,957</u>	<u>26,872,773</u>	<u>26,197,141</u>
Business-type activities:										
Investment earnings	493	1,327	2,057	2,911	4,231	3,617	6,809	9,946	6,240	3,931
Total business-type activities	<u>493</u>	<u>1,327</u>	<u>2,057</u>	<u>2,911</u>	<u>4,231</u>	<u>3,617</u>	<u>6,809</u>	<u>9,946</u>	<u>6,240</u>	<u>3,931</u>
Total district-wide	<u>\$ 35,785,621</u>	<u>\$ 34,831,238</u>	<u>\$ 33,974,601</u>	<u>\$ 32,399,848</u>	<u>\$ 31,818,104</u>	<u>\$ 30,750,890</u>	<u>\$ 28,974,109</u>	<u>\$ 27,948,903</u>	<u>\$ 26,879,013</u>	<u>\$ 26,201,072</u>
Change in Net Position										
Governmental activities	\$ 868,792	\$ 797,307	\$ 2,800,784	\$ 522,091	\$ 1,025,125	\$ (715,055)	\$ (474,791)	\$ (80,616)	\$ (193,581)	\$ 995,094
Business-type activities	5,398	(164,822)	17,810	69,916	86,991	76,185	59,498	21,325	(7,484)	15,493
Total district	<u>\$ 874,190</u>	<u>\$ 632,486</u>	<u>\$ 2,818,595</u>	<u>\$ 592,007</u>	<u>\$ 1,112,116</u>	<u>\$ (638,870)</u>	<u>\$ (415,293)</u>	<u>\$ (59,291)</u>	<u>\$ (201,065)</u>	<u>\$ 1,010,587</u>

Sources: CAFR Schedule A-2

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
CHANGES IN GOVERNMENTAL FUND BALANCES, GOVERNMENTAL FUNDS
UNAUDITED

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Tax levy	\$ 35,441,966	34,766,609	34,110,878	\$ 33,437,997	\$ 32,119,402	\$ 30,870,254	\$ 29,574,279	\$ 28,276,801	\$ 27,047,021	\$ 26,146,955
Miscellaneous	174,248	215,222	338,813	376,778	268,109	169,070	130,742	158,947	226,822	165,202
State Sources	6,333,789	6,059,477	6,252,856	7,256,713	4,665,206	5,719,949	5,203,395	6,288,478	6,252,868	5,098,257
Federal Sources	1,156,386	999,713	1,191,336	1,073,628	1,224,660	1,291,141	791,574	787,163	745,506	693,162
Total Revenue	43,106,389	42,041,021	41,893,884	42,145,116	38,277,377	38,050,414	35,699,990	35,511,389	34,272,217	32,103,576
Expenditures										
Instruction										
Regular Instruction	10,529,295	11,017,499	14,491,963	13,465,243	13,514,515	13,578,202	13,155,985	13,530,144	13,192,962	12,557,234
Special Education Instruction	4,463,020	4,582,884	8,671,987	7,590,839	9,008,115	8,905,283	8,285,578	7,770,663	7,010,535	6,124,744
Other Instruction	1,191,771	1,092,845	2,582,185	1,275,324	658,005	742,695	974,884	1,099,412	1,178,836	1,225,887
School Sponsored Activities and Athletics					619,944	608,789	579,005	663,931	633,024	563,275
Support Services:										
Tuition	2,074,598	2,348,076	5,109,512	7,363,661	5,514,664	4,854,965	4,775,318	4,827,096	4,216,808	3,948,386
Student & Instruction Related Services	5,071,965	5,000,880							368,190	315,801
Educational Media / School Library	483,830	529,623	900,034	806,493	676,709	642,984	666,108	619,748	554,027	543,046
General Administration	1,327,597	1,420,196	2,090,669	2,136,783	1,877,605	1,875,358	1,727,674	1,691,324	1,699,815	1,577,950
School Administrative Services	599,175	613,953	810,420	728,878	649,054	555,616	588,363	548,814	487,802	1,175,557
Central Services	2,858,855	2,955,722	3,615,953	3,506,818	3,289,660	3,248,737	3,026,815	3,199,776	2,884,548	2,867,609
Plant Operations and Maintenance	1,363,464	1,257,363	1,441,592	1,083,787	1,203,642	1,202,665	1,405,600	1,311,440	1,236,988	485,162
Pupil Transportation	10,531,120	10,857,404								
Unallocated Benefits	829,486	396,606	769,316	5,434,880	633,843	491,890	29,116	45,636	200,365	73,575
Debt Service:										
Refunding Bond Issue Cost	1,000,000	970,000	945,000	973,751	663,585	659,557	662,675	730,651	659,469	627,628
Principal	318,296	349,234	378,540	414,100	252,303	282,213	313,742	348,959	379,108	409,267
Interest and Other Charges	42,642,472	41,807,170	41,807,170	44,780,557	38,561,644	37,648,954	36,170,863	36,387,594	34,702,477	32,495,121
Total expenditures	463,917	86,713	86,713	(2,635,441)	(284,267)	401,460	(470,873)	(876,205)	(430,260)	(391,545)
Excess (Deficiency) of Revenues Over (Under) Expenditures										
Other Financing Sources (Uses)										
Proceeds from Borrowing	174,507	100,000	43,653	578,899	5,476,000	104,538			156,718	(8,902)
Capital Leases (Non-Budgeted)	(392,708)									
Refund Prior Year Revenue										
Cancelled SDA Grant										
Transfers In										
Transfers Out										
Total Other Financing Sources (Uses)	(218,200)	43,653	43,653	578,899	5,476,000	104,538			18,031	(184,746)
Net Change in Fund Balances	\$ 245,717	130,366	130,366	(2,056,542)	\$ 5,191,733	\$ 505,998	\$ (470,873)	\$ (876,205)	\$ (273,542)	\$ (400,447)
Debt Service as a Percentage of Noncapital Expenditures	3.15%	3.04%	3.16	3.10%	2.41%	2.53%	2.50%	2.70%	3.01%	3.20%

Source: CAFR Schedule B-2
* Noncapital expenditures are total expenditures less capital outlay.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
UNAUDITED

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Tuition</u>	<u>Tuition</u> <u>Refund</u>	<u>Insurance</u> <u>Refund</u>	<u>Interest on</u> <u>Investments</u>	<u>Use of</u> <u>Property</u>	<u>Athletics</u>	<u>Miscellaneous</u>	<u>Total</u>
2006		\$9,387.00		\$128,453.00		\$11,937.00	\$11,206	\$160,983.00
2007		4,474		169,797	\$2,800	16,065	28,415	221,551
2008				86,972	10,400	15,497	28,385	141,254
2009				46,764	8,563	8,722	52,278	116,327
2010				36,700	1,440	10,645	70,930	162,866
2011	\$193,095	43,151		32,656		11,366	18,596	266,307
2012	318,406	10,594		23,051		13,142	20,743	375,342
2013	234,691		\$7,528	12,740		12,542	44,981	335,532
2014	156,442			7,646		10,623	29,564	204,275
2015	68,331			7,010		9,519	71,008	155,868

Source: District Records

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Calendar Year	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2005	\$8,010,600	\$975,174,150	\$121,777,900	\$89,296,600	\$22,189,500	\$1,216,448,750	\$1,006,295	\$1,217,455,045	2.150	2,085,373,246
2006	14,865,000	976,754,050	121,413,500	86,656,600	21,539,500	1,221,228,650	843,345	1,222,071,995	2.210	2,567,917,619
2007	15,201,600	978,314,050	122,246,400	84,517,200	23,288,400	1,223,567,650	777,640	1,224,345,290	2.310	2,584,741,696
2008	9,824,500	994,885,650	121,641,800	83,619,800	22,900,200	1,232,871,950	781,881	1,233,653,831	2.410	2,758,462,459
2009	6,439,700	1,006,280,400	120,954,000	81,547,000	22,900,200	1,238,121,300	809,598	1,238,930,898	2.490	2,862,181,177
2010	6,449,600	1,006,540,800	120,785,100	79,530,600	22,900,200	1,236,206,300	813,464	1,237,019,764	2.600	2,781,923,249
2011	6,733,300	1,005,098,500	120,463,600	79,079,100	22,837,000	1,234,211,500	672,157	1,234,883,657	2.700	2,773,149,915
2012	6,628,200	1,001,968,800	119,826,500	78,684,700	22,006,700	1,229,304,900	495	1,229,305,395	2.775	2,498,214,325
2013	6,533,000	997,527,100	118,318,000	78,156,700	22,481,700	1,223,016,500	522	1,223,017,022	2.850	2,355,613,294
2014	6,384,500	997,074,000	118,148,900	78,224,200	23,025,500	1,222,857,100	542	1,222,857,642	2.898	2,266,709,734

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.

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

^b Tax rates are per \$100

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES

(rate per \$100 of assessed value)

UNAUDITED

Calendar Year Ended Dec. 31	Hawthorne Public Schools	Hawthorne Borough	Passaic County	Total
2005	2.15	0.82	0.90	\$ 3.87
2006	2.21	0.88	1.00	4.09
2007	2.31	0.91	1.05	4.27
2008	2.41	0.96	1.10	4.47
2009	2.49	1.05	1.17	4.71
2010	2.60	1.07	1.21	4.88
2011	2.70	1.09	1.30	5.09
2012	2.78	1.11	1.29	5.18
2013	2.85	1.15	1.28	5.28
2014	2.90	1.11	1.29	5.30

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 appending 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.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Graham Partnership	\$ 9,000,000.00		0.74%	*		
PRT Realty, L.P.	8,726,400.00		0.71%	*		
VanDyk's Senior Residence	8,500,000.00		0.70%	*		
Hawthorne Garden Assoc.	7,600,000.00		0.62%	*		
Hawthorne Acquisition, LLC	6,171,300.00		0.50%	*		
Hawthorne Auto Sales Co.	4,706,500.00		0.38%	*		
PSAF Dev. Partners LLC	4,100,000.00		0.34%	*		
Goffle Road Properties c/o Corrado	3,030,200.00		0.25%	*		
Hawthorne Commons, LLC	3,000,000.00		0.25%	*		
Dater Park Apts, LLC	2,400,000.00		0.20%	*		
Total	\$ 57,234,400.00		4.68%	\$ -		0.00%

(*) Not Available at time of Audit

Source: District CAFR J11 and Municipal Tax Assessor

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
UNAUDITED

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	\$ 26,146,955	\$ 26,146,955	100.00%	-
2007	27,047,021	27,047,021	100.00%	-
2008	28,276,801	28,276,801	100.00%	-
2009	29,574,279	29,574,279	100.00%	-
2010	30,870,254	30,870,254	100.00%	-
2011	32,119,402	32,119,402	100.00%	-
2012	33,437,997	33,437,997	100.00%	-
2013	34,110,878	34,110,878	100.00%	-
2014	34,766,609	34,766,609	100.00%	-
2015	35,441,966	35,441,966	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 the amount voted upon or certified prior to the end of the school year.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities						Population	Per Capita ^a
	General Obligation Bonds	Capital Leases	Notes Payable	Total District	Population	Per Capita ^a		
2006	\$ 9,230,000.00	\$ 272,502.00		\$ 9,502,502.00	17,819	\$	533	
2007	8,700,000.00	299,751.00		8,999,751.00	17,922		502	
2008	8,145,000.00	124,100.00		8,269,100.00	17,909		462	
2009	7,565,000.00	41,425.00		7,606,425.00	17,993		423	
2010	6,955,000.00	96,406.00		7,051,406.00	17,993		392	
2011	11,801,000.00	62,821.00		11,863,821.00	17,993		659	
2012	10,891,000.00	577,969.27		11,468,969.27	18,821		609	
2013	9,946,000.00	424,673.84	\$ 600,000.00	10,970,673.84	18,888		581	
2014	8,976,000.00	396,999.95		9,372,999.95	18,987		494	
2015	7,976,000.00	417,930.29		8,393,930.29	19,048		N/A	

Source: District CAFR Schedules I-1

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.

N/A not available

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
RATIOS OF NET BONDED DEBT OUTSTANDING
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Total Municipal Assessed Value	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding			
2006	\$ 9,230,000.00	-0-	\$9,230,000.00	\$1,222,071,995	0.76%	515.01
2007	8,700,000.00	-0-	8,700,000.00	1,224,345,290	0.71%	485.79
2008	8,145,000.00	-0-	8,145,000.00	1,233,653,831	0.66%	452.68
2009	7,565,000.00	-0-	7,565,000.00	1,238,930,898	0.61%	420.44
2010	6,955,000.00	-0-	6,955,000.00	1,237,019,764	0.56%	369.53
2011	11,801,000.00	-0-	11,801,000.00	1,234,883,657	0.96%	624.79
2012	10,891,000.00	-0-	10,891,000.00	1,229,305,395	0.89%	656.00
2013	9,946,000.00	-0-	9,946,000.00	1,223,017,022	0.81%	526.58
2014	8,976,000.00	-0-	8,976,000.00	1,222,857,642	0.73%	472.74
2015	7,976,000.00	-0-	7,976,000.00	1,221,336,431	0.65%	418.73

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.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2014
UNAUDITED

<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 Hawthorne Borough	\$18,598,775.80	100.00%	\$ 18,598,776
Other debt Passaic County	403,227,364.00	4.97%	<u>20,040,400</u>
Subtotal, overlapping debt			38,639,176
Hawthorne Borough School District Direct Debt			<u>7,976,000</u>
Total direct and overlapping debt			<u><u>\$ 46,615,176</u></u>

Sources: Borough Chief Financial Officer and County Treasurer's Office

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 Hawthorne. 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. 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.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
 LEGAL DEBT MARGIN INFORMATION
 UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2015

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 73,904,749	\$ 82,876,399	\$ 92,591,510	\$ 101,278,962	\$ 108,332,173	\$ 111,072,987	\$ 111,777,583	\$ 107,249,391	\$ 101,717,253	\$ 92,221,773
Total net debt applicable to limit	9,735,000	9,230,000	8,700,000	8,145,000	7,565,000	6,955,000	11,801,000	11,141,000	9,946,000	8,976,000
Legal debt margin	\$ 64,169,749	\$ 73,646,399	\$ 83,891,510	\$ 93,133,962	\$ 100,767,173	\$ 104,117,987	\$ 99,976,583	\$ 96,108,391	\$ 91,771,253	\$ 83,245,773
Total net debt applicable to the limit as a percentage of debt limit	14.54%	13.17%	11.14%	9.40%	8.04%	6.98%	20.30%	10.56%	9.78%	9.73%

	2014	2013	2012
Equalized valuation basis	\$ 2,302,932,392	2,256,904,410	2,356,796,204
	<u>2,302,932,392</u>	<u>2,256,904,410</u>	<u>2,356,796,204</u>
	[A]	[A]	[A]
Average equalized valuation of taxable property	\$ 2,305,544,335		
	<u>2,305,544,335</u>		
	[A/3]		
Debt limit (4% of average equalization value)	\$92,221,773	[B]	a
Net bonded school debt	8,976,000	[C]	
Legal debt margin	\$ 83,245,773	[B-C]	
	<u>83,245,773</u>		

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

a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
UNAUDITED

<u>Year Ended December 31</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u>	<u>Population</u>
2005	2.9%	\$ 35,699	17,907
2006	2.9%	38,392	17,819
2007	2.7%	40,845	17,922
2008	3.5%	42,354	17,909
2009	7.0%	40,436	17,993
2010	7.2%	39,704	17,993
2011	7.0%	39,704	18,821
2012	6.9%	43,209	18,888
2013	9.1%	44,688	18,987
2014	**	**	19,048

Source: N.J. Department of Labor

** Not available at audit

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
UNAUDITED

<u>Function/Program</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	142	143	133	120	132	120	132	134	131
Regular	123	130	134	135	130	129	117	120	130
Special education	1	1	1	1	1	1	7	7	1
Other special education									
Support Services:									
Student & instruction related services	36	37	37	42	27	25	5	5	9
General administration	3	3	3	3	3	3	3	3	3
School administrative services	18	18	18	17	17	18	10	10	17
Central services	4	4	4	4	4	4	19	19	4
Administrative Information Technology	1	1	1	2	1	1	4	3	1
Plant operations and maintenance	43	43	39	39	35	35	34	34	34
Pupil transportation	10	9	10	12	7	9	7	7	12
Total	381	389	380	375	357	345	338	342	341

Source: District Personnel Records

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
OPERATING STATISTICS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost per Pupil ^d	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	Middle School	Senior High School				
2006	2,334	\$31,384,651.00	\$13,447	4.82%	257.5	8.1:1	8.7:1	11.5:1	2,334	2,229	0.69%	95.50%
2007	2,381	33,463,535.00	14,054	4.52%	265.5	8.1:1	8.7:1	11.0:3	2,383	2,277	2.10%	95.55%
2008	2,423	35,262,348.00	14,553	3.55%	274.0	7.9:1	8.9:1	10.5:1	2,428	2,335	1.89%	96.17%
2009	2,428	33,104,597.00	13,635	-6.31%	268.0	7.9:1	9.4:1	11.4:1	2,447	2,337	0.78%	95.50%
2010	2,478	36,215,294.00	14,615	7.19%	256.0	8.6:1	10.4:1	11.7:1	2,466	2,350	0.78%	95.30%
2011	2,526	37,011,913.00	14,652	0.28%	256.0	11.0:1	12.0:1	12.5:1	2,481	2,350	0.61%	94.72%
2012	2,453	37,907,524.94	15,454	5.47%	250.0	10.5:1	11.3:1	11.4:1	2,430	2,312	-2.06%	95.14%
2013	2,464	39,714,314.94	16,118	4.30%	250.0	10.5:1	11.3:1	11.4:1	2,367	2,260	-2.59%	95.48%
2014	2,332	40,494,689.52	17,365	7.74%	254.0	10.5:1	11.3:1	11.4:1	2,332	2,227	-1.48%	95.50%
2015	2,325	40,494,689.52	17,417	0.30%	254.0	10.5:1	11.3:1	11.4:1	2,332	2,227	0.00%	95.50%

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

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures (modified accrual) less debt service and capital outlay;
- 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).
- d Cost per pupil represents operating expenditures divided by enrollment.

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION

	<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>District Building</u>										
<u>Elementary</u>										
Jefferson										
Square Feet	40,108	40,108	40,108	40,108	40,108	40,108	40,108	40,108	40,108	40,108
Capacity (students)	282	282	282	282	282	282	282	282	282	282
Enrollment	259	269	269	274	280	280	280	280	280	280
Roosevelt										
Square Feet	80,848	80,848	80,848	80,848	80,848	80,848	80,848	80,848	80,848	80,848
Capacity (students)	489	489	489	489	489	489	489	489	489	489
Enrollment	611	620	652	634	641	641	641	641	641	641
Washington										
Square Feet	40,361	40,361	40,361	40,361	40,361	40,361	40,361	40,361	40,361	40,361
Capacity (students)	234	234	234	234	234	234	234	234	234	234
Enrollment	249	257	248	261	291	291	291	291	291	291
<u>Middle School</u>										
Square Feet	87,155	87,155	87,155	87,155	87,155	87,155	87,155	87,155	87,155	87,155
Capacity (students)	513	513	513	513	513	513	513	513	513	513
Enrollment	516	546	562	596	588	588	588	588	588	588
<u>High School</u>										
Square Feet	144,704	144,704	144,704	144,704	144,704	144,704	144,704	144,704	144,704	144,704
Capacity (students)	714	714	714	714	714	714	714	714	714	714
Enrollment	699	691	699	683	666	666	666	666	666	666

Number of Schools at June 30, 2015

Elementary -	3
Middle School -	1
Senior High School -	1
	<hr/>
	5

Source: District records, ASSA

Note: Increases in square footage and capacity are the result of and additions. Enrollment is based on the annual October district count.

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
UNAUDITED

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

School Facilities	Project # (s)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Jefferson School	N/A	\$ 63,701	\$61,777	\$ 60,022	\$ 58,148	\$ 53,777	\$ 53,057	\$ 56,093	\$ 45,906	\$ 50,611	\$ 58,317
Roosevelt School	N/A	130,671	129,731	119,131	116,925	103,957	123,517	102,619	115,037	121,560	130,522
Washington School	N/A	68,971	67,955	57,061	57,099	58,654	54,924	55,019	52,578	49,126	55,489
Lincoln Middle School	N/A	137,941	135,909	134,559	126,153	112,067	124,841	121,769	127,698	119,058	124,665
Hawthorne High School	N/A	225,723	222,397	227,006	256,099	208,703	187,301	172,150	261,251	210,653	209,945
Total School Facilities		627,007	617,769	597,779	614,423	537,158	543,640	507,650	602,470	551,008	576,938
Grand Total		\$ 627,007	\$ 617,769	\$ 597,779	\$ 614,423	\$ 537,158	\$ 543,640	\$ 507,650	\$ 602,470	\$ 551,008	\$ 576,938

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2015
UNAUDITED

	<u>LIMITS</u>	<u>DEDUCTIBLE</u>
<u>PROPERTY</u>		
Blanket Building and Contents	\$ 75,549,681	\$ 5,000
Boiler & Machinery	75,549,681	5,000
Flood - Outside 100 Year Flood Zone	5,000,000	500,000
Flood - Inside 100 Year Flood Zone	1,000,000	50,000
<u>ENVIRONMENTAL POLICY</u>		
Environmental Impairment Liability (Group Aggregate)	20,000,000	
Each Impairment Aggregate limit per Insured:	3,000,000	15,000
<u>GENERAL LIABILITY COVERAGES</u>		
Each Occurrence Limit	1,000,000	
Personal and Advertising Injury Limit	1,000,000	
General Aggregate Limit	2,000,000	
Products/Completed Operations, Aggregate Limit	2,000,000	
Fire Damage Limit	1,000,000	
Medical Expense Limit	5,000	
<u>AUTOMOBILE</u>		
Liability	1,000,000	
Uninsured/Underinsured Motorists	1,000,000	
Comprehensive and Collision Deductibles	1,000,000	1,000
<u>PROFESSIONAL LIABILITY POLICY</u>		
School Board Legal Liability Limit	1,000,000	5,000
Employment Related Practices Limit	Included	5,000
<u>CRIME</u>		
Employee Dishonesty-per employee	100,000	
Per Loss	400,000	
Forgery & Alteration	50,000	1,000
<u>STATUTORY BONDS</u>		
Public Official Bond -Bus Admn/Treasurer	100,000	
<u>UMBRELLA LIABILITY</u>		
Limit of Liability	9,000,000	
<u>EXCESS UMBRELLA (CAP PROGRAM)</u>		
Limit of Liability (shared among all Boards)	9,000,000	
<u>WORKERS COMPENSATION</u>		
BI by Accident-Each Accident	1,000,000	
BI by Disease-Each Employee	1,000,000	
BI by Disease-Policy Limit	1,000,000	

BOROUGH OF HAWTHORNE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2015
UNAUDITED

	<u>LIMITS</u>	<u>DEDUCTIBLE</u>
<u>FLOOD INSURANCE</u>		
Bamford & Warburton-Trailer-1 and Trailer 2(each)		
Building	\$ 2,500	\$ 1,000
Contents	16,800	1,000
Bamford & Warburton-Fieldhouse		
Building	143,000	1,000
Contents	68,000	1,000
<u>Disability Insurance</u>	2000/wk	
<u>Student Accident Full Excess Plan</u>	5,000,000	1,000
<u>Volunteer Accident Full Excess Plan</u>	500,000	

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SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable President and Members
of the Board of Education
Borough of Hawthorne School District
County of Passaic
Hawthorne, New Jersey 07605

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, the financial statements of Borough of Hawthorne School District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's 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 Borough of Hawthorne's School District's internal control.

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

SUPLEE, CLOONEY & COMPANY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However we noted immaterial instances of noncompliance that we have reported to the Board of Education of the Borough of Hawthorne School District in a separate Auditor's Management Report on Administrative Findings – Financial and Compliance dated December 1, 2015.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

December 1, 2015


PUBLIC SCHOOL ACCOUNTANT NO. 93



SUPLEE, CLOONEY & COMPANY

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL
AND STATE FINANCIAL ASSISTANCE PROGRAMS AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH U.S. OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

Honorable President and Members
of the Board of Education
Borough of Hawthorne School District
County of Passaic
Hawthorne, New Jersey 07605

Report on Compliance for Each Major Federal and State Program

We have audited the Borough of Hawthorne School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Borough of Hawthorne School District's major federal and state programs for the year ended June 30, 2015. The District's major federal and 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 federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Hawthorne School District's major federal and 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; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and *New Jersey OMB 04-04*. Those standards, *OMB Circular A-133* and *New Jersey OMB 04-04* 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Hawthorne School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

SUPLEE, CLOONEY & COMPANY

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

Management of the Borough of Hawthorne School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Borough of Hawthorne School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and 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 federal and state program and to test and report on internal control over compliance in accordance with *OMB Circular A-133* and *New Jersey OMB 04-04*, 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 Borough of Hawthorne School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or 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 federal or 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 federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133* and *State of New Jersey OMB 04-04*. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 93

December 1, 2015

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/PROGRAM TITLE	CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE JUNE 30, 2014 (ACCOUNTS RECEIVABLE) UNEARNED REVENUE	CARRYOVER/ (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS/ CANCEL PRIOR YEAR ACCOUNTS PAYABLE	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE JUNE 30, 2015	
											(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE
Enterprise Funds												
U.S. Department of Agriculture												
Passed-through State Department of Education:												
Food Distribution Commodities Program	10.565	N/A	7/1/14-6/30/15	43,508.38	\$	\$	43,508.34	\$ (41,413.13)	\$	\$	\$	2,095.21
Food Distribution Commodities Program	10.565	N/A	7/1/13-6/30/14	37,785.32	1,425.44			(1,425.44)				
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	285,538.20	(23,169.63)		266,248.40	(285,538.20)			(19,289.80)	
National School Lunch Program	10.555	N/A	7/1/13-6/30/14	281,466.87			23,169.63					
National School Breakfast Program	10.553	N/A	7/1/14-6/30/15	11,286.33	(1,213.06)		10,424.65	(11,286.33)			(861.68)	
National School Breakfast Program	10.553	N/A	7/1/13-6/30/14	11,225.02			1,213.06					
Total U.S. Department of Agriculture					(22,957.25)		344,564.08	(339,863.10)			(20,151.48)	2,095.21
Special Revenue Funds												
U.S. Department of Education												
Passed-through State Department of Education:												
Title I	84.010	NCLB219013	7/1/14-6/30/15	\$ 354,396.50			198,791.17	(326,361.00)			(127,569.83)	
Title I	84.010	NCLB219014	9/1/13-8/31/14	306,252.50	(38,355.83)		38,355.83					
Title IIA	84.367	NCLB219013	7/1/14-6/30/15	44,863.00			38,892.50	(38,768.53)			(176.03)	
Title IIA	84.367	NCLB219014	9/1/13-8/31/14	45,402.00	(654.50)		654.50					
Title III	84.365	NCLB219012	7/1/14-6/30/15	12,791.00	(7,542.00)		4,251.00	(8,531.85)			(4,280.85)	
Title III	84.365	NCLB219014	9/1/13-8/31/14	7,542.00			7,542.00					
I.D.E.A. Part B, Basic	84.027	IDEA219013	7/1/14-6/30/15	620,690.00			618,895.00	(61,988.63)			6,906.37	
I.D.E.A. Part B, Basic	84.027	IDEA219014	9/1/13-8/31/14	629,365.75	20,811.55		289.48	(20,811.55)				
I.D.E.A. Part B - Preschool	84.173	IDEA219013	7/1/14-6/30/15	28,615.00			18,957.52	(27,239.48)			(26,950.00)	
I.D.E.A. Part B - Preschool	84.173	IDEA219014	9/1/13-8/31/14	28,698.00	(18,957.52)							
Total U.S. Department of Education					(44,698.30)		926,329.00	(1,033,701.04)			(152,070.34)	
General Fund												
U.S. Department of Health & Human Services												
Medical Assistance Prog (SEMI)(ARRA)	93.778		7/1/14-6/30/15	3,310.39			3,310.39	(3,310.39)				
Medical Assistance Prog. (SEMI)	93.778		7/1/14-6/30/15	70,391.20			70,391.20	(70,391.20)				
Total U.S. Department of Health & Human Services							73,701.59	(73,701.59)				
Total Federal Financial Assistance					(987,655.55)		\$1,344,594.67	(\$1,447,065.73)			(\$172,221.82)	\$2,095.21

The accompanying notes to schedules of financial assistance are an integral part of this schedule.

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2014			CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEARS BALANCES	BALANCE AT JUNE 30, 2015	
				(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE	DUE TO GRANTOR					(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE
State Department of Education												
General Funds:												
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	\$333,115.00				\$305,795.00	(\$333,115.00)	\$27,320.00			
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	124,605.00				114,386.00	(124,605.00)	10,219.00			
Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	1,474,759.00				1,353,812.00	(1,474,759.00)	120,947.00			
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	66,013.00				60,599.00	(66,013.00)	5,414.00			
PARCC Readiness Aid	15-495-034-5120-097	7/1/14-6/30/15	23,320.00				21,408.00	(23,320.00)	1,912.00			
Per Pupil Growth Aid	15-495-034-5120-098	7/1/14-6/30/15	23,320.00				21,408.00	(23,320.00)	1,912.00			
Non-Public Transportation Aid	N/A	7/1/14-6/30/15	29,504.00					(29,504.00)			(\$29,504.00)	
Non-Public Transportation Aid	N/A	7/1/13-6/30/14	24,080.00	(\$24,080.00)			24,080.00					
Extraordinary Aid	14-100-034-5120-473	7/1/13-6/30/14	678,129.00	(678,129.00)			678,129.00					
Extraordinary Aid	15-100-034-5120-473	7/1/14-6/30/15	507,596.00					(507,596.00)			(507,596.00)	
TPAF Social Security Aid	15-495-034-5095-002	7/1/14-6/30/15	1,118,396.18				1,061,793.14	(1,118,396.18)			(56,603.04)	
TPAF Social Security Aid	14-495-034-5095-002	7/1/13-6/30/14	1,190,893.31	(132,674.82)			132,674.82					
Total General Fund				(634,883.82)			3,774,084.96	(3,700,628.18)	167,724.00		(583,703.04)	
Special Revenue Fund:												
NJ Nonpublic Aid:												
Technology Aid	15-100-034-5120-373	7/1/14-6/30/15	19,744.00				19,744.00	(19,744.00)		(687.11)		
Technology Aid	14-100-034-5120-373	7/1/13-6/30/14	12,160.00		687.11							
Textbook Aid	15-100-034-5120-064	7/1/14-6/30/15	36,761.00				36,761.00	(\$36,761.00)		(801.00)		
Textbook Aid	14-100-034-5120-064	7/1/13-6/30/14	33,348.00		801.00							
Nursing	15-100-034-5120-070	7/1/14-6/30/15	62,222.00				62,222.00	(62,222.00)				
Auxiliary Services:												
English as a Second Language	15-100-034-5120-067	7/1/14-6/30/15	10,962.00				10,962.00	(4,019.40)		(688.68)		6,942.60
English as a Second Language	14-100-034-5120-067	7/1/13-6/30/14	10,126.00		698.68							
Compensatory Education	15-100-034-5120-067	7/1/14-6/30/15	37,176.00				37,176.00	(30,457.20)		(3,252.78)		6,718.80
Compensatory Education	14-100-034-5120-067	7/1/13-6/30/14	46,223.00		3,252.78							
Handicapped Services:												
Supplemental Instruction	15-100-034-5120-068	7/1/14-6/30/15	34,527.00				34,527.00	(29,112.37)		(1,526.60)		5,414.63
Supplemental Instruction	14-100-034-5120-068	7/1/13-6/30/14	27,060.00		1,526.60							
Examination & Classification	15-100-034-5120-068	7/1/14-6/30/15	69,145.00				69,145.00	(50,246.66)		(4,774.96)		18,898.34
Examination & Classification	14-100-034-5120-068	7/1/13-6/30/14	44,904.00		4,774.96							
Corrective Speech	15-100-034-5120-068	7/1/14-6/30/15	30,481.00				30,481.00	(26,063.25)		(3,514.92)		4,417.75
Corrective Speech	14-100-034-5120-068	7/1/13-6/30/14	19,842.00		3,514.92							
Total Special Revenue Fund					15,256.05		301,018.00	(258,625.89)		(15,256.05)		42,392.12

The accompanying notes to schedules of financial assistance are an integral part of this schedule.

BOROUGH OF HAWTHORNE - SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2014		CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEARS BALANCES	BALANCE AT JUNE 30, 2015	
				(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE					(ACCOUNTS RECEIVABLE)	UNEARNED REVENUE
					DUE TO GRANTOR						DUE TO GRANTOR
<u>Capital Projects Fund:</u>											
School Development Authority - Facilities Grant											
Partial Roof and HVAC Replacement	2100-050-09-1001	7/1/09-6/30/10	\$88,150.00		\$1,786.00			(1,786.00)			
Referendum	Various	7/1/10-6/30/11	2,189,195.00		38,224.64	\$73,399.68	(671,941.73)	(39,682.59)			
					40,010.64	73,399.68	(71,941.73)	(41,468.59)			
<u>Debt Service Fund:</u>											
Debt Service State Aid	15-495-034-5120-075	7/1/14-6/30/15	202,564.00			202,564.00	(202,564.00)				
<u>Enterprise Fund:</u>											
National School Lunch Program	14-100-020-3350-023	7/1/13-6/30/14	9,345.90	(747.19)		747.19					
National School Lunch Program	15-100-020-3350-023	7/1/14-6/30/15	9,096.73			8,497.97	(9,096.73)			(598.76)	
Total Enterprise Fund				(747.19)		9,245.16	(9,096.73)			(598.76)	
Total State Financial Assistance Subject to Single Audit				(\$835,631.01)	\$40,010.64	\$4,360,311.80	(\$4,242,856.52)	\$126,255.41	(\$15,256.05)	(\$594,301.80)	\$-42,392.12
Less: On-Behalf amounts not utilized for determination of Single Audit and Major Programs:											
On-behalf TPAF Contributions		7/1/14-6/30/15	759,245.00			\$759,245.00	(\$759,245.00)				
NCGI		7/1/14-6/30/15	54,624.00			54,624.00	(54,624.00)				
Post Retirement Medical		7/1/14-6/30/15	1,292,018.00			1,292,018.00	(1,292,018.00)				
						\$6,466,198.80	(\$6,348,743.52)				

The accompanying notes to schedules of financial assistance are an integral part of this schedule.

Borough of Hawthorne School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2015

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exceptions 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 of the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedule (RSI) are presented for the general fund and special revenue fund to demonstrate finance-regulated 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 deferred state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP accounting purposes, those payments are not recognized until the subsequent budget year due to the state deferral and recording of the state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas GAAP basis does not. The special revenue fund also recognizes the deferred state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

Borough of Hawthorne School District
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
Year Ended June 30, 2015

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$5,858.00) for the general fund. The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$48,983.54 for the special revenue fund. See the notes to the required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Federal awards and state financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$73,701.59	\$5,806,515.18	\$5,880,216.77
Special Revenue Fund	1,033,701.04	258,625.88	1,292,326.92
Capital Projects Fund		71,941.73	71,941.73
Debt Service Fund		202,564.00	202,564.00
Food Service Fund	<u>339,663.10</u>	<u>9,096.73</u>	<u>348,759.83</u>
Total Awards & Financial Assistance	<u>\$1,447,065.73</u>	<u>\$6,348,743.52</u>	<u>\$7,795,809.25</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: OTHER

Revenues and expenditures reported in 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 represent the amount reimbursed by the state for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2015.

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

- | | | |
|-----|--|------------|
| (1) | Type of Auditor’s Report Issued: | Unmodified |
| (2) | Internal Control Over Financial Reporting: | |
| | (a) Material weakness(es) identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (3) | Noncompliance material to the basic financial statements noted during the audit? | No |

Federal Program(s)

- | | | |
|-----|---|------------|
| (1) | Internal Control Over Major Federal Programs: | |
| | (a) Material weaknesses identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (2) | Type of Auditor’s Report issued on compliance for major federal program(s)? | Unmodified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular OMB A-133? | No |

(4) Identification of Major Federal Program(s):

<u>Program</u>	<u>CFDA</u>
Title I	84.010
National School Lunch Program	10.555

- | | | |
|-----|---|-----|
| (5) | Program Threshold Determination:
Type A Federal Program Threshold > \$300,000.00
Type B Federal Program Threshold <= \$300,000.00 | |
| (6) | Auditee qualified as a low-risk auditee under OMB Circular A-133? | Yes |

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section I – Summary of Auditor’s Results (Continued)

State Program(s)

- (1) Internal Control Over Major State Programs:
 - (a) Material weakness(es) identified? No
 - (b) Significant deficiencies identified that are not considered to be material weaknesses? No
- (2) Type of Auditor’s Report issued on compliance for major state program(s)? Unmodified
- (3) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04? No

(4) Identification of Major State Program(s):

<u>Program</u>	<u>Grant Number</u>
Special Education Aid	15-495-034-5120-078
Equalization Aid	15-495-034-5120-078
Security Aid	15-495-034-5120-084
PARCC Readiness Aid	15-495-034-5120-097
Per Pupil Growth Aid	15-495-034-5120-098

- (5) Program Threshold Determination:
 - Type A State Program Threshold > \$300,000.00
 - Type B State Program Threshold <= \$300,000.00
- (6) Auditee qualified as a low-risk auditee under OMB Circular 04-04? Yes

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section II – Financial Statement Audit – Reported Findings Under Government Auditing Standards

Internal Control Findings – None Reported

Compliance Findings – None Reported

Section III – Findings and Questioned Costs Relative to Major Federal and State Programs

Federal Programs – None Reported

State Programs – None Reported

Borough of Hawthorne School District
Passaic County, New Jersey

Schedule of Prior Year Audit Findings

Finding 2014-01

Expenditures for reimbursed TPAF social security recorded on the general ledger did not agree with expenditure reports filed with the State of New Jersey for reimbursement.

Current Status

This finding has been corrected.

