

HACKETTSTOWN SCHOOL DISTRICT

**Hackettstown School District
Hackettstown, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

**Comprehensive Annual
Financial Report**

of the

Hackettstown School District

Hackettstown, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

**Hackettstown School District
Board of Education**

HACKETTSTOWN SCHOOL DISTRICT
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INTRODUCTORY SECTION

HACKETTSTOWN PUBLIC SCHOOLS

Gail M. Woicekowski

Business Administrator/ Board Secretary



Home of the Tigers

David C. Mango

Superintendent of Schools

Debra Grigoletti

Director of Curriculum & Instruction

January 18, 2019

The Honorable President and Members of
the Board of Education
Hackettstown School District
County of Warren, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Hackettstown School District (District) for the fiscal year ended June 30, 2018 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and 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 required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Information related to this single audit, including the auditor's report on the internal control system 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: The Hackettstown School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Hackettstown School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular as well as special education for handicapped students. The District completed the 2017-2018 fiscal year with an enrollment of 1,915 students.

2) MAJOR INITIATIVES: During the 2017-2018 school year, the District continued implementing the Strategic Plan that began in 2012-2013. The implementation will be complete December 31, 2018 and a new strategic plan established in early 2019. The Board of Education approved a realignment of the two elementary schools. This will take place effective with the 2019-2020 school year. The technology department continues to work on the infrastructure and the District successfully accommodated the on-line student assessment that began in the 2015-2016 school year.

The District continues to receive outstanding monies due the District from the State of New Jersey for previously completed Regular Operating District (ROD) grants also called SDA grant projects. In 2017-2018 the security vestibule projects at Hackettstown High School and Middle School along with a partial roof replacement at the Middle School, were all completed and partially funded with ROD IV dollars from the State of New Jersey. The High School Media Center, and production studio were renovated as well as the addition of the Hall of Fame. These projects were fully funded using Capital Reserve monies, and ROD IV dollars from the State of New Jersey.

3) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system 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 awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system 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 system, including that portion related to major federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

4) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by a vote of the Board of Education. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. 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 fiscal year-end are either canceled or are included as reappropriations of fund balance in the subsequent fiscal year. Those amounts to be reappropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2018.

5) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

6) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 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.

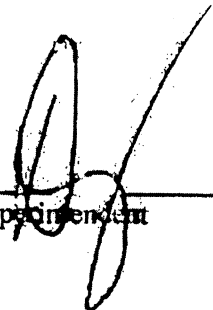
7) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on Exhibit J-20.

8) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP, CPA's, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

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

Respectfully submitted,

Signed:
Title:



Superintendent

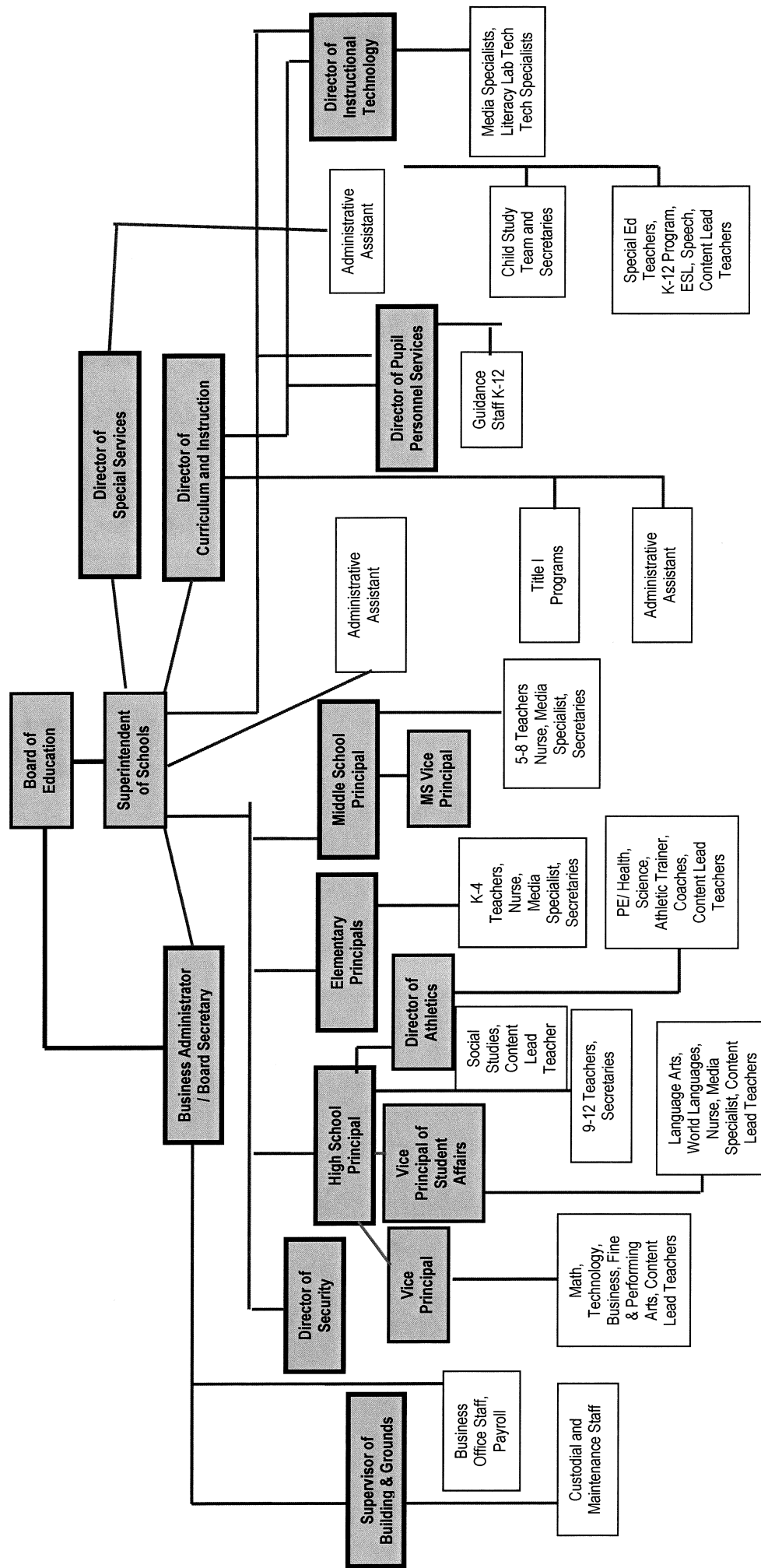
Signed:
Title:



Business Administrator

Hackettstown Public Schools Organizational Chart

Chart



**HACKETTSTOWN SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Michael Herbst, President	2019
Michele Wehmeyer, Vice President	2019
Gus Bordi	2018
Shawn Burke	2021
Amy Cochran	2021
Giovanni Cusmano (Allamuchy)	2019
Malainie Hibler	2020
Mary Beth Maciag	2019
Robert Moore	2020
Lori Prymak (Great Meadows)	2019
Bo Soobryan	2020

<u>Other Officials</u>	<u>Title</u>
David C. Mango	Superintendent of Schools
Gail M. Woicekowski	School Business Administrator/Board Secretary

**HACKETTSTOWN SCHOOL DISTRICT
Consultants and Advisors**

Attorneys

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521 Pleasant Valley Avenue
Moorestown, NJ 08057

Sciarrillo, Cornell, Merlino, McKeever & Osborne, P.C.
238 St. Paul Street
Westfield, NJ 07090

Audit Firm

Nisivoccia, LLP
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856-1320
and
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Official Depository

First Hope Bank
277 Route 46
Great Meadows, NJ 07838

FINANCIAL SECTION

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Hackettstown School District
County of Warren, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hackettstown School District (the "District") in the County of Warren, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hackettstown School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the pension and post-employment benefit schedules in Exhibits L-1 through L-5 and the related notes, and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial

The Honorable President and Members
of the Board of Education
Hackettstown School District
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statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

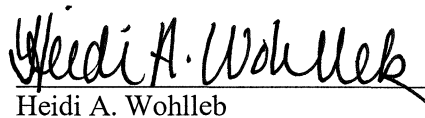
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
January 18, 2019

NISIVOCIA, LLP



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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

This section of Hackettstown School District’s annual financial report presents its discussion and analysis of the District’s financial performance during the fiscal year ending June 30, 2018. 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.

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
Organization of Hackettstown School District's Financial Report**

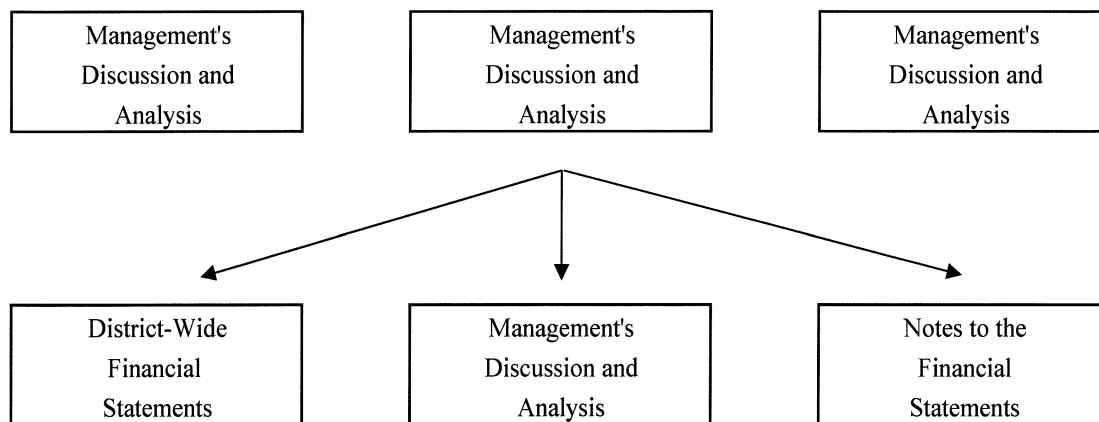


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

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 position • 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 position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

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 position includes all of the District's assets, deferred outflows and inflows 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 position* and how they have changed. Net position – the difference between the District's assets, deferred outflows and inflows and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position 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 services are 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.

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Fund Financial Statements

- *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.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position was \$13,396,000 on June 30, 2018, \$4,990 or 0.04% more than the year before (See Figure A-3). Net position from governmental activities increased \$530 and net position from business-type activities increased by \$4,460 (See Figure A-4). Net investment in capital assets increased \$2,569,615, restricted net position decreased \$458,610 and unrestricted net position decreased \$2,106,015.

Figure A-3

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2018	2017*	2018	2017*	2018	2017*	
Current and							
Other Assets	\$ 3,646,443	\$ 5,822,821	\$150,357	\$226,190	\$ 3,796,800	\$ 6,049,011	
Capital Assets, Net	19,415,028	17,688,335	349,558	256,866	19,764,586	17,945,201	
Total Assets	23,061,471	23,511,156	499,915	483,056	23,561,386	23,994,212	-1.80%
Deferred Outflows of Resources	2,693,328	3,683,288			2,693,328	3,683,288	-26.88%
Other Liabilities	761,200	542,658	48,259	35,860	809,459	578,518	
Long-Term Liabilities	9,784,787	12,950,679			9,784,787	12,950,679	
Total Liabilities	10,545,987	13,493,337	48,259	35,860	10,594,246	13,529,197	-21.69%
Deferred Inflows of Resources	2,264,468	757,293			2,264,468	757,293	199.02%
Net Position:							
Net Investment in							
Capital Assets	17,283,416	14,806,493	349,558	256,866	17,632,974	15,063,359	
Restricted	2,074,689	2,533,299			2,074,689	2,533,299	
Unrestricted/(Deficit)	(6,413,761)	(4,395,978)	102,098	190,330	(6,311,663)	(4,205,648)	
Total Net Position	\$12,944,344	\$12,943,814	\$451,656	\$447,196	\$13,396,000	\$13,391,010	0.04%

*-Restated

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Changes in Net Position

The Changes in Net Position shows the cost of program services and the revenues of the District on a comparative schedule (Figure A-4). The net investment in capital assets increased due to capital assets additions and current year maturities of bonds and capital leases which were offset by depreciation expense and deletions of capital assets. Restricted net position decreased due to withdrawals from the capital and maintenance reserves not offset by year end deposits to those reserves. Unrestricted net position decreased primarily due to capital expenses related to the SDA projects as well as the liquidation of prior year encumbrances and the fund balance utilized to support the General Fund budget that was not offset by current year excess revenue and unexpended budget appropriations in the General Fund.

**Figure A-4
Changes in Net Position from Operating Results**

Revenue:	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2018	2017	2018	2017	2018	2017	
Program Revenue:							
Charges for Services	\$ 6,878,876	\$ 6,962,021	\$ 270,063	\$ 260,167	\$ 7,148,939	\$ 7,222,188	
Operating Grants & Contributions	13,055,836	12,162,937	277,934	271,160	13,333,770	12,434,097	
Capital Grants & Contributions		51,314				51,314	
General Revenue:							
Property Taxes	16,968,616	16,411,291			16,968,616	16,411,291	
Unrestricted Federal & State Aid	4,606,194	4,206,174			4,606,194	4,206,174	
Other	128,429	226,700			128,429	226,700	
Total Revenue	41,637,951	40,020,437	547,997	531,327	42,185,948	40,551,764	4.03%
Expenses:							
Instruction	28,908,280	28,919,215			28,908,280	28,919,215	
Pupil & Instruction Services	5,588,963	5,824,799			5,588,963	5,824,799	
Administration and Business	3,268,300	3,514,566			3,268,300	3,514,566	
Maintenance & Operations	2,889,509	2,742,309			2,889,509	2,742,309	
Transportation	902,351	813,369			902,351	813,369	
Other	80,018	55,888	539,947	460,452	619,965	516,340	
Total Expenses	41,637,421	41,870,146	539,947	460,452	42,177,368	42,330,598	-0.36%
Other Item			(3,590)		(3,590)		
Change in Net Position	\$ 530	\$(1,849,709)	\$ 4,460	\$ 70,875	\$ 4,990	\$(1,778,834)	100.28%

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Governmental Activities

The governmental activities financial position of the District increased by 0.004%. Maintaining existing programs with expected increased regular pupil enrollment and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources. During the past several years, numerous veteran teachers have retired and have been replaced by teachers of less experience. Such changes have generated significant salary savings, but these have not been sufficient enough to provide for increased special education programs and increased health benefit costs. As a result, the Town was subject to a tax increase in fiscal 2018.

Due to the constraints placed upon the District by legislation, it is crucial that the District examine its expenses carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly.

Figure A-5 presents the cost of six major District activities: instruction, pupil & instructional services, administration & business, maintenance & 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 burden placed on the District's taxpayers by each of these functions:

Figure A-5

Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$ 28,908,280	\$ 28,919,215	\$ 10,403,140	\$ 11,135,560
Pupil & Instruction Services	5,588,963	5,824,799	4,832,944	5,108,347
Administration and Business	3,268,300	3,514,566	2,614,238	2,916,919
Maintenance & Operations	2,889,509	2,742,309	2,889,509	2,682,995
Transportation	902,351	813,369	882,860	794,165
Other	80,018	55,888	80,018	55,888
Total	<u>\$ 41,637,421</u>	<u>\$ 41,870,146</u>	<u>\$ 21,702,709</u>	<u>\$ 22,693,874</u>

Business-Type Activities

Net position in the District's business-type activities increased by \$4,460. (Refer to Figure A-4). This was primarily caused by an increase in subsidy reimbursements and daily sales offset by an increase in operating expenses.

Financial Analysis of the District's Funds

The District's financial position in the General Fund remains positive despite changes in the student population and difficult economic times. Expenditures during the recent year increased. Difficult economic times have had a direct impact upon the District's revenue sources. The District has had a multi-year practice of utilizing funds from the unassigned fund balance to offset an increase in the tax levy. Ratables in the Town show little growth; thus generating concern for the local tax levy in the future. All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

General Fund Budgetary Highlights

Over the course of the year, the District revised its annual operating budget several times. These budget amendments consisted of changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Assets and Long-Term Liabilities Administration

Figure A-6

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2018	2017*	2018	2017*	2018	2017*	
Construction in Progress	\$ 3,180,259	\$ 2,466,885			\$ 3,180,259	\$ 2,466,885	
Site Improvements	511,438	592,815			511,438	592,815	
Buildings & Bldg. Imps.	13,991,857	12,626,941			13,991,857	12,626,941	
Machinery, Furniture and Equipment	1,664,958	1,926,229	\$ 349,558	\$ 256,866	2,014,516	2,183,095	
Buses and Other Vehicles	66,516	75,465			66,516	75,465	
Total	\$19,415,028	\$17,688,335	\$349,558	\$256,866	\$19,764,586	\$17,945,201	10.14%

* - Restated

The District's Capital Assets increased \$1,819,385, or 10.14 percent, on a district-wide basis. (More detailed information about the District's Capital Assets is presented on Note 9 to the basic financial statements.)

**HACKETTSTOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Long-Term Liabilities

(See Note 10 to the basic financial statements for more detailed information about the District's long-term liabilities.)

**Figure A-7
Outstanding Long-Term Liabilities**

	<u>Governmental Activities</u>		<u>Percent Change</u>
	<u>2018</u>	<u>2017</u>	
Compensated Absences Payable	\$ 370,451	\$ 386,334	
Net Pension Liability	7,250,908	9,649,559	
Serial Bonds Payable	1,515,000	1,795,000	
Capital Leases Payable	648,428	1,119,786	
Total	<u>\$ 9,784,787</u>	<u>\$ 12,950,679</u>	-24.45%

The District's Long-Term Liabilities decreased \$3,165,892, or 24.45%, due to the reduction of \$471,358 of capital leases, \$280,000 of serial bonds, \$2,398,651 of net pension liability and \$15,883 of compensated absences payable.

Factors Bearing on the District's Future

The Hackettstown School District is in satisfactory financial condition at this time. The District is proud of its community support of the public schools. The District continues to grow its program offerings for its students while being sensitive to the taxpayers. The District has a reliance on local property taxes which is a main source of funding. A future concern is the continued increase in enrollment and its impact on program offerings. The District has been both creative and resilient in lowering administrative costs by sharing an assortment of administrative positions with the Great Meadows Regional School District. The Board and the administration will continue working together, with community input, on developing plans for programs to meet the District's academic needs in light of the continued increase in enrollment. This planning includes the impact on facilities planning.

In conclusion, the Hackettstown School District has committed itself to financial excellence for many years. For four years the District did not exceed the 2% tax levy (2012-2013 through 2015-2016). Further, the District's system for financial planning, budgeting, and internal financial controls are well regarded and have received accolades at public Board of Education meetings. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, 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 School Business Administrator, in the office of the Hackettstown School District Board of Education.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,922,817	\$ 121,361	\$ 2,044,178
Interfund Receivable	3,890		3,890
Receivables from Federal Government	81,678	19,970	101,648
Receivables from State Government	107,688	452	108,140
Receivables - Other	62,936		62,936
Inventory		8,574	8,574
Restricted Cash and Cash Equivalents	1,467,434		1,467,434
Capital Assets, Net:			
Construction in Progress	3,180,259		3,180,259
Depreciable Site Improvements, Buildings and Building Improvements, Furniture, Machinery, Equipment, and Vehicles	16,234,769	349,558	16,584,327
Total Assets	<u>23,061,471</u>	<u>499,915</u>	<u>23,561,386</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	2,661,512		2,661,512
Deferred Amount on Refunding	31,816		31,816
Total Deferred Outflows of Resources	<u>2,693,328</u>		<u>2,693,328</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	14,968		14,968
Payable to Federal Government	2,383		2,383
Accounts Payable	742,806	38,533	781,339
Unearned Revenue	1,043	9,726	10,769
Noncurrent Liabilities:			
Due Within One Year	471,353		471,353
Due Beyond One Year	9,313,434		9,313,434
Total Liabilities	<u>10,545,987</u>	<u>48,259</u>	<u>10,594,246</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	2,264,468		2,264,468
Total Deferred Inflows of Resources	<u>2,264,468</u>		<u>2,264,468</u>
NET POSITION			
Net Investment in Capital Assets	17,283,416	349,558	17,632,974
Restricted for:			
Capital Projects	1,067,434		1,067,434
Debt Service	7,255		7,255
Maintenance	200,000		200,000
Emergency	200,000		200,000
Tuition	600,000		600,000
Unrestricted/(Deficit)	(6,413,761)	102,098	(6,311,663)
Total Net Position	<u>\$ 12,944,344</u>	<u>\$ 451,656</u>	<u>\$ 13,396,000</u>

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

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues				Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 18,632,722	\$ 6,878,876	\$ 6,910,273		\$ (4,843,573)		\$ (4,843,573)
Special Education	6,550,314		3,420,596		(3,129,718)		(3,129,718)
Other Special Instruction	1,696,374		611,518		(1,084,856)		(1,084,856)
School Sponsored Instruction	2,028,870		683,877		(1,344,993)		(1,344,993)
Support Services:							
Tuition	698,461				(698,461)		(698,461)
Student & Instruction Related Services	4,890,502		756,019		(4,134,483)		(4,134,483)
General Administrative Services	593,602				(593,602)		(593,602)
School Administrative Services	2,134,533		654,062		(1,480,471)		(1,480,471)
Central Services	483,666				(483,666)		(483,666)
Administration Information Technology	56,499				(56,499)		(56,499)
Plant Operations and Maintenance	2,889,509				(2,889,509)		(2,889,509)
Pupil Transportation	902,351		19,491		(882,860)		(882,860)
Interest on Long-Term Debt	60,442				(60,442)		(60,442)
Charter School	19,576				(19,576)		(19,576)
Total Governmental Activities	41,637,421	6,878,876	13,055,836	\$ -0-	(21,702,709)	\$ -0-	(21,702,709)

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues				Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 539,947	\$ 270,063	\$ 277,934			\$ 8,050	\$ 8,050
Total Business-Type Activities	<u>539,947</u>	<u>270,063</u>	<u>277,934</u>			<u>8,050</u>	<u>8,050</u>
Total Primary Government	<u>\$42,177,368</u>	<u>\$ 7,148,939</u>	<u>\$ 13,333,770</u>	<u>\$ -0-</u>	<u>\$ (21,702,709)</u>	<u>8,050</u>	<u>(21,694,659)</u>
General Revenues and Other Item:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					16,657,833		16,657,833
Taxes Levied for Debt Service					310,783		310,783
Federal and State Aid Not Restricted					4,606,194		4,606,194
Miscellaneous Income					128,429		128,429
Other Item - Capital Asset Deletions, Net of Accumulated Depreciation						(3,590)	(3,590)
Total General Revenues and Other Item					<u>21,703,239</u>	<u>(3,590)</u>	<u>21,699,649</u>
Change in Net Position					530	4,460	4,990
Net Position - Beginning (Restated)					12,943,814	447,196	13,391,010
Net Position - Ending					<u>\$ 12,944,344</u>	<u>\$ 451,656</u>	<u>\$ 13,396,000</u>

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

FUND FINANCIAL STATEMENTS

HACKETTSTOWN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,374,944		\$ 540,618	\$ 7,255	\$ 1,922,817
Interfund Receivable	79,088				79,088
Receivables from Federal Government		\$ 81,678			81,678
Receivables from State Government	107,688				107,688
Receivables - Other	62,936				62,936
Restricted Cash and Cash Equivalents	1,467,434				1,467,434
TOTAL ASSETS	\$ 3,092,090	\$ 81,678	\$ 540,618	\$ 7,255	\$ 3,721,641

LIABILITIES AND FUND BALANCES:

Liabilities:					
Interfund Payable		\$ 75,198			\$ 75,198
Accounts Payable - Vendors	\$ 369,752	3,054			372,806
Intergovernmental Payable - Federal		2,383			2,383
Unearned Revenue		1,043			1,043
Total Liabilities	369,752	81,678			451,430

Fund Balances:

Restricted for:					
Capital Reserve Account	1,067,434				1,067,434
Maintenance Reserve Account	200,000				200,000
Emergency Reserve	200,000				200,000
Tuition Reserve	600,000				600,000
Debt Service Fund			\$ 7,255		7,255
Committed			\$ 540,618		540,618

HACKETTSTOWN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances: (Cont'd)					
Assigned:					
Year-End Encumbrances	\$ 292,095				\$ 292,095
For Subsequent Year's Expenditures	253,034				253,034
Unassigned	109,775				109,775
Total Fund Balances	<u>2,722,338</u>		<u>\$ 540,618</u>	<u>\$ 7,255</u>	<u>3,270,211</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 3,092,090</u>	<u>\$ 81,678</u>	<u>\$ 540,618</u>	<u>\$ 7,255</u>	<u>\$ 3,721,641</u>

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

Total Fund Balances - Governmental Funds (*Above*)

\$ 3,270,211

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds.

19,415,028

Long-Term Liabilities, including Bonds Payable and Net Pension Liability for PERS, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(9,784,787)

Certain amounts related to Net Pension Liability are deferred and amortized in the Statement of Activities and are not reported in the Governmental Funds:

Change in Deferred Outflows

2,291,512

Change in Deferred Inflows

(2,264,468)

The deferred amount on the refunding is not reported as an expenditure on the Governmental Funds in the year of the expenditure.

The Deferred amount on refunding costs is \$35,200 and the accumulated amortization is \$3,384.

31,816

Accrued Interest on Long-Term Liabilities, including Bonds Payable, is not due and payable in the current period and therefore is not reported as a liability in the funds.

(14,968)

Net Position of Governmental Activities

\$ 12,944,344

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

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 16,657,833			\$ 310,783	\$ 16,968,616
Tuition from Individuals	29,493				29,493
Tuition from Other LEAs Within the State	6,849,383				6,849,383
Miscellaneous	128,429	\$ 4,357			132,786
Total - Local Sources	23,665,138	4,357		310,783	23,980,278
State Sources	9,810,299				9,810,299
Federal Sources	22,064	665,098			687,162
Total Revenues	33,497,501	669,455		310,783	34,477,739
EXPENDITURES					
Current:					
Instruction:					
Regular Instruction	9,251,070	222,908			9,473,978
Special Education Instruction	3,080,807	409,644			3,490,451
Other Special Instruction	807,996				807,996
School Sponsored Instruction	1,112,473				1,112,473
Support Services and Undistributed Costs:					
Tuition	698,461				698,461
Student & Instruction Related Services	3,305,332	33,323			3,338,655
General Administration Services	523,789				523,789
School Administration Services	1,164,771				1,164,771
Central Services	388,426				388,426

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

EXPENDITURES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Current:					
Support Services and Undistributed Costs:					
Administrative Information Technology	\$ 54,578				\$ 54,578
Plant Operations and Maintenance	2,570,069				2,570,069
Pupil Transportation	789,482				789,482
Allocated and Unallocated Benefits	8,983,736				8,983,736
Capital Outlay	2,358,720	\$ 3,580	\$ 713,374		3,075,674
Transfer of Funds to Charter School	19,576				19,576
Debt Service:					
Principal				\$ 280,000	280,000
Interest and Other Charges				30,783	30,783
Total Expenditures	35,109,286	669,455	713,374	310,783	36,802,898
Deficiency of Revenues Under Expenditures	(1,611,785)		(713,374)		(2,325,159)
Fund Balance - July 1	4,334,123		1,253,992	7,255	5,595,370
Fund Balance - June 30	\$ 2,722,338	\$ -0-	\$ 540,618	\$ 7,255	\$ 3,270,211

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

HACKETTSTOWN SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (2,325,159)

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

Capital Outlays are reported in the Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differ from depreciation and disposals during the period. 1,726,693

Repayments of bond principal and capital leases are expenditures in the Governmental Funds, but the repayments reduce Long-term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. 751,358

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

- Change in Net Pension Liability 2,398,651
- Change in Deferred Inflows (1,065,414)
- Change in Deferred Outflows (1,507,175)

In the Statement of Activities, certain operating expenses, e.g., compensated absences (sick days) 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 reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

15,883

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. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).

6,821

The Governmental Funds report the effect of the deferred amount on bond refunding when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities (-)

(1,128)

Change in Net Position of Governmental Activities (Exhibit A-2)

\$ 530

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

HACKETTSTOWN SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Business-Type Activities: Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 121,361
Receivable from Federal Government	19,970
Receivables from State Government	452
Inventory	<u>8,574</u>
 Total Current Assets	 <u>150,357</u>
Non-Current Assets:	
Capital Assets	575,279
Less: Accumulated Depreciation	<u>(225,721)</u>
 Total Non-Current Assets	 <u>349,558</u>
 Total Assets	 <u>499,915</u>
LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Donated Commodities	891
Unearned Revenue - Prepaid Sales	8,835
Accounts Payable - Vendors	<u>38,533</u>
 Total Liabilities	 <u>48,259</u>
NET POSITION:	
Investment in Capital Assets	349,558
Unrestricted	<u>102,098</u>
 Total Net Position	 <u>\$ 451,656</u>

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

HACKETTSTOWN SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities: Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 166,344
Daily Sales - Non-Reimbursable Programs	<u>103,719</u>
Total Operating Revenue	<u>270,063</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	200,539
Cost of Sales - Nonreimbursable Programs	20,135
Salaries	188,583
Payroll Taxes	20,378
Employee Benefits	14,106
Purchased Property Services	20,400
Supplies and Materials	51,876
Depreciation Expense	<u>23,930</u>
Total Operating Expenses	<u>539,947</u>
Operating Loss	<u>(269,884)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	207,853
School Breakfast Program	42,963
Food Distribution Program	21,191
State Sources:	
School Lunch Program	<u>5,927</u>
Total Non-Operating Revenue	<u>277,934</u>
Change in Net Position Before Other Item	8,050
Other Item - Capital Asset Adjustment, Net of Accumulated Depreciation	<u>(3,590)</u>
Change in Net Position After Other Item	4,460
Net Position - Beginning of Year (Restated)	<u>447,196</u>
Net Position - End of Year	<u>\$ 451,656</u>

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

HACKETTSTOWN SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities: Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 271,566
Payments to Food Service Vendor	(417,544)
Payments to Suppliers	(67,364)
	(213,342)
Net Cash (Used for) Operating Activities	(213,342)
Cash Flows from Noncapital Financing Activities:	
Federal Reimbursements in Food Service Fund	246,190
State Reimbursements in Food Service Fund	5,777
	251,967
Net Cash Provided by Noncapital Financing Activities	251,967
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(120,212)
	(120,212)
Net Cash Used for Capital Financing Activities	(120,212)
Net Decrease in Cash and Cash Equivalents	(81,587)
Cash and Cash Equivalents, July 1	202,948
Cash and Cash Equivalents, June 30	\$ 121,361
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (269,884)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	23,930
Federal Food Distribution Program	21,191
Changes in Assets and Liabilities:	
(Decrease) in Unearned Revenue - Donated Commodites	(73)
Increase in Unearned Revenue - Prepaid Sales	1,576
(Increase) in Inventory	(978)
Increase in Accounts Payable	10,896
	10,896
Net Cash Used for Operating Activities	\$ (213,342)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$21,118 and \$21,191, respectively, for the fiscal year ended June 30, 2018.

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

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:				
Cash and Cash Equivalents	\$ 423,551	\$ 25,092	\$ 4,895	\$ 56,148
Total Assets	<u>423,551</u>	<u>25,092</u>	<u>4,895</u>	<u>56,148</u>
LIABILITIES:				
Interfund Payable - General Fund Payroll Deductions and Withholdings Due to Student Groups	187,116 236,435		3,890	
Total Liabilities	<u>423,551</u>		<u>3,890</u>	
NET POSITION:				
Held in Trust for:				
Unemployment Claims		25,092		
Flexible Spending Claims			1,005	
Scholarships				56,148
Total Net Position	<u>\$ -0-</u>	<u>\$ 25,092</u>	<u>\$ 1,005</u>	<u>\$ 56,148</u>

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

HACKETTSTOWN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions - Employee Donations	\$ 28,055	\$ 7,914	\$ 6,100
Total Contributions	28,055	7,914	6,100
Investment Earnings:			
Interest	247	41	569
Net Investment Earnings	247	41	569
Total Additions	28,302	7,955	6,669
DEDUCTIONS:			
Unemployment Compensation Claims	33,065		
Flexible Spending Claims		7,528	
Scholarships Awarded			3,200
Total Deductions	33,065	7,528	3,200
Change in Net Position	(4,763)	427	3,469
Net Position - Beginning of Year	29,855	578	52,679
Net Position - End of the Year	\$ 25,092	\$ 1,005	\$ 56,148

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

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Hackettstown 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 ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. 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.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position 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.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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 with 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.

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 not accounted for and reported 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. These resources can be transferred from and to current expenses by board resolution.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, 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 or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (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, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Enterprise Funds: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's Food Service Fund operations. The Enterprise 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 recipients on a continuing basis are financed or recovered primarily through user charges.

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 includes the Student Activities Fund, Payroll Agency Fund, Flexible Spending Trust Fund, Unemployment Compensation Insurance Trust Fund and 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. Nonexchange 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.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

C. Measurement Focus and Basis of Accounting (Cont'd)

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.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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 position 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.

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 budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Education. 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 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.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

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 in the GAAP financial statements.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. These grants are recognized on the budgetary basis in full at the time of the award but are recognized on the GAAP basis as they are expended and requested for reimbursement.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$33,535,811	\$ 661,537
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.		
Current Year Encumbrances		(918)
Cancellation of Prior Year Encumbrances		(608)
Prior Year Encumbrances		9,444
Prior Year State Aid Payments Recognized for GAAP Statements, not recognized for Budgetary Basis	497,923	
Current Year State Aid Payments recognized for Budgetary purposes, not recognized for GAAP Statements	<u>(536,233)</u>	
Total Revenues as reported on the Statement of Revenues, Expenditures & Changes in Fund Balances - Governmental Funds	<u>\$33,497,501</u>	<u>\$ 669,455</u>

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$35,109,286	\$ 661,537
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.		
Current Year Encumbrances		(918)
Prior Year Encumbrances		9,444
Cancellation of Prior Year Encumbrances		<u>(608)</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, & Changes in Fund Balances - Governmental Funds	<u>\$35,109,286</u>	<u>\$ 669,455</u>
		<u>Capital Projects Fund</u>
		<u>Fund Balance Revenue</u>
Revenue and Other Financing Sources/ Fund Balance per Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis)	\$ 2,257,681	
Reconciliation to Governmental Funds Statements (GAAP): SDA Grants Revenue Not Recognized on GAAP Basis	<u>(1,717,063)</u>	
Revenue and Other Financing Sources/ Fund Balance per Governmental Funds (GAAP)	<u>\$ 540,618</u>	<u>\$ -0-</u>

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.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

E. Cash and Cash Equivalents and Investments: (Cont'd)

New Jersey school districts are limited as to 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 saving 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 governmental 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 sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, 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 restricted, committed and/or assigned fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year-end.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 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, 2018.

K. Capital Assets:

Capital assets acquired or constructed 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 acquisition value. 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 and Building Improvements	45 Years
Site Improvements	20 Years
Machinery, Furniture and Equipment	10 to 15 Years
Vehicles	8 Years

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

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. 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, 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.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed over the entire twelve-month year; therefore, there are no accrued salaries and wages as of June 30, 2018.

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.

In the district-wide *Statement of Net Position*, 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. Unearned Revenue:

Unearned 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 \$2,722,338 General Fund balance at June 30, 2018, \$292,095 is assigned for encumbrances; \$1,067,434 is restricted in the capital reserve account; \$200,000 is restricted in the maintenance reserve account; \$200,000 is restricted in the emergency reserve account; \$600,000 is restricted in the tuition reserve account; \$253,034 is assigned for subsequent year's expenditures; and \$109,775 is unassigned which is \$536,233 less than the calculated budgetary unassigned fund balance due to the last two state aid payments, which are not recognized on the GAAP basis until the fiscal year ended June 30, 2019.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

Capital Projects Fund: The \$540,618 fund balance in the Capital Projects Fund at June 30, 2018, is committed which is \$1,717,063 less on a GAAP basis due to the NJ SDA grants which have not been recognized on a GAAP basis.

Debt Service Fund: The Debt Service Fund balance at June 30, 2018 of \$7,255 is restricted and has been included as anticipated budget revenue for the fiscal year ending June 30, 2019.

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 Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General 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 no excess surplus at June 30, 2018.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$536,233 as reported in the fund statements (modified accrual basis). 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 June state aid payments in the subsequent fiscal year, the school district cannot recognize the June 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 June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. Deficit Net Position:

The District had a deficit in unrestricted net position of \$6,413,761 in governmental activities. The deficit in unrestricted governmental activities net position is primarily due to the net pension liability and related deferred inflows and outflows, and compensated absences payable offset by the committed, assigned and unassigned governmental fund balances at June 30, 2018. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2018 for the deferred amount on refunding, the changes in proportions in pensions, differences between expected and actual experience for pension, the District contribution subsequent to the measurement date with respect to pensions, net difference between projected and actual investment earnings on pension plan investments and changes in assumptions in pensions.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

R. Net Position: (Cont'd)

The District had deferred inflows of resources at June 30, 2018 with respect to changes in proportion and assumptions in pensions.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for debt service, a capital reserve, a maintenance reserve, a tuition reserve, and an emergency reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had committed resources at June 30, 2018 in the Capital Projects Fund.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and amounts designated for subsequent year's expenditures in the General Fund at June 30, 2018.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

T. 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 the food service program. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Fund.

U. 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.

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.

W. Pensions

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

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.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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 requires disclosure of the level of custodial credit risk assumed by the Board 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 Board 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 Board limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the Investments section of this note.

Custodial Credit Risk - The District does not have a formal policy with respect to custodial credit risk. However, the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

In addition to the above collateral requirement, if 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, the Federal Home Loan Bank Board 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;

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or
- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments (Cont'd)

- (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
- (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
- (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
- (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking Accounts	\$ 2,553,864	\$ 1,467,434	\$ 4,021,298
	\$ 2,553,864	\$ 1,467,434	\$ 4,021,298

During the period ended June 30, 2018, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2018, was \$4,021,298 and the bank balance was \$4,587,588.

NOTE 4. CAPITAL RESERVE ACCOUNT

A Capital Reserve Account was established by the District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The Capital Reserve Account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the Capital Reserve Account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a District can 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-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (CONT'D)

The activity of the Capital Reserve Account for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance at July 1, 2017	\$ 1,084,842
Withdrawal by Board Resolution - Capital Outlay	(1,009,020)
Deposit by Board Resolution June 13, 2018	991,612
Ending Balance at June 30, 2018	\$ 1,067,434

The \$1,067,434 balance in the Capital Reserve Account at June 30, 2018 does not exceed the local support costs of uncompleted capital projects in the District’s approved Long Range Facilities Plan (“LRFP”). Withdrawals from the Capital Reserve Account were for use in DOE approved facilities projects, consistent with the District’s LRFP.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account established by Board resolution. 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 unassigned general fund balance or by transferring excess unassigned 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 restricted 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 Account for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance at July 1, 2017	\$ 333,000
Withdrawal by Board Resolution - Capital Outlay	(133,000)
Budgeted Withdrawal	(200,000)
Deposit by Board Resolution June 13, 2018	200,000
Ending Balance at June 30, 2018	\$ 200,000

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by the Hackettstown School District 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 restricted to be 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 Department 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 or the withdrawal is included in the original budget certified for taxes to finance school security improvements pursuant to N.J.S.A. 18A:7G-6(c)1.

The activity of the Emergency Reserve Account for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance at July 1, 2017	<u>\$ 200,000</u>
Ending Balance at June 30, 2018	<u><u>\$ 200,000</u></u>

NOTE 7. TUITION RESERVE ACCOUNT

A tuition reserve account may be established in accordance with N.J.A.C. 6A:23-3.1(f) for tuition between two Boards of Education that are in a formal sending/receiving relationship. The maximum amount that may be restricted at year end is 10% of the estimated contract year. Upon certification of tuition rates in the second year following the contract year, full appropriation of the applicable year's reserve must be liquidated, and any remaining balance related to that year must be restricted and budgeted for tax relief.

The District established a \$300,000 tuition reserve during the 2016/2017 school year which has been appropriated to pay for any tuition adjustments for the fiscal year ending June 30, 2019. The District also established a \$300,000 tuition reserve in the current fiscal year which will be appropriated and included in the budget for the fiscal year ending June 30, 2020.

NOTE 8. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2018, the District transferred \$20,607 to capital outlay accounts for the acquisition of equipment which did not require approval of the County Superintendent. There were also transfers to capital outlay accounts for facility acquisition and construction services for which the required approval was obtained.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2018 were as follows:

	(Restated) Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Construction in Progress	\$ 2,466,885	\$ 713,374		\$ 3,180,259
Total Capital Assets not being Depreciated	<u>2,466,885</u>	<u>713,374</u>		<u>3,180,259</u>
Capital Assets being Depreciated:				
Site Improvements	2,543,794			2,543,794
Buildings and Building Improvements	22,126,169	2,272,043		24,398,212
Machinery and Equipment	4,192,158	136,726		4,328,884
Vehicles	160,918	67,724	\$ (102,800)	125,842
Total Capital Assets being Depreciated	<u>29,023,039</u>	<u>2,476,493</u>	<u>(102,800)</u>	<u>31,396,732</u>
Governmental Activities Capital Assets	<u>31,489,924</u>	<u>3,189,867</u>	<u>(102,800)</u>	<u>34,576,991</u>
Less Accumulated Depreciation for:				
Site Improvements	(1,950,979)	(81,377)		(2,032,356)
Buildings and Building Improvements	(9,499,228)	(907,127)		(10,406,355)
Machinery and Equipment	(2,265,929)	(397,997)		(2,663,926)
Vehicles	(85,453)	(29,540)	55,667	(59,326)
Total Accumulated Depreciation	<u>(13,801,589)</u>	<u>(1,416,041)</u>	<u>55,667</u>	<u>(15,161,963)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 17,688,335</u>	<u>\$ 1,773,826</u>	<u>\$ (47,133)</u>	<u>\$ 19,415,028</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 472,596	\$ 120,212	(17,529)	\$ 575,279
Less Accumulated Depreciation	(215,730)	(23,930)	13,939	(225,721)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 256,866</u>	<u>\$ 96,282</u>	<u>\$ (3,590)</u>	<u>\$ 349,558</u>
Total Governmental and Business-Type Activities	<u>\$ 17,945,201</u>	<u>\$ 1,870,108</u>	<u>\$ (50,723)</u>	<u>\$ 19,764,586</u>

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 551,638
Special Education Instruction	183,708
Other Instruction	114,517
Student and Instruction Related Services	238,745
General Administrative Services	31,233
School Administrative Services	69,455
Central Services	23,162
Administrative Information Technology	3,254
Plant Operations and Maintenance	153,252
Pupil Transportation	<u>47,077</u>
Total Depreciation	<u>\$ 1,416,041</u>

The District expended \$713,374 towards construction projects in progress during the fiscal year. As of June 30, 2018, the District has \$2,257,681 in active construction projects.

NOTE 10. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2017</u>	<u>Issued/ Accrued</u>	<u>Matured/ Retired</u>	<u>Balance</u> <u>6/30/2018</u>
Governmental Activities:				
Capital Lease Payable	\$ 1,119,786		\$ 471,358	\$ 648,428
Serial Bonds Payable	1,795,000		280,000	1,515,000
Net Pension Liability	9,649,559		2,398,651	7,250,908
Compensated Absences Payable	<u>386,334</u>		<u>15,883</u>	<u>370,451</u>
Total Governmental Activities	<u>\$ 12,950,679</u>	<u>\$ -0-</u>	<u>\$ 3,165,892</u>	<u>\$ 9,784,787</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 and will be liquidated through the Debt Service Fund.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

A. Bonds Payable: (Cont'd)

On April 20, 2016, the District issued refunding school bonds of \$1,830,000 with interest rates of 1.86% to refund \$1,760,000 of 2006 Construction and Equipment Additions and Renovations bonds with interest rates of 4.00%. The bonds mature on July 15, 2016 through 2022 and are non-callable. 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 2006 school bonds were called on July 15, 2015. The refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the School's government-wide financial statements.

The District had bonds outstanding as of June 30, 2018 as follows:

<u>Purpose</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
2016 Refunding Bonds	7/15/2022	1.860%	\$1,515,000

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 290,000	\$ 25,482	\$ 315,482
2020	295,000	20,042	315,042
2021	305,000	14,461	319,461
2022	310,000	8,742	318,742
2023	315,000	2,930	317,930
	<u>\$ 1,515,000</u>	<u>\$ 71,657</u>	<u>\$ 1,586,657</u>

B. Bonds Authorized But Not Issued:

There were no bonds authorized but not issued as of June 30, 2018.

C. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. No portion of the compensated absences balance of the governmental funds at June 30, 2018 is currently payable; therefore, the long-term liability balance of compensated absences is \$370,451.

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, 2018, no liability existed for compensated absences in the Enterprise Funds.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

D. Capital Leases:

The District had one capital lease related to network infrastructure and computer equipment which finally matured during the current fiscal year. The other capital lease is for technology and maintenance equipment. The capital leases are for five years. The District has entered into capital leases totaling \$2,085,000 of which \$1,436,572 has been liquidated as of June 30, 2018 for governmental activities. A schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2018 is as follows:

Fiscal Year Ending June 30,	Governmental Activities
2019	\$ 191,536
2020	191,536
2021	191,536
2022	95,768
	670,376
Less: Amount representing interest	(21,948)
	\$ 648,428

The current portion for governmental leases is \$181,353 and the long-term portion is \$467,075. The capital lease will be liquidated by the General Fund.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental activities is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2018 is \$-0- and the long-term portion is \$7,250,908. See Note 11 for further information on the PERS.

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; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/financial-reports.shtml.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 11. PENSION PLANS (CONT'D)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided

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

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$293,418 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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

At June 30, 2018, the District reported a liability of \$7,250,908 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.0311%, which was a decrease of 0.0014% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$469,473. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources as follows:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 82,254	
	2015	5.72	346,475	
	2016	5.57	1,032,078	
	2017	5.48		\$ 1,455,452
			<u>1,460,807</u>	<u>1,455,452</u>
Changes in Proportion	2014	6.44	223,725	
	2015	5.72		553,720
	2016	5.57	386,872	
	2017	5.48		255,296
			<u>610,597</u>	<u>809,016</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(86,887)	
	2015	5.00	74,120	
	2016	5.00	310,774	
	2017	5.00	(248,633)	
			<u>49,374</u>	
Difference Between Expected and Actual Experience	2015	5.72	96,128	
	2016	5.57	31,321	
	2017	5.48	43,285	
			<u>170,734</u>	
District Contribution Subsequent to the Measurement Date	2017	1.00	370,000	
			<u>\$ 2,661,512</u>	<u>\$ 2,264,468</u>

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the district contribution subsequent to measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ 170,694
2019	257,581
2020	156,081
2021	(207,588)
2022	(151,305)
	\$ 225,463

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the table on the following page.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The figure on the following page presents the District's proportionate share of the collective net pension liability as of June 30, 2017 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 8,995,244	\$ 7,250,908	\$ 5,797,661

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/financial-reports.shtml.

Benefits Provided

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

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Contributions (Cont'd)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2018, the State of New Jersey contributed \$1,977,634 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$6,197,526.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the District was \$89,462,749. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.133%, which was a decrease of 0.0045% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	89,462,749
Total	\$ 89,462,749

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$6,197,526 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the sources on the following page.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
			<u>13,378,255,364</u>	<u>11,684,858,458</u>
Difference Between Expected and Actual Experience	2014	8.5		13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
			<u>441,116,389</u>	<u>115,381,203</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	(904,033,050)	
			<u>341,507,504</u>	
		<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>	

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as show on the following page.

Fiscal Year Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	<u>(1,714,363,628)</u>
	<u>\$ 2,360,639,596</u>

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the table on the following page.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Sensitivity of the State's Proportionate Share of the Net Pension Liability Associated with the District to Changes in the Discount Rate

The table on the following page presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2017 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	June 30, 2017		
	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 106,284,552	\$ 89,462,749	\$ 75,604,874

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 the DCRP. 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.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$5.108 for the fiscal years ended June 30, 2018. Employee contributions to DCRP amounted to \$7,540 for the fiscal year ended June 30, 2018.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report. Health benefits are provided to employees through Horizon Blue Cross Blue Shield of New Jersey.

Property and Liability Insurance

The District is a member of the New Jersey Schools Insurance Group (the "NJSIG"). The NJSIG provides the School Board Legal Liability Insurance and workers compensation insurance coverage for its members. The NJSIG is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for its 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 NJSIG are elected.

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

The NJSIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and 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 Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

Selected, summarized financial information as of June 30, 2018 is as follows:

	<u>NJ Schools Insurance Group</u>
Total Assets	\$ 348,953,830
Net Position	\$ 82,580,855
Total Revenue	\$ 133,258,299
Total Expenses	\$ 129,340,074
Change in Net Position	\$ 3,918,225
Members Dividends	\$ -0-

Financial statements for the NJSIG are available at the Executive Director's Office:

New Jersey Schools Insurance Group
6000 Midlantic Drive
Suite 300 North
Mount Laurel, NJ 08054
(609) 386-6060

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 12. RISK MANAGEMENT (Cont'd)

The Board is also a member of the School Alliance Insurance Fund (“SAIF”). The SAIF provides its members with Comprehensive General Liability, Automobile Liability, and Property insurance coverage. The SAIF is a risk-sharing fund that is both an insured and self-administered group of school districts insurance coverage 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 Banking and 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 Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The audit report for the fiscal year ended June 30, 2018 was not available as of the date of this report. Selected financial information for the SAIF as of June 30, 2017 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	<u>\$ 41,637,320</u>
Net Position	<u>\$ 10,127,373</u>
Total Revenue	<u>\$ 41,896,275</u>
Total Expenses	<u>\$ 41,231,917</u>
Change in Net Position	<u>\$ 664,358</u>
Members Dividends	<u>\$ -0-</u>

Financial Statements for the Fund are available at the Fund’s Executive Director’s Office:

Risk and Loss Managers Inc.
51 Everett Drive Suite B40
West Windsor, NJ 08550
(609) 275-1155

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.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 12. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018		\$ 28,302	\$ 33,065	\$ 25,092
2017		27,961	35,366	29,855
2016	\$ 50	27,594	47,295	37,260

NOTE 13. 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 14. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457(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. The plan administrators are as follows:

<u>403(b) Plans:</u>	<u>457(b) Plans:</u>
Variable Annuity Life Insurance Company	AXA Equitable
AXA Equitable	The Legend Fund
The Legend Fund	
Lincoln Financial Group	
American United Life Insurance Company	

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation

The District is periodically involved in pending lawsuits and estimates that the potential claims resulting from any litigation and not covered by insurance would not materially affect the District's financial statements.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 15. COMMITMENTS AND CONTINGENCIES (Cont'd)

Grant Programs

The District participates in federal and state assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The 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.

Encumbrances

At June 30, 2018, there were encumbrances as detailed below in the governmental funds:

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 292,095	\$ 918	\$ 293,013

On the District's Governmental Funds Balance Sheet as of June 30, 2018, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$918 are not recognized until paid and are reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 16. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2018:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 79,088	
Special Revenue Fund		\$ 75,198
Fiduciary Funds:		
Flexible Spending Trust		3,890
	\$ 79,088	\$ 79,088

The interfund payable in the Special Revenue Fund is for funds received from the General Fund to cover a cash deficit due to grant reimbursements not being received in full at year end. The interfund payable in the Flexible Spending Trust is for funds due to the General Fund for the current and previous fiscal years.

NOTE 17. TAX CALENDAR

Property taxes are levied by the District's constituent municipality 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, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 17. TAX CALENDAR (Cont'd)

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 municipality and are remitted to the District on a predetermined mutually agreed-upon schedule.

NOTE 18. PRIOR PERIOD ADJUSTMENTS

The District made prior year adjustments in the District Wide Financial Statements and Fund Financial Statements to correct to the amount of capital assets recorded in the District's Capital Assets records.

	Balance 6/30/17 as Previously Reported	Retroactive Adjustments	Balance 6/30/17 as Restated
<u>Statement of Net Position:</u>			
<u>Governmental Activities:</u>			
ASSETS			
Capital Assets, Net:			
Depreciable Site Improvements, Buildings and Building Improvements, Machinery and Equipment, and Vehicles	\$ 14,819,486	\$ 401,964	\$ 15,221,450
Total Assets	23,109,192	401,964	23,511,156
NET POSITION			
Net Investment in Capital Assets	14,404,529	401,964	14,806,493
Total Net Position	12,541,850	401,964	12,943,814
 <u>Business-Type Activities:</u>			
ASSETS			
Capital Assets, Net:			
Depreciable Site Improvements, Buildings and Building Improvements, Machinery and Equipment, and Vehicles	201,037	55,829	256,866
Total Assets	427,227	55,829	483,056
NET POSITION			
Investment in Capital Assets	201,037	55,829	256,866
Total Net Position	391,367	55,829	447,196

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 18. PRIOR PERIOD ADJUSTMENTS (Cont'd)

	Balance 6/30/17 as Previously Reported	Retroactive Adjustments	Balance 6/30/17 as Restated
<u>Statement of Net Position - Proprietary Funds:</u>			
<u>Food Service Fund:</u>			
ASSETS			
Capital Assets, Net:			
Depreciable Site Improvements, Buildings and Building Improvements, Machinery and Equipment, and Vehicles	\$ 201,037	\$ 55,829	\$ 256,866
Total Assets	427,227	55,829	483,056
NET POSITION			
Investment in Capital Assets	201,037	55,829	256,866
Total Net Position	391,367	55,829	447,196

NOTE 19. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental and Business-Type activities as of June 30, 2018 consisted of the following:

	Governmental Funds		District Contribution	Total	Business-Type Activities
	General Fund	Special Revenue Fund	Subsequent to the Measurement Date	Governmental Activities	Proprietary Funds
Vendors	\$ 369,752	\$ 3,054		\$ 372,806	\$ 38,533
State of New Jersey			\$ 370,000	370,000	
	\$ 369,752	\$ 3,054	\$ 370,000	\$ 742,806	\$ 38,533

NOTE 20. TAX ABATEMENTS

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

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 20. TAX ABATEMENTS (Cont'd)

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

The Town recognized revenue in the amount of \$43,227 from a payment in lieu of taxes related to a tax abatement granted to a nonprofit housing corporation for its senior citizen housing development in the Town. The taxes which would have been paid on this property for 2017 without the abatement would have been \$182,843 of which \$103,061 would have been for the local school tax.

NOTE 21. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 21. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	223,747
Total	366,078

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%		
	TPAF/ABP	PERS	PFRS
Salary Increases:			
Through 2026	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 21. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

Actuarial Assumptions and Other Inputs (Cont'd)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$ 53,639,841,858

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 21. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 89,633,319	\$ 75,507,895	\$ 64,303,474

	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 98,049,836	\$ 81,843,154	\$ 69,086,418

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 62,097,944	\$ 75,507,895	\$ 93,316,152

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 21. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate (Cont'd)

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 67,154,587	\$ 81,843,154	\$ 101,480,369

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$4,248,629 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 21. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
(Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

HACKETTSTOWN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's proportion of the net pension liability	0.0355912340%	0.0295421199%	0.0325810057%	0.0311486526%
District's proportionate share of the net pension liability	\$ 6,663,652	\$ 6,631,614	\$ 9,649,559	\$ 7,250,908
District's covered employee payroll	\$ 2,053,366	\$ 2,128,149	\$ 2,098,588	\$ 2,264,095
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	324.52%	311.61%	459.81%	320.26%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HACKETTSTOWN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 293,409	\$ 253,983	\$ 289,445	\$ 293,418
Contributions in relation to the contractually required contribution	<u>(293,409)</u>	<u>(253,983)</u>	<u>(289,445)</u>	<u>(293,418)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 2,362,762	\$ 2,053,366	\$ 2,128,149	\$ 2,098,588
Contributions as a percentage of covered employee payroll	12.42%	12.37%	13.60%	13.98%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HACKETTSTOWN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY ASSOCIATED WITH THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
State's proportion of the net pension liability attributable to the District	0.1636336229%	0.1711547577%	0.1372166467%	0.1326875766%
State's proportionate share of the net pension liability attributable to the District	\$ 70,306,742	\$ 83,644,592	\$ 107,943,351	\$ 89,462,749
District's covered employee payroll	\$ 13,307,288	\$ 13,286,810	\$ 13,795,957	\$ 14,366,197
State proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	528.33%	629.53%	782.43%	622.73%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HACKETTSTOWN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 3,783,163	\$ 5,107,255	\$ 8,110,441	\$ 6,197,526
Contributions in relation to the contractually required contribution	(558,790)	(711,231)	(1,440,289)	(1,977,634)
Contribution deficiency/(excess)	<u>\$ 3,224,373</u>	<u>\$ 4,396,024</u>	<u>\$ 6,670,152</u>	<u>\$ 6,132,807</u>
District's covered employee payroll	\$ 13,307,288	\$ 13,286,810	\$ 13,795,957	\$ 14,366,197
Contributions as a percentage of covered employee payroll	4.20%	5.35%	10.44%	13.77%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HACKETTSTOWN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Years Ending</u>	
	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$ 57,831,784,184</u>	<u>\$ 53,639,841,858</u>
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

State Health Benefit Local Education Retired Employees OPEB Plan

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

BUDGETARY COMPARISON SCHEDULES

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 16,657,833		\$ 16,657,833	\$ 16,657,833	
Tuition from Individuals				29,493	\$ 29,493
Tuition from Other LEAs Within the State	6,841,832		6,841,832	6,849,383	7,551
Interest Earned on Capital Reserve Funds	500		500		(500)
Other Restricted Miscellaneous Revenues	20,000		20,000	55,586	35,586
Unrestricted Miscellaneous	75,000		75,000	72,843	(2,157)
Total - Local Sources	23,595,165		23,595,165	23,665,138	69,973
State Sources:					
Categorical Special Education Aid	755,124		755,124	755,124	
Equalization Aid	4,519,177		4,519,177	4,519,177	
Categorical Security Aid	38,497		38,497	38,497	
School Choice Aid	29,415		29,415	29,415	
Categorical Transportation Aid	19,534		19,534	19,534	
Adjustment Aid	19,610		19,610	19,610	
PARCC Readiness Aid	13,860		13,860	13,860	
Per Pupil Growth Aid	13,860		13,860	13,860	
Professional Learning Community Aid	14,220		14,220	14,220	
Host District Support Aid	479		479	479	
Extraordinary Aid	25,000		25,000	56,196	31,196
On-Behalf TPAF Pension Contributions (Non-Budgeted)				1,977,634	1,977,634
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				47,992	47,992
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,308,308	1,308,308
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				3,511	3,511
Reimbursed TPAF Social Security Contributions (non-budgeted)				1,031,192	1,031,192
Total State Sources	5,448,776		5,448,776	9,848,609	4,399,833
Federal Sources:					
Medicaid Reimbursement	40,257		40,257	22,064	(18,193)
Total Federal Sources	40,257		40,257	22,064	(18,193)
TOTAL REVENUES	29,084,198		29,084,198	33,535,811	4,451,613

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 509,048	\$ (14,265)	\$ 494,783	\$ 494,773	\$ 10
Grades 1-5 - Salaries of Teachers	2,461,227	(41,967)	2,419,260	2,419,260	
Grades 6-8 - Salaries of Teachers	1,508,050	(13,580)	1,494,470	1,494,470	
Grades 9-12 - Salaries of Teachers	4,086,640	61,593	4,148,233	4,148,233	
Regular Programs - Home Instruction:					
Salaries of Teachers	42,000	(13,593)	28,407	11,630	16,777
Purchased Professional - Educational Services	65,000		65,000	56,829	8,171
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	252,783	(82,409)	170,374	158,898	11,476
Purchased Technical Services	154,224	(30,034)	124,190	109,024	15,166
Other Purchased Services (400-500 Series)	105,200	4,522	109,722	109,695	27
General Supplies	271,073	15,508	286,581	242,774	43,807
Other Objects	6,428		6,428	5,484	944
Total Regular Programs - Instruction	9,461,673	(114,225)	9,347,448	9,251,070	96,378
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	158,380	257,668	416,048	416,048	
Other Salaries for Instruction	47,249	27,875	75,124	75,124	
Purchased Professional - Educational Services	3,000	3,039	6,039	6,039	
General Supplies	1,250	(481)	769	769	
Total Learning and/or Language Disabilities	209,879	288,101	497,980	497,980	
Multiple Disabilities:					
Salaries of Teachers	143,500	(143,500)			
Other Salaries for Instruction	30,149	(30,149)			
Purchased Professional-Educational Services	2,800	(2,800)			
Total Multiple Disabilities	176,449	(176,449)			

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 1,887,543	\$ (36,249)	\$ 1,851,294	\$ 1,634,212	\$ 217,082
Other Salaries for Instruction	273,066	(25,076)	247,990	214,846	33,144
Purchased Professional - Educational Services	147,525	4,494	152,019	152,019	
General Supplies	8,627	7,191	15,818	15,818	
Textbooks		1,861	1,861	1,278	583
Other Objects	6,500	(6,489)	11	11	
Total Resource Room/Resource Center	2,323,261	(54,268)	2,268,993	2,018,184	250,809
Autism:					
Salaries of Teachers	184,455	1,736	186,191	182,230	3,961
Other Salaries for Instruction	214,068	51,848	265,916	254,936	10,980
Purchased Professional - Educational Services	49,500	13,068	62,568	61,973	595
Other Purchased Services (400-500 series)	500		500	485	15
Total Autism	448,523	66,652	515,175	499,624	15,551
Preschool Disabilities - Part-time:					
Salaries of Teachers	59,135	2,350	61,485	55,337	6,148
Other Salaries for Instruction	14,442	(4,814)	9,628	1,312	8,316
Purchased Professional - Educational Services	2,000	6,164	8,164	8,164	
General Supplies	3,200	(2,950)	250	206	44
Total Preschool Disabilities - Part-time	78,777	750	79,527	65,019	14,508
Total Special Education Instruction	3,236,889	124,786	3,361,675	3,080,807	280,868

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 494,271	\$ 21,124	\$ 515,395	\$ 493,484	\$ 21,911
Purchased Professional-Educational Services	6,500	1,950	8,450	8,450	
General Supplies	3,772	(297)	3,475	2,704	771
Total Basic Skills/Remedial - Instruction	504,543	22,777	527,320	504,638	22,682
Bilingual Education - Instruction:					
Salaries of Teachers	290,705	3,100	293,805	293,805	
Purchased Professional-Educational Services	1,500	761	2,261	2,261	
General Supplies	10,955	(1,966)	8,989	7,292	1,697
Total Bilingual Education - Instruction	303,160	1,895	305,055	303,358	1,697
School-Sponsored Cocurricular/Extracurricular Activities - Instruction:					
Salaries	164,953	54,531	219,484	219,484	
Purchased Services (300-500 series)	14,900	(7,993)	6,907	6,907	
Supplies and Materials	14,700	(5,086)	9,614	9,614	
Other Objects	6,824	(4,010)	2,814	2,814	
Total School-Sponsored Cocurricular/Extracurricular Activities - Instruction	201,377	37,442	238,819	238,819	
Instructional Alternative Education Program - Instruction:					
Salaries	118,125		118,125	86,933	31,192
Supplies and Materials	5,000		5,000		5,000
Total Instructional Alternative Education Program - Instruction	123,125		123,125	86,933	36,192

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 698,929	\$ (37,967)	\$ 660,962	\$ 660,962	
Purchased Services (300-500 series)	97,350	(19,559)	77,791	77,781	10
Supplies and Materials	39,109	(8,050)	31,059	31,058	1
Other Objects	16,000	1,000	17,000	16,920	80
Total School-Sponsored Cocurricular Athletics - Instruction	851,388	(64,576)	786,812	786,721	91
Total Instruction	14,682,155	8,099	14,690,254	14,252,346	437,908
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within State - Regular	15,405		15,405	15,405	
Tuition to Other LEAs Within State - Special	271,612	(55,491)	216,121	188,580	27,541
Tuition to County Vocational School District - Regular	172,600		172,600	172,600	
Tuition to County Vocational School District - Special	22,400		22,400	22,400	
Tuition to CSSD & Regular Day Schools	25,597	62,299	87,896	87,896	
Tuition to Private Schools for the Handicapped - Within State	502,814	(90,111)	412,703	211,580	201,123
Total Undistributed Expenditures - Instruction	1,010,428	(83,303)	927,125	698,461	228,664
Attendance and Social Work:					
Salaries	56,680		56,680	56,680	
Total Attendance and Social Work	56,680		56,680	56,680	
Health Services:					
Salaries	308,065	(2,637)	305,428	305,427	1
Purchased Professional and Technical Services	64,280	(27,927)	36,353	36,353	
Other Purchased Services (400-500 Series)	17,436	(7,850)	9,586	9,543	43
Supplies and Materials	1,451	(51)	1,400	920	480
Total Health Services	391,232	(38,465)	352,767	352,243	524

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Speech, OT, PT & Related Services:					
Salaries	\$ 160,630	\$ 1,695	\$ 162,325	\$ 162,325	
Purchased Professional - Educational Services	300,000	89,803	389,803	374,104	\$ 15,699
Supplies and Materials	2,438		2,438	1,677	761
Total Speech, OT, PT & Related Services	463,068	91,498	554,566	538,106	16,460
Other Support Services - Students - Extraordinary Services:					
Salaries	159,047	35,407	194,454	194,454	
Total Other Support Services - Students - Extraordinary Services	159,047	35,407	194,454	194,454	
Guidance:					
Salaries of Other Professional Staff	731,457	(34,120)	697,337	696,937	400
Salaries of Secretarial and Clerical Assistants	56,680	4,664	61,344	61,344	
Unused Vacation Payment to Retired / Terminated Staff		1,058	1,058	1,058	
Purchased Professional - Educational Services	10,750	(2,814)	7,936	7,935	1
Other Purchased Professional and Technical Services	10,000	(6,400)	3,600	3,550	50
Other Purchased Services (400-500 Series)	24,963	(1,341)	23,622	23,621	1
Supplies and Materials	11,432	(2,400)	9,032	8,974	58
Other Objects	9,355	(8,000)	1,355	444	911
Total Guidance	854,637	(49,353)	805,284	803,863	1,421
Child Study Teams:					
Salaries of Other Professional Staff	592,210	(69,705)	522,505	522,490	15
Salaries of Secretarial and Clerical Assistants	25,750		25,750	25,500	250
Purchased Professional - Educational Services	45,000	43,990	88,990	84,389	4,601
Other Purchased and Technical Services	10,095		10,095	10,095	
Miscellaneous Purchased Services (400-500 Series)	3,000	(1,074)	1,926	1,926	
Supplies and Materials	12,007	(8,024)	3,983	3,982	1
Other Objects	1,475	(294)	1,181	1,181	
Total Child Study Teams	689,537	(35,107)	654,430	649,563	4,867

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	\$ 59,953	\$ (9,100)	\$ 50,853	\$ 50,400	\$ 453
Salaries of Other Professional Staff	7,400		7,400		7,400
Salaries of Secretarial and Clerical Assistants	45,900	(8,220)	37,680	14,899	22,781
Other Purchased Services (400-500 series)	300		300		300
Supplies and Materials	1,200		1,200	487	713
Other Objects	820		820	820	
Total Improvement of Instructional Services	115,573	(17,320)	98,253	66,606	31,647
Educational Media Services/School Library:					
Salaries	562,281	11,363	573,644	573,644	
Salaries of Technology Coordinators	101,719	(101,719)			
Purchased Professional and Technical Services	14,630	(1,780)	12,850	11,850	1,000
Other Purchased Services (400-500 series)	16,000	(2,070)	13,930	13,929	1
Supplies and Materials	40,028	(4,001)	36,027	35,366	661
Other Objects	1,200		1,200	65	1,135
Total Educational Media Services/School Library	735,858	(98,207)	637,651	634,854	2,797
Instructional Staff Training Services:					
Purchased Professional - Educational Services	5,100		5,100	945	4,155
Other Purchased Services (400-500 Series)	21,384	(6,503)	14,881	8,018	6,863
Supplies and Materials	1,000		1,000		1,000
Total Instructional Staff Training Services	27,484	(6,503)	20,981	8,963	12,018

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Support Services - General Administration:					
Salaries	\$ 199,701	\$ 2,038	\$ 201,739	\$ 201,739	\$ 6,249
Legal Services	93,000	(2,038)	90,962	84,713	
Audit Fees	31,000	(3,500)	27,500	27,500	
Architectural/Engineering Services	15,000	(13,000)	2,000	1,210	790
Other Purchased Professional Services	40,000	(25,000)	15,000	13,929	1,071
Communications/Telephone	109,180		109,180	63,192	45,988
BOE Other Purchased Services	5,000		5,000	2,791	2,209
Miscellaneous Purchased Services (400-500 Series)	131,790	(13,071)	118,719	100,922	17,797
General Supplies	8,200	69	8,269	8,269	
Miscellaneous Expenditures	20,000		20,000	19,524	476
Total Support Services - General Administration	652,871	(54,502)	598,369	523,789	74,580
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	866,309	(14,788)	851,521	842,062	9,459
Salaries of Secretarial and Clerical Assistants	286,894	1,014	287,908	287,908	
Other Purchased Services (400-500 series)	8,500	(750)	7,750	3,310	4,440
Supplies and Materials	34,380	(4,092)	30,288	23,182	7,106
Other Objects	19,324	(645)	18,679	8,309	10,370
Total Support Services - School Administration	1,215,407	(19,261)	1,196,146	1,164,771	31,375

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 345,618	\$	\$ 345,618	\$ 323,293	\$ 22,325
Purchased Professional Services	49,659	1	49,660	39,314	10,346
Purchased Technical Services	16,500		16,500		16,500
Miscellaneous Purchased Services (400-500 Series)	1,800		1,800	1,341	459
Supplies and Materials	8,000	(337)	7,663	3,687	3,976
Interest on Lease Purchase Agreements	15,989		15,989	15,989	
Miscellaneous Expenditures	4,465	337	4,802	4,802	
Total Central Services	442,031	1	442,032	388,426	53,606
Administrative Information Technology:					
Purchased Technical Services	42,540	25,120	67,660	47,153	20,507
Supplies and Materials	20,982	881	21,863	7,425	14,438
Total Administrative Information Technology	63,522	26,001	89,523	54,578	34,945
Required Maintenance of School Facilities:					
Salaries	199,561	8,572	208,133	208,133	
Cleaning, Repair and Maintenance Services	174,549	334,592	509,141	405,038	104,103
Lead Testing of Drinking Water	18,200	(18,200)			
General Supplies	138,658	(12,278)	126,380	51,322	75,058
Other Objects	5,375		5,375	2,053	3,322
Total Required Maintenance of School Facilities	536,343	312,686	849,029	666,546	182,483

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Custodial Services:					
Salaries	\$ 425,720	\$ 26,464	\$ 452,184	\$ 366,250	\$ 85,934
Salaries Non-Instructional Aides	16,300	(16,300)			
Purchased Professional and Technical Services	43,085	2,863	45,948	45,948	
Cleaning, Repair and Maintenance Services	407,520	(14,028)	393,492	391,988	1,504
Insurance	152,000		152,000	147,643	4,357
Miscellaneous Purchased Services	1,200	(262)	938	385	553
General Supplies	63,000	1,000	64,000	64,000	
Energy (Natural Gas)	203,300	(4,343)	198,957	150,815	48,142
Energy (Electricity)	276,700		276,700	243,570	33,130
Energy (Oil)	10,000		10,000	9,059	941
Energy (Gasoline)	14,000	(6,514)	7,486	6,983	503
Other Objects	4,693	10,118	14,811	9,811	5,000
Total Custodial Services	1,617,518	(1,002)	1,616,516	1,436,452	180,064
Care and Upkeep of Grounds:					
Salaries	43,618	5,129	48,747	48,747	
Cleaning, Repair and Maintenance Services	184,979	(5,129)	179,850	120,823	59,027
General Supplies	84,680	(14,765)	69,915	48,135	21,780
Total Care and Upkeep of Grounds	313,277	(14,765)	298,512	217,705	80,807
Security					
Salaries	176,722	58,282	235,004	235,003	1
Purchased Professional and Technical Services	12,159	(3,231)	8,928	4,802	4,126
General Supplies	22,546	(12,985)	9,561	9,561	
Other Objects	750		750		750
Total Security	212,177	42,066	254,243	249,366	4,877

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Student Transportation Services:					
Salaries for Non-Instructional Aides	\$ 12,000		\$ 12,000	\$ 355	\$ 11,645
Cleaning, Repair and Maintenance Services	600		600	90	510
Contracted Services:					
Between Home and School - Vendors	24,250	\$ (2,690)	21,560	17,600	3,960
Other Than Between Home and School - Vendors	147,000	34,629	181,629	179,156	2,473
Special Education Students - Vendors	610,000		610,000	589,136	20,864
Aid in Lieu of Payments - Choice School	2,000	1,000	3,000	3,000	
Transportation Supplies	3,000	(2,074)	926	120	806
Other Objects		25	25	25	
Total Student Transportation Services	798,850	30,890	829,740	789,482	40,258
Unallocated Benefits:					
Social Security Contributions	325,000	10,981	335,981	335,981	
Other Retirement Contribution - PERS	310,000	(10,981)	299,019	293,418	5,601
Other Retirement Contribution - Regular	15,000		15,000	5,108	9,892
Unemployment Compensation		558	558	558	
Workmen's Compensation	125,000	(558)	124,442	118,869	5,573
Health Benefits	3,904,349	(150)	3,904,199	3,669,860	234,339
Tuition Reimbursement	57,000		57,000	48,312	8,688
Other Employee Benefits	265,000		265,000	142,993	122,007
Total Unallocated Benefits	5,001,349	(150)	5,001,199	4,615,099	386,100

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
On-Behalf Contributions (Non-Budgeted):					
On-Behalf TPAF Pension Contributions (Non-Budgeted)			\$	1,977,634	\$ (1,977,634)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				47,992	(47,992)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,308,308	(1,308,308)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				3,511	(3,511)
Reimbursed TPAF Social Security Contributions (non-budgeted)				1,031,192	(1,031,192)
Total On-Behalf Contributions				4,368,637	(4,368,637)
Total Undistributed Expenses	\$ 15,356,889	\$ 120,611	\$ 15,477,500	18,478,644	(3,001,144)
TOTAL GENERAL CURRENT EXPENSE	30,039,044	128,710	30,167,754	32,730,990	(2,563,236)
CAPITAL OUTLAY:					
Equipment:					
Regular Programs - Instruction:					
Grades 9-12	12,360	8,329	20,689	20,689	
Undistributed Expenditures:					
Required Maintenance for School Facilities		12,278	12,278	12,278	
Care and Upkeep of Grounds	64,624		64,624	64,624	
Total Equipment	76,984	20,607	97,591	97,591	
Facilities Acquisition and Construction Services:					
Architectural / Engineering Services	44,270	29,676	73,946	68,459	5,487
Other Purchased Prof. and Tech. Services	1,524		1,524	1,524	
Construction Services	963,531	910,384	1,873,915	1,683,269	190,646
Lease Purchase Agreements - Principal	429,670	42,855	472,525	472,525	
Assessment for Debt Service on SDA Funding	35,352		35,352	35,352	
Total Facilities Acquisition and Construction Services	1,474,347	982,915	2,457,262	2,261,129	196,133
TOTAL CAPITAL OUTLAY	1,551,331	1,003,522	2,554,853	2,358,720	196,133

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Transfer of Funds to Charter Schools	\$ 9,788	\$ 9,788	\$ 19,576	\$ 19,576	
TOTAL EXPENDITURES	31,600,163	1,142,020	32,742,183	35,109,286	\$ (2,367,103)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(2,515,965)	(1,142,020)	(3,657,985)	(1,573,475)	2,084,510
Fund Balance, July 1	4,832,046		4,832,046	4,832,046	
Fund Balance, June 30	\$ 2,316,081	\$ (1,142,020)	\$ 1,174,061	\$ 3,258,571	\$ 2,084,510

Recapitulation of Fund Balance at June 30, 2018:

Restricted:	
Capital Reserve	\$ 1,067,434
Maintenance Reserve	200,000
Emergency Reserve	200,000
Tuition Reserve - For 2018-19 School Year	300,000
Tuition Reserve - For 2019-20 School Year	300,000
Assigned:	
Year-End Encumbrances	292,095
For Subsequent Year's Expenditures	253,034
Unassigned	646,008
	<u>3,258,571</u>
Reconciliation to Governmental Funds Statement (GAAP):	
Last State Aid Payments not Recognized on GAAP Basis	(536,233)
Fund Balance per Governmental Funds (GAAP)	<u>\$ 2,722,338</u>

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 5,998	\$ 5,998	\$ 1,260	\$ (4,738)
Federal Sources	\$ 534,345	164,874	699,219	660,277	(38,942)
Total Revenues	534,345	170,872	705,217	661,537	(43,680)
EXPENDITURES:					
Instruction:					
Salaries	146,742	62,249	208,991	199,103	9,888
Other Purchased Services	323,844	85,800	409,644	409,644	
General Supplies	12,201	22,439	34,640	15,737	18,903
Other Objects	390	(240)	150	150	
Total Instruction	483,177	170,248	653,425	624,634	28,791
Support Services:					
Purchase Professional and Technical Services	21,670	(5,390)	16,280	10,250	6,030
Other Purchased Services	23,015	6,430	29,445	20,586	8,859
Supplies and Materials	3,119	(632)	2,487	2,487	
Total Support Services	47,804	408	48,212	33,323	14,889
Equipment:					
Instructional Equipment	3,364	216	3,580	3,580	
Total Equipment	3,364	216	3,580	3,580	
Total Expenditures	534,345	170,872	705,217	661,537	43,680
Excess of Revenues Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	General	Special
Sources/Inflows of Resources:	Fund	Revenue
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	<u>Fund</u>	<u>Fund</u>
Difference - 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.		
Current Year Encumbrances		(918)
Cancellation of Prior Year Encumbrances		(608)
Prior Year Encumbrances		9,444
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	497,923	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	<u>(536,233)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 33,535,811</u>	<u>\$ 661,537</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 35,109,286	\$ 661,537
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.		
Current Year Encumbrances		(918)
Cancellation of Prior Year Encumbrances		(608)
Prior Year Encumbrances		9,444
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 35,109,286</u>	<u>\$ 669,455</u>

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County Office and was approved by a vote of the Board of Education. 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 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).

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

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 in the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

HACKETTSTOWN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Elementary and Secondary Education Act				
	Title I	Title II Part A	Title III	Title III Immigrant	Title IV
REVENUE:					
Local Sources					
Federal Sources	\$ 173,727	\$ 24,158	\$ 18,500	\$ 4,409	\$ 3,808
Total Revenue	<u>173,727</u>	<u>24,158</u>	<u>18,500</u>	<u>4,409</u>	<u>3,808</u>
EXPENDITURES:					
Instruction:					
Salaries	169,694		17,505		720
Other Purchased Services					
General Supplies			600	4,409	838
Other Objects					
Total Instruction	<u>169,694</u>		<u>18,105</u>	<u>4,409</u>	<u>1,558</u>
Support Services:					
Purchased Professional and Technical Services		8,000			2,250
Other Purchased Services	4,033	16,158	395		
Supplies and Materials					
Total Support Services	<u>4,033</u>	<u>24,158</u>	<u>395</u>		<u>2,250</u>
Facilities Acquisition:					
Instructional Equipment					
Total Facilities Acquisition					
Total Expenditures	<u>\$ 173,727</u>	<u>\$ 24,158</u>	<u>\$ 18,500</u>	<u>\$ 4,409</u>	<u>\$ 3,808</u>

HACKETTSTOWN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	IDEA Part B, Basic Regular	IDEA Part B, Basic Preschool	Perkins Secondary	Other Local Grants	Total Expenditures
REVENUE:					
Local Sources				\$ 1,260	\$ 1,260
Federal Sources	\$ 409,644	\$ 11,184	\$ 14,847		660,277
Total Revenue	409,644	11,184	14,847	1,260	661,537
EXPENDITURES:					
Instruction:					
Salaries		11,184			199,103
Other Purchased Services	409,644				409,644
General Supplies			8,630	1,260	15,737
Other Objects			150		150
Total Instruction	409,644	11,184	8,780	1,260	624,634
Support Services:					
Purchased Professional and Technical Services					10,250
Other Purchased Services					20,586
Supplies and Materials			2,487		2,487
Total Support Services			2,487		33,323
Facilities Acquisition:					
Instructional Equipment			3,580		3,580
Total Facilities Acquisition			3,580		3,580
Total Expenditures	\$ 409,644	\$ 11,184	\$ 14,847	\$ 1,260	\$ 661,537

CAPITAL PROJECTS FUND

HACKETTSTOWN SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Expenditures:	
Purchased Professional and Technical Services	\$ 195
Construction Services	<u>713,179</u>
Total Expenditures	<u>713,374</u>
Deficit of Revenue and Other Financing Sources Under Expenditures	(713,374)
Fund Balance - Beginning	<u>2,971,055</u>
Fund Balance - Ending	<u><u>\$ 2,257,681</u></u>
Recapitulation:	
Committed	<u>2,257,681</u>
	2,257,681
Reconciliation to Governmental Funds Statement (GAAP):	
State Sources - SDA Grant not Recognized on GAAP Basis	<u>(1,717,063)</u>
Fund Balance per Governmental Funds - GAAP	<u><u>\$ 540,618</u></u>

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH SCHOOL PARKING LOT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 52,051		\$ 52,051	\$ 52,051
Transfer from Capital Reserve	80,000		80,000	80,000
Total Revenue and Other Financing Sources	<u>132,051</u>		<u>132,051</u>	<u>132,051</u>
Expenditures:				
Purchased Professional & Technical Services	12,000		12,000	12,000
Construction Services	9,741		9,741	120,051
Total Expenditures	<u>21,741</u>		<u>21,741</u>	<u>132,051</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 110,310</u>	<u>\$ -0-</u>	<u>\$ 110,310</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-050-10-1004
Grant Date	3/26/2012
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 130,127
Change Orders	\$ 1,924
Revised Authorized Cost	\$ 132,051
Change Order Percentage	1.48%
Percentage Completion	16.46%
Original Target Completion Date	6/30/2019

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
MIDDLE SCHOOL COURTYARD DRAINAGE
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 51,314		\$ 51,314	\$ 51,314
Transfer from Capital Outlay	150,000		150,000	150,000
Total Revenue and Other Financing Sources	<u>201,314</u>		<u>201,314</u>	<u>201,314</u>
Expenditures:				
Purchased Professional & Technical Services	52,345		52,345	54,745
Construction Services	101,136		101,136	146,569
Total Expenditures	<u>153,481</u>		<u>153,481</u>	<u>201,314</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 47,833</u>	<u>\$ -0-</u>	<u>\$ 47,833</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-060-10-1006
Grant Date	3/26/2012
Bonds/Notes Authorization Date	N/A
Bonds/ Notes Authorized	N/A
Bonds/Notes Issued	N/A
Original Authorized Cost	\$ 128,284
Change Orders	\$ 73,030
Revised Authorized Cost	\$ 201,314
Change Order Percentage	56.93%
Percentage Completion	76.24%
Original Target Completion Date	9/1/2016
Revised Target Completion Date	9/30/2017

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH SCHOOL SCIENCE LAB RENOVATION
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 358,759		\$ 358,759	\$ 358,759
Transfer from Capital Reserve	296,111		296,111	296,111
Transfer from Capital Outlay	230,000		230,000	230,000
	<u>884,870</u>		<u>884,870</u>	<u>884,870</u>
Total Revenue and Other Financing Sources	<u>884,870</u>		<u>884,870</u>	<u>884,870</u>
Expenditures:				
Purchased Professional & Technical Services	116,910		116,910	125,000
Construction Services	676,817		676,817	731,804
Equipment Purchases	24,566		24,566	24,566
Supplies	3,500		3,500	3,500
	<u>821,793</u>		<u>821,793</u>	<u>884,870</u>
Total Expenditures	<u>821,793</u>		<u>821,793</u>	<u>884,870</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 63,077</u>	<u>\$ -0-</u>	<u>\$ 63,077</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-050-10-1002
Grant Date	6/20/2013
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 919,859
Change Orders	\$ (34,989)
Revised Authorized Cost	\$ 884,870
Change Order Percentage	-3.80%
Percentage Completion	92.87%
Original Target Completion Date	9/1/2020

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH SCHOOL AUDITORIUM
FROM INCEPTION AND FOR THE YEAR FISCAL ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 152,442		\$ 152,442	\$ 152,442
Transfer from Capital Reserve	228,662		228,662	228,662
Total Revenue and Other Financing Sources	381,104		381,104	381,104
Expenditures:				
Purchased Professional & Technical Services				25,000
Construction Services				356,104
Total Expenditures				381,104
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 381,104</u>	<u>\$ -0-</u>	<u>\$ 381,104</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-050-10-1001
Grant Date	6/20/2013
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 381,104
Percentage Completion	0.00%
Original Target Completion Date	9/1/2019

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
MIDDLE SCHOOL AUDITORIUM VENTILATION SYSTEM REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 108,551		\$ 108,551	\$ 108,551
Transfer from Capital Reserve	162,826		162,826	162,826
	<u>271,377</u>		<u>271,377</u>	<u>271,377</u>
Total Revenue and Other Financing Sources				
Expenditures:				
Purchased Professional & Technical Services				23,392
Construction Services				247,985
				<u>271,377</u>
Total Expenditures				
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 271,377</u>	<u>\$ -0-</u>	<u>\$ 271,377</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number(s)	1870-060-09-1006			
Grant Date	7/1/2013			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 271,377			
Percentage Completion	0.00%			
Original Target Completion Date	9/1/2020			

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH SCHOOL AUDITORIUM VENTILATION SYSTEM REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 108,551		\$ 108,551	\$ 108,551
Transfer from Capital Reserve	162,826		162,826	162,826
Total Revenue and Other Financing Sources	<u>271,377</u>		<u>271,377</u>	<u>271,377</u>
Expenditures:				
Purchased Professional & Technical Services				23,392
Construction Services				247,985
Total Expenditures				<u>271,377</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 271,377</u>	<u>\$ -0-</u>	<u>\$ 271,377</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-050-09-1002
Grant Date	7/1/2013
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 271,377
Percentage Completion	0.00%
Original Target Completion Date	9/1/2019

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
MIDDLE SCHOOL SECURITY CAMERAS, SECURITY VESTIBULE, DOORS AND ROOF REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 221,200		\$ 221,200	\$ 221,200
Transfer from Capital Reserve	475,073		475,073	475,073
Total Revenue and Other Financing Sources	<u>696,273</u>		<u>696,273</u>	<u>696,273</u>
Expenditures:				
Purchased Professional & Technical Services	48,915		48,915	57,771
Other Purchased Services	289		289	1,000
Construction Services	142,277	\$ 445,926	588,203	637,502
Total Expenditures	<u>191,481</u>	<u>445,926</u>	<u>637,407</u>	<u>696,273</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 504,792</u>	<u>\$ (445,926)</u>	<u>\$ 58,866</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-060-14-1005
Grant Date	6/30/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 696,273
Percentage Completion	91.55%
Original Target Completion Date	9/1/2018

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HATCHERY HILL SCHOOL: SECURITY CAMERAS, SECURITY VESTIBULE,
RESTROOM RENOVATION AND WINDOW REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 173,880		\$ 173,880	\$ 173,880
Transfer from Capital Reserve	312,537		312,537	312,537
Total Revenue and Other Financing Sources	<u>486,417</u>		<u>486,417</u>	<u>486,417</u>
Expenditures:				
Purchased Professional & Technical Services	12,606		12,606	34,450
Other Purchased Services	1,817		1,817	1,000
Construction Services	143,824		143,824	450,967
Total Expenditures	<u>158,247</u>		<u>158,247</u>	<u>486,417</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 328,170</u>	<u>\$ -0-</u>	<u>\$ 328,170</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-070-14-1006
Grant Date	6/30/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 490,670
Change Orders	\$ (4,253)
Revised Authorized Cost	\$ 486,417
Change Order Percentage	-0.87%
Percentage Completion	32.53%
Original Target Completion Date	9/1/2020

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
WILLOW GROVE SCHOOL: SECURITY CAMERAS, SECURITY VESTIBULE,
RESTROOM RENOVATION AND WINDOW REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 185,900		\$ 185,900	\$ 185,900
Transfer from Capital Reserve	330,651		330,651	330,651
Total Revenue and Other Financing Sources	<u>516,551</u>		<u>516,551</u>	<u>516,551</u>
Expenditures:				
Purchased Professional & Technical Services	12,182		12,182	37,000
Other Purchased Services	1,817		1,817	1,000
Construction Services	166,051		166,051	478,551
Total Expenditures	<u>180,050</u>		<u>180,050</u>	<u>516,551</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 336,501</u>	<u>\$ -0-</u>	<u>\$ 336,501</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-090-14-1007
Grant Date	6/30/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 464,750
Change Orders	\$ 51,801
Revised Authorized Cost	\$ 516,551
Change Order Percentage	11.15%
Percentage Completion	34.86%
Original Target Completion Date	9/1/2020

HACKETTSTOWN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH SCHOOL SECURITY CAMERAS, SECURITY VESTIBULE, DOORS AND ROOF REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 496,400		\$ 496,400	\$ 496,400
Transfer from Capital Reserve	1,100,206		1,100,206	1,100,206
Total Revenue and Other Financing Sources	1,596,606		1,596,606	1,596,606
Expenditures:				
Purchased Professional & Technical Services	71,443	\$ 195	71,638	103,750
Other Purchased Services	289		289	1,000
Construction Services	868,360	267,253	1,135,613	1,491,856
Total Expenditures	940,092	267,448	1,207,540	1,596,606
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 656,514</u>	<u>\$ (267,448)</u>	<u>\$ 389,066</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	1870-050-14-1004
Grant Date	6/30/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,241,000
Change Orders	\$ 355,606
Revised Authorized Cost	\$ 1,596,606
Change Order Percentage	28.65%
Percentage Completion	75.63%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	9/1/2018

PROPRIETARY FUNDS

HACKETTSTOWN SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 121,361
Receivable from Federal Government	19,970
Receivable from State Government	452
Inventory	8,574
Total Current Assets	150,357
Non-Current Assets:	
Capital Assets	575,279
Less: Accumulated Depreciation	(225,721)
Total Non-Current Assets	349,558
Total Assets	499,915
LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Donated Commodities	891
Unearned Revenue - Prepaid Sales	8,835
Accounts Payable - Vendors	38,533
Total Liabilities	48,259
NET POSITION:	
Investment in Capital Assets	349,558
Unrestricted	102,098
Total Net Position	\$ 451,656

HACKETTSTOWN SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating Revenue:	<u>Food Service</u>
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 166,344
Daily Sales - Non-Reimbursable Programs	<u>103,719</u>
Total Operating Revenue	<u>270,063</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	200,539
Cost of Sales - Nonreimbursable Programs	20,135
Salaries	188,583
Payroll Taxes	20,378
Employee Benefits	14,106
Management Fee	20,400
Supplies and Materials	51,876
Depreciation Expense	<u>23,930</u>
Total Operating Expenses	<u>539,947</u>
Operating Loss	<u>(269,884)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	207,853
School Breakfast Program	42,963
Food Distribution Program	21,191
State Sources:	
State School Lunch Program	<u>5,927</u>
Total Non-Operating Revenue	<u>277,934</u>
Change in Net Position Before Other Item	8,050
Other Item - Capital Asset Deletion, Net of Accumulated Depreciation	<u>(3,590)</u>
Change in Net Position After Other Item	4,460
Net Position - Beginning of Year (Restated)	<u>447,196</u>
Net Position - End of Year	<u>\$ 451,656</u>

HACKETTSTOWN SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 271,566
Payments to Food Service Vendor	(417,544)
Payments to Suppliers	(67,364)
	(213,342)
Net Cash (Used for) Operating Activities	
Cash Flows from Noncapital Financing Activities:	
Federal Reimbursements in Food Service Fund	246,190
State Reimbursements in Food Service Fund	5,777
	251,967
Net Cash Provided by Noncapital Financing Activities	
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(120,212)
	(120,212)
Net Cash (Used for) Capital Financing Activities	
Net Decrease in Cash and Cash Equivalents	(81,587)
Cash and Cash Equivalents, July 1	202,948
Cash and Cash Equivalents, June 30	\$ 121,361
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (269,884)
Adjustment to Reconcile Operating Loss to Cash	
Used for Operating Activities:	
Depreciation	23,930
Federal Food Distribution Program	21,191
Changes in Assets and Liabilities:	
(Decrease) in Unearned Revenue - Donated Commodities	(73)
Increase in Unearned Revenue - Prepaid Sales	1,576
(Increase) in Inventory	(978)
Increase in Accounts Payable	10,896
	(213,342)
Net Cash Used for Operating Activities	

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$21,118 and \$21,191, respectively, for the fiscal year ended June 30, 2018.

FIDUCIARY FUNDS

HACKETTSTOWN SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Student Activity	Agency Payroll	Total	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ASSETS:						
Cash and Cash Equivalents	\$ 236,435	\$ 187,116	\$ 423,551	\$ 25,092	\$ 4,895	\$ 56,148
Total Assets	236,435	187,116	423,551	25,092	4,895	56,148
LIABILITIES:						
Interfund Payable:						
General Fund					3,890	
Payroll Deductions and Withholdings Due to Student Groups	236,435	187,116	187,116			
Total Liabilities	236,435	187,116	423,551		3,890	
NET POSITION:						
Held in Trust for:						
Unemployment Claims				25,092		
Flexible Spending Claims Scholarships					1,005	56,148
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 25,092	\$ 1,005	\$ 56,148

HACKETTSTOWN SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:			
Contributions - Employee Donations	\$ 28,055	\$ 7,914	\$ 6,100
Total Contributions	<u>28,055</u>	<u>7,914</u>	<u>6,100</u>
Investment Earnings:			
Interest	247	41	569
Net Investment Earnings	<u>247</u>	<u>41</u>	<u>569</u>
Total Additions	<u>28,302</u>	<u>7,955</u>	<u>6,669</u>
DEDUCTIONS:			
Unemployment Compensation Claims	33,065		
Flexible Spending Claims		7,528	
Scholarships Awarded			3,200
Total Deductions	<u>33,065</u>	<u>7,528</u>	<u>3,200</u>
Change in Net Position	(4,763)	427	3,469
Net Position - Beginning of the Year	<u>29,855</u>	<u>578</u>	<u>52,679</u>
Net Position - End of the Year	<u>\$ 25,092</u>	<u>\$ 1,005</u>	<u>\$ 56,148</u>

HACKETTSTOWN SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 243,064	\$ 308,207	\$ 314,836	\$ 236,435
Total Assets	<u>\$ 243,064</u>	<u>\$ 308,207</u>	<u>\$ 314,836</u>	<u>\$ 236,435</u>
LIABILITIES:				
Due to Student Groups	\$ 243,064	\$ 308,207	\$ 314,836	\$ 236,435
Total Liabilities	<u>\$ 243,064</u>	<u>\$ 308,207</u>	<u>\$ 314,836</u>	<u>\$ 236,435</u>

HACKETTSTOWN SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>June 30, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Hackettstown Board of Education Student Activites Account	<u>\$ 243,064</u>	<u>\$ 308,207</u>	<u>\$ 314,836</u>	<u>\$ 236,435</u>
Total All Schools	<u><u>\$ 243,064</u></u>	<u><u>\$ 308,207</u></u>	<u><u>\$ 314,836</u></u>	<u><u>\$ 236,435</u></u>

HACKETTSTOWN SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	<u>\$ 154,060</u>	<u>\$ 20,681,433</u>	<u>\$ 20,648,377</u>	<u>\$ 187,116</u>
Total Assets	<u><u>\$ 154,060</u></u>	<u><u>\$ 20,681,433</u></u>	<u><u>\$ 20,648,377</u></u>	<u><u>\$ 187,116</u></u>
LIABILITIES:				
Payroll Deductions and Withholdings	<u>\$ 154,060</u>	<u>\$ 20,681,433</u>	<u>\$ 20,648,377</u>	<u>\$ 187,116</u>
Total Liabilities	<u><u>\$ 154,060</u></u>	<u><u>\$ 20,681,433</u></u>	<u><u>\$ 20,648,377</u></u>	<u><u>\$ 187,116</u></u>

LONG-TERM DEBT

HACKETTSTOWN SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2017	Matured	Balance June 30, 2018
			Date	Amount				
Refunding School Bonds of 2016	4/20/2016	\$ 1,830,000	7/15/2018	\$ 290,000	1.860%			
			7/15/2019	295,000	1.860%			
			7/15/2020	305,000	1.860%			
			7/15/2021	310,000	1.860%			
			7/15/2022	315,000	1.860%	\$ 1,795,000	\$ 280,000	\$ 1,515,000
					\$ 1,795,000	\$ 280,000	\$ 1,515,000	

HACKETTSTOWN SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Purpose	Original Issue	Interest Rate	Balance July 1, 2017	Issued	Matured	Balance June 30, 2018
Network Infrastructure and Computers	\$ 1,175,000	1.76%	\$ 239,786		\$ 239,786	
Bus and Technology Equipment	910,000	1.67%	880,000		231,572	\$ 648,428
			\$ 1,119,786	\$ -0-	\$ 471,358	\$ 648,428

HACKETTSTOWN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 310,783		\$ 310,783	\$ 310,783	
Total Revenues	310,783		310,783	310,783	
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	38,037		38,037	30,783	\$ 7,254
Redemption of Principal	280,000		280,000	280,000	
Total Regular Debt Service	318,037		318,037	310,783	7,254
Total Expenditures	318,037		318,037	310,783	7,254
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(7,254)		(7,254)		7,254
Fund Balance, July 1	7,255		7,255	7,255	
Fund Balance, June 30	\$ 1	\$ -0-	\$ 1	\$ 7,255	\$ 7,254

Recapitulation of Fund Balance at June 30, 2018:

Restricted:

For Subsequent Year's Expenditures

\$ 7,255

STATISTICAL SECTION

This part of the District'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 District's overall financial health.

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District'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 District's current levels of outstanding debt and the District'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 District'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 District's operations and resources to help the reader understand how the District's financial information relates to the services the District 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.

HACKETTSTOWN SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	June 30,				
	2009	2010	2011	2012	2013
Governmental Activities:					
Net Investment in Capital Assets	\$ 5,952,191	\$ 7,101,189	\$ 3,838,002	\$ 5,201,910	\$ 5,125,664
Restricted	3,452,501	2,479,431	3,959,208	4,653,487	4,805,085
Unrestricted/(Deficit)	(39,897)	209,806	431,649	726,559	1,932,126
Total Governmental Activities Net Position	<u>\$ 9,364,795</u>	<u>\$ 9,790,426</u>	<u>\$ 8,228,859</u>	<u>\$ 10,581,956</u>	<u>\$ 11,862,875</u>
Business-Type Activities:					
Investment in Capital Assets	\$ 49,091	\$ 43,826	\$ 38,561	\$ 33,295	\$ 28,030
Unrestricted	80,736	83,927	80,705	90,264	107,617
Total Business-Type Activities Net Position	<u>\$ 129,827</u>	<u>\$ 127,753</u>	<u>\$ 119,266</u>	<u>\$ 123,559</u>	<u>\$ 135,647</u>
District-Wide:					
Net Investment in Capital Assets	\$ 6,001,282	\$ 7,145,015	\$ 3,876,563	\$ 5,235,205	\$ 5,153,694
Restricted	3,452,501	2,479,431	3,959,208	4,653,487	4,805,085
Unrestricted/(Deficit)	40,839	293,733	512,354	816,823	2,039,743
Total District Net Position	<u>\$ 9,494,622</u>	<u>\$ 9,918,179</u>	<u>\$ 8,348,125</u>	<u>\$ 10,705,515</u>	<u>\$ 11,998,522</u>

HACKETTSTOWN SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	June 30,				
	2014	2015	2016	2017*	2018
Governmental Activities:					
Net Investment in Capital Assets	\$ 8,853,718	\$ 10,231,444	\$ 14,201,967	\$ 14,806,493	\$ 17,283,416
Restricted	5,079,224	5,814,511	5,242,206	2,533,299	2,074,689
Unrestricted/(Deficit)	(5,298,589)	(5,010,834)	(5,052,614)	(4,395,978)	(6,413,761)
Total Governmental Activities Net Position	\$ 8,634,353	\$ 11,035,121	\$ 14,391,559	\$ 12,943,814	\$ 12,944,344
Business-Type Activities:					
Investment in Capital Assets	\$ 50,379	\$ 44,421	\$ 114,745	\$ 256,866	\$ 349,558
Unrestricted	87,923	154,381	205,747	190,330	102,098
Total Business-Type Activities Net Position	\$ 138,302	\$ 198,802	\$ 320,492	\$ 447,196	\$ 451,656
District-Wide:					
Net Investment in Capital Assets	\$ 8,904,097	\$ 10,275,865	\$ 14,316,712	\$ 15,063,359	\$ 17,632,974
Restricted	5,079,224	5,814,511	5,242,206	2,533,299	2,074,689
Unrestricted/(Deficit)	(5,210,666)	(4,856,453)	(4,846,867)	(4,205,648)	(6,311,663)
Total District Net Position	\$ 8,772,655	\$ 11,233,923	\$ 14,712,051	\$ 13,391,010	\$ 13,396,000

* -Restated

Source: School District Financial Reports

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 12,076,978	\$ 12,361,284	\$ 11,845,030	\$ 12,147,396	\$ 12,423,812
Special Education	2,720,320	3,013,800	2,986,413	3,343,104	3,144,683
Other Special Education	1,705,619	1,753,667	1,865,656	1,826,316	1,853,559
School Sponsored Instruction					
Support Services:					
Tuition	997,494	1,008,646	950,970	692,987	921,647
Student & Instruction Related Services	4,684,047	4,686,913	4,088,168	4,472,546	4,849,150
General and Business Administrative Services	1,170,041	1,274,366	1,313,188	1,260,196	1,303,874
General Administrative Services					
School Administrative Services	1,437,742	1,442,167	1,440,142	1,469,697	1,694,204
Central Services					
Administrative Information Technology					
Plant Operations and Maintenance	2,785,411	2,736,314	2,660,248	2,603,741	3,006,465
Pupil Transportation	505,292	503,176	346,966	392,279	510,604
Interest on Long-term Debt	139,031	130,942	123,800	116,800	129,309
Unallocated Depreciation	269,825	409,345	200,417	202,503	202,137
Charter Schools					
Total Governmental Activities Expenses	<u>28,491,800</u>	<u>29,320,620</u>	<u>27,820,998</u>	<u>28,527,565</u>	<u>30,039,444</u>
Business-Type Activities:					
Food Service	539,235	519,205	494,900	483,403	452,960
Total Business-type Activities Expense	<u>539,235</u>	<u>519,205</u>	<u>494,900</u>	<u>483,403</u>	<u>452,960</u>
Total District Expenses	<u>\$ 29,031,035</u>	<u>\$ 29,839,825</u>	<u>\$ 28,315,898</u>	<u>\$ 29,010,968</u>	<u>\$ 30,492,404</u>
Program Revenues					
Charges for Services:					
Regular Instruction	\$ 3,019,246	\$ 3,041,236	\$ 3,296,723	\$ 3,297,568	\$ 2,973,291
Special Education Instruction	680,080	741,483	831,182	907,529	752,592
Other Instruction	426,405	431,453	519,252	495,777	443,598
Tuition	249,374	248,156	264,675	188,120	220,571
Student & Instructional Related Services	1,171,013	1,153,117	1,137,824	1,214,130	1,160,509
General & Business Administration Services	359,436	354,815	400,822	398,968	405,461
School Administration Services	292,510	313,531	365,488	342,096	312,046
Plant Operations & Maintenance	696,353	673,213	740,404	706,819	719,514
Pupil Transportation	126,323	123,796	96,568	106,489	122,199
Operating Grants and Contributions and Charges for Services	863,122	1,063,543	707,527	724,332	639,391
Capital Grants and Contributions				699,006	733,743
Total Governmental Activities Program Revenues	<u>7,883,862</u>	<u>8,144,343</u>	<u>8,360,465</u>	<u>9,080,834</u>	<u>8,482,915</u>
Business-Type Activities:					
Charges for Services:					
Food Service	377,610	330,301	300,496	289,986	276,507
Operating Grants and Contributions	171,697	186,830	185,917	197,710	188,541
Total Business-type Activities Program Revenues	<u>549,307</u>	<u>517,131</u>	<u>486,413</u>	<u>487,696</u>	<u>465,048</u>

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
Total District Program Revenues	\$ 8,433,169	\$ 8,661,474	\$ 8,846,878	\$ 9,568,530	\$ 8,947,963
Net (Expense)/Revenue					
Governmental Activities	\$ (20,607,938)	\$ (21,176,277)	\$ (19,460,533)	\$ (19,446,731)	\$ (21,556,529)
Business-type Activities	10,072	(2,074)	(8,487)	4,293	12,088
Total District-wide Net Expense	\$ (20,597,866)	\$ (21,178,351)	\$ (19,469,020)	\$ (19,442,438)	\$ (21,544,441)
Governmental Activities:					
Property Taxes Levied for General Purposes, net	\$ 13,705,866	\$ 14,162,187	\$ 14,508,126	\$ 14,103,472	\$ 14,275,024
Property Taxes Levied for Debt Service	302,405	314,675	322,213	320,300	293,476
Unrestricted Grants and Contributions	7,135,725	6,559,047	6,187,799	7,075,896	7,833,593
Investment Earnings	13,534				
Miscellaneous Income	9,849	565,999	574,482	534,530	1,094,110
Special Item-FEMA Proceeds - Storm Damage					
Special Item-Loss on Disposal of Capital Assets					
Total Governmental Activities	21,167,379	21,601,908	21,592,620	22,034,198	23,496,203
Business-Type Activities:					
Investment Earnings					
Special Item -Gain (Loss) on Deletion of Assets					
Total Business-Type Activities					
Total District-Wide	\$ 21,167,379	\$ 21,601,908	\$ 21,592,620	\$ 22,034,198	\$ 23,496,203
Change in Net Position:					
Governmental Activities	\$ 559,441	\$ 425,631	\$ 2,132,087	\$ 2,587,467	\$ 1,939,674
Business-type Activities	10,072	(2,074)	(8,487)	4,293	12,088
Total District	\$ 569,513	\$ 423,557	\$ 2,123,600	\$ 2,591,760	\$ 1,951,762

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Expenses:					
Governmental Activities					
Instruction:					
Regular	\$ 12,366,691	\$ 14,655,433	\$ 16,352,336	\$ 19,393,154	\$ 18,632,722
Special Education	2,937,318	3,667,111	4,364,747	5,956,081	6,550,314
Other Special Education	2,136,173	2,555,084	2,869,740	1,745,897	1,696,374
School Sponsored Instruction				1,824,083	2,028,870
Support Services:					
Tuition	1,063,533	1,036,842	1,074,988	919,698	698,461
Student & Instruction Related Services	4,743,869	5,777,590	5,787,220	4,905,101	4,890,502
General and Business Administrative Services	1,413,122	1,338,399	1,472,732		
General Administrative Services				645,273	593,602
School Administrative Services	1,781,359	1,960,532	2,061,958	2,306,672	2,134,533
Central Services				506,384	483,666
Administrative Information Technology				56,237	56,499
Plant Operations and Maintenance	2,714,611	2,750,990	2,752,332	2,742,309	2,889,509
Pupil Transportation	545,056	532,913	600,113	813,369	902,351
Interest on Long-term Debt	145,655	131,577	99,127	41,216	60,442
Unallocated Depreciation					
Charter Schools		9,974	7,830		19,576
Total Governmental Activities Expenses	<u>29,847,387</u>	<u>34,416,445</u>	<u>37,443,123</u>	<u>41,855,474</u>	<u>41,637,421</u>
Business-Type Activities:					
Food Service	427,609	411,479	470,009	460,452	539,947
Total Business-type Activities Expense	<u>427,609</u>	<u>411,479</u>	<u>470,009</u>	<u>460,452</u>	<u>539,947</u>
Total District Expenses	<u>\$ 30,274,996</u>	<u>\$ 34,827,924</u>	<u>\$ 37,913,132</u>	<u>\$ 42,315,926</u>	<u>\$ 42,177,368</u>
Program Revenues					
Charges for Services:					
Regular Instruction	\$ 6,560,087	\$ 7,581,460	\$ 7,506,714	\$ 6,954,021	\$ 6,878,876
Special Education Instruction	681,638	754,941	631,923		
Other Instruction		1,175			
Tuition					
Student & Instructional Related Services					
General & Business Administration Services	907	3,429	2,509		
School Administration Services					
Plant Operations & Maintenance	14,869	47,233	61,811	8,000	
Pupil Transportation					
Operating Grants and Contributions and Charges for Services	535,353	711,907	715,329	12,162,937	13,055,836
Capital Grants and Contributions	276,582	677,890	(69,211)	51,314	
Total Governmental Activities Program Revenues	<u>8,069,436</u>	<u>9,778,035</u>	<u>8,849,075</u>	<u>19,176,272</u>	<u>19,934,712</u>
Business-Type Activities:					
Charges for Services:					
Food Service	226,323	241,249	276,404	260,167	270,063
Operating Grants and Contributions	203,941	230,719	254,591	271,160	277,934
Total Business-type Activities Program Revenues	<u>430,264</u>	<u>471,968</u>	<u>530,995</u>	<u>531,327</u>	<u>547,997</u>

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Total District Program Revenues	\$ 8,499,700	\$ 10,250,003	\$ 9,380,070	\$ 19,707,599	\$ 20,482,709
Net (Expense)/Revenue					
Governmental Activities	\$ (21,777,951)	\$ (24,638,410)	\$ (28,594,048)	\$ (22,679,202)	\$ (21,702,709)
Business-type Activities	2,655	60,489	60,986	70,875	8,050
Total District-wide Net Expense	\$ (21,775,296)	\$ (24,577,921)	\$ (28,533,062)	\$ (22,608,327)	\$ (21,694,659)
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Property Taxes Levied for General Purposes, net	\$ 14,531,027	\$ 14,776,549	\$ 15,041,390	\$ 16,096,060	\$ 16,657,833
Property Taxes Levied for Debt Service	278,923	329,600	330,500	315,231	310,783
Unrestricted Grants and Contributions	7,620,565	11,859,737	13,671,208	4,206,174	4,606,194
Investment Earnings	8,258	6		151	
Miscellaneous Income	1,152,681	73,286	812,709	215,783	128,429
Special Item-FEMA Proceeds - Storm Damage	100,844				
Other Item - Disposal of Capital Assets	(156,720)		(35,629)		
Total Governmental Activities	23,535,578	27,039,178	29,820,178	20,833,399	21,703,239
Business-Type Activities:					
Investment Earnings		11			
Other Item - Deletion of Capital Assets					(3,590)
Total Business-Type Activities		11			(3,590)
Total District-Wide	\$ 23,535,578	\$ 27,039,189	\$ 29,820,178	\$ 20,833,399	\$ 21,699,649
Change in Net Position:					
Governmental Activities	\$ 1,757,627	\$ 2,400,768	\$ 1,226,130	\$ (1,845,803)	\$ 530
Business-type Activities	2,655	60,500	60,986	70,875	4,460
Total District	\$ 1,760,282	\$ 2,461,268	\$ 1,287,116	\$ (1,774,928)	\$ 4,990

Source: School District Financial Reports

HACKETTSTOWN SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	June 30,				
	2009	2010	2011	2012	2013
General Fund:					
Reserved/Restricted	\$ 2,465,116	\$ 1,238,256	\$ 2,523,851	\$ 1,413,044	
Committed	705,005	1,055,005	1,555,005	2,950,799	\$ 4,475,799
Assigned	809,531	879,797	953,212	938,448	963,730
Unassigned/(Deficit)	(6,417)	102,551	110,933	(123,596)	73,261
Total General Fund	\$ 3,973,235	\$ 3,275,609	\$ 5,143,001	\$ 5,178,695	\$ 5,512,790
All Other Governmental Funds:					
Restricted, Reported in:					
Capital Projects Fund	\$ 4,953	\$ 4,953	\$ 4,953	\$ 894,817	\$ 1,097,384
Debt Service Fund	29,118	29,118	29,124	29,124	45,078
Committed					
Assigned, Reporting in:					
Capital Projects Fund				95,461	655,351
Total All Other Governmental Funds	\$ 34,071	\$ 34,071	\$ 34,077	\$ 1,019,402	\$ 1,797,813

HACKETTSTOWN SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	June 30,			
	2014	2015	2017	2018
General Fund:				
Reserved/Restricted		\$ 112,408	\$ 5,230,352	\$ 2,526,044
Committed	\$ 2,318,877	3,969,747		
Assigned	1,078,710	1,285,205	1,327,671	1,708,263
Unassigned/(Deficit)	210,693	124,272	85,321	103,722
Total General Fund	<u>\$ 3,608,280</u>	<u>\$ 5,491,632</u>	<u>\$ 6,643,344</u>	<u>\$ 4,338,029</u>
Total General Fund				<u>\$ 2,722,338</u>
All Other Governmental Funds:				
Restricted, Reported in:				
Capital Projects Fund	\$ 2,755,393	\$ 1,835,210		
Debt Service Fund	4,954	9,554	\$ 11,854	\$ 7,255
Committed			326,100	1,253,992
Assigned, Reporting in:				
Capital Projects Fund				
Total All Other Governmental Funds	<u>\$ 2,760,347</u>	<u>\$ 1,844,764</u>	<u>\$ 337,954</u>	<u>\$ 1,261,247</u>
Total All Other Governmental Funds				<u>\$ 547,873</u>

Source: School District Financial Reports

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
Revenues:					
Tax Levy	\$ 14,008,271	\$ 14,476,862	\$ 14,830,339	\$ 14,423,772	\$ 14,568,500
Tuition	7,020,740	7,080,800	7,652,938	7,657,496	7,109,781
Tuition from Other LEA's Within the State					
Interest Earned on Capital Reserve Funds					
Rents and Royalties					
Interest Earnings	13,534			7,416	5,759
Miscellaneous	13,816	570,743	755,237	529,835	1,095,408
State Sources	7,275,965	5,827,927	6,250,023	6,944,375	7,881,198
State Sources-Capital Projects				699,006	733,743
Federal Sources	718,915	1,789,919	643,961	853,132	584,729
Total Revenue	29,051,241	29,746,251	30,132,498	31,115,032	31,979,118
Expenditures:					
Instruction:					
Regular Instruction	8,610,491	8,679,963	8,405,246	8,296,803	8,936,367
Special Education Instruction	2,082,265	2,311,467	2,258,567	2,526,023	2,399,477
Other Instruction	522,983	516,308	581,587	569,993	520,854
School Sponsored Instruction	782,581	828,686	829,373	809,957	893,461
Support Services:					
Tuition	997,494	1,008,646	950,970	692,987	921,647
Student & Instruction Related Services	2,972,412	2,968,477	2,741,268	3,019,214	3,423,773
General Administrative Services	528,679	567,966	597,884	616,628	618,590
School Administrative Services	1,094,790	1,097,396	1,084,897	1,106,192	1,288,432
Central Services	366,927	409,423	395,255	335,566	374,769
Administrative Information Technology					1,532
Plant Operations and Maintenance	2,125,184	2,088,171	2,006,766	1,962,184	2,288,840
Student Transportation	502,851	499,473	345,153	390,447	508,775
Unallocated Benefits	4,431,133	4,456,582	4,515,549	4,394,691	3,898,673
On-Behalf TPAF Pension & Social Security Contributions	1,821,485	1,868,574	1,879,832	2,232,875	2,829,151

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
Expenditures:					
Capital Outlay	\$ 1,204,101	\$ 1,764,527	\$ 643,013	\$ 1,018,505	\$ 694,072
Charter Schools					
Special Revenue	860,211	1,063,543	707,527	724,332	639,391
Capital Projects				897,903	306,208
Debt Service:					
Principal	160,000	180,000	195,000	200,000	210,000
Interest and Other Charges	142,405	134,675	127,213	120,300	112,600
Total Expenditures	<u>29,205,992</u>	<u>30,443,877</u>	<u>28,265,100</u>	<u>29,914,600</u>	<u>30,866,612</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>(154,751)</u>	<u>(697,626)</u>	<u>1,867,398</u>	<u>1,200,432</u>	<u>1,112,506</u>
Other Financing Sources/(Uses):					
Capital Leases (Non-Budgeted)					
Proceeds from Refunding Bond Issue					
Proceeds for Capital Lease					
Payment to Refunding Bond Agent					
Insurance Claim Proceeds for Storm Damage					
Total Other Financing Sources/(Uses)					
Net Change in Fund Balances	<u>\$ (154,751)</u>	<u>\$ (697,626)</u>	<u>\$ 1,867,398</u>	<u>\$ 1,200,432</u>	<u>\$ 1,112,506</u>
Debt Service as a Percentage of Noncapital Expenditures	1.08%	1.10%	1.17%	1.14%	1.08%

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Revenues:					
Tax Levy	\$ 14,809,950	\$ 15,106,149	\$ 15,371,890	\$ 16,411,291	\$ 16,968,616
Tuition from Other LEA's Within the State	7,241,725	8,335,731	8,138,637	6,951,998	6,849,383
Tuition from Individuals				2,023	29,493
Interest Earned on Capital Reserve Funds				151	
Rents and Royalties				8,000	
Interest Earnings	8,258	6			
Miscellaneous	1,168,888	113,998	842,562	215,783	132,786
State Sources	7,600,547	8,024,212	8,540,045	9,067,254	9,810,299
State Sources-Capital Projects	276,582	677,890	(69,211)		
Federal Sources	554,071	762,262	737,946	683,019	687,162
Total Revenue	31,660,021	33,020,248	33,561,869	33,339,519	34,477,739
Expenditures:					
Instruction:					
Regular Instruction	9,022,263	8,984,603	9,207,249	9,399,297	9,473,978
Special Education Instruction	2,069,885	2,186,275	2,499,752	3,249,981	3,490,451
Other Instruction	652,918	678,375	739,364	807,748	807,996
School Sponsored Instruction	857,540	864,978	908,496	962,951	1,112,473
Support Services:					
Tuition	751,155	633,392	637,660	919,698	698,461
Student & Instruction Related Services	3,621,017	3,617,517	3,622,735	3,362,750	3,338,655
General Administrative Services	635,944	622,058	633,219	569,856	523,789
School Administrative Services	1,277,695	1,221,536	1,187,838	1,271,312	1,164,771
Central Services	408,225	391,378	419,423	400,828	388,426
Administrative Information Technology	127,716	26,240	35,675	53,791	54,578
Plant Operations and Maintenance	2,426,654	2,373,646	2,312,078	2,416,663	2,570,069
Student Transportation	542,763	530,621	600,113	688,742	789,482
Unallocated Benefits	3,977,125	4,212,129	4,496,162	8,402,582	8,983,736
On-Behalf TPAF Pension & Social Security Contributions	2,463,522	2,827,575	3,403,670		

HACKETTSTOWN SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Expenditures:					
Capital Outlay	\$ 2,733,163	\$ 112,904	\$ 594,573	\$ 2,805,512	\$ 3,075,674
Charter Schools		9,974	7,830		19,576
Special Revenue	535,353	711,907	715,329		
Capital Projects	1,183,693	1,455,204	455,982		
Debt Service:					
Principal	451,858	461,815	479,442	290,000	280,000
Interest and Other Charges	139,352	130,352	120,852	29,830	30,783
Total Expenditures	<u>33,877,841</u>	<u>32,052,479</u>	<u>33,077,442</u>	<u>35,631,541</u>	<u>36,802,898</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>(2,217,820)</u>	<u>15,774,262</u>	<u>484,427</u>	<u>(2,292,022)</u>	<u>(2,325,159)</u>
Other Financing Sources/(Uses):					
Capital Leases (Non-Budgeted)			1,830,000	910,000	
Proceeds from Refunding Bond Issue					
Proceeds for Capital Lease	1,175,000				
Payment to Refunding Bond Agent			(1,795,200)		
Insurance Claim Proceeds for Storm Damage	100,844				
Total Other Financing Sources/(Uses)	<u>1,275,844</u>		<u>34,800</u>	<u>910,000</u>	
Net Change in Fund Balances	<u>\$ (941,976)</u>	<u>\$ 15,774,262</u>	<u>\$ 519,227</u>	<u>\$ (1,382,022)</u>	<u>\$ (2,325,159)</u>
Debt Service as a Percentage of Noncapital Expenditures	1.90%	1.94%	1.87%	0.97%	0.92%

Source: School District Financial Reports

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Other</u> <u>Miscellaneous</u>	<u>Rentals - Use of</u> <u>Facilities</u>	<u>Total</u>
2009	\$ 13,534	\$ 7,020,740	\$ 9,849		\$ 7,044,123
2010		7,080,800	565,999		7,646,799
2011		7,652,938	753,889		8,406,827
2012	7,416	7,657,496	527,114		8,192,026
2013	5,759	7,109,781	1,088,351		8,203,891
2014	8,258	7,241,725	1,153,588	14,000	8,417,571
2015	6	8,335,731	83,711	28,280	8,447,728
2016	6	8,138,637	810,403	28,562	8,977,608
2017	45,534	6,954,021	170,400	8,000	7,177,955
2018	55,586	6,878,876	72,843		7,007,305

Source: School District Financial Reports

HACKETTSTOWN SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2008	\$20,215,400	\$ 385,594,132	\$ 109,713,750	\$ 56,059,750	\$ 31,676,900	\$ 603,259,932	\$ 2,900,906	\$ 606,160,838	\$ 2.31	\$ 1,079,757,514
2009	13,485,200	396,047,132	108,900,950	58,399,900	33,040,500	609,873,682	2,893,681	612,767,363	2.36	1,091,530,496
2010	* 16,257,100	674,037,600	216,404,300	121,495,800	69,479,300	1,097,674,100	4,981,775	1,102,655,875	1.35	1,148,402,733
2011	13,219,400	677,005,900	205,832,850	119,045,100	64,936,400	1,080,039,650	4,808,983	1,084,848,633	1.33	1,099,941,693
2012	13,419,300	671,079,600	202,926,500	116,521,800	65,211,500	1,069,158,700	4,981,299	1,074,139,999	1.36	1,043,467,596
2013	11,174,900	663,305,760	200,084,510	115,687,600	68,475,500	1,058,728,270	3,724,495	1,062,452,765	1.39	988,954,599
2014	11,404,700	661,390,260	197,514,410	102,891,500	70,155,500	1,043,356,370	3,256,338	1,046,612,708	1.44	941,610,839
2015	11,174,900	660,131,910	194,971,350	96,829,200	72,784,400	1,035,891,760	100	1,035,891,860	1.48	1,014,983,208
2016	15,186,800	659,000,560	192,531,850	95,281,900	70,560,100	1,032,561,210	100	1,032,561,310	1.59	993,516,130
2017	13,947,400	657,532,360	193,787,100	95,231,900	70,560,100	1,031,058,860	100	1,031,058,960	1.68	981,152,631

Source: Municipal Tax Assessors and State of New Jersey Website

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.

* Revaluation of Real Property became effective.

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

b Tax rates are per \$100

HACKETTSTOWN SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN YEARS

UNAUDITED

(rate per \$100 of assessed value)

Year Ended December 31,	Direct Rate		Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	Obligation Debt Service ^b	Municipality	County	
2008	\$ 2.26	\$ 0.05	\$ 2.31	\$ 0.86	\$ 4.16
2009	2.31	0.05	2.36	0.90	4.25
2010	* 1.32	0.03	1.35	0.52	2.46
2011	1.30	0.03	1.33	0.53	2.49
2012	1.33	0.03	1.36	0.58	2.54
2013	1.36	0.03	1.39	0.60	2.61
2014	1.41	0.03	1.44	0.61	2.70
2015	1.45	0.03	1.48	0.63	2.79
2016	1.56	0.03	1.59	0.64	2.92
2017	1.65	0.03	1.68	0.65	3.00

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.

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.

* Revaluation became effective.

Source: Municipal Tax Collectors

HACKETTSTOWN SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2018		2009			
	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Food Manufacturers, Inc.		\$ 40,982,700	3.97%	Food Manufacturers, Inc.	\$ 27,499,700	4.54%
Hackettstown Interstate, LLC		28,237,000	2.73%	Interstate Properties	14,507,700	2.39%
Hackettstown 15, LLC		9,500,000	0.92%	Van Paffino's	9,697,800	1.60%
Hackettstown Community Hospital		8,907,000	0.86%	A. Klingman Assoc.	8,750,000	1.44%
River's Edge Gardens, LLC		8,333,000	0.81%	B&W Associates	6,694,400	1.10%
Jane Paffinos, LLC		7,932,500	0.77%	Willow Co.	5,750,800	0.95%
Hackettstown Community Hospital		6,542,700	0.63%	Nedellec Properties	4,150,000	0.68%
Ti-Med Associates, LLC		6,377,600	0.62%	55 Newburgh Road, LLC	3,914,000	0.65%
Hackettstown Com Pk 3		6,009,300	0.58%	Marketplace at Hackettstown	1,400,000	0.23%
Willo Company		5,828,100	0.56%	Bergen Machine & Tool Company	1,311,200	0.22%
Total		\$ 128,649,900	12.45%		\$ 83,675,600	13.80%

Source: Municipal Tax Assessor

Note: A revaluation was effective in 2010.

HACKETTSTOWN SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 14,008,271	\$ 14,008,271	100.00%	- 0 -
2010	14,476,862	14,476,862	100.00%	- 0 -
2011	14,830,339	14,830,339	100.00%	- 0 -
2012	14,423,772	14,423,772	100.00%	- 0 -
2013	14,568,500	14,568,500	100.00%	- 0 -
2014	14,809,950	14,809,950	100.00%	- 0 -
2015	15,106,149	15,106,149	100.00%	- 0 -
2016	15,371,890	15,371,890	100.00%	- 0 -
2017	16,411,291	16,411,291	100.00%	- 0 -
2018	16,968,616	16,968,616	100.00%	- 0 -

^a School taxes are collected by the Municipal Tax Collectors. 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.

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

HACKETTSTOWN SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities Capital Leases	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)				
2009	\$3,495,000		\$ 687,116		\$ 4,182,116	0.99%	439.76
2010	3,315,000		367,558		3,682,558	0.88%	385.93
2011	3,120,000			\$ 619,422	3,739,422	0.87%	384.44
2012	2,920,000			213,233	3,133,233	0.71%	323.92
2013	2,710,000				2,710,000	0.60%	281.85
2014	2,490,000	\$ 943,142			3,433,142	0.76%	359.53
2015	2,260,000	711,327			2,971,327	0.64%	311.04
2016	2,085,000	476,885			2,561,885	0.52%	267.06
2017	1,795,000	1,119,786			2,914,786	0.59%	305.25
2018	1,515,000	648,428			2,163,428	0.44%	226.44

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

- 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.

Source: School District Financial Reports

HACKETTSTOWN SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

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		
2009	\$ 3,495,000	\$ -0-	\$ 3,495,000	0.58%	368
2010	3,315,000	-0-	3,315,000	0.54%	347
2011	3,120,000	-0-	3,120,000	0.28%	321
2012	2,920,000	-0-	2,920,000	0.27%	302
2013	2,710,000	-0-	2,710,000	0.25%	282
2014	2,490,000	-0-	2,490,000	0.23%	261
2015	2,260,000	-0-	2,260,000	0.22%	237
2016	2,085,000	-0-	2,085,000	0.20%	217
2017	1,795,000	-0-	1,795,000	0.17%	188
2018	1,515,000	-0-	1,515,000	0.15%	159

Source: School District Financial Reports

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.

HACKETTSTOWN SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
UNAUDITED
AS OF DECEMBER 31, 2017

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Debt Repaid With Property Taxes</u>			
Town of Hackettstown	\$ 1,705,157	100.00%	\$ 1,705,157
Warren County County General Obligation Debt	6,746,849	10.08%	680,024
Subtotal, Overlapping Debt			<u>2,385,181</u>
Hackettstown School District Direct Debt			<u>1,515,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 3,900,181</u></u>

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 Hackettstown. 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.

^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 another governmental unit's equalized property value that is within the District's boundaries and dividing it by each unit's total equalized property value.

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

HACKETTSTOWN SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2018

	Equalized Valuation Basis
	2015 996,720,639
	2016 975,586,833
	2017 <u>1,009,950,986</u>
	<u>\$2,982,258,458</u>
Average Equalized Valuation of Taxable Property	<u>\$ 994,086,153</u>
Debt Limit (4% of average equalization value) ^a	\$ 39,763,446
Net Bonded School Debt as of June 30, 2018	<u>1,515,000</u>
Legal Debt Margin	<u>\$ 38,248,446</u>

	Fiscal Year Ending June 30,				
	2009	2010	2011	2012	2013
Debt Limit	\$ 41,101,514	\$ 43,355,336	\$ 43,947,717	\$ 43,583,500	\$ 41,857,340
Total Net Debt Applicable to Limit	<u>3,495,000</u>	<u>3,315,000</u>	<u>3,120,000</u>	<u>2,920,000</u>	<u>2,710,000</u>
Legal Debt Margin	<u>\$ 37,606,514</u>	<u>\$ 40,040,336</u>	<u>\$ 40,827,717</u>	<u>\$ 40,663,500</u>	<u>\$ 39,147,340</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	8.50%	7.65%	7.10%	6.70%	6.47%

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Debt Limit	\$ 39,833,550	\$ 39,592,172	\$ 39,615,961	\$ 39,928,060	\$ 39,763,446
Total Net Debt Applicable to Limit	<u>2,490,000</u>	<u>2,260,000</u>	<u>2,085,000</u>	<u>1,795,000</u>	<u>1,515,000</u>
Legal Debt Margin	<u>\$ 37,343,550</u>	<u>\$ 37,332,172</u>	<u>\$ 37,530,961</u>	<u>\$ 38,133,060</u>	<u>\$ 38,248,446</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	6.25%	5.71%	5.26%	4.50%	3.81%

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

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

HACKETTSTOWN SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
UNAUDITED

Year	Population ^a	Personal Income ^b	Warren County Per Capita Personal Income ^c	Unemployment Rate ^d
2009	9,542	\$ 416,241,124	\$ 43,622	6.40%
2010	9,727	428,075,543	44,009	6.60%
2011	9,673	441,504,739	45,643	6.10%
2012	9,615	450,664,665	46,871	5.90%
2013	9,549	452,431,620	47,380	6.00%
2014	9,553	466,434,778	48,826	6.60%
2015	9,593	488,302,886	50,902	5.50%
2016	9,549	491,334,246	51,454	5.30%
2017	9,554	491,591,516 ***	51,454 *	4.80%
2018	9,554 **	491,591,516 ***	51,454 *	N/A

* - Latest Warren County per capita personal income available (2016) was used for calculation purposes.

** - Latest population data available (2017) was used for calculation purposes.

*** - Latest personal income available (2016) was used for calculation purposes.

N/A - Information not available

Source:

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

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

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

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

HACKETTSTOWN SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - COUNTY OF WARREN
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

INFORMATION IS NOT AVAILABLE

HACKETTSTOWN SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

(accrual basis of accounting)

<u>Function/Program:</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction:										
Regular	127.0	139.0	124.0	128.5	120.0	120.0	119.0	119.0	119.0	119.4
Special Education	57.0	56.0	59.0	54.5	48.1	41.0	42.0	41.0	42.0	47.4
Other	19.0	21.0	19.0	20.0	23.5	25.0	20.2	30.7	41.9	46.8
Support Services:										
Student & Instruction Related Services	23.5	24.0	16.0	20.0	42.0	42.0	42.0	40.4	24.0	24.0
School Administrative Services	13.0	8.0	9.0	15.5	14.0	15.0	15.0	14.0	15.0	13.0
General and Business Administrative Services	9.0	6.0	9.0	9.5	3.0	4.0	4.0	4.0	4.0	4.0
Central Services					4.6	4.6	4.6	5.0	5.0	5.0
Plant Operations and Maintenance	10.0	10.0	10.0	10.0	17.6	17.6	17.2	18.0	15.2	16.8
Pupil Transportation	1.0	1.0							0.5	
Total	<u>259.5</u>	<u>265.0</u>	<u>246.0</u>	<u>258.0</u>	<u>272.8</u>	<u>269.2</u>	<u>264.0</u>	<u>272.1</u>	<u>266.6</u>	<u>276.4</u>

Source: School District Financial Reports

HACKETTSTOWN SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^e	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	1855	\$ 27,699,486	\$14,932	0.18%	179.0	10.1:1	1,819.9	1,752.6	-2.57%	96.30%
2010	1855	28,285,128	15,248	2.11%	174.0	10.4:1	1,793.0	1,724.6	-1.48%	96.19%
2011	1835	27,272,663	14,862	-2.53%	171.0	10.4:1	1,836.9	1,773.8	2.45%	96.56%
2012	1809	27,649,259	15,284	2.84%	172.0	10.4:1	1,786.7	1,700.7	-2.73%	95.19%
2013	1823	29,531,752	16,200	5.99%	184.0	9.3:1	1,774.2	1,691.9	-0.70%	95.36%
2014	1853	30,018,115	16,200	0.00%	179.0	10.3:1	1,853.3	1,746.3	4.46%	94.23%
2015	1899	29,892,204	15,741	-2.83%	176.0	10.8:1	1,898.6	1,789.2	2.44%	94.24%
2016	1935	31,426,593	16,241	3.18%	181.0	10.7:1	1,927.1	1,833.6	1.50%	95.15%
2017	1921	32,506,199	16,921	4.19%	182.0	10.6:1	1,921.3	1,823.3	-0.30%	94.90%
2018	1915	33,416,441	17,450	3.12%	178.4	10.7:1	1,912.3	1,813.1	-0.47%	94.81%

Sources: School District Records

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 other cost per pupil calculations.

HACKETTSTOWN SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

<u>District Building</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Hatchery Hill Elementary</u>										
Square Feet	40,600	40,600	40,600	40,600	40,600	40,600	40,600	40,600	40,600	40,600
Capacity (students)	315	315	315	315	315	315	315	315	315	315
Enrollment	242	220	215	302	227	239	246	309	359	377
<u>Willow Grove Elementary</u>										
Square Feet	40,855	40,855	40,855	40,855	40,855	40,855	40,855	40,855	40,855	40,855
Capacity (students)	350	350	350	350	350	350	350	350	350	350
Enrollment	240	260	280	292	298	316	333	289	247	251
<u>Hackettstown Middle School</u>										
Square Feet	84,059	84,059	84,059	84,059	84,059	84,059	84,059	84,059	84,059	84,059
Capacity (students)	499	499	499	499	499	499	499	499	499	499
Enrollment	436	426	407	407	357	378	387	398	432	439
<u>Hackettstown High School</u>										
Square Feet	133,062	133,062	133,062	133,062	133,062	133,062	150,224	150,224	150,224	150,224
Capacity (students)	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
Enrollment	937	949	933	908	941	965	921	923	883	848

Number of Schools at June 30, 2018
 Elementary = 2
 Middle School = 1
 High School = 1

Source: School District Records

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

HACKETTSTOWN SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures - Required Maintenance
For School Facilities - Account #11-000-261-XXX:

Fiscal Year Ended	Willow Grove Elementary School	Hatchery Hill Elementary School	Hackettstown Middle School	Hackettstown High School	Total School Facilities*
2009	\$ 39,594	\$ 35,994	\$ 43,193	\$ 61,190	\$ 179,971
2010	35,364	32,149	38,579	54,653	160,745
2011	34,817	31,651	37,981	53,807	158,256
2012	38,500	35,001	42,001	59,501	175,003
2013	115,180	104,708	125,650	178,004	523,542
2014	71,043	77,724	75,454	362,099	586,320
2015	71,127	64,875	71,557	335,162	542,721
2016	79,125	117,768	85,505	180,226	462,624
2017	21,922	25,245	49,577	305,925	402,669
2018	247,637	48,599	39,862	330,448	666,546

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

Source: School District Records

HACKETTSTOWN SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Commercial Package Policy:		
<u>School Alliance Insurance Fund (SAIF):</u>		
Blanket Building and Contents (fund limit)	\$ 500,000,000	\$ 2,500
Comprehensive General Liability	5,000,000	
Comprehensive Automobile Liability	5,000,000	
Crime Policy	400,000	
Accounts Receivable	300,000	1,000
<u>Excess Liability Policy - School Alliance Insurance Fund</u>		
Policy Limit	5,000,000	
<u>School Board Legal Liability - New Jersey Schools Insurance Group</u>		
Limit of Liability	10,000,000	5,000
<u>Environmental Service - School Alliance Insurance Fund</u>		
Policy Limit	1,000,000	10,000
<u>Worker's Compensation - New Jersey Schools Insurance Group</u>		
Employer's Liability	2,000,000	
<u>Public Employee's Faithful Performance Blanket Position Bond -</u>		
<u>RLI Insurance Company</u>		
Board Secretary - Business Administrator	250,000	

Source: School District Records

SINGLE AUDIT SECTION



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

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Hackettstown School District
 County of Warren, New Jersey

We have audited, in accordance with the 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), 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 Hackettstown School District, in the County of Warren (the "District") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mount Arlington, New Jersey
January 18, 2019

NISIVOCCIA, LLP



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



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Report on Compliance For Each Major Federal and State Program;
 Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Hackettstown School District
 County of Warren, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Hackettstown School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2018. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Honorable President and Members
of the Board of Education
Hackettstown School District
Page 2

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
January 18, 2019

NISIVOCCIA, LLP



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

HACKETTSTOWN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Cancellation of Prior Year Encumbrances	Balance at June 30, 2018		Amount Paid to Subrecipients		
					Budgetary Accounts Receivable/Unearned Revenue	(Budgetary) Accounts Receivable/Unearned Revenue					Budgetary Accounts Receivable	Budgetary Unearned Revenue			
U.S. Department of Education Passed-through State Department of Education:															
Special Revenue Fund:															
IDEA Special Education Cluster:															
I.D.E.A. Part B, Basic	84-027	IDEA187018	7/1/17-6/30/18	\$409,644			\$373,192	\$ (409,644)				\$ (36,452)			
I.D.E.A. Part B, Basic	84-027	IDEA187017	7/1/16-6/30/17	404,805			1,321								
I.D.E.A. Part B, Preschool	84-173	IDEA187018	7/1/17-6/30/18	11,196			10,738	(11,184)				(446)			
I.D.E.A. Part B, Preschool	84-173	IDEA187017	7/1/16-6/30/17	11,150			3,811								
Total IDEA Special Education Cluster							389,062	(420,828)				(36,898)			
Elementary and Secondary Education Act:															
Title I	84-010	ESEA187018	7/1/17-6/30/18	186,945			147,990	(173,727)				(25,737)			
Title I	84-010	NCLB187017	7/1/16-6/30/17	195,544			18,459		\$ 56		11,685				
Title I	84-010	NCLB187016	7/1/15-6/30/16	179,850							(10,967)				
Title II, Part A	84-367	ESEA187018	7/1/17-6/30/18	30,436			16,585	(24,158)				(7,573)			
Title II, Part A	84-367	NCLB187017	7/1/16-6/30/17	32,486			4,967								
Title III	84-365	ESEA187018	7/1/17-6/30/18	29,274			12,883	(18,500)				(5,617)			
Title III	84-365	NCLB187017	7/1/16-6/30/17	27,457			7,315			28			\$ 1,479		
Title III - Immigrant	84-365	ESEA187018	7/1/17-6/30/18	5,095			180	(4,409)				(4,229)			
Title III - Immigrant	84-365	NCLB187017	7/1/16-6/30/17	6,261			1,380					(1,558)		904	
Title IV	84-424	ESEA187018	7/1/17-6/30/18	10,000			2,250	(3,808)				(984)			
Perkins Secondary	84-048	PERKSEC-187018	7/1/17-6/30/18	15,638			13,863	(14,847)							
Perkins Secondary	84-048	PERKSEC-187017	7/1/16-6/30/17	15,105			2,494				313				
Perkins Secondary	84-048	PERKSEC-187016	7/1/15-6/30/16	14,087					\$ (125)						
Total No Child Left Behind Consolidated Grant							228,366	(239,449)		84	1,031	(45,698)		2,383	
Total Special Revenue Fund							617,428	(660,277)		84	1,030	(82,596)		2,383	
Total U.S. Department of Education							617,428	(660,277)		84	1,030	(82,596)		2,383	
U.S. Department of Agriculture Passed-through State Department of Agriculture:															
Child Nutrition Cluster:															
School Breakfast Program	10-553	N/A	7/1/17-6/30/18	42,963			38,907	(42,963)				(4,056)			
School Breakfast Program	10-553	N/A	7/1/16-6/30/17	48,830			3,780								
Food Distribution Program	10-555	N/A	7/1/17-6/30/18	21,118			21,118	(20,227)					\$ 891		
Food Distribution Program	10-555	N/A	7/1/16-6/30/17	18,675			964	(964)							
National School Lunch Program	10-555	N/A	7/1/17-6/30/18	207,853			191,939	(207,853)				(15,914)			
National School Lunch Program	10-555	N/A	7/1/16-6/30/17	198,532			11,564								
Total U.S. Department of Agriculture/Child Nutrition Cluster							267,308	(272,007)				(19,970)		891	
U.S. Department of Health and Human Services:															
Medicaid Cluster:															
Medical Assistance Program	93-778	N/A	7/1/17 - 6/30/18	22,064			22,064	(22,064)							
Medical Assistance Program							22,064	(22,064)							
Total U.S. Department of Health and Human Services/Total Medicaid Cluster							\$906,800	(954,348)		84	\$ 1,030	\$(102,566)		\$ 2,383	
Total Federal Awards							\$ (52,733)	\$ (954,348)		\$ (125)	\$ 84	\$ 1,030	\$(102,566)	\$ 891	\$ -0-

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

HACKETTSTOWN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Balance at June 30, 2018		MEMO		
				Budgetary Accounts Receivable	GAAP Accounts Receivable			Budgetary Accounts Receivable	Cumulative Total Expenditures			
New Jersey Department of Education												
General Fund:												
Categorical Special Education Aid	18-495-034-5120-089	7/1/17 - 6/30/18	\$ 755,124			\$ 680,467	\$ (755,124)	\$ (74,657)	\$ 755,124			
Equalization Aid	18-495-034-5120-078	7/1/17 - 6/30/18	4,519,177			4,072,379	(4,519,177)	(446,798)	4,519,177			
Categorical Security Aid	18-495-034-5120-084	7/1/17 - 6/30/18	38,497			34,690	(38,497)	(3,807)	38,497			
School Choice Aid	18-495-034-5120-068	7/1/17 - 6/30/18	29,415			26,507	(29,415)	(2,908)	29,415			
Categorical Transportation Aid	18-495-035-5120-014	7/1/17 - 6/30/18	19,534			17,603	(19,534)	(1,931)	19,534			
Adjustment Aid	18-495-034-5120-085	7/1/17 - 6/30/18	19,610			17,671	(19,610)	(1,939)	19,610			
PARCC Readiness Aid	18-495-034-5120-098	7/1/17 - 6/30/18	13,860			12,490	(13,860)	(1,370)	13,860			
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17 - 6/30/18	13,860			12,490	(13,860)	(1,370)	13,860			
Professional Learning Community Aid	18-495-034-5120-101	7/1/17 - 6/30/18	14,220			12,814	(14,220)	(1,406)	14,220			
Host District Support Aid	18-495-034-5120-102	7/1/17 - 6/30/18	479			432	(479)	(47)	479			
Extraordinary Aid	18-495-034-5120-044	7/1/17 - 6/30/18	56,196				(56,196)	(56,196)	56,196			
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17 - 6/30/18	1,031,192			979,700	(1,031,192)	(51,492)	1,031,192			
Categorical Special Education Aid	17-495-034-5120-089	7/1/16 - 6/30/17	755,124			72,976			755,124			
Equalization Aid	17-495-034-5120-078	7/1/16 - 6/30/17	4,257,538			411,450			4,257,538			
Categorical Security Aid	17-495-034-5120-084	7/1/16 - 6/30/17	38,497			3,721			38,497			
Adjustment Aid	17-495-034-5120-085	7/1/16 - 6/30/17	19,610			1,895			19,610			
School Choice Aid	17-495-034-5120-068	7/1/16 - 6/30/17	19,610			1,895			19,610			
Categorical Transportation Aid	17-495-035-5120-014	7/1/16 - 6/30/17	19,534			1,888			19,534			
Extraordinary Aid	17-495-034-5120-044	7/1/16 - 6/30/17	119,996			119,996			119,996			
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16 - 6/30/17	13,860			1,339			13,860			
PARCC Readiness Aid	17-495-034-5120-098	7/1/16 - 6/30/17	13,860			1,339			13,860			
Professional Learning Community Aid	17-495-034-5120-101	7/1/16 - 6/30/17	14,220			1,374			14,220			
Host District Aid	17-495-034-5120-102	7/1/16 - 6/30/17	479			46			479			
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16 - 6/30/17	1,016,550			50,855			1,016,550			
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17 - 6/30/18	1,308,308			1,308,308			1,308,308			
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17 - 6/30/18	1,977,634			1,977,634			1,977,634			
On-Behalf TPAF Long Term Disability Insurance	18-495-034-5094-004	7/1/17 - 6/30/18	3,511			3,511			3,511			
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17 - 6/30/18	47,992			47,992			47,992			
Total New Jersey Department of Education/General Fund						9,873,462	(9,848,609)	(643,921)	16,137,487			
						(668,774)		(107,688)				
New Jersey Department of Agriculture:												
Enterprise Fund:												
State School Lunch Program	18-100-010-3350-023	7/1/17 - 6/30/18	5,927			5,475	(5,927)	(452)	5,927			
State School Lunch Program	17-100-010-3350-023	7/1/16 - 6/30/17	5,268			302			5,268			
Total Enterprise Fund						5,777	(5,927)	(452)	11,195			
						(302)		(452)				
Total New Jersey Department of Agriculture						5,777	(5,927)	(452)	11,195			

HACKETTSTOWN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Balance at June 30, 2018		MEMO	
				Budgetary Accounts Receivable	Cash Received	Budgetary Expenditures	GAAP Accounts Receivable	Budgetary Accounts Receivable	Cumulative Total Expenditures
N.J. School Development Authority Grants									
Capital Projects Fund:									
High School Parking Lot	1870-050-10-1004	3/26/12 - 6/30/19	\$ 52,051	\$ (52,051)				\$ (52,051)	
Hatchery Hill Playground	1870-070-10-1010	3/26/12 - 9/30/17	18,077	(18,077)				(18,077)	
High School Auditorium	1870-050-10-1001	6/20/13 - 9/1/19	152,442	(137,198)				(137,198)	
High School Science Lab	1870-050-10-1002	6/20/13 - 9/1/20	358,759	(215,255)				(215,255)	
Middle School Auditorium Ventilation System	1870-060-09-1006	7/1/13 - 9/1/20	108,551	(108,551)				(108,551)	
High School Auditorium Ventilation System	1870-050-09-1002	7/1/13 - 9/1/19	108,551	(108,551)				(108,551)	
High School Security Cameras, Security Vestibule, Doors and Roof Replacement	1870-050-14-1004	6/30/14 - 9/1/18	496,400	(496,400)				(496,400)	
Middle School Security Cameras, Security Vestibule, Doors and Roof Replacement	1870-060-14-1005	6/30/14 - 9/1/18	221,200	(221,200)				(221,200)	
Hatchery Hill School Security Cameras, Security Vestibule, Restroom Renovation and Window Replacement	1870-070-14-1006	6/30/14 - 9/1/20	173,880	(173,880)				(173,880)	
Willow Grove School Security Cameras, Security Vestibule, Restroom Renovation and Window Replacement	1870-090-14-1007	6/30/14 - 9/1/20	185,900	(185,900)				(185,900)	
Total Capital Projects Fund				<u>(1,717,063)</u>				<u>(1,717,063)</u>	
Total N.J. School Development Authority Grants				<u>(1,717,063)</u>				<u>(1,717,063)</u>	
Total State Awards Subject to Single Audit Determination				<u>\$ (2,386,139)</u>	<u>\$9,879,239</u>	<u>\$ (108,140)</u>	<u>\$ (9,854,536)</u>	<u>\$ (2,361,436)</u>	<u>\$ 16,148,682</u>
Less: State Awards Not Subject to Single Audit Major Program Determination									
On-Behalf TPAF Pension System Contributions:									
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17 - 6/30/18						1,308,308	
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17 - 6/30/18						1,977,634	
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17 - 6/30/18						3,511	
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17 - 6/30/18						47,992	
Subtotal - On-Behalf TPAF Pension System Contributions								<u>3,337,445</u>	
Total State Awards Subject to Single Audit Major Program Determination								<u>\$(6,517,091)</u>	

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

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Hackettstown School District under programs of the federal and state governments for the fiscal year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. 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 agreements 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 in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. 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. 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. Grant revenue in the capital projects fund is recognized on the budgetary basis in the fiscal year of award but is not recognized on the GAAP basis until expended and submitted for reimbursement.

HACKETTSTOWN SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$38,310) for the General Fund and \$7,918 for the Special Revenue Fund (of which \$3,097 is for local grants). See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general, special revenue and capital projects funds. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 22,064	\$ 9,810,299	\$ 9,832,363
Special Revenue Fund	665,098		665,098
Food Service Fund	272,007	5,927	277,934
Total Awards	<u>\$ 959,169</u>	<u>\$ 9,816,226</u>	<u>\$ 10,775,395</u>

NOTE 5. 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 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2018. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

NOTE 7. NJ SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANTS

In prior years, the District was awarded grants in the amount of \$1,875,811 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2018, two of the grants totaling \$158,748 have been expended and drawn down on a GAAP basis. In the Capital Projects Fund, the District realized the full amount of the grant revenue on a budgetary basis in the year awarded and realizes the grant revenue on a GAAP basis as it is expended and submitted for reimbursement. Expenditures reported on the NJSDA grants on the Schedule of Expenditures of State Awards represent reimbursement requests submitted to the NJSDA.

HACKETTSTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *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*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major federal and state programs disclosed during the audit as reported in the Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major federal and state programs for the current fiscal year consisted of the following:

	<u>CFDA Number or State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Federal Aid:				
Special Education Cluster:				
I.D.E.A. Part B, Basic	84.027	7/1/17-6/30/18	\$ 409,644	\$ 409,644
I.D.E.A. Part B, Preschool	84.173	7/1/17-6/30/18	11,196	11,184
State Aid Public:				
Categorical Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	755,124	755,124
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	4,519,177	4,519,177
Categorical Security Aid	18-495-034-5120-084	7/1/17-6/30/18	38,497	38,497
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	19,610	19,610
School Choice Aid	18-495-034-5120-068	7/1/17-6/30/18	29,415	29,415
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	13,860	13,860
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	13,860	13,860
Professional Learning Communication Aid	18-495-034-5120-101	7/1/17-6/30/18	14,220	14,220
Host District Aid	18-495-034-5120-102	7/1/17-6/30/18	479	479
Extraordinary Aid	18-495-034-5120-044	7/1/17-6/30/18	56,196	56,196

HACKETTSTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Summary of Auditors' Results (Cont'd):

- The threshold used for distinguishing between Type A and Type B federal and state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for federal programs. However, the District was not determined to be a "low-risk" auditee for state programs.

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:

- The audit did not disclose any findings or questioned costs for federal awards as defined in 2 CFR 200.516(a) of the Uniform Guidance.

HACKETTSTOWN SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Status of Prior Year Finding/Recommendation:

The prior year audit finding 2017-01 regarding certain in-district student costs reported on the Extraordinary Aid application not being supported by the District's accounting records was resolved in the current year.