

HARDYSTON TOWNSHIP SCHOOL DISTRICT

**Hardyston Township School District
Hardyston, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010**

**Comprehensive Annual
Financial Report**

of the

HARDYSTON TOWNSHIP SCHOOL DISTRICT

Hardyston, New Jersey

For the Fiscal Year Ended June 30, 2010

Prepared by

**Hardyston Township School District
Business Office**

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INTRODUCTORY SECTION

Hardyston School District

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Martin G. Sumpman
Chief School Administrator/Middle School Principal

James R. Sekelsky
Business Administrator/Board Secretary

John Brennan
Elementary School Principal

Alexander I. Roney
Building Administrator/ Middle School Vice-Principal

November 11, 2010

The Honorable President and Members
Of the Board of Education
Hardyston Township School District
County of Sussex, State of New Jersey

Dear Board Members:

The comprehensive annual financial report of the Hardyston Township School District ("the District") for the fiscal year ended June 30, 2010, 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 Hardyston Township Board of Education. 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 general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis.

The District is subject to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and the New Jersey's OMB Circular NJOMB 04-04, *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.

1) REPORTING ENTITY AND ITS SERVICES: Hardyston Township School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Hardyston Township Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Preschool through 8. These include regular, as well as special education for handicapped youngsters preschool through grade 8.

The Honorable President and Members
of the Board of Education
Hardyston Township School District
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The following details the changes in student enrollment over the last ten years:

<i>Average Daily Enrollment</i>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percentage Change</u>
2009-2010	743	-1.59 %
2008-2009	755	7.24 %
2007-2008	704	-2.49 %
2006-2007	722	-0.14 %
2005-2006	723	-2.17 %

2) ECONOMIC CONDITION AND OUTLOOK: Hardyston Township encompasses an area of 32.5 square miles in central Sussex County. The Hamburg Mountain divides the Township into almost two equal areas. The eastern portion of the Township is mountainous and consists mainly of lakes and resort development. At least one-half of this area consists of the Newark watershed property. The western portion of Hardyston is made up of mostly farmland. Considerable new housing development continues to occur. The outlook for the future is that Hardyston Township will continue to grow with both housing for families and senior citizen facilities.

Major traffic arteries serving the area consist of State Route 23, which bisects the Township in an east-west direction, and Route 94 in a north-south direction, which is located in the western section of the Township. Additional routes include County Roads 515 and 517. Hardyston Township also has easy access to Interstate Routes 80 and 287, and State Routes 15, 206 and 46.

The Hardyston Township School District became a two-school district during the 2003-2004 school year. The Hardyston Township Middle School became a reality on November 11, 2003. The school, located on Wheatsworth Road, is part of an educational/recreational cooperative effort between the school board and the community. The Middle School building also houses the Administrative and Board Offices. The pre-kindergarten through fifth grade students remain housed in the original district building located on State Highway Route 23. This building continues to undergo refurbishing as needed. This year, Hardyston will be celebrating 50 years of education with various year-long activities involving the community.

During the 2009-2010 school year, the two schools in the Hardyston Township School District provided education for 743 students in grades pre-kindergarten through grade eight with a staff of 74.5 professionals and a support staff of 27. Students in grades nine through twelve have the option of attending Wallkill Valley Regional High School, Pope John XXIII Regional High School or Sussex County Technical School.

The academic and social needs of the students are addressed through a comprehensive curriculum that includes all mandated programs plus additional programs that the Board of Education has determined are necessary to meet the total educational goals of the District. These programs include Art, Music, Home Economics, World Language, Enrichment, and Computer Education. The Enrichment Program is conducted district wide. A Basic Skills program is provided for students identified as in need of supplemental instruction. Services of guidance counselors and a full Child Study Team are provided to meet the needs of our students. Children with special needs are served through resource centers, Learning and/or Language Disability classes, the Preschool Handicapped Program, the Multiple Disabled Program, as well as outside district placements. Articulation of the curriculum is supervised by the Building Administrators, along with the District's Supervisor of Curriculum. An extensive extra-curricular sports program provides students with experience in cross country running, field hockey, soccer, girls' and boys' basketball, cheerleading, gymnastics, and boys' and girls' track. Yearbook, band, chorus, and intramurals also provide after-school activities for the students.

The Honorable President and Members
of the Board of Education
Hardyston Township School District
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November 11, 2010

Students in grades six, seven, and eight are organized and taught through the team concept and a schedule which provides lengthened periods of instruction every other day in language arts, science, mathematics, and social studies. Bus transportation to and from school is provided for all students.

The Hardyston Township Manager and the Economic Development Committee have continued their efforts to lure additional clean, commercial ratables. Crystal Springs offers the golfing public a choice of several courses in a small, concentrated area, including a huge new clubhouse and hotel, which is a centerpiece for the golfing community. The Township ratables continue to grow; however, this past year the Township had a tax revaluation. This is the sixth year of growth. Additionally, the ratables are clean and environmentally friendly.

The Township is comprised of a large community work force. The major housing developments of Crystal Springs, Indian Fields, Timberline Manor, and Walden Village continue to build new houses with added amenities. The new recreation complex created by the joint venture with the school district and the Township is operational and successful. The level of activity has exceeded the most optimistic projects with soccer, baseball, softball, and football teams continually utilizing the fields. The perimeter track, which was an afterthought of the project, has proven to be an equally popular attraction. The complex itself is another inducement attracting residential and commercial growth in the community.

3) MAJOR INITIATIVES: The school district continues to perform on mandated tests at a level that meets or exceeds the proficiency levels, with the exception of students with disabilities, required by No Child Left Behind law. The District continues to pursue academic excellence by providing staff with professional development programs, along with the purchase of teaching materials in the areas of mathematics, language arts, science and special education. The District maintains a multiple disabled classroom in the elementary school and an after school extended learning program for lower performing students for grade levels three through eight.

The District replaced the middle school roof during the summer of 2009, but the Board continues to address some of the on-going issues with the middle school windows in the front of the building. This will continue to be a priority and focus of the Facilities & Operations Committee of the Board of Education.

The Board of Education and Superintendent work cooperatively with the administrators, staff, students, parents, and community to develop the formation of the educational goals of this district. The educational goals are adopted by the Board to address the needs of the students.

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

The Honorable President and Members
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Hardyston Township School District
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November 11, 2010

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipalities. 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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

6) ACCOUNTING SYSTEM AND REPORTS: The District's account 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.

7) 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 3. 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.

8) DEBT ADMINISTRATION: As of June 30, 2010, the District's outstanding debt is \$13,524,000.

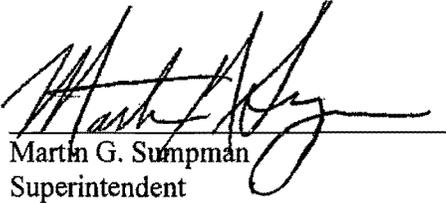
9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

10) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

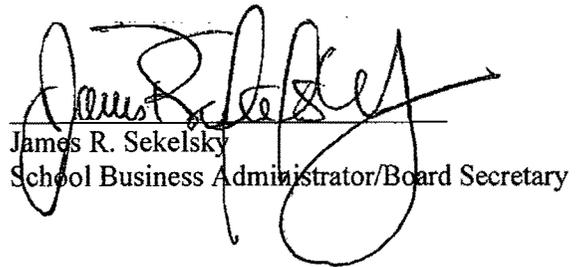
The Honorable President and Members
of the Board of Education
Hardyston Township School District
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November 11, 2010

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

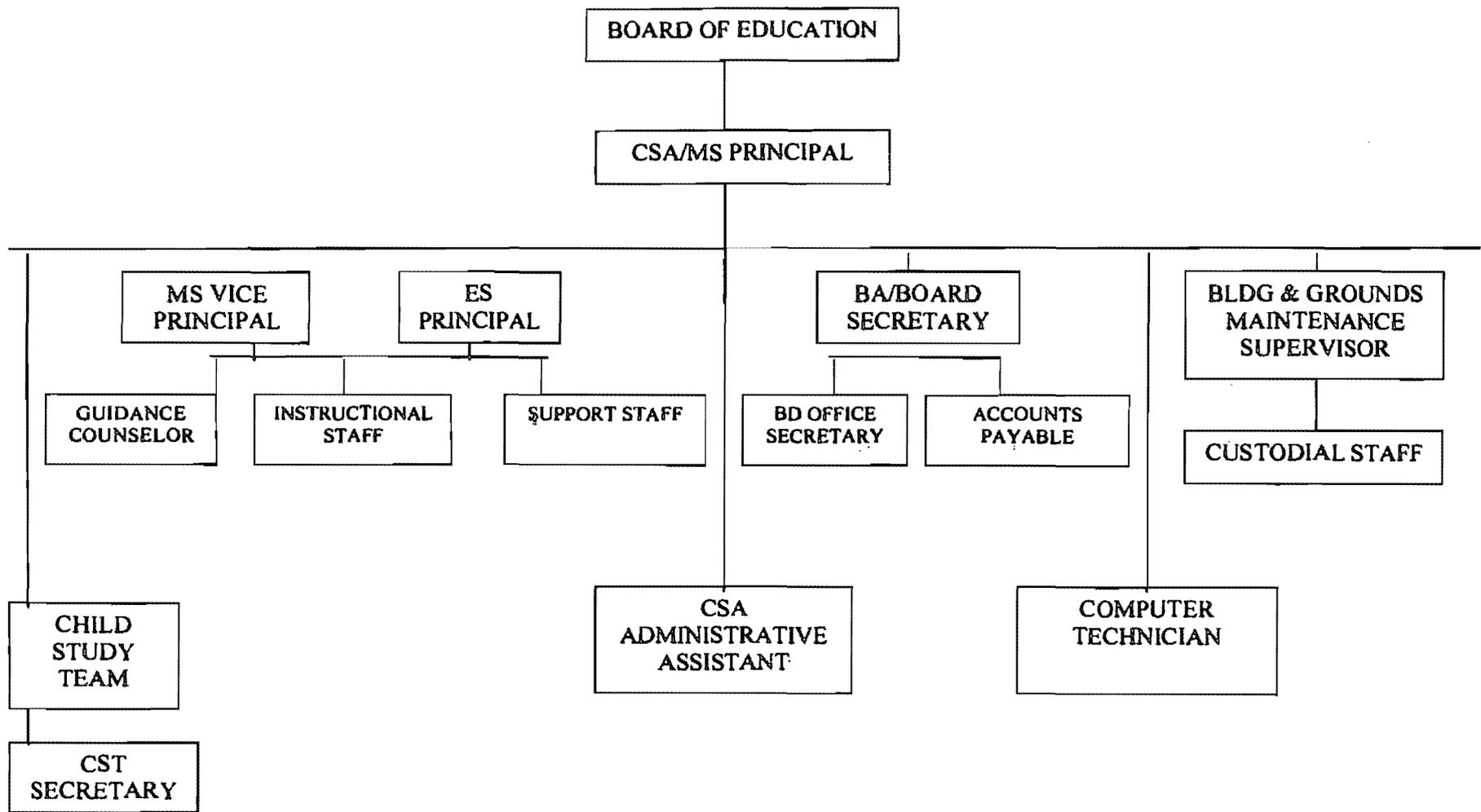
Respectfully submitted,



Martin G. Sumpman
Superintendent



James R. Sekelsky
School Business Administrator/Board Secretary



**HARDYSTON TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2010**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Todd Anderson		2013
Dorothy Beltramine		2012
Edward Blahut		2011
Christine E. Clavin	President	2011
Anita Collins		2012
Gregg Hoffmann		2012
Dr. Kevin D. Johnson	Vice President	2011
Randolph Roof		2013
Cheryl Whitehead		2013
<u>Other Officers</u>	<u>Title</u>	
Martin G. Sumpman	Superintendent of Schools	
James R. Sekelsky	Business Administrator/Board Secretary	
Grant Rome	Treasurer of School Moneys	
Marc Zitomer	Attorney	

**HARDYSTON TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Nisivoccia & Company LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road Suite 300
Mt. Arlington, New Jersey, 07856-1320
and
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Architect

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Rockaway, New Jersey 07866

Official Depositories

Sussex Bank
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Franklin, New Jersey 07416

New Jersey Cash Management
CN 290
Trenton, New Jersey 08625

New Jersey Asset Rebate Management Fund
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FINANCIAL SECTION



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Fax: 973-328-0507

Lawrence Business Park
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Phone: 973-383-6699
Fax: 973-383-6555

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Hardyston Township School District
County of Sussex, New Jersey

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 Board of Education of the Hardyston Township School District in the County of Sussex as of and for the fiscal year ended June 30, 2010 which collectively comprise the Board of Education's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Hardyston Township School District in the County of Sussex as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2010 on our consideration of the Board of Education of the Hardyston Township School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

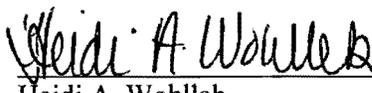
The Honorable President and Members
of the Board of Education
Hardyston Township School District
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The Management's Discussion and Analysis and the Budgetary Comparison Information on Schedules C-1 through C-3 and I-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Hardyston Township School District's basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The combining individual fund financial statements, and other supplementary schedules and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

November 11, 2010
Mount Arlington, New Jersey

NISIVOCCIA & COMPANY LLP



Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Hardyston Township School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

This section of Township of Hardyston School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status remains strong and financially stable.
- Overall revenue was \$12.4 million.
- The District decreased its outstanding long-term debt by \$353,739; of which there were serial bonds payments of \$290,000, \$32,431 of capital lease payments and net retirements of \$31,308 of compensated absences payable.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

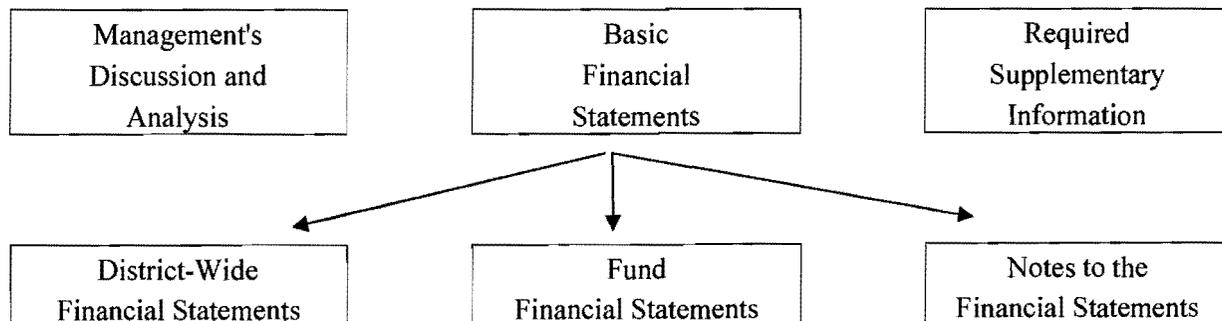


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets increased by \$163,956. Net assets from governmental activities increased by \$146,554 combined with an increase in net assets from business activities of \$17,402. Net assets invested in capital assets decreased by \$194,451, restricted net assets increased by \$249,193, and unrestricted net assets increased by \$109,214.

Figure A-3
Condensed Statement of Net Assets

	Government Activities		Business-Type Activities		Total School District		Percentage
	2009/2010	2008/2009*	2009/2010	2008/2009	2009/2010	2008/2009*	Change
Current and Other Assets	\$ 794,891	\$ 1,724,496	\$ 33,535	\$ 6,093	\$ 828,426	\$ 1,730,589	-52.13%
Capital Assets	17,711,266	18,220,073	36,343	44,418	17,747,609	18,264,491	-2.83%
Total Assets	18,506,157	19,944,569	69,878	50,511	18,576,035	19,995,080	-7.10%
Long-Term Debt Outstanding	13,920,767	14,274,506			13,920,767	14,274,506	-2.48%
Other Liabilities	241,222	1,305,587	5,900	3,935	247,122	1,309,522	-81.13%
Total Liabilities	14,161,989	15,580,093	5,900	3,935	14,167,889	15,584,028	-9.09%
Net Assets:							
Invested in Capital Assets,							
Net of Related Debt	4,187,266	4,373,642	36,343	44,418	4,223,609	4,418,060	-4.40%
Restricted	674,999	425,806			674,999	425,806	58.52%
Unrestricted/(Deficit)	(518,097)	(601,834)	27,635	2,158	(490,462)	(599,676)	18.21%
Total Net Assets	\$ 4,344,168	\$ 4,197,614	\$ 63,978	\$ 46,576	\$ 4,408,146	\$ 4,244,190	3.86%

* - Restated.

Changes in Net Assets. The District's combined net assets were \$4,408,146 on June 30, 2010, \$163,956 or 3.86% greater than they were the year before. (See Figure A-3). The net assets of the business-type activities increased by \$17,402 and the net assets of the governmental activities increased by \$146,554 (See Figure A-4). The decrease in capital assets is due to current year depreciation expense of \$584,631 offset by current year capital assets additions of \$67,749 and current year maturities of serial bonds and capital leases in the amount of \$322,431. The increase in restricted net assets is due primarily to an increase in encumbrances of \$199,255 as well as an increase in the capital reserve of \$120,000 offset by \$28,275 of capital projects expenditures. The increase in unrestricted net assets is due primarily to unexpended General Fund budget appropriations, net of current year encumbrances of \$221,984, a decrease in compensated absences payable of \$31,308 as well as a profit of approximately \$23,600 realized from the agreement with the food service management contractor offset by a deficit in General Fund revenue of \$26,169, General Fund budgeted fund balance of \$25,068 for the fiscal year ended June 30, 2010 and a transfer of \$120,000 to the Capital Reserve at fiscal year end.

Figure A-4
Change in Net Assets from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2009/2010	2008/2009*	2009/2010	2008/2009	2009/2010	2008/2009*	Change
Revenue:							
Program Revenue:							
Charges for Services			\$ 156,475	\$ 148,293	\$ 156,475	\$ 148,293	5.52%
Operating Grants & Contributions	\$ 1,757,971	\$ 1,585,016			1,757,971	1,585,016	10.91%
General Revenue:							
Property Taxes	8,880,300	8,567,746			8,880,300	8,567,746	3.65%
Federal and State Aid Unrestricted	1,486,733	1,516,293	53,211	42,187	1,539,944	1,558,480	-1.19%
Other	48,051	25,199	689	784	48,740	25,983	87.58%
Total Revenue	<u>12,173,055</u>	<u>11,694,254</u>	<u>210,375</u>	<u>191,264</u>	<u>12,383,430</u>	<u>11,885,518</u>	4.19%
Expenses:							
Instruction	6,591,412	6,820,154			6,591,412	6,820,154	-3.35%
Pupil and Instruction Services	1,319,184	1,175,616			1,319,184	1,175,616	12.21%
Administrative and Business	1,198,416	1,121,812			1,198,416	1,121,812	6.83%
Maintenance and Operations	1,236,811	1,411,395			1,236,811	1,411,395	-12.37%
Transportation	1,012,667	1,033,892			1,012,667	1,033,892	-2.05%
Other	668,011	616,700	192,973	187,801	860,984	804,501	7.02%
Total Expenses	<u>12,026,501</u>	<u>12,179,569</u>	<u>192,973</u>	<u>187,801</u>	<u>12,219,474</u>	<u>12,367,370</u>	-1.20%
Increase/(Decrease) in Net Assets	<u>\$ 146,554</u>	<u>\$ (485,315)</u>	<u>\$ 17,402</u>	<u>\$ 3,463</u>	<u>\$ 163,956</u>	<u>\$ (481,852)</u>	<u>-134.03%</u>

* - Restated.

Revenue Sources. The District's total revenue for the 2009/2010 school year was \$12,383,430, (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$8,880,300 of the total, or 71.71 percent. (See Figure A-5). Approximately 26.64 percent came from state and federal aid and the remainder from charges for services and other.

Figure A-5
Sources of School District Revenue - Fiscal Year 2010

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 1,539,944	12.44%
Property Taxes	8,880,300	71.71%
Federal and State Categorical Grants	1,757,971	14.20%
Charges for Services	156,475	1.26%
Other	48,740	0.39%
	<u>\$ 12,383,430</u>	<u>100.00%</u>

The total cost of all programs and services was \$12,219,474. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (73.02 percent). (See Figure A-6). The District's administrative and maintenance and operations activities accounted for 19.93 percent of total costs. It is important to remember that \$584,631 in depreciation is included in expenses for the year.

Figure A-6
Sources of School District Expenses - Fiscal Year 2010

Expense Category:	Amount	Percentage
Instruction	\$ 6,591,412	53.94%
Pupil and Instruction Services	1,319,184	10.79%
Administrative and Business	1,198,416	9.81%
Maintenance and Operations	1,236,811	10.12%
Transportation	1,012,667	8.29%
Other	860,984	7.05%
	\$ 12,219,474	100.00%

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District remains more or less stable. Maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- Participation in an insurance pool operated by Schools Alliance Insurance Fund resulting in low cost property, liability and workers compensation insurance.
- Shared-service contracts with the municipality for field maintenance, technology, and fuel.
- Participation in Joint Cooperative Transportation Agreements and maximization of school buses by staggering school schedules and tiered routes.
- Participation in joint purchasing agreements and utilizing state contract vendors when possible.

It is crucial that the District examine its expenditures carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly. District resources are at their tightest level in a decade.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial obligation placed on the District's taxpayers by each of these functions:

Figure A-7
Net Cost of Governmental Activities

	Total Costs of Services		Net Cost of Services	
	2009/2010	2008/2009*	2009/2010	2008/2009*
Instruction	\$ 6,591,412	\$ 6,820,154	\$ 5,623,503	\$ 5,923,456
Pupil and Instruction Services	1,319,184	1,175,616	1,102,399	927,043
Administrative and Business	1,198,416	1,121,812	1,114,101	1,057,339
Maintenance and Operations	1,236,811	1,411,395	1,191,980	1,370,479
Transportation	1,012,667	1,033,892	568,536	699,536
Other	668,011	616,700	668,011	616,700
	<u>\$ 12,026,501</u>	<u>\$ 12,179,569</u>	<u>\$ 10,268,530</u>	<u>\$ 10,594,553</u>

* - Restated.

- The cost of all governmental activities this year was \$12.03 million.
- The federal and state governments subsidized certain programs with grants and contributions totaling \$3.24 million.
- Approximately \$8.88 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Business-Type Activities

Net assets from the District's business-type activity increased by \$17,402, (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenues exceeded expenses by \$17,402, accounting for all of the increase in the net assets of the business-type activities.
- This increase was due to a profit realized from the agreement with the food service management contractor of approximately \$23,600 offset by \$8,075 in depreciation expense.

Financial Analysis of the District's Funds

The District's financial position remains strong despite difficult economic times. Expenditures during the recent year increased significantly as a result of an increased number of pupils with disabilities entering the school district. In addition to greater numbers, these pupils are more profoundly disabled and require more complex educational and related services. A continued increase in enrollment of disabled students has also forced the District to expand its classroom teaching staff, special education aides, and special transportation.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.

Capital Asset and Debt Administration

Figure A-8
Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percentage
	2009/2010	2008/2009*	2009/2010	2008/2009	2009/2010	2008/2009*	Change 2009/2010
Land	\$ 362,892	\$ 362,892			\$ 362,892	\$ 362,892	0.00%
Site Improvements	232,354	258,989			232,354	258,989	-10.28%
Buildings and							
Building Improvements	15,725,139	16,203,757			15,725,139	16,203,757	-2.95%
Machinery and Equipment	239,315	271,144	\$ 36,343	\$ 44,418	275,658	315,562	-12.65%
Construction in Progress	1,151,566	1,123,291			1,151,566	1,123,291	2.52%
	<u>\$ 17,711,266</u>	<u>\$ 18,220,073</u>	<u>\$ 36,343</u>	<u>\$ 44,418</u>	<u>\$ 17,747,609</u>	<u>\$ 18,264,491</u>	<u>-2.83%</u>

* - Restated.

Long-term Debt

At year-end, the District had \$13,524,000 in general obligation bonds outstanding as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 10 to the financial statements.)

Figure A-9
Outstanding Long-Term Debt

	Total School District		Percentage
	2009/2010	2008/2009	Change
General Obligation Bonds (Financed with Property Taxes)	\$ 13,524,000	\$ 13,814,000	-2.10%
Capital Leases		32,431	-100.00%
Compensated Absences	396,767	428,075	-7.31%
	<u>\$ 13,920,767</u>	<u>\$ 14,274,506</u>	<u>-2.48%</u>

- The District continued to pay down its debt, retiring \$290,000 of outstanding bonds and \$32,431 in capital leases.
- Compensated absences payable decreased by a net amount of \$31,308 due to an increase in retirements of District personnel.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could significantly affect its financial health in the future:

- A5 – known as School District Accountability. This new law, approved by the Governor on March 15, 2007 provides for various school district accountability measures.
- A1 – known as Tax Levy CAP. This new law, approved by the Governor on April 3, 2007 establishes a 4% cap on tax levy increases, changes the accounting/transfers for and expands the number of permitted fund balance reserves.
- A4 – known as CORE. This new law, approved by the Governor on April 3, 2007 implements CORE proposals and the primary focus of this new law is to establish uniform shared services and consolidation through the use of new "Executive County Superintendent".

- The continued impact of S1701 legislation. S1701, adopted by the State of New Jersey on June 17, 2004, places limits on the School's ability to transfer funds into capital reserve for the construction and maintenance of school facilities, the ability to transfer available balance as needed and the ability to transfer available funds between appropriation accounts. Taking away the option of transferring available funds during the budget year will severely impact our ability to maintain and improve our facilities.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. James R. Sekelsky, Board Secretary/Business Administrator, at the Board of Education Office, 183 Wheatsworth Road, Hamburg, NJ 07419.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 263,545	\$ 28,244	\$ 291,789
Interfund Receivable	537		537
Internal Balances	4,841	(4,841)	
Receivables From State Government	59,631	225	59,856
Receivables From Federal Government	104,697	2,684	107,381
Receivables From Other Governments	42,474		42,474
Other Receivables	200		200
Inventories		7,223	7,223
Restricted Assets:			
Cash and Cash Equivalents	318,966		318,966
Capital Assets:			
Sites (Land) and Construction in Progress	1,514,458		1,514,458
Depreciable Buildings and Building Improvements and Machinery and Equipment	16,196,808	36,343	16,233,151
Total Assets	<u>18,506,157</u>	<u>69,878</u>	<u>18,576,035</u>
LIABILITIES			
Accrued Interest Payable	235,623		235,623
Interfund Payable	1,425		1,425
Accounts Payable - Vendors	2,519		2,519
Payable to State Government	222		222
Payable to Federal Government	801		801
Deferred Revenue	632	5,900	6,532
Noncurrent Liabilities:			
Due Within One Year	415,000		415,000
Due Beyond One Year	13,505,767		13,505,767
Total Liabilities	<u>14,161,989</u>	<u>5,900</u>	<u>14,167,889</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,187,266	36,343	4,223,609
Restricted for:			
Capital Projects	295,462		295,462
Debt Service/(Deficit)	(23,245)		(23,245)
Other Purposes	402,782		402,782
Unrestricted/(Deficit)	(518,097)	27,635	(490,462)
Total Net Assets	<u>\$ 4,344,168</u>	<u>\$ 63,978</u>	<u>\$ 4,408,146</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 4,979,851		\$ 409,857	\$ (4,569,994)		\$ (4,569,994)
Special Education	1,360,680		540,759	(819,921)		(819,921)
Other Special Instruction	132,602		10,874	(121,728)		(121,728)
School-Sponsored Instruction	118,279		6,419	(111,860)		(111,860)
Support Services:						
Tuition	189,738		127,550	(62,188)		(62,188)
Student & Instruction Related Services	1,129,446		89,235	(1,040,211)		(1,040,211)
General Administrative Services	294,210		13,768	(280,442)		(280,442)
School Administrative Services	611,590		49,508	(562,082)		(562,082)
Central Services	212,905		16,800	(196,105)		(196,105)
Administration Information Technology	79,711		4,239	(75,472)		(75,472)
Plant Operations and Maintenance	1,236,811		44,831	(1,191,980)		(1,191,980)
Pupil Transportation	1,012,667		444,131	(568,536)		(568,536)
Interest on Long-Term Debt	567,490			(567,490)		(567,490)
Transfer of Funds to Charter Schools	100,521			(100,521)		(100,521)
Total Governmental Activities	12,026,501		1,757,971	(10,268,530)		(10,268,530)

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Business-Type Activities:						
Proprietary Funds	\$ 192,973	\$ 156,475	\$ 53,211		\$ 16,713	\$ 16,713
Total Business-Type Activities	<u>192,973</u>	<u>156,475</u>	<u>53,211</u>		<u>16,713</u>	<u>16,713</u>
Total Primary Government	<u>\$ 12,219,474</u>	<u>\$ 156,475</u>	<u>\$ 1,811,182</u>	<u>\$ (10,268,530)</u>	<u>16,713</u>	<u>\$ (10,251,817)</u>
General Revenue:						
Property Taxes, Levied for General Purposes, Net				8,056,336		\$ 8,056,336
Taxes Levied for Debt Service				823,964		823,964
Federal and State Aid not Restricted				1,486,733		1,486,733
Miscellaneous Income				48,051	689	48,740
Total General Revenue and Other Special Items				<u>10,415,084</u>	<u>689</u>	<u>10,415,773</u>
Change in Net Assets				146,554	17,402	163,956
Net Assets - Beginning as Restated				<u>4,197,614</u>	<u>46,576</u>	<u>4,244,190</u>
Net Assets - Ending				<u>\$ 4,344,168</u>	<u>\$ 63,978</u>	<u>\$ 4,408,146</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 88,084		\$ 175,461		\$ 263,545
Receivables From State Government	59,631				59,631
Receivables From Federal Government		\$ 104,697			104,697
Receivables From Other Governments	42,474				42,474
Other Accounts Receivables	200				200
Interfund Receivables	129,146				129,146
Restricted Cash and Cash Equivalents:					
Emergency Reserve Account	51,000				51,000
Maintenance Reserve Account	147,965				147,965
Capital Reserve Account	120,001				120,001
Total Assets	\$ 638,501	\$ 104,697	\$ 175,461	\$ -0-	\$ 918,659
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors		\$ 2,519			\$ 2,519
Interfund Payable	\$ 1,425	100,523		\$ 23,245	125,193
Payable to State Government		222			222
Payable to Federal Government		801			801
Deferred Revenue		632			632
Total Liabilities	1,425	104,697		23,245	129,367
Fund Balances:					
Reserved for:					
Encumbrances	199,255				199,255
Capital Reserve Account	120,001				120,001
Emergency Reserve Account	51,000				51,000
Maintenance Reserve Account	147,965				147,965

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
LIABILITIES AND FUND BALANCES (Cont'd):					
Fund Balances (Cont'd):					
Reserved for:					
Excess Surplus	\$ 4,562				\$ 4,562
Unreserved Reported in:					
General Fund:					
Designated for Subsequent Year's Expenditures	80,000				80,000
Unreserved/Undesignated	34,293				34,293
Capital Projects Fund			\$ 175,461		175,461
Debt Service Fund/(Deficit)				\$ (23,245)	(23,245)
Total Fund Balances	637,076		175,461	(23,245)	789,292
Total Liabilities and Fund Balances	\$ 638,501	\$ 104,697	\$ 175,461	\$ -0-	\$ 918,659

Amounts Reported for Governmental Activities in the Statement of Net Assets (A-1) are Different Because:

Total Fund Balances From Above	\$ 789,292
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$24,005,946 and the accumulated depreciation is \$6,294,680.	17,711,266
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(13,920,767)
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(235,623)
Net Assets of Governmental Activities	\$ 4,344,168

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 8,056,336			\$ 823,964	\$ 8,880,300
Interest Earned on Emergency Reserve	500				500
Interest Earned on Maintenance Reserve	1,465				1,465
Miscellaneous	46,086				46,086
Total - Local Sources	8,104,387			823,964	8,928,351
State Sources	2,989,648	\$ 2,541			2,992,189
Federal Sources		252,515			252,515
Total Revenue	11,094,035	255,056		823,964	12,173,055
EXPENDITURES:					
Current:					
Regular Instruction	3,198,737	63,659			3,262,396
Special Education Instruction	965,050	99,199			1,064,249
Other Special Instruction	95,325				95,325
School-Sponsored/Other Instruction	106,773				106,773
Support Services and Undistributed Costs:					
Tuition	99,238	90,500			189,738
Student & Instruction Related Services	830,694	1,698			832,392
General Administrative Services	247,459				247,459
School Administrative Services	437,002				437,002
Central Services	155,312				155,312
Administration Information Technology	65,178				65,178
Plant Operations and Maintenance	1,077,398				1,077,398
Pupil Transportation	1,012,667				1,012,667

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES:					
Support Services and Undistributed Costs (Cont'd):					
Unallocated Benefits	\$ 2,286,647				\$ 2,286,647
Debt Service:					
Principal				\$ 290,000	290,000
Interest and Other Charges				557,210	557,210
Capital Outlay	52,611		\$ 28,275		80,886
Transfer of Funds to Charter Schools	100,521				100,521
Total Expenditures	<u>10,730,612</u>	<u>255,056</u>	<u>28,275</u>	<u>847,210</u>	<u>11,861,153</u>
Excess/(Deficiency) of Revenues Over/(Under)					
Expenditures	363,423		(28,275)	(23,246)	311,902
Fund Balance—July 1	<u>273,653</u>		<u>203,736</u>	<u>1</u>	<u>477,390</u>
Fund Balance—June 30/(Deficit)	<u>\$ 637,076</u>	<u>\$ - 0 -</u>	<u>\$ 175,461</u>	<u>\$ (23,245)</u>	<u>\$ 789,292</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE INTEGRAL PART OF THIS STATEMENT

HARDYSTON TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 311,902
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 depreciation expense exceeded capital outlays in the period.		
	Depreciation expense	\$ (576,556)
	Capital outlays	<u>67,749</u>
		(508,807)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		31,308
Repayment of a capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+)		32,431
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+)		290,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The increase in accrued interest is a decrease in the reconciliation (-)		<u>(10,280)</u>
		<u>\$ 146,554</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 28,244
Accounts Receivable:	
State	225
Federal	2,684
Inventories	<u>7,223</u>
Total Current Assets	<u>38,376</u>
Non-Current Assets:	
Capital Assets	170,736
Less: Accumulated Depreciation	<u>(134,393)</u>
Total Non-Current Assets	<u>36,343</u>
Total Assets	<u>74,719</u>

LIABILITIES:

Current Liabilities:	
Interfund Payable - General Fund	4,841
Deferred Revenue	<u>5,900</u>
Total Current Liabilities	<u>10,741</u>

NET ASSETS:

Investment in Capital Assets Net of Related Debt	36,343
Unrestricted	<u>27,635</u>
Total Net Assets	<u>\$ 63,978</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 114,985
Daily Sales - Non Reimbursable Programs	41,490
	<hr/>
Total Operating Revenue	156,475
	<hr/>
Operating Expenses:	
Cost of Sales	96,737
Salaries & Payroll Taxes	71,459
Employee Benefits	6,669
Management Fee	7,659
Supplies, Insurance & Other Costs	2,374
Depreciation Expense	8,075
	<hr/>
Total Operating Expenses	192,973
	<hr/>
Operating Loss	(36,498)
	<hr/>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	3,053
Federal Sources:	
National School Lunch Program	36,357
Food Distribution Program	13,801
Local Sources:	
Interest Income	689
	<hr/>
Total Non-Operating Revenue	53,900
	<hr/>
Change in Net Assets	17,402
	<hr/>
Net Assets - Beginning of Year	46,576
	<hr/>
Net Assets - End of Year	\$ 63,978
	<hr/> <hr/>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 156,475
Payments to Food Service Vendor	<u>(170,910)</u>
Net Cash Used for Operating Activities	<u>(14,435)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	1,120
Federal Sources	<u>12,549</u>
Net Cash Provided by Noncapital Financing Activities	<u>13,669</u>
Cash Flows from Investing Activities:	
Investment Income	<u>689</u>
Net Cash Flows from Investing Activities:	<u>689</u>
Net Decrease in Cash and Cash Equivalents	(77)
Cash and Cash Equivalents, July 1	<u>28,321</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 28,244</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (36,498)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Federal Food Distribution Program	13,801
Depreciation	8,075
Changes in Assets and Liabilities:	
(Increase) in Inventory	(1,778)
Increase in Deferred Revenue	<u>1,965</u>
Net Cash Used for Operating Activities	<u><u>\$ (14,435)</u></u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. donated commodities through the Food Distribution Program valued at \$15,766 and utilized commodities valued at \$13,801.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 47,778	\$ 36,428	\$ 2,987
Investments			2,237
Interfund Receivable	1,425	8,065	
Total Assets	<u>49,203</u>	<u>44,493</u>	<u>5,224</u>
<u>LIABILITIES:</u>			
Liabilities:			
Payroll Deductions and Withholdings	12,158		
Due to Student Groups	28,443		
Intefund Payable	8,602		
Total Liabilities	<u>49,203</u>		
<u>NET ASSETS:</u>			
Held in Trust for Unemployment Claims Reserved for Scholarships		44,493	5,224
Total Net Assets	<u>\$ -0-</u>	<u>\$ 44,493</u>	<u>\$ 5,224</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Unemployment Compensation Trust	Private Purpose Scholarship Trust
Additions:		
Contributions:		
Plan Members	\$ 9,827	
Employer - Budget Appropriation	31,200	
Total Contributions	41,027	
Investment Earnings:		
Interest	186	\$ 4
Net Investment Earnings	186	4
Total Additions	41,213	4
Deductions:		
State of New Jersey Unemployment Agency Payments	30,781	
Total Deductions	30,781	
Change in Net Assets	10,432	4
Net Assets—Beginning of the Year	34,061	5,220
Net Assets—End of the Year	\$ 44,493	\$ 5,224

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include an elementary school and a middle school located in the Township of Hardyston. 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.

District-Wide Financial Statements:

The statement of net assets and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses in the program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

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

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

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

The District reports the following Proprietary Funds:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the 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.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

Reports for the District's Food Service Fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

D. 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 and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budget amendments/transfers must be made by School Board resolution. All budgetary 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 budget during the year).

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

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

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

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 11,100,614	\$ 276,793
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(21,737)
Prior Year State Aid Payments, not Recognized for Budgetary Purposes, Recognized for GAAP Statements	226,072	
State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(232,651)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 11,094,035</u>	<u>\$ 255,056</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 10,730,512	\$ 276,793
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		<u>(21,737)</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 10,730,512</u>	<u>\$ 255,056</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that 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.

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

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing source/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Encumbrances: (Cont'd)

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.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2010.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

L. Long Term Liabilities:

In the government-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2010.

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

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

O. Deferred Revenue:

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$637,076 General Fund fund balance at June 30, 2010, \$120,001 is reserved in the capital reserve account; \$4,562 is reserved as excess surplus; \$147,965 is reserved in the maintenance reserve account; \$51,000 is reserved in the emergency reserve account, \$199,255 is reserved for current year encumbrances, \$80,000 is designated for subsequent year's disbursements, and \$34,293 is unreserved

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Fund Balance Appropriated: (Cont'd)

and undesignated which is \$232,651 less than the calculated maximum unreserved fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2010.

Capital Projects Fund: The \$175,461 in Capital Projects Fund balance at June 30, 2010, is unreserved and undesignated.

Debt Service Fund: The Debt Service Fund balance at June 30, 2010 of (\$23,245) is unreserved and undesignated.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701), the designation for Reserved 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 year's budget. The District had excess surplus as noted above.

P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last two state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Fund Balances/Net Assets:

The District has a deficit in Debt Service Fund unreserved/undesignated fund balance as well as a deficit in Net Assets Reserved for Debt Service of \$23,245. The deficit was raised in the 2010-11 budget.

The District has a deficit in unrestricted net assets of \$518,097 in the governmental activities, which is due to accrued interest payable of \$235,623 and \$396,767 of compensated absences payable offset by \$114,293 in General Fund unreserved/undesignated and unreserved designated for subsequent year's expenditures fund balance. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Assets:

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for a capital reserve, a maintenance reserve, an emergency reserve, encumbrances, and excess surplus as defined by State law.

T. Revenue - Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, 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 grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

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

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

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

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

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

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (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, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (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 statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2010, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Capital Reserve Account</u>	<u>Maintenance Reserve Account</u>	<u>Emergency Reserve Account</u>	<u>Investments</u>	<u>Total</u>
Checking and Savings Accounts	\$ 375,995	\$ 120,001	\$ 147,965	\$ 51,000		\$ 694,961
New Jersey Cash Management Fund	2,987					2,987
Certificates of Deposit					\$ 2,237	2,237
	<u>\$ 378,982</u>	<u>\$ 120,001</u>	<u>\$ 147,965</u>	<u>\$ 51,000</u>	<u>\$ 2,237</u>	<u>\$ 700,185</u>

During the period ended June 30, 2010, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents at June 30, 2010, was \$700,185 and the bank balance was \$1,187,118. The \$2,987 with the New Jersey Cash Management Fund is uninsured and unregistered.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Hardyston Township School District by inclusion of \$1 on July 1, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State 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 of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Beginning Balance, July 1, 2009	\$ 1
Increased by June 22, 2010 Board Resolution	<u>120,000</u>
Ending Balance, June 30, 2010	<u><u>\$ 120,001</u></u>

The June 30, 2010 balance in the capital reserve account does not exceed the balance in the LRFP of local support costs of uncompleted capital projects at June 30, 2010.

NOTE 5. EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by the Hardyston Township School District in the amount of \$50,000 in June 2008 for the accumulation of funds for use as unanticipated general fund expenditures in subsequent fiscal years. The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The emergency reserve is used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both. The State Department of Education has defined year end for the purpose of depositing surplus into reserve accounts as an amount approved by the district board of education between June 1st and June 30th. Withdrawals from the reserve require the approval of the commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent.

The activity of the emergency reserve for the July 1, 2009 to June 30, 2010 fiscal year is as follows:

Beginning Balance, July 1, 2009	\$ 50,500
Interest Earnings	<u>500</u>
Ending Balance, June 30, 2010	<u><u>\$ 51,000</u></u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 6. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$146,500 was established by the Hardyston Township School District by board resolution on June 23, 2009. The funds for the establishment of this reserve were withdrawn from undesignated unreserved general fund balance. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring undesignated, unreserved general fund balance or by transferring excess, undesignated, unreserved general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be reserved and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2009 to June 30, 2010 fiscal year is as follows:

Beginning Balance, July 1, 2009	\$ 146,500
Interest Earnings	<u>1,465</u>
Ending Balance, June 30, 2010	<u><u>\$ 147,965</u></u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Sites (Land)	\$ 362,892			\$ 362,892
Construction in Progress	1,123,291	\$ 28,275		1,151,566
Total Capital Assets not Being Depreciated	1,486,183	28,275		1,514,458
Capital Assets Being Depreciated:				
Site Improvements	583,587			583,587
Buildings and Building Improvements	20,024,398			20,024,398
Machinery and Equipment	1,844,029	39,474		1,883,503
Total Capital Assets Being Depreciated	22,452,014	39,474		22,491,488
Governmental Activities Capital Assets	23,938,197	67,749		24,005,946
Less Accumulated Depreciation for:				
Site Improvements	(324,598)	(26,635)		(351,233)
Buildings and Building Improvements	(3,820,641)	(478,618)		(4,299,259)
Machinery and Equipment	(1,572,885)	(71,303)		(1,644,188)
Total Accumulated Depreciation	(5,718,124)	(576,556)		(6,294,680)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 18,220,073</u>	<u>\$ (508,807)</u>	<u>\$ -0-</u>	<u>\$ 17,711,266</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 170,736			\$ 170,736
Less Accumulated Depreciation	(126,318)	\$ (8,075)		(134,393)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 44,418</u>	<u>\$ (8,075)</u>	<u>\$ -0-</u>	<u>\$ 36,343</u>

The District has an active referendum project for the reroofing of the Middle School.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 529,798
School Administrative Services	15,396
Plant Operations and Maintenance	31,362
	<u>\$ 576,556</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 8. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2010, the school district transferred \$21,427 to the capital outlay accounts. The transfer was made for the acquisition of equipment and does not require approval by the county superintendent.

NOTE 9. OPERATING LEASES

The District has commitments to lease copying equipment under operating leases which expire in 2011 through 2015. Total operating lease payments made during the year ended June 30, 2010 were \$19,929. Future minimum lease payments are as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Amount</u>
2011	\$ 20,262
2012	18,822
2013	17,382
2014	15,377
2015	<u>334</u>
Total Future Minimum Lease Payments	<u>\$ 72,177</u>

NOTE 10. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2010, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2010</u>
Compensated Absences Payable	\$ 428,075	\$ 20,242	\$ 51,550	\$ 396,767
Serial Bonds Payable	13,814,000		290,000	13,524,000
Capital Leases Payable	<u>32,431</u>		<u>32,431</u>	
	<u>\$ 14,274,506</u>	<u>\$ 20,242</u>	<u>\$ 373,981</u>	<u>\$ 13,920,767</u>

A. Bonds Payable:

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

On March 15, 2001, the District issued serial bonds in the amount of \$13,532,000 to finance the referendum project approved by the voters in September of 2000. The bonds were issued with interest rates ranging from 3.95% to 4.80%. As discussed in the following paragraph, a portion of the bonds were refunded and the remaining bonds will mature on August 1, 2009 through 2016.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

On November 1, 2006, the District issued refunding school bonds of \$9,955,000 with interest rates ranging from 4.00% to 4.25% to advance refund \$9,475,000 school bonds from the March 15, 2001 issue with interest rates ranging from 4.875% to 5.000%. The bonds mature on August 1, 2007 through 2031 and August 1, 2016 is the first optional redemption date at 100% of par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds are called. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the School's government-wide financial statements.

As a result of the advance refunding, the School reduced its total debt service requirement by \$445,329, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$560,030.

On June 23, 2009, the District issued serial bonds in the amount of \$1,324,000 to finance the referendum project to repair the middle school roof. The bonds were issued with interest rates ranging from 2.00% to 3.75%. The bonds mature on August 1, 2010 through 2019.

The District had bonds outstanding as of June 30, 2010 as follows:

	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance June 30, 2010</u>
School Bonds	4.785% - 4.800%	08/01/16	\$ 2,320,000
School Refunding Bonds	4.000% - 5.000%	08/01/31	9,880,000
School Bonds	2.000% - 3.750%	08/01/19	1,324,000
			<u>\$ 13,524,000</u>

Principal and interest due on serial bonds and loans outstanding are as follows:

<u>Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2011	\$ 415,000	\$ 557,171	\$ 972,171
2012	435,000	540,141	975,141
2013	460,000	522,077	982,077
2014	485,000	502,669	987,669
2015	510,000	481,862	991,862
2016-2020	2,969,000	2,043,274	5,012,274
2021-2025	2,875,000	1,424,665	4,299,665
2026-2030	3,655,000	768,953	4,423,953
2031-2032	1,720,000	73,950	1,793,950
	<u>\$ 13,524,000</u>	<u>\$ 6,914,762</u>	<u>\$ 20,438,762</u>

The Debt Service Fund will be used to liquidate serial bonds payable.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10. LONG-TERM LIABILITIES (Cont'd)

B. Bonds Authorized But Not Issued:

As of June 30, 2010, the Board has \$408,500 of bonds authorized but not issued.

C. Capital Leases Payable:

The District leased a generator under a capital lease which fully matured during the fiscal year ended June 30, 2010.

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. There is no current portion of the compensated absences balance of the governmental funds in the current year. The long-term liability balance of compensated absences is \$396,767.

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, 2010, no liability existed for compensated absences in the Food Service Fund.

The General Fund will be used to liquidate Compensated Absences Payable.

NOTE 11. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF 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 Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

Three Year Trend for TPAF (Paid on be-half of District)			
Year Ended June, 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ - 0 -	100.00%	\$ - 0 -
2009	- 0 -	100.00%	- 0 -
2008	358,256	100.00%	358,256

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005-2008 are as follows:

- 20% for payments due in State fiscal year 2005
- Not more than 40% for payments due in State fiscal year 2006
- Not more than 60% for payments due in State fiscal year 2007
- Not more than 80% for payments due in State fiscal year 2008

Three Year Trend for PERS			
Year Ended June, 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 80,695	100.00%	\$ 80,695
2009	64,750	100.00%	64,750
2008	72,871	80.00%	58,297

NOTE 12. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers Pensions and Annuity Fund (TPAF) and 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, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 12. POST-RETIREMENT BENEFITS

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. In fiscal year 2009, the State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$293,701, \$276,608, and \$263,755 for 2010, 2009 and 2008, respectively.

NOTE 13. 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. Health benefits are provided to the employees through the State of New Jersey Health Benefit Plan.

Property and Liability

The District maintains commercial insurance coverage for surety bonds. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The Board is a member of the School Alliance Insurance Fund ("SAIF"). The SAIF provides its members with Workers' Compensation, Comprehensive General Liability and Automobile Liability, Property, Boiler and Machinery, and School Board Legal Liability Insurance. The SAIF is a risk-sharing fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the SAIF are elected.

As a member of the SAIF, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the SAIF were to be exhausted, members would become responsible for their respective shares of the SAIF's liabilities.

The SAIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 13. RISK MANAGEMENT (Cont'd)

Property and Liability (Cont'd)

Selected financial information for the SAIF as of June 30, 2009 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 33,656,794
Net Assets	\$ 14,417,326
Total Revenue	\$ 28,042,089
Total Expenses	\$ 25,015,943
Change in Net Assets	\$ 3,026,146
Net Asset Distribution to Participating Members	\$ 3,005,614

Financial Statements for SAIF are available at SAIF's Executive Director's Office:

Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550

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 the District's contributions, employee contributions and interest earnings, reimbursements to the State for benefits paid and the ending balance of the District's Unemployment Trust Fiduciary Fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010	\$ 31,200	\$ 10,013	\$ 30,781	\$ 44,493
2009	10,000	9,491	16,061	34,061
2008	20,000	9,904	15,161	30,631

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(Continued)

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 129,146	\$ 1,425
Special Revenue Fund		100,523
Debt Service Fund		23,245
Food Service Fund		4,841
Fiduciary Funds	9,490	8,602
	<u>\$ 138,636</u>	<u>\$ 138,636</u>

The interfund between the General Fund and the Food Service Fund is comprised of a prior year interfund of \$30,315 due to the General Fund less current year federal and state subsidy reimbursements collected in the General Fund and due to the Food Service Fund of \$25,474. The interfund receivable in the General Fund due from the Fiduciary – Payroll Agency Fund is current year interest earnings of \$537 due to the General Fund. The interfund receivable in the General Fund due from the Special Revenue Fund is the amount of the cash deficit in the Special Revenue Fund and is due to a timing lag in the reimbursement of federal grant funds from the State. The interfund receivable in the Fiduciary Funds is comprised of employee unemployment withholdings of \$8,065 due from the Payroll Agency Fund to the Unemployment Compensation Trust Fund as well as a prior year interfund receivable due from the General Fund to the Student Activity Agency Fund of \$1,425.

NOTE 15. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 16. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, 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.

Great American Life Insurance Company (G.A.L.I.C.)
Variable Annuity Life Insurance Company (V.A.L.I.C.)
Equitable Life Assurance
Lincoln Life Insurance Company
Metropolitan Life Insurance Company

NOTE 17. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates,

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 17. TAX CALENDAR (Cont'd)

August 1 and November 1. A ten- day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipalities and are remitted to the local school district on a predetermined, agreed-upon schedule.

NOTE 18. CONTINGENT LIABILITIESGrant Programs

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

Litigation

The District is periodically involved in various lawsuits. The District estimates that the potential claims against it resulting from any such litigation and not covered by insurance would not materially affect the financial statements of the District.

NOTE 19. PRIOR YEAR ADJUSTMENT

The District adjusted the capital assets in their governmental activities as of June 30, 2009 to reflect the value of Site Improvements which had been included in the amount recorded as Buildings and Building Improvements in error. This adjustment had a net effect on total capital assets. Also, depreciation expense for the fiscal year 2009 in the amount of \$166,862 had not been recorded on the capital assets transferred to Buildings and Building Improvements from Construction in Progress in the amount of \$6,674,474.

	Balance 6/30/09 as Previously Reported	Retroactive Adjustments	Balance 6/30/09 as Restated
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Statement of Net Assets - Governmental Activities:

Assets:

Capital Assets, Net:

Depreciable Building and Building
Improvements and Machinery and
Equipment

	\$ 16,900,752	\$ (166,862)	\$ 16,733,890
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Net Assets:

Invested in Capital Assets, Net of
Related Debt

	\$ 4,540,504	\$ (166,862)	\$ 4,373,642
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BUDGETARY COMPARISON SCHEDULES

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 8,056,336		\$ 8,056,336	\$ 8,056,336	
Interest Earned on Emergency Reserve				500	\$ 500
Interest Earned on Maintenance Reserve				1,465	1,465
Unrestricted Miscellaneous	35,000		35,000	46,086	11,086
Total - Local Sources	8,091,336		8,091,336	8,104,387	13,051
State Sources:					
Transportation Aid	451,313		451,313	451,313	
Special Education Aid	356,779		356,779	356,779	
Security Aid	51,106		51,106	51,106	
Adjustment Aid	1,484,234		1,484,234	1,428,070	(56,164)
Extraordinary Aid	25,000		25,000	37,050	12,050
Nonpublic Transportation				4,894	4,894
On-Behalf TPAF Non-Contributory Insurance (non-budgeted)				15,638	15,638
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				293,701	293,701
Reimbursed TPAF Social Security Contributions (non-budgeted)				357,676	357,676
Total State Sources	2,368,432		2,368,432	2,996,227	627,795
TOTAL REVENUES	10,459,768		10,459,768	11,100,614	640,846
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	100,550	\$ 542	101,092	101,092	
Grades 1-5 - Salaries of Teachers	1,672,760	36,172	1,708,932	1,708,932	
Grades 6-8 - Salaries of Teachers	1,205,649	(1,109)	1,204,540	1,204,540	

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Home Instruction:					
Salaries of Teachers	\$ 4,000	\$ 2,035	\$ 6,035	\$ 4,670	\$ 1,365
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	65,189	(22,108)	43,081	43,081	
General Supplies	120,673	35,496	156,169	126,088	30,081
Textbooks	10,900	(2,058)	8,842	8,842	
Other Objects	2,500	(1,008)	1,492	1,492	
Total Regular Programs - Instruction	<u>3,182,221</u>	<u>47,962</u>	<u>3,230,183</u>	<u>3,198,737</u>	<u>31,446</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	152,618	(84,926)	67,692	67,692	
Other Salaries for Instruction	37,000	(850)	36,150	36,150	
General Supplies	595	168	763	763	
Total Learning and/or Language Disabilities	<u>190,213</u>	<u>(85,608)</u>	<u>104,605</u>	<u>104,605</u>	
Multiple Disabilities:					
Salaries of Teachers	68,135	520	68,655	67,535	1,120
Other Salaries for Instruction	125,000	2,645	127,645	124,741	2,904
General Supplies	675	176	851	675	176
Total Multiple Disabilities	<u>193,810</u>	<u>3,341</u>	<u>197,151</u>	<u>192,951</u>	<u>4,200</u>
Resource Room/Resource Center:					
Salaries of Teachers	430,475	76,361	506,836	506,836	
Other Salaries for Instruction	70,000	(25,883)	44,117	44,117	
General Supplies	430	944	1,374	427	947
Total Resource Room/Resource Center	<u>500,905</u>	<u>51,422</u>	<u>552,327</u>	<u>551,380</u>	<u>947</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Part Time:					
Salaries of Teachers	\$ 51,350	\$ 10	\$ 51,360	\$ 50,625	\$ 735
Other Salaries for Instruction	45,000	20,291	65,291	64,661	630
General Supplies	930	(102)	828	828	
Total Preschool Disabilities - Part Time	<u>97,280</u>	<u>20,199</u>	<u>117,479</u>	<u>116,114</u>	<u>1,365</u>
Total Special Education Instruction	<u>982,208</u>	<u>(10,646)</u>	<u>971,562</u>	<u>965,050</u>	<u>6,512</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	115,755	(20,925)	94,830	94,830	
General Supplies	565	708	1,273	495	778
Total Basic Skills/Remedial - Instruction	<u>116,320</u>	<u>(20,217)</u>	<u>96,103</u>	<u>95,325</u>	<u>778</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	22,855	4,845	27,700	27,700	
Purchased Services (300-500 series)	1,000	(26)	974	974	
Supplies and Materials	8,610	(5,377)	3,233	3,233	
Total School-Sponsored Cocurricular Activities - Instruction	<u>32,465</u>	<u>(558)</u>	<u>31,907</u>	<u>31,907</u>	
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	33,264	(3,096)	30,168	28,283	1,885
Supplies and Materials	1,705	(1,705)			
Total School-Sponsored Cocurricular Athletics - Instruction	<u>34,969</u>	<u>(4,801)</u>	<u>30,168</u>	<u>28,283</u>	<u>1,885</u>
Other Instructional Programs - Instruction					
Salaries	46,942		46,942	46,441	501
Purchased Services (300-500 series)	1,000		1,000		1,000

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Instructional Programs - Instruction (Cont'd)					
Supplies and Materials	\$ 2,230	\$ (1,557)	\$ 673	\$ 142	\$ 531
Total Other Instructional Programs - Instruction	<u>50,172</u>	<u>(1,557)</u>	<u>48,615</u>	<u>46,583</u>	<u>2,032</u>
 Total Instruction	 <u>4,398,355</u>	 <u>10,183</u>	 <u>4,408,538</u>	 <u>4,365,885</u>	 <u>42,653</u>
Undistributed Expenditures:					
Instuction:					
Tuition to Other LEA's Within the State - Regular	97,700	(3,019)	94,681	59,658	35,023
Tuition to Private Schools for the Disabled Within State	144,554	(21,206)	123,348	39,580	83,768
Total Undistributed Expenditures - Instruction	<u>242,254</u>	<u>(24,225)</u>	<u>218,029</u>	<u>99,238</u>	<u>118,791</u>
Health Services:					
Salaries	111,455	3,098	114,553	113,433	1,120
Purchased Professional and Technical Services	6,000	4,405	10,405	10,405	
Other Purchased Services (400-500 series)	750	(501)	249	249	
Supplies and Materials	6,630	(897)	5,733	5,683	50
Total Health Services	<u>124,835</u>	<u>6,105</u>	<u>130,940</u>	<u>129,770</u>	<u>1,170</u>
Speech, OT, PT, and Related Services:					
Salaries	152,603	(3,649)	148,954	148,529	425
Purchased Professional - Educational Services	73,200	(22,653)	50,547	49,242	1,305
Supplies and Materials	2,940	(656)	2,284	2,284	
Total Speech, OT, PT, and Related Services	<u>228,743</u>	<u>(26,958)</u>	<u>201,785</u>	<u>200,055</u>	<u>1,730</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Guidance:					
Salaries of Other Professional Staff	\$ 104,645	\$ (1,153)	\$ 103,492	\$ 103,492	
Other Purchased Services (400-500 series)	2,700	221	2,921	2,921	
Supplies and Materials	3,510	(1,808)	1,702	1,702	
Total Guidance	<u>110,855</u>	<u>(2,740)</u>	<u>108,115</u>	<u>108,115</u>	
Child Study Teams:					
Salaries of Other Professional Staff	209,437	(343)	209,094	209,094	
Salaries of Secretarial and Clerical Assistants	39,456	60	39,516	39,516	
Purchased Professional and Technical Services	7,400	1,473	8,873	8,048	\$ 825
Supplies and Materials	5,665		5,665	4,710	955
Total Child Study Teams	<u>261,958</u>	<u>1,190</u>	<u>263,148</u>	<u>261,368</u>	<u>1,780</u>
Educational Media Services/School Library:					
Salaries	103,867	(952)	102,915	102,915	
Supplies and Materials	20,915	1,393	22,308	20,738	1,570
Total Educational Media Services/School Library	<u>124,782</u>	<u>441</u>	<u>125,223</u>	<u>123,653</u>	<u>1,570</u>
Instructional Staff Training Services:					
Purchased Professional and Technical Services	1,000		1,000		1,000
Other Purchased Services (400-500 series)	13,000	(1,400)	11,600	7,733	3,867
Total Instructional Staff Training Services	<u>14,000</u>	<u>(1,400)</u>	<u>12,600</u>	<u>7,733</u>	<u>4,867</u>
Support Services - General Administration:					
Salaries	119,514	564	120,078	120,078	
Legal Services	38,000	(8,186)	29,814	29,224	590
Audit Fees	16,650	3,106	19,756	19,756	

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration: (Cont'd)					
Expenditure & Internal Control Audit Fees	\$ 1,000	\$ (1,000)			
Architectural/Engineering Services	1,000	844	\$ 1,844	\$ 1,844	
Other Purchased Professional Services	4,850	(3,783)	1,067	1,067	
Communications/Telephone	46,850	4,432	51,282	49,725	\$ 1,557
Other Purchased Services (400-500 series)	13,650	(4,227)	9,423	9,423	
General Supplies	12,600	(6,415)	6,185	5,670	515
BOE In-house Training and Meeting Supplies	4,000	(2,447)	1,553	1,485	68
Miscellaneous Expenditures	5,300	(2,174)	3,126	3,126	
BOE Membership Dues and Fees	6,900	(839)	6,061	6,061	
Total Support Services - General Administration	<u>270,314</u>	<u>(20,125)</u>	<u>250,189</u>	<u>247,459</u>	<u>2,730</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	281,301	(2,708)	278,593	278,582	11
Salaries of Secretarial and Clerical Assistants	153,632	(452)	153,180	153,180	
Supplies and Materials	6,550	(2,960)	3,590	3,590	
Other Objects	3,200	(1,325)	1,875	1,650	225
Total Support Services - School Administration	<u>444,683</u>	<u>(7,445)</u>	<u>437,238</u>	<u>437,002</u>	<u>236</u>
Administration Information Technology:					
Salaries	35,150	23,584	58,734	36,970	21,764
Purchased Professional Services	10,000	(3,075)	6,925	6,925	
Purchased Technical Services	21,000	7,580	28,580	17,580	11,000
Other Purchased Services (400-500 series)	1,000	(1,000)			
Supplies and Materials	10,100	(5,731)	4,369	3,703	666
Total Administration Information Technology	<u>77,250</u>	<u>21,358</u>	<u>98,608</u>	<u>65,178</u>	<u>33,430</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Central Services:					
Salaries	\$ 149,900	\$ (3,385)	\$ 146,515	\$ 146,515	
Purchased Professional Services	2,250	(1,490)	760	760	
Purchased Technical Services	15,342	180	15,522	3,810	\$ 11,712
Miscellaneous Purchased Services (400-500 series)	2,000	(1,850)	150	150	
Supplies and Materials	4,150	(2,100)	2,050	2,050	
Interest on Lease Purchase Agreements	723	(1)	722	722	
Miscellaneous Expenditures	1,630	(325)	1,305	1,305	
Total Central Services	<u>175,995</u>	<u>(8,971)</u>	<u>167,024</u>	<u>155,312</u>	<u>11,712</u>
Required Maintenance of School Facilities:					
Cleaning, Repair and Maintenance Services	73,800	18,985	92,785	56,363	36,422
General Supplies	25,000	20,707	45,707	10,160	35,547
Other Objects	150	(109)	41	41	
Total Required Maintenance of School Facilities	<u>98,950</u>	<u>39,583</u>	<u>138,533</u>	<u>66,564</u>	<u>71,969</u>
Custodial Services:					
Salaries	394,969	5,908	400,877	390,984	9,893
Purchased Professional and Technical Services	24,000	39,850	63,850	21,776	42,074
Cleaning, Repair and Maintenance Services	16,000	(51)	15,949	15,949	
Other Purchased Property Services	66,355	(349)	66,006	66,006	
Insurance	125,500	(34,616)	90,884	90,884	
Other Objects	720	(435)	285	285	
General Supplies	40,350	(4,837)	35,513	34,669	844
Energy (Natural Gas)	186,365	(23,968)	162,397	157,044	5,353
Energy (Electricity)	269,000	(19,707)	249,293	233,237	16,056
Total Custodial Services	<u>1,123,259</u>	<u>(38,205)</u>	<u>1,085,054</u>	<u>1,010,834</u>	<u>74,220</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services:					
Contracted Services:					
Between Home and School - Vendors	\$ 772,000	\$ (29,444)	\$ 742,556	\$ 742,556	
Other Between Home and School - Vendors	8,465	(639)	7,826	7,826	
Between Home and School - Joint Agreements	102,000	(5,217)	96,783	96,783	
Special Education Students - Vendors	170,000	(12,775)	157,225	157,225	
Aid in Lieu Payments - Nonpublic Schools	13,720	(5,443)	8,277	8,277	
Total Student Transportation Services	<u>1,066,185</u>	<u>(53,518)</u>	<u>1,012,667</u>	<u>1,012,667</u>	
Unallocated Benefits					
Group Insurance	93,000	(93,000)			
Social Security Contributions	17,000	95,548	112,548	112,548	
Other Retirement Contributions	90,000	(9,305)	80,695	80,695	
Unemployment Compensation	25,000	61,200	86,200	86,200	
Workers Compensation		43,065	43,065	43,065	
Health Benefits	1,361,842	(79,869)	1,281,973	1,254,998	\$ 26,975
Tuition Reimbursement	20,700	(13,386)	7,314	6,300	1,014
Other Employee Benefits	9,300	26,526	35,826	35,826	
Total Unallocated Benefits	<u>1,616,842</u>	<u>30,779</u>	<u>1,647,621</u>	<u>1,619,632</u>	<u>27,989</u>
ON-BEHALF CONTRIBUTIONS:					
On-Behalf TPAF Non-Contributory Insurance (non-budgeted)				15,638	(15,638)
On-Behalf TPAF Post Retirement Medical Benefits (non-budgeted)				293,701	(293,701)
Reimbursed TPAF Social Security Contributions (non-budgeted)				357,676	(357,676)
TOTAL ON-BEHALF CONTRIBUTIONS				<u>667,015</u>	<u>(667,015)</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Total Undistributed Expenses	\$ 5,980,905	\$ (84,131)	\$ 5,896,774	\$ 6,211,595	\$ (314,821)
TOTAL GENERAL CURRENT EXPENSE	<u>10,379,260</u>	<u>(73,948)</u>	<u>10,305,312</u>	<u>10,577,480</u>	<u>(272,168)</u>
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
Non-Instructional Equipment		21,427	21,427		21,427
Total Equipment		<u>21,427</u>	<u>21,427</u>		<u>21,427</u>
Facilities Acquisition and Construction Services:					
Construction Services	26,000		26,000	21,035	4,965
Lease Purchases Agreement - Principal	31,576		31,576	31,576	
Total Facilities Acquisition and Construction Services	<u>57,576</u>		<u>57,576</u>	<u>52,611</u>	<u>4,965</u>
TOTAL CAPITAL OUTLAY	<u>57,576</u>	<u>21,427</u>	<u>79,003</u>	<u>52,611</u>	<u>26,392</u>
Transfer of Funds to Charter Schools	<u>48,000</u>	<u>52,521</u>	<u>100,521</u>	<u>100,521</u>	
TOTAL EXPENDITURES	<u>10,484,836</u>		<u>10,484,836</u>	<u>10,730,612</u>	<u>(245,776)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(25,068)		(25,068)	370,002	395,070
Fund Balance, July 1	<u>499,725</u>		<u>499,725</u>	<u>499,725</u>	
Fund Balance, June 30	<u>\$ 474,657</u>	<u>\$ -0-</u>	<u>\$ 474,657</u>	<u>\$ 869,727</u>	<u>\$ 395,070</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Recapitulation:

Reserve for Encumbrances	\$	199,255
Excess Surplus		4,562
Maintenance Reserve		147,965
Capital Reserve		120,001
Emergency Reserve		51,000
Unreserved - Designated for Subsequent Year's Expenditures		80,000
Unreserved/Undesignated		<u>266,944</u>
		869,727
Reconciliation to Governmental Funds Statements (GAAP):		
Last State Aid Payment not Recognized on GAAP Basis		<u>(232,651)</u>
Fund Balance per Governmental Funds (GAAP)	\$	<u><u>637,076</u></u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenue:					
State Sources	\$ 3,130	\$ 43	\$ 3,173	\$ 3,173	
Federal Sources	392,334		392,334	273,620	\$ (118,714)
Total Revenue	<u>\$ 395,464</u>	<u>\$ 43</u>	<u>\$ 395,507</u>	<u>\$ 276,793</u>	<u>\$ (118,714)</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 18,500		\$ 18,500	\$ 18,500	
Tuition	158,000	\$ (16,032)	141,968	90,500	\$ 51,468
General Supplies	101,834	43	101,877	56,144	45,733
Textbooks	1,432		1,432	1,432	
Total Instruction	<u>279,766</u>	<u>(15,989)</u>	<u>263,777</u>	<u>166,576</u>	<u>97,201</u>
Support Services:					
Salaries of Other Professional Staff	7,500		7,500	7,500	
Personal Services - Employee Benefits	2,959		2,959	2,959	
Purchased Professional/Technical Services	73,087	16,032	89,119	75,127	13,992
Other Purchased Services	13,665		13,665	8,844	4,821
Supplies and Materials	919		919	919	
Total Support Services	<u>98,130</u>	<u>16,032</u>	<u>114,162</u>	<u>95,349</u>	<u>18,813</u>
Facilities Acquisition and Construction Services:					
Building/Renovation	17,568		17,568	14,868	2,700
Total Facilities Acquisition and Construction Services	<u>17,568</u>		<u>17,568</u>	<u>14,868</u>	<u>2,700</u>
Total Expenditures	<u>\$ 395,464</u>	<u>\$ 43</u>	<u>\$ 395,507</u>	<u>\$ 276,793</u>	<u>\$ 118,714</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 11,100,614	\$ 276,793
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(21,737)
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	226,072	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(232,651)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 11,094,035	\$ 255,056
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 10,730,612	\$ 276,793
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(21,737)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 10,730,612	\$ 255,056

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 and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary 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).

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

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

The General Fund budgetary revenue differs from the GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	No Child Left Behind				
	Title I	Title I ARRA	Title II Part A	Title II Part D	Title IV
REVENUE:					
State Sources					
Federal Sources	\$ 30,518	\$ 10,137	\$ 20,665	\$ 306	\$ 1,429
Total Revenue	30,518	10,137	20,665	306	1,429
EXPENDITURES:					
Instruction:					
Salaries of Teachers	18,000				500
Purchased Professional and Educational Services					
Tuition					
General Supplies	8,300	9,218	10,665		829
Textbooks					
Total Instruction	26,300	9,218	10,665		1,329
Support Services:					
Salaries of Other Professional Staff					
Personal Services - Employee Benefits	2,859				100
Purchased Professional/Technical Services			3,000		
Other Purchased Services	1,359		7,000	306	
Supplies and Materials		919			
Total Support Services	4,218	919	10,000	306	100
Facilities Acquisition and Construction Services:					
Building/Renovation					
Total Facilities Acquisition and Construction Services					
Total Expenditures	\$ 30,518	\$ 10,137	\$ 20,665	\$ 306	\$ 1,429

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	IDEA Part B Basic	IDEA Part B Basic ARRA	IDEA Part B Preschool	IDEA Part B Preschool ARRA	Nonpublic	
					Textbooks	Nursing
REVENUE:						
State Sources					\$ 1,432	\$ 1,698
Federal Sources	\$ 156,134	\$ 49,851	\$ 4,181	\$ 399		
Total Revenue	156,134	49,851	4,181	399	1,432	1,698
EXPENDITURES:						
Instruction:						
Salaries of Teachers						
Purchased Professional and Educational Services						
Tuition	84,386	4,532	1,582			
General Supplies	2,426	24,264		399		
Textbooks					1,432	
Total Instruction	86,812	28,796	1,582	399	1,432	
Support Services:						
Salaries of Other Professional Staff	7,500					
Personal Services - Employee Benefits						
Purchased Professional/Technical Services	61,822	6,008	2,599			1,698
Other Purchased Services		179				
Supplies and Materials						
Total Support Services	69,322	6,187	2,599			1,698
Facilities Acquisition and Construction Services:						
Building/Renovation		14,868				
Total Facilities Acquisition and Construction Services		14,868				
Total Expenditures	\$ 156,134	\$ 49,851	\$ 4,181	\$ 399	\$ 1,432	\$ 1,698

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Nonpublic Technology Initiative	Totals June 30, 2010
REVENUE:		
State Sources	\$ 43	\$ 3,173
Federal Sources		273,620
Total Revenue	43	276,793
EXPENDITURES:		
Instruction:		
Salaries of Teachers		18,500
Tuition		90,500
General Supplies	43	56,144
Textbooks		1,432
Total Instruction	43	166,576
Support Services:		
Salaries of Other Professional Staff		7,500
Personal Services - Employee Benefits		2,959
Purchased Professional/Technical Services		75,127
Other Purchased Services		8,844
Supplies and Materials		919
Total Support Services		95,349
Facilities Acquisition and Construction Services:		
Building/Renovation		14,868
Total Facilities Acquisition and Construction Services		14,868
Total Expenditures	\$ 43	\$ 276,793

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

CAPITAL PROJECTS FUND

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Expenditures:		
Other Purchased Professional and Technical Services	\$	25,075
Legal Services		59,879
Construction Services		<u>(56,679)</u>
 Total Expenditures		 <u>28,275</u>
 Deficit of Revenue and Other Financing Sources Under Expenditures		 (28,275)
 Fund Balance - Beginning Balance		 <u>203,736</u>
 Fund Balance - Ending Balance	 \$	 <u><u>175,461</u></u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
CONSTRUCTION AND RENOVATIONS TO ELEMENTARY SCHOOL
AND CONSTRUCTION OF A NEW MIDDLE SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - EDA Grant	\$ 4,544,810		\$ 4,544,810	\$ 4,544,810
Bond Proceeds	13,532,000		13,532,000	13,532,000
Cancellation of Contracts Payable	59,758		59,758	59,758
Total Revenue and Other Financing Sources	18,136,568		18,136,568	18,136,568
Expenditures and Other Financing Uses:				
Equipment	544,666		544,666	\$ 544,666
Other Purchased Professional and Technical Services	1,874,686		1,874,686	1,880,423
Construction Services	15,714,189		15,714,189	15,711,479
Total Expenditures and Other Financing Uses	18,133,541		18,133,541	18,136,568
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 3,027	\$ -0-	\$ 3,027	\$ -0-

Additional Project Information:

Project Numbers	G-5-0081 SP# 201373
Grant Date	07/01/01
Original Authorized Cost	\$ 16,730,000
Additional Authorized Cost	1,406,568
Revised Authorized Cost	<u>\$ 18,136,568</u>
Percentage Increase over Original Authorized Cost	8%
Percentage Completion	100%
Original Target Completion Date	07/01/03
Revised Target Completion Date	06/30/06

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
RENOVATIONS TO MIDDLE SCHOOL ROOF
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Bond Sale Proceeds	\$ 1,324,000		\$ 1,324,000	\$ 1,732,500
Total Revenue and Other Financing Sources	1,324,000		1,324,000	1,732,500
Expenditures:				
Other Purchased Professional and Technical Services	89,220	\$ 25,075	114,295	154,844
Legal Services	30,871	59,879	90,750	90,750
Construction Services	1,003,200	(56,679)	946,521	1,486,906
Total Expenditures	1,123,291	28,275	1,151,566	1,732,500
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 200,709	\$ (28,275)	\$ 172,434	\$ -0-

Additional Project Information:

Bond Authorization Date	4/21/2009
Bonds Authorized	\$ 1,732,500
Bonds Issued	1,324,000
Original Authorized Cost	1,732,500
Additional Authorized Cost	-0-
Revised Authorized Cost	1,732,500
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	66%
Original Target Completion Date	9/3/2009
Revised Target Completion Date	Not Available

PROPRIETARY FUNDS

Exhibit G-1

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 28,244
Accounts Receivable:	
State	225
Federal	2,684
Inventories	7,223
	<hr/>

Total Current Assets	<hr/> 38,376
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Non-Current Assets:

Capital Assets	170,736
Less: Accumulated Depreciation	<hr/> (134,393)

Total Non-Current Assets	<hr/> 36,343
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Total Assets	<hr/> 74,719
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LIABILITIES:

Current Liabilities:

Interfund Payable - General Fund	4,841
Deferred Revenue	<hr/> 5,900

Total Current Liabilities	<hr/> 10,741
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NET ASSETS:

Investment in Capital Assets Net of Related Debt	36,343
Unrestricted	<hr/> 27,635

Total Net Assets	<hr/> <hr/> \$ 63,978
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HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 114,985
Daily Sales - Non Reimbursable Programs	41,490
	<hr/>
Total Operating Revenue	156,475
	<hr/>
Operating Expenses:	
Cost of Sales	96,737
Salaries & Payroll Taxes	71,459
Employee Benefits	6,669
Management Fee	7,659
Supplies, Insurance & Other Costs	2,374
Depreciation Expense	8,075
	<hr/>
Total Operating Expenses	192,973
	<hr/>
Operating Loss	(36,498)
	<hr/>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	3,053
Federal Sources:	
National School Lunch Program	36,357
Food Distribution Program	13,801
Local Sources:	
Interest Income	689
	<hr/>
Total Non-Operating Revenue	53,900
	<hr/>
Change in Net Assets	17,402
	<hr/>
Net Assets - Beginning of Year	46,576
	<hr/>
Net Assets - End of Year	\$ 63,978
	<hr/> <hr/>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 156,475
Payments to Food Service Vendor	(170,910)
	<hr/>
Net Cash Used for Operating Activities	(14,435)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
State Sources	1,120
Federal Sources	12,549
	<hr/>
Net Cash Provided by Noncapital Financing Activities	13,669
	<hr/>
Cash Flows from Investing Activities:	
Investment Income	689
	<hr/>
Net Cash Flows from Investing Activities:	689
	<hr/>
Net Decrease in Cash and Cash Equivalents	(77)
	<hr/>
Cash and Cash Equivalents, July 1	28,321
	<hr/>
Cash and Cash Equivalents, June 30	\$ 28,244
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (36,498)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Federal Food Distribution Program	13,801
Depreciation	8,075
Changes in Assets and Liabilities:	
(Increase) in Inventory	(1,778)
Increase in Deferred Revenue	1,965
	<hr/>
Net Cash Used for Operating Activities	\$ (14,435)
	<hr/> <hr/>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. donated commodities through the Food Distribution Program valued at \$15,766 and utilized commodities valued at \$13,801.

FIDUCIARY FUNDS

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Agency Funds</u>		<u>Total Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
	<u>Payroll Agency</u>	<u>Student Activities</u>			
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 20,760	\$ 27,018	\$ 47,778	\$ 36,428	\$ 2,987
Investments					2,237
Interfund Receivable		1,425	1,425	8,065	
Total Assets	<u>20,760</u>	<u>28,443</u>	<u>49,203</u>	<u>44,493</u>	<u>5,224</u>
<u>LIABILITIES:</u>					
Liabilities:					
Payroll Deductions and Withholdings	12,158		12,158		
Due to Student Groups		28,443	28,443		
Interfund Payable	8,602		8,602		
Total Liabilities	<u>20,760</u>	<u>28,443</u>	<u>49,203</u>		
<u>NET ASSETS:</u>					
Held in Trust for Unemployment Claims				44,493	
Reserved for Scholarships					5,224
Total Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 44,493</u>	<u>\$ 5,224</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>
Additions:		
Contributions:		
Plan Members	\$ 9,827	
Employer - Budget Appropriation	31,200	
	<u>41,027</u>	
Investment Earnings:		
Interest	186	\$ 4
	<u>186</u>	<u>4</u>
Net Investment Earnings	186	4
	<u>41,213</u>	<u>4</u>
Deductions:		
State of New Jersey Unemployment Agency Payments	30,781	
	<u>30,781</u>	
Change in Net Assets	10,432	4
Net Assets—Beginning of the Year	<u>34,061</u>	<u>5,220</u>
Net Assets—End of the Year	<u>\$ 44,493</u>	<u>\$ 5,224</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 20,683	\$ 76,971	\$ 70,636	\$ 27,018
Interfund Receivable:				
General Fund	1,425			1,425
Total Assets	<u>\$ 22,108</u>	<u>\$ 76,971</u>	<u>\$ 70,636</u>	<u>\$ 28,443</u>
 <u>LIABILITIES:</u>				
Due to Student Groups	<u>\$ 22,108</u>	<u>\$ 76,971</u>	<u>\$ 70,636</u>	<u>\$ 28,443</u>
Total Liabilities	<u>\$ 22,108</u>	<u>\$ 76,971</u>	<u>\$ 70,636</u>	<u>\$ 28,443</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 56,782	\$ 10,609,741	\$ 10,645,763	\$ 20,760
Total Assets	<u>\$ 56,782</u>	<u>\$ 10,609,741</u>	<u>\$ 10,645,763</u>	<u>\$ 20,760</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 53,270	\$ 10,600,758	\$ 10,641,870	\$ 12,158
Interfund Payable - General Fund	972	794	1,229	537
Interfund Payable - Unemployment Compensation Trust	<u>2,540</u>	<u>8,189</u>	<u>2,664</u>	<u>8,065</u>
Total Liabilities	<u>\$ 56,782</u>	<u>\$ 10,609,741</u>	<u>\$ 10,645,763</u>	<u>\$ 20,760</u>

LONG-TERM DEBT

HARDYSTON TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2009	Retired or Matured	Balance June 30, 2010
			Date	Amount				
2001 Renovation to Elementary School and Construction of Middle School	03/15/01	\$ 13,532,000	08/01/10	\$ 280,000	4.800%	\$ 2,585,000	\$ 265,000	\$ 2,320,000
			08/01/11	290,000	4.800%			
			08/01/12	310,000	4.800%			
			08/01/13	330,000	4.785%			
			08/01/14	350,000	4.785%			
			08/01/15	370,000	4.785%			
			08/01/16	390,000	4.785%			
Refunding Bonds of 2006	11/01/06	9,955,000	08/01/10	25,000	4.000%	9,905,000	25,000	9,880,000
			08/01/11	30,000	4.000%			
			08/01/12	30,000	4.000%			
			08/01/13	30,000	4.000%			
			08/01/14	30,000	4.000%			
			08/01/15	35,000	4.000%			
			08/01/16	35,000	4.125%			
			08/01/17	445,000	5.000%			
			08/01/18	470,000	4.000%			
			08/01/19	500,000	4.000%			
			08/01/20	520,000	4.125%			
			08/01/21	550,000	4.125%			
			08/01/22	575,000	4.000%			
			08/01/23	600,000	4.000%			
			08/01/24	630,000	4.125%			
			08/01/25	660,000	4.125%			
			08/01/26	695,000	4.250%			
08/01/27	730,000	4.250%						
08/01/28	765,000	4.250%						
08/01/29	805,000	4.250%						
08/01/30	840,000	4.250%						
08/01/31	880,000	4.250%						

HARDYSTON TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2010		Interest Rate	Balance July 1, 2009	Retired or Matured	Balance June 30, 2010
			Date	Amount				
Roof Project Bonds of 2009	06/23/09	\$ 1,324,000	08/01/10	\$ 110,000	2.000%	\$ 1,324,000		\$ 1,324,000
			08/01/11	115,000	2.000%			
			08/01/12	120,000	2.000%			
			08/01/13	125,000	2.250%			
			08/01/14	130,000	2.500%			
			08/01/15	135,000	3.000%			
			08/01/16	140,000	3.500%			
			08/01/17	145,000	3.500%			
			08/01/18	150,000	3.750%			
			08/01/19	154,000	3.750%			
						<u>\$ 13,814,000</u>	<u>\$ 290,000</u>	<u>\$ 13,524,000</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2009</u>	<u>Matured</u>	<u>Balance June 30, 2010</u>
Generator	Various	\$ 450,000	\$ 32,431	\$ 32,431	\$ -0-
			<u>\$ 32,431</u>	<u>\$ 32,431</u>	<u>\$ -0-</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 823,964		\$ 823,964	\$ 823,964	
Total Revenue	823,964		823,964	823,964	
EXPENDITURES:					
Regular Debt Service:					
Redemption of Principal	290,000		290,000	290,000	
Interest	533,964		533,964	557,210	\$ (23,246)
Total Regular Debt Service	823,964		823,964	847,210	(23,246)
Total Expenditures	823,964		823,964	847,210	(23,246)
Deficit of Revenue Under Expenditures				(23,246)	(23,246)
Fund Balance, July 1	1		1	1	
Fund Balance, June 30/(Deficit)	\$ 1	\$ -0-	\$ 1	\$ (23,245)	\$ (23,246)
<u>Recapitulation of Fund Balance at June 30, 2010:</u>					
Unreserved/Undesignated Fund Balance (Deficit)				\$ (23,245)	

STATISTICAL SECTION

This part of the School's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the School's overall financial health.

Contents**Exhibit****Financial Trends**

These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The School implemented GASB Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009*	2010
Governmental Activities:						
Invested in Capital Assets, Net of Related Debt	\$ 6,732,071	\$ 5,912,662	\$ 5,250,670	\$ 4,934,340	\$ 4,373,642	\$ 4,187,266
Restricted	79,942	(131,052)	97,899	308,933	425,806	674,999
Unrestricted/(Deficit)	(262,686)	(325,765)	(119,994)	(560,344)	(601,834)	(518,097)
Total Governmental Activities Net Assets	\$ 6,549,327	\$ 5,455,845	\$ 5,228,575	\$ 4,682,929	\$ 4,197,614	\$ 4,344,168
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	\$ 76,271	\$ 68,195	\$ 60,119	\$ 52,498	\$ 44,418	\$ 36,343
Unrestricted/(Deficit)	(14,055)	(26,386)	(9,482)	(9,385)	2,158	27,635
Total Business-Type Activities Net Assets	\$ 62,216	\$ 41,809	\$ 50,637	\$ 43,113	\$ 46,576	\$ 63,978
District-Wide:						
Invested in Capital Assets, Net of Related Debt	\$ 6,808,342	\$ 5,980,857	\$ 5,310,789	\$ 4,986,838	\$ 4,418,060	\$ 4,223,609
Restricted	79,942	(131,052)	97,899	308,933	425,806	674,999
Unrestricted/(Deficit)	(276,741)	(352,151)	(129,476)	(569,729)	(599,676)	(490,462)
Total District Net Assets	\$ 6,611,543	\$ 5,497,654	\$ 5,279,212	\$ 4,726,042	\$ 4,244,190	\$ 4,408,146

* - Restated

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

HARDYSTON TOWNSHIP SCHOOL DISTRICTCHANGES IN NET ASSETSLAST SIX FISCAL YEARSUNAUDITED*(accrual basis of accounting)*

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009*	2010
Expenses:						
Governmental Activities:						
Instruction:						
Regular	\$ 3,946,723	\$ 4,995,644	\$ 4,653,200	\$ 5,118,249	\$ 4,954,610	\$ 4,979,851
Special Education	693,774	880,022	1,162,869	1,264,939	1,347,982	1,360,680
Other Special Education	138,259			134,539	149,618	132,602
School-Sponsored Instruction	189,370	318,777	215,568	142,395	367,944	118,279
Support Services:						
Tuition	173,987	316,817	398,539	231,851	286,683	189,738
Student & Instruction Related Services	957,540	922,179	992,440	1,090,128	888,933	1,129,446
General Administrative Services	490,188	419,175	452,611	362,808	298,522	294,210
School Administrative Services	661,127	723,591	745,926	568,356	542,605	611,590
Central Services				175,097	223,033	212,905
Administrative Information Technology				51,401	57,652	79,711
Plant Operations And Maintenance	1,100,051	1,152,855	1,137,275	1,383,356	1,411,395	1,236,811
Pupil Transportation	833,233	844,356	924,808	952,345	1,033,892	1,012,667
Capital Outlay					15,083	
Interest On Long-Term Debt	630,830	626,311	379,582	641,812	541,907	567,490
Unallocated Depreciation	37,961					
Charter Schools	34,391	40,703	8,954	38,088	59,710	100,521
Total Governmental Activities Expenses	<u>9,887,434</u>	<u>11,240,430</u>	<u>11,071,772</u>	<u>12,155,364</u>	<u>12,179,569</u>	<u>12,026,501</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009*	2010
Expenses: (Cont'd)						
Business-Type Activities:						
Food Service	\$ 225,387	\$ 217,065	\$ 179,752	\$ 204,735	\$ 187,801	\$ 192,973
Total Business-Type Activities Expense	<u>225,387</u>	<u>217,065</u>	<u>179,752</u>	<u>204,735</u>	<u>187,801</u>	<u>192,973</u>
Total District Expenses	<u>\$ 10,112,821</u>	<u>\$ 11,457,495</u>	<u>\$ 11,251,524</u>	<u>\$ 12,360,099</u>	<u>\$ 12,367,370</u>	<u>\$ 12,219,474</u>
Program Revenues:						
Governmental Activities:						
Operating Grants and Contributions	\$ 218,967	\$ 2,104,443	\$ 2,259,456	\$ 1,643,743	\$ 1,585,016	\$ 1,757,971
Total Governmental Activities Program Revenues	<u>218,967</u>	<u>2,104,443</u>	<u>2,259,456</u>	<u>1,643,743</u>	<u>1,585,016</u>	<u>1,757,971</u>
Business-Type Activities:						
Charges for Services:						
Food Services	148,587	154,109	146,036	151,466	148,293	156,475
Operating Grants and Contributions	41,003	42,379	41,881	44,611	42,187	53,211
Total Business-Type Activities	<u>189,590</u>	<u>196,488</u>	<u>187,917</u>	<u>196,077</u>	<u>190,480</u>	<u>209,686</u>
Total District Program Revenues	<u>\$ 408,557</u>	<u>\$ 2,300,931</u>	<u>\$ 2,447,373</u>	<u>\$ 1,839,820</u>	<u>\$ 1,775,496</u>	<u>\$ 1,967,657</u>
Change in Net (Expense)/Revenue:						
Governmental Activities	\$ (9,668,467)	\$ (9,135,987)	\$ (8,812,316)	\$ (10,511,621)	\$ (10,594,553)	\$ (10,268,530)
Business-Type Activities	<u>(35,797)</u>	<u>(20,577)</u>	<u>8,165</u>	<u>(8,658)</u>	<u>2,679</u>	<u>16,713</u>
Total District Net Expense	<u>\$ (9,704,264)</u>	<u>\$ (9,156,564)</u>	<u>\$ (8,804,151)</u>	<u>\$ (10,520,279)</u>	<u>\$ (10,591,874)</u>	<u>\$ (10,251,817)</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009*	2010
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Property Taxes Levied for General Purposes	\$ 6,062,796	\$ 6,255,659	\$ 7,012,747	\$ 7,450,449	\$ 7,746,477	\$ 8,056,336
Taxes Levied for Debt Services	838,590	204,839	456,660	686,316	821,269	823,964
Unrestricted Grants and Contributions	2,754,577	1,560,110	1,560,266	1,861,486	1,516,293	1,486,733
Investment Earnings	3,579	17,814	52,266	32,991		
Miscellaneous Income	6,320	2,739	3,846	14,241	25,199	48,051
Other Income	58,437	1,321	(500,710)			
Total Governmental Activities	<u>9,724,299</u>	<u>8,042,482</u>	<u>8,585,075</u>	<u>10,045,483</u>	<u>10,109,238</u>	<u>10,415,084</u>
Business-Type Activities:						
Investment Earnings	68	170	663	1,134	784	689
Total Business-Type Activities	<u>68</u>	<u>170</u>	<u>663</u>	<u>1,134</u>	<u>784</u>	<u>689</u>
Total District-Wide	<u>\$ 9,724,367</u>	<u>\$ 8,042,652</u>	<u>\$ 8,585,738</u>	<u>\$ 10,046,617</u>	<u>\$ 10,110,022</u>	<u>\$ 10,415,773</u>
Change in Net Assets:						
Governmental Activities	\$ 55,833	\$(1,093,502)	\$ (227,240)	\$ (545,648)	\$ (485,315)	\$ 146,554
Business-Type Activities	(35,730)	(20,407)	8,828	(7,524)	3,463	17,402
Total District	<u>\$ 20,103</u>	<u>\$(1,113,909)</u>	<u>\$ (218,412)</u>	<u>\$ (553,172)</u>	<u>\$ (481,852)</u>	<u>\$ 163,956</u>

* - Restated

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.
Source: School District Financial Reports

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
General Fund:						
Reserved	\$ 17,196	\$ 66,473	\$ 65,448	\$ 307,877	\$ 222,069	\$ 522,783
Unreserved	345,317	67,529	240,467	143,996	51,584	114,293
Total General Fund	<u>\$ 362,513</u>	<u>\$ 134,002</u>	<u>\$ 305,915</u>	<u>\$ 451,873</u>	<u>\$ 273,653</u>	<u>\$ 637,076</u>
All Other Governmental Funds:						
Unreserved, Reported In:						
Capital Projects Fund	\$ 48,048	\$ 49,369	\$ 46,659	\$ 3,027	\$ 203,736	\$ 175,461
Debt Service Fund/(Deficit)	14,698	12,986	134,704	1	1	(23,245)
Total All Other Governmental Funds	<u>\$ 62,746</u>	<u>\$ 62,355</u>	<u>\$ 181,363</u>	<u>\$ 3,028</u>	<u>\$ 203,737</u>	<u>\$ 152,216</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Revenues:						
Tax Levy	\$ 6,901,386	\$ 7,086,809	\$ 7,848,959	\$ 8,136,765	\$ 8,567,746	\$ 8,880,300
Interest Earnings	3,579	17,814	52,266	32,991		1,965
Miscellaneous	6,320	2,739	3,846	14,241	25,199	46,086
State Sources	2,758,708	2,858,627	3,194,189	3,297,466	2,895,177	2,992,189
Federal Sources	214,836	179,616	245,951	207,764	206,132	252,515
Total Revenue	9,884,829	10,145,605	11,345,211	11,689,227	11,694,254	12,173,055
Expenditures:						
Instruction:						
Regular Instruction	2,872,633	2,817,865	3,069,113	3,148,645	3,243,321	3,262,396
Special Education Instruction	520,068	696,288	781,432	888,566	976,409	1,064,249
Other Special Instruction	103,504	245,283	177,178	94,935	109,361	95,325
School-Sponsored/Other Instruction	151,641			102,915	103,122	106,773
Support Services:						
Tuition	173,987	316,817	398,539	231,851	286,683	189,738
Student & Instruction Related Services	778,369	738,445	766,882	821,686	870,856	832,392
General Administrative Services	380,475	345,682	336,689	292,358	259,118	247,459
School Administrative Services	583,898	582,112	566,876	403,260	423,636	437,002
Central Services				175,097	166,187	155,312
Administrative Information Technology				51,401	53,097	65,178
Plant Operations And Maintenance	1,013,441	961,536	964,790	1,108,684	1,237,090	1,077,398
Student Transportation	833,233	844,336	924,808	952,345	1,033,892	1,012,667
Unallocated Benefits	1,605,180	1,837,338	2,280,887	2,359,391	2,102,773	2,286,647

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Expenditures:						
Capital Outlay	\$ 34,391	\$ 110,672	\$ 59,883	\$ 235,448	\$ 1,245,158	\$ 80,886
Charter Schools	115,498	40,703	8,954	38,088	59,710	100,521
Debt Service:						
Principal	200,000	210,000	225,000	260,000	275,000	290,000
Interest And Other Charges	638,590	628,750	490,549	559,964	547,324	557,210
Total Expenditures	<u>10,004,908</u>	<u>10,375,827</u>	<u>11,051,580</u>	<u>11,724,634</u>	<u>12,992,737</u>	<u>11,861,153</u>
Excess/(Deficiency) Of Revenues Over/(Under)						
Expenditures	<u>(120,079)</u>	<u>(230,222)</u>	<u>293,631</u>	<u>(35,407)</u>	<u>(1,298,483)</u>	<u>311,902</u>
Other Financing Sources/(Uses):						
Adjustment to Contracts Payable	58,437	1,321				
Capital Leases (Non-Budgeted)	37,961					
EDA Grant Canceled			(2,710)			
Long Term Debt Issued					1,324,000	
Transfers In	3,579	5,888	1,055		10	
Transfers Out	<u>(3,579)</u>	<u>(5,888)</u>	<u>(1,055)</u>		<u>(10)</u>	
Total Other Financing Sources/(Uses)	<u>96,398</u>	<u>1,321</u>	<u>(2,710)</u>		<u>1,324,000</u>	
Net Change In Fund Balances	<u>\$ (23,681)</u>	<u>\$ (228,901)</u>	<u>\$ 290,921</u>	<u>\$ (35,407)</u>	<u>\$ 25,517</u>	<u>\$ 311,902</u>
Debt Service As A Percentage Of Noncapital						
Expenditures	8.41%	8.17%	6.51%	7.14%	7.00%	7.19%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

HARDYSTON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Rentals- Use of Facilities</u>	<u>Other</u>	<u>Total</u>
2001	19,795	\$ 12,678		4,998	37,471
2002	9,817			10,566	20,383
2003	8,115	16,700		7,424	32,239
2004	26,275	37,122		3,881	67,278
2005	69,165	31,545		52,994	153,704
2006	56,182	27,744		5,916	89,842
2007	50,418	20,219		320	70,957
2008	29,568			3,435	33,003
2009	16,933			8,256	25,189
2010	18,890			29,161	48,051

Source: Hardyston Township School District records

HARDYSTON TOWNSHIP SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST SIX YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$ 31,767,700	\$ 424,391,400	\$ 8,464,000	\$ 1,282,900	\$ 51,661,200	\$ 9,969,700	\$ 9,688,000	\$ 537,224,900	\$ 1,858,088	\$ 539,082,988	\$ 51,267,400	\$ 1.23	\$ 751,921,729
2005	32,552,400	450,695,200	8,984,900	1,132,200	55,522,700	10,586,800	9,688,000	569,162,200	1,666,503	570,828,703	57,020,800	1.23	897,604,202
2006	31,296,700	483,356,600	8,984,900	1,133,700	55,277,100	11,519,000	9,688,000	601,256,000	1,428,498	602,684,498	57,148,900	1.23	1,174,136,953
2007	26,103,700	525,192,800	9,300,400	1,134,900	57,790,200	11,877,300	9,688,000	641,087,300	1,323,716	642,411,016	57,148,900	1.23	1,252,603,379
2008	23,323,200	593,257,700	9,690,600	1,111,700	57,547,000	13,844,300	9,688,000	708,462,500	1,315,605	709,778,105	57,576,600	1.17	1,375,538,963
2009	28,631,500	596,713,000	9,448,700	1,070,200	61,514,100	16,711,200	9,688,000	723,776,700	1,135,127	724,911,827	58,076,100	1.20	1,296,337,316

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

b Tax rates are per \$100

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

Reassessment occurs when ordered by the County Board of Taxation

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Municipal Tax Assessor

HARDYSTON TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(rate per \$100 of assessed value)

Year Ended December 31,	Hardyston Township School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Direct Rate			Township of Hardyston	Walkill Valley Regional High School	Sussex County	
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct				
2000	0.990	0.008	1.00	0.65	0.57	0.53	2.75
2001	1.050	0.007	1.06	0.65	0.58	0.60	2.89
2002	0.920	0.124	1.04	0.65	0.65	0.63	2.97
2003	1.050	0.128	1.18	0.66	0.70	0.67	3.21
2004	1.110	0.120	1.23	0.62	0.71	0.67	3.23
2005	1.120	0.112	1.23	0.66	0.68	0.69	3.26
2006	1.120	0.112	1.23	0.68	0.67	0.76	3.34
2007	1.120	0.110	1.23	0.68	0.65	0.79	3.35
2008	1.070	0.104	1.17	0.77	0.58	0.76	3.28
2009	1.090	0.111	1.20	0.81	0.58	0.74	3.33

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.

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 calculation.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2009		Taxpayer	2000	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Wild Turkey Golf Club, LLC	\$ 10,251,800	1.41%	INFORMATION IS NOT AVAILABLE		
Edgewater Associates, LLC	9,688,000	1.34%			
Crystal Spring Resort Development	9,359,100	1.29%			
Crystal Spring Builders, LLC	7,873,900	1.09%			
Crystal Spring Spec, LLC	5,493,000	0.76%			
Ballyowen Golf Club USA Incorporated	5,288,400	0.73%			
Pottersville Properties Development LLC	4,671,600	0.64%			
Newark Watershed CDC	4,109,300	0.57%			
Skylands Ownership Group, LLC	3,400,000	0.47%			
Black Bear Golf, Inc.	2,969,900	0.41%			
Total	\$ 63,105,000	8.71%			

Source: Municipal Tax Assessor

HARDYSTON TOWNSHIP SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST SIX FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2005	\$ 6,901,386	\$ 6,901,386	100.00%	-0-
2006	7,086,809	7,086,809	100.00%	-0-
2007	7,848,959	7,848,959	100.00%	-0-
2008	8,136,765	8,136,765	100.00%	-0-
2009	8,567,746	8,567,746	100.00%	-0-
2010	8,880,300	8,880,300	100.00%	-0-

- a 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.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SIX FISCAL YEARS
UNAUDITED

(dollars in thousands, except per capita)

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2005	\$ 12,962,000	\$ 290,572	\$ 13,252,572	3.99%	\$ 1,764
2006	12,752,000	227,438	12,979,438	3.49%	1,661
2007	13,025,000	162,988	13,187,988	3.25%	1,610
2008	12,765,000	95,271	12,860,271	3.09%	1,535
2009	13,814,000	32,431	13,846,431	3.34%	1,657
2010	13,524,000		13,524,000	3.26%	1,624

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

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

HARDYSTON TOWNSHIP SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST SIX FISCAL YEARS
UNAUDITED
(dollars in thousands, except per capita)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 12,962,000	\$ -0-	\$ 12,962,000	2.40%	\$ 1,725
2006	12,752,000	-0-	12,752,000	2.23%	1,632
2007	13,025,000	-0-	13,025,000	2.16%	1,590
2008	12,765,000	-0-	12,765,000	1.99%	1,523
2009	13,814,000	-0-	13,814,000	1.95%	1,653
2010	13,524,000	-0-	13,524,000	1.87%	1,624

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

- a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.
- b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

HARDYSTON TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2009
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:			
Hardyston Township	\$ 10,299,000	100.00%	\$ 10,299,000
Wallkill Valley Regional High School	2,825,000	53.55%	1,512,856
County of Sussex-Municipality's Share	77,711,140	6.504%	<u>5,054,447</u>
Subtotal, Overlapping Debt			16,866,302
Hardyston Township School District Direct Debt			<u>13,524,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 30,390,302</u></u>

- a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of Hardyston Township's equalized property value that is within the Sussex County's boundaries and dividing it by Sussex County's total equalized property value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Township of Hardyston. This process recognizes that, when considering the District's ability to issue and repay long-term, 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 unit.

Sources: Assessed value data used to estimate applicable percentages provided by the Sussex County Board of Taxation; debt outstanding data provided by each governmental unit.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST SIX FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2010

<u>Equalized valuation basis</u>	
2007	\$ 1,262,728,580
2008	1,372,989,341
2009	1,294,307,403
	<u>\$ 3,930,025,324</u>

Average Equalized Valuation of Taxable Property	<u>\$ 1,310,008,441</u>
Debt Limit (3% of average equalization value) ^a	\$ 39,300,253
Net Bonded School Debt as of June 30, 2010	<u>13,524,000</u>
Legal Debt Margin	<u>\$ 25,776,253</u>

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 21,478,282	\$ 25,666,046	\$ 30,249,410	\$ 34,437,725	\$ 38,070,719	\$ 39,300,253
Total Net Debt Applicable to Limit	<u>12,962,000</u>	<u>12,752,000</u>	<u>13,025,000</u>	<u>12,765,000</u>	<u>13,814,000</u>	<u>13,524,000</u>
Legal Debt Margin	<u>\$ 8,516,282</u>	<u>\$ 12,914,046</u>	<u>\$ 17,224,410</u>	<u>\$ 21,672,725</u>	<u>\$ 24,256,719</u>	<u>\$ 25,776,253</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	60.35%	49.68%	43.06%	37.07%	36.29%	34.41%

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Sussex County Per Capita Personal Income ^b	Personal Income ^c	Unemployment Rate ^d
2001	6,647	38,577	256,421,319	2.90%
2002	7,101	38,723	274,972,023	4.10%
2003	7,358	39,336	289,434,288	4.40%
2004	7,514	40,819	306,713,966	3.30%
2005	7,813	42,540	332,365,020	4.70%
2006	8,192	45,448	372,310,016	4.90%
2007	8,380	48,474	406,212,120	6.20%
2008	8,357	49,763	415,869,391	6.20%
2009	8,326	49,763 *	414,326,738	10.30%
2010	8,326 **	49,763 *	414,326,738	N/A

* - Latest Sussex County per capita personal income available (2008) was used for calculation purposes.

** - Latest population data available (2009) was used for calculation purposes.

N/A - Information not available

Source:

^a Population information provided by the U.S. Bureau of the Census, Population Division

^b Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^c Personal income has been estimated based upon the municipal population and per capita personal income presented

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - COUNTY OF SUSSEX
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>2009</u>			<u>2000</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Crystal Springs Golf and Spa Resort	2,000	N/A			
Newton Memorial Hospital	1,200	N/A			
Selective Insurance	900	N/A			
County of Sussex	830	N/A			INFORMATION NOT AVAILABLE
Mountain Creek/Intrawest	800	N/A			
Ames Rubber Corp.	445	N/A			
Shop Rite (Ronetco Supermarkets, Inc.)	301	N/A			
Andover Sub Acute & Rehab Center	300	N/A			
Sussex County Community College	300	N/A			
Newton Memorial Hospital	290	N/A			
	<u>7,366</u>				

Source: Sussex County Area Chamber of Commerce

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction:					
Regular	46.0	47.0	46.0	46.0	46.0
Special Education	13.5	13.5	14.5	14.5	14.5
Other Special Education	6.0	7.0	7.0	7.0	7.0
Other Education	4.0	4.0	4.0	4.0	4.0
Support Services:					
Student & Instruction Related Services	10.0	10.0	13.0	13.0	13.0
General and Business Administrative Services	3.0	3.0	3.0	3.0	3.0
Central Service and Admin Info Tech	3.0	3.0	3.0	3.0	3.0
Plant Operation and Maintenance	8.0	8.0	8.0	8.0	8.5
Total	<u>93.5</u>	<u>95.5</u>	<u>98.5</u>	<u>98.5</u>	<u>99.0</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: District Personnel Records

HARDYSTON TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST SIX FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/ Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2005	771	\$ 9,131,927	\$ 11,844	2.68%	67	12.8/ 1	11.6/ 1	739	738	-3.27%	95.50%
2006	771	9,426,405	12,226	3.22%	72	15.1/ 1	11.6/ 1	723	721	-2.17%	95.80%
2007	778	10,276,148	13,208	8.03%	73	15.1/ 1	10.8/1	722	692	-0.14%	95.90%
2008	776	10,669,222	13,749	4.09%	75	18.1/1	10.8/1	704	703	-2.49%	95.63%
2009	767	10,925,255	14,244	3.60%	75	10.1/1	10.5/1	755	721	7.24%	95.00%
2010	743	10,933,057	14,715	3.30%	74.5	10.1/1	10.5/1	743	703	-1.59%	95.00%

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures 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 The cost per pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from ther cost per pupil calculations.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006

Source: Hardyston Township School District records

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST SIX FISCAL YEARS

<u>District Building</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Hardyston Elementary School						
Square Feet	65,150	65,150	65,150	65,150	65,150	65,150
Capacity (students)	565	565	565	565	565	565
Enrollment	513	400	321	329	495	479
Hardystg Middle School						
Square Feet	80,000	80,000	80,000	80,000	80,000	80,000
Capacity (students)	424	424	424	424	424	424
Enrollment	265	323	402	374	272	264

Number of Schools at June 30, 2010

Elementary = 1

Middle School = 1

Note: Enrollment is based on the annual October district count.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Hardyston Township School District Facilities Office

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST EIGHT FISCAL YEARS
UNAUDITED

Undistributed Expenditures:
 Required Maintenance for School Facilities
 11-000-261-XXX

<u>School Facilities</u>	<u>Project #</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Hardyston Elementary School	SP#201372	\$ 140,709	\$ 193,580	\$ 129,863	\$ 60,198	\$ 95,290	\$ 90,683	\$ 49,890	\$ 25,498
Hardyston Middle School	SP#201372		129,054	79,593	55,035	59,751	31,862	63,700	41,066
		<u>\$ 140,709</u>	<u>\$ 322,634</u>	<u>\$ 209,456</u>	<u>\$ 115,233</u>	<u>\$ 155,041</u>	<u>\$ 122,545</u>	<u>\$ 113,590</u>	<u>\$ 66,564</u>

* School facilities as defined under EFCFA.
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

This schedule does not provide ten years of information as the State Department of Education required this information beginning with the fiscal year ended June 30, 2001.

Source: Hardyston Township School District records

HARDYSTON TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2010
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund:		
School Package Policy:		
Property - Blanket Building and Contents (Pooled Coverage)	\$ 6,200,000	\$ 1,000
Comprehensive General Liability - Aggregate	5,000,000	1,000
Medical Expenses - Per Person	5,000	
Comprehensive Automotive Liability - Aggregate	5,000,000	
Comprehensive Crime Coverage	Included	
School Board Legal Liability	5,000,000	2,500
Worker's Compensation & Employer's Liability	1,000,000	
Selective Insurance Company:		
Umbrella Liability Policy	5,000,000	
Public Employee' Faithful Performance Blanket Position Bond	100,000	
Public Official Bond - Treasurer of School Monies	200,000	
Public Official Bond - Business Administrator/Board Secretary	75,000	
Student Accident	1,000,000	

SINGLE AUDIT SECTION



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 200 Valley Road, Suite 300
 Mount Arlington, NJ 07856
 Phone: 973-328-1825
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 11 Lawrence Road
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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance
 and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
 Government Auditing Standards

The Honorable President and Members
 of the Board of Education
 Hardyston Township School District
 County of Sussex, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hardyston Township School District, in the County of Sussex (the "Board") as of, and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Honorable President and Members
of the Board of Education
Hardyston Township School District
Page 2

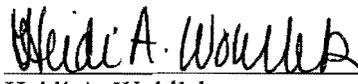
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we have reported to the Board in a separate management report dated November 11, 2010.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

November 11, 2010
Mount Arlington, New Jersey

NISIVOCIA & COMPANY LLP



Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant



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 200 Valley Road, Suite 300
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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04

The Honorable President and Members
 of the Board of Education
 Hardyston Township School District
 County of Sussex, New Jersey

Compliance

We have audited the compliance of the Board of Education of the Hardyston Township School District in the County of Sussex (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement and the New Jersey State Aid/ Grant Compliance Supplement* that that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2010. The Board's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs are the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*; and Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards, Federal OMB Circular A-133, and New Jersey's OMB Circular NJOMB 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 state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2010.

The Honorable President and Members
of the Board of Education
Hardyston Township School District
Page 2

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/ Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

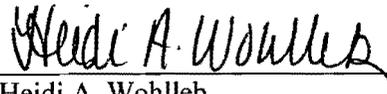
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

November 11, 2010
Mount Arlington, New Jersey

NISIVOCIA & COMPANY LLP



Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2009		Cash Received	Budgetary Expenditures	Returned to Grantor	Balance June 30, 2010			
					Deferred Revenue/ (Accounts Receivable)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	
U.S. Department of Agriculture													
Passed-through State Department of Education:													
Child Nutrition Cluster:													
Federal Food Distribution Program	10.550	N/A	7/1/09-6/30/10	\$15,766			\$ 15,766	\$ (9,866)			\$ 5,900		
Federal Food Distribution Program	10.550	N/A	7/1/08-6/30/09	11,326	\$ 3,935			(3,935)					
National School Lunch Program	10.555	N/A	7/1/09-6/30/10	36,357			33,673	(36,357)		\$ (2,684)			
National School Lunch Program	10.555	N/A	7/1/08-6/30/09	31,939	(2,428)		2,428						
Total U.S. Department of Agriculture						1,507	51,867	(50,158)		(2,684)	5,900		
U.S. Department of Education													
Passed-through State Department of Education:													
No Child Left Behind Consolidated Grant:													
Title I	84.010A	NCLB-2030-10	9/1/09-8/31/10	30,518				(30,518)		(30,518)			
Title I	84.010A	NCLB-2030-09	9/1/08-8/31/09	20,339	(7,310)		7,310						
Title I - Carryover	84.010A	NCLB-2030-07	9/1/06-8/31/08	28,860		\$ 495						\$ 495	
Title I - ARRA	84.389	NCLB-2030-10	7/1/09-8/31/11	10,137			10,137	(10,137)					
Title IIA	84.278A	NCLB-2030-10	9/1/09-8/31/10	20,665				(20,665)		(20,665)			
Title IIA	84.278A	NCLB-2030-09	9/1/08-8/31/09	20,182	(7,158)		5,772			(1,386)			
Title IID	84.318X	NCLB-2030-10	9/1/09-8/31/10	306				(306)		(306)			
Title IV	84.186A	NCLB-2030-10	9/1/09-8/31/10	1,429				(1,429)		(1,429)			
Title IV	84.186A	NCLB-2030-09	9/1/08-8/31/09	1,388	(278)		278						
Special Education Cluster:													
I.D.E.A. Part B, Basic	84.027	IDEA-2030-10	9/1/09-8/31/10	156,134			127,971	(156,134)		(28,163)			
I.D.E.A. Part B, Basic	84.027	IDEA-2030-09	9/1/08-8/31/09	157,323	(69,984)		70,290					306	
I.D.E.A. Part B, Preschool	84.173	IDEA-2030-10	9/1/09-8/31/10	4,181				(4,181)		(4,181)			
I.D.E.A. Part B, Preschool	84.173	IDEA-2030-09	9/1/08-8/31/09	4,201	(3,801)		3,801						
I.D.E.A. Part B, Basic - ARRA	84.391	IDEA-2030-10	7/1/09-8/31/11	163,068			11,096	(49,851)		(38,755)			
I.D.E.A. Part B, Preschool - ARRA	84.392	IDEA-2030-10	7/1/09-8/31/11	5,896				(399)		(399)			
Total U.S. Department of Education						(88,531)	495	236,655	(273,620)		(125,802)	801	
Total Federal Financial Awards						<u>\$ (87,024)</u>	<u>\$ 495</u>	<u>\$ 288,522</u>	<u>\$ (323,778)</u>	<u>\$ -0-</u>	<u>\$ (128,486)</u>	<u>\$ 5,900</u>	<u>\$ 801</u>

N/A - Not Available/Applicable

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2009			Budgetary Expenditures	Cancellation of Prior Year's Accounts Payable	Refunded to Grantor	Balance June 30, 2010			MEMO		
				Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received				GAAP (Accounts Receivable)	Budgetary Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
NJ Department of Education:															
General Fund:															
Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	\$ 451,313			\$ 405,407	\$ (451,313)						\$ (45,906)	\$ 451,313	
Transportation Aid	09-495-034-5120-014	7/1/08 - 6/30/09	347,081	\$ (33,830)		33,830								347,081	
Special Education Aid	10-495-034-5120-011	7/1/09 - 6/30/10	356,779			320,489	(356,779)						(36,290)	356,779	
Special Education Aid	09-495-034-5120-011	7/1/08 - 6/30/09	351,182	(34,230)		34,230								351,182	
Security Aid	10-495-034-5120-084	7/1/09 - 6/30/10	51,106			45,908	(51,106)						(5,198)	51,106	
Security Aid	09-495-034-5120-084	7/1/08 - 6/30/09	50,096	(4,883)		4,883								50,096	
Adjustment Aid	10-495-034-5120-085	7/1/09 - 6/30/10	1,428,070			1,282,813	(1,428,070)						(145,257)	1,428,070	
Adjustment Aid	09-495-034-5120-085	7/1/08 - 6/30/09	1,543,437	(153,129)		153,129								1,543,437	
Extraordinary Aid	10-100-034-5120-473	7/1/09 - 6/30/10	37,050				(37,050)				\$ (37,050)		(37,050)	37,050	
Extraordinary Aid	09-100-034-5120-473	7/1/08 - 6/30/09	66,272	(42,224)		42,224								66,272	
Non-Public Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	4,894				(4,894)				(4,894)		(4,894)	4,894	
Non-Public Transportation Aid	09-495-034-5120-014	7/1/08 - 6/30/09	3,654	(3,654)		3,654								3,654	
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09 - 6/30/10	357,676			339,989	(357,676)				(17,687)		(17,687)	357,676	
Reimbursed TPAF Social Security Contributions	09-495-034-5095-002	7/1/08 - 6/30/09	348,885	(17,338)		17,338								348,885	
Total General Fund State Aid				(289,288)		2,683,894	(2,686,888)				(59,631)		(292,282)	5,397,495	
Special Revenue Fund:															
Nonpublic Textbook Aid	10-100-034-5120-064	7/1/09 - 6/30/10	1,432			1,432	(1,432)							1,432	
Nonpublic Textbook Aid	09-100-034-5120-064	7/1/08 - 6/30/09	1,429		\$ 197			\$ 25					\$ 222	1,232	
Nonpublic Nursing Services	10-100-034-5120-070	7/1/09 - 6/30/10	1,698			1,698	(1,698)							1,698	
Nonpublic Handicapped Services: Corrective Speech	09-100-034-5120-066	7/1/08 - 6/30/09	558		186				\$ (186)					372	
Nonpublic Technology Initiative	09-100-034-5120-373	7/1/08 - 6/30/09	1,000		37		(43)	43	(37)					963	
Total Special Revenue Fund					420	3,130	(3,173)	68	(223)				222	5,697	
Total NJ Department of Education				(289,288)	420	2,687,024	(2,690,061)	68	(223)		(59,631)		222	5,403,192	
Enterprise Fund:															
State School Lunch Program	10-100-010-3350-023	7/1/09 - 6/30/10	3,053			2,828	(3,053)				(225)		(225)	3,053	
State School Lunch Program	09-100-010-3350-023	7/1/08 - 6/30/09	2,857	(214)		214								2,857	
Total Enterprise Fund				(214)		3,042	(3,053)				(225)		(225)	5,910	
Total State Awards				\$(289,502)	\$ 420	\$2,690,066	\$(2,693,114)	\$ 68	\$(223)		\$(59,856)	\$ -0-	\$ 222	\$(292,507)	\$ 5,409,102

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal and state awards present the activity of all federal and state financial award programs of the Board of Education, Hardyston Township 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 federal and state agencies, as well as federal and state awards passed through other government agencies are included on the schedules of the expenditures of federal and state awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments for the current budget year, which is mandated pursuant to P.L. 2003, C.97. For GAAP purposes, these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year and the recording the final payment for the prior year in the current 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 the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$6,579) for the general fund and (\$21,737) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the TPAF Non-Contributory Insurance and on-behalf TPAF Post Retirement Contributions revenue of \$15,638 and \$293,701 respectively. Revenue from federal and state awards is reported in the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,989,648	\$ 2,989,648
Special Revenue Fund	\$ 252,515	2,541	255,056
Enterprise Fund - Food Service	50,158	3,053	53,211
Total Awards	<u>\$ 302,673</u>	<u>\$ 2,995,242</u>	<u>\$ 3,297,915</u>

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2010.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major state programs.
- An unqualified report was issued on the District's compliance for major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04.
- The District was not subject to the Single Audit provisions of Federal OMB Circular A-133 for the fiscal year ending June 30, 2010 as federal award expenditures were less than the Single Audit threshold of \$500,000 identified in the federal circular.
 - The District's major state programs for the current fiscal year consisted of the following state aid:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
State Aid - Public:				
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	\$ 1,428,070	\$ 1,428,070
Special Education Aid	10-495-034-5120-011	7/1/09-6/30/10	356,779	356,779
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	51,106	51,106
Reimbursed TPAF				
Social Security Contributions	10-495-034-50954-002	7/1/09-6/30/10	357,676	357,676

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04 was \$500,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal circular and NJ OMB 04-04.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Status of Prior Year Findings:

There were no findings or questioned costs for the year ended June 30, 2009.