

HOPATCONG BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Hopatcong, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the
Hopatcong Board of Education
Hopatcong, New Jersey
For The Fiscal Year Ended June 30, 2018**

**Prepared by
Business Office**

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Hopatcong Board of Education

P.O. Box 1029
2 Windsor Avenue
Hopatcong, New Jersey 07843
(973)398-8801 FAX (973)398-1961

Learning Today

Leading Tomorrow

January 22, 2019

President and Members of the Board of Education
Hopatcong Borough School District
County of Sussex, New Jersey

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the district's organizational chart and a list of principal officials. The financial section includes the basic financial statements and required supplementary information, as well as the auditor's report. 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 provision of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (uniform Guidance) and the state Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES

The Hopatcong Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds of the District are included. The district provides a full range of services appropriate to grade levels Kindergarten through Grade 12. District services are provided to preschool, regular, vocational and special education students. The following details the changes in the student enrollment of the Hopatcong Borough Public Schools over the last five years.

REPORTING ENTITY AND ITS SERVICES (Continued)

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Average Daily Attendance</u>	<u>Attendance Percentage</u>
2017-18	1,548	1,474	95%
2016-17	1,572	1,487	95%
2015-16	1,600	1,517	95%
2014-15	1,742	1,638	94%
2013-14	1,818	1,721	94%

ECONOMIC CONDITION AND OUTLOOK

The district consists of five schools: Durban Avenue, Hudson Maxim, Tulsa Trail, Hopatcong Middle School and Hopatcong High School. Facilities necessary for an educational program that can deliver the New Jersey Common Core State Standards are well maintained and require ongoing maintenance and upkeep.

The tax levy remained the same as the 2016-17 school year.

DEMOGRAPHICS

As of the 2010 US Census, the borough's population was 15,147, reflecting a decline of 741, or -4.7%, from the 15,888 counted in the 2000 US Census. There were 5,653 households, of which 32% had children under the age of 18 living with them. 21% of all households were made up of individuals, and 5% had someone living alone who was 65 years of age or older. The average household size was 2.7 and the average family size was 3.1.

MAJOR INITIATIVES 2017-18

During the 2017-2018 school year the district engaged in numerous major initiatives designed in support of our district goals. The incorporation of The Reader's and Writer's Workshop into the elementary curriculum was a way to engage, differentiate, and enhance student learning and achievement. Arts integration and technology were fused as the basis for projects and curriculum designed for the utilization of the MakerSpace lab/TV and Editing Studio at Durban Avenue School. The studio is used on a daily basis for morning announcements and continues to support the district's goals to improve college and career readiness. In addition, the Standards-Based Report Cards had their final year of planning and are now being implemented as per the schedule at the three elementary schools. In addition, Camp Innovate again provided a wonderful, hands-on learning experience for many of our Tulsa Trail students.

The 2017-2018 school year also saw the completion and implementation of the Innovation Lab at the Middle School. The lab is scheduled for use six periods a day with curriculum based on the District's STEAM initiative. The Innovation lab was designed to incorporate problem based and hands on learning, technology and arts, in an environment equipped to offer a collaborative learning space. At the High School, a redesign of the Academy Program was undertaken to update and expand the curriculum and facilities for the Future Teachers and STEAM Academy.

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 District recognizes the concept of reasonable assurance that states that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. As a recipient of federal and state financial assistance the District is responsible for ensuring the compliance with applicable laws and regulations related to those programs.

BUDGETARY CONTROLS

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the General Fund and the Special Revenue Fund. Project-length budgets are approved for capital improvements accounted for the Capital Projects Fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. These amounts to be re-appropriated are reported as reservations of fund balances at June 30, 2018.

ACCOUNTING SYSTEM REPORTS

The District's accounting records reflect the generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds.

CASH MANAGEMENT

The investment practice of the District is guided in large part by state statutes as detailed in "*Notes to the Financial Statements*". 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). This law was enacted to protect banking institutions 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.

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.

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The board selected the independent firm of Lerch, Vinci & Higgins, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act, as amended, and the related Uniform Guidance and State Treasury Circular Letter 15-08 OMB. The auditors' report on the basic financial statements is included in the financial section of this report.

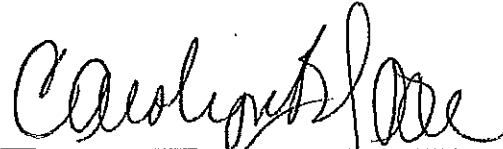
ACKNOWLEDGEMENTS

The Hopatcong Borough School Board is to be recognized for its concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing its full support to the development and maintenance of our financial operations. The preparation and content of this report could not have been accomplished without the services of the District's financial, accounting and management staff.

Respectfully submitted,



Dr. Joanne Mullane
Acting Superintendent of Schools



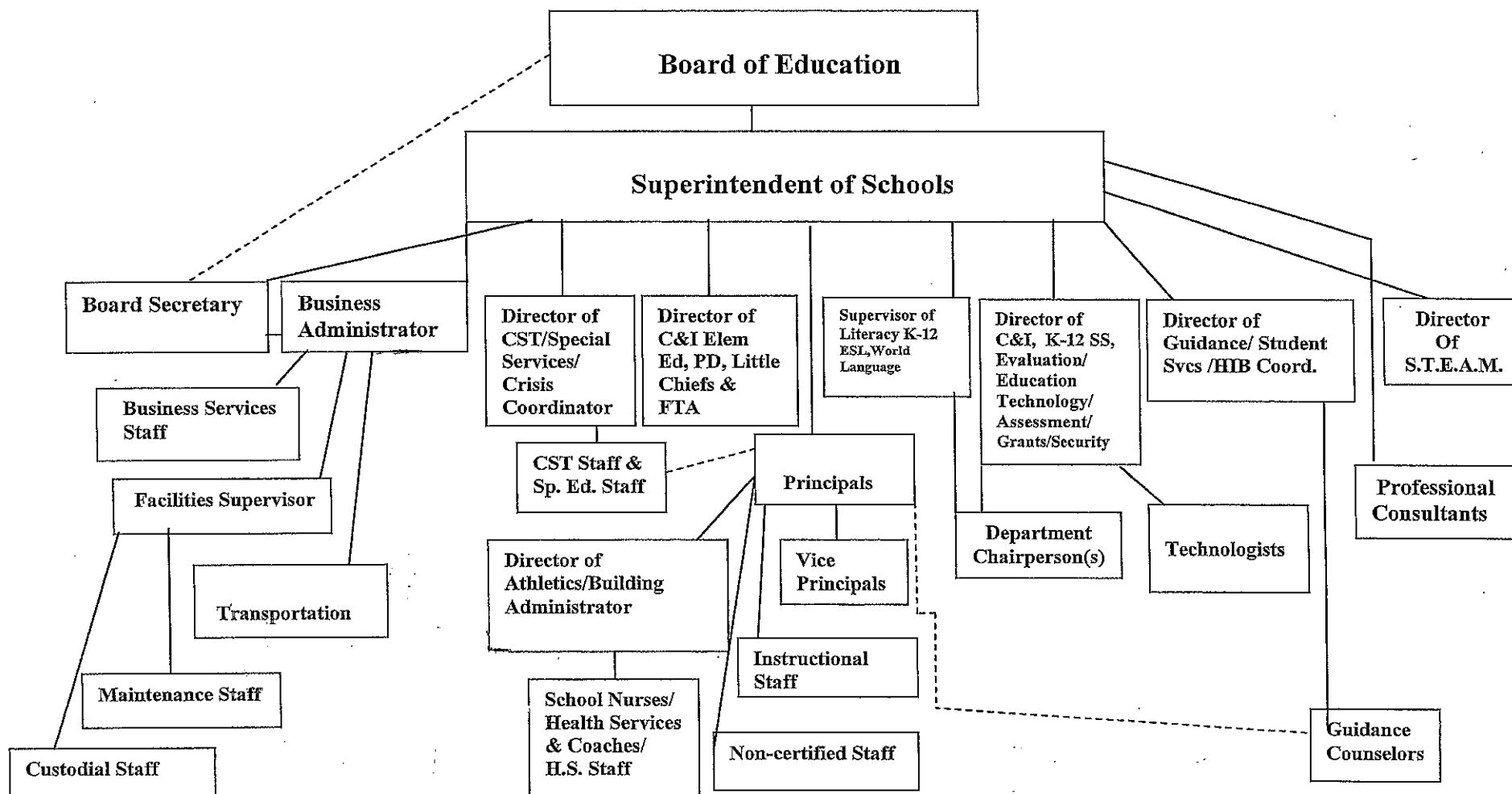
Carolyn B. Joseph
School Business Administrator/ Board Secretary

POLICY

BOARD OF EDUCATION HOPATCONG

ADMINISTRATION
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Organizational Chart

1110 ORGANIZATIONAL CHART HOPATCONG BOROUGH SCHOOL DISTRICT



Legend: — Direct Supervision
--- Consultative Supervision

**HOPATCONG BOROUGH SCHOOL DISTRICT
HOPATCONG, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Anthony Fasano, President	2019
Alexander McLean, Vice President	2019
Philip DiStefano	2018
Scott Francis	2020
Warren Gallagher	2019
Erin Jacobus	2020
Dr. Sarah Schindelar	2020
Candice Smith	2018
Carol Trumpore	2018

Other Officials

Dr. Joanne Mullane, Acting Superintendent of Schools

Carolyn B. Joseph, School Business Administrator/Board Secretary

William Stepka, Treasurer of School Monies

CONSULTANTS AND ADVISORS

ATTORNEYS

Porzio, Bromberg & Newman, P.C.
100 Southgate Parkway
Morristown, NJ 07962

AUDIT FIRM

Lerch, Vinci & Higgins, LLP
17-17 Route 208
Fair Lawn, New Jersey 07410

OFFICIAL DEPOSITORIES

Fulton Bank of New Jersey
118 Lakeside Blvd
Landing, NJ 07850

Valley National Bank
7 Woodport Rd.
Sparta, NJ 07871

Santander Bank
110 River Styx Rd.
Hopatcong, NJ 07843

Wells Fargo
ITC Crossing South
50 International Dr. S
Flanders, NJ 07836

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Hopatcong Board of Education
Hopatcong, 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 Hopatcong Board of Education, as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Hopatcong Board of Education 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

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2018 the Hopatcong Board of Education adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is 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, budgetary comparison information, pension information and other postemployment benefits information 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 Hopatcong Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal 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 (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Hopatcong Board of Education.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2019 on our consideration of the Hopatcong Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hopatcong Board of Education's 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 Hopatcong Board of Education's internal control over financial reporting and compliance.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
January 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

This section of the Hopatcong Board of Education's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on 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 follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017-2018 fiscal year include the following:

- The liabilities and deferred inflows of resources of the Hopatcong Board of Education exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$3,794,375.
- Overall district revenues were \$89,288,307. General revenues accounted for \$34,008,282 or 38% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$55,280,025 or 62% of total revenues.
- The school district had \$50,593,964 in expenses for governmental activities; only \$15,855,936 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$33,777,372 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$3,154,173.
- The General Fund fund balance at June 30, 2018 was \$3,154,173, a decrease of \$429,589 from the June 30, 2017 fund balance of \$3,583,762.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental 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.

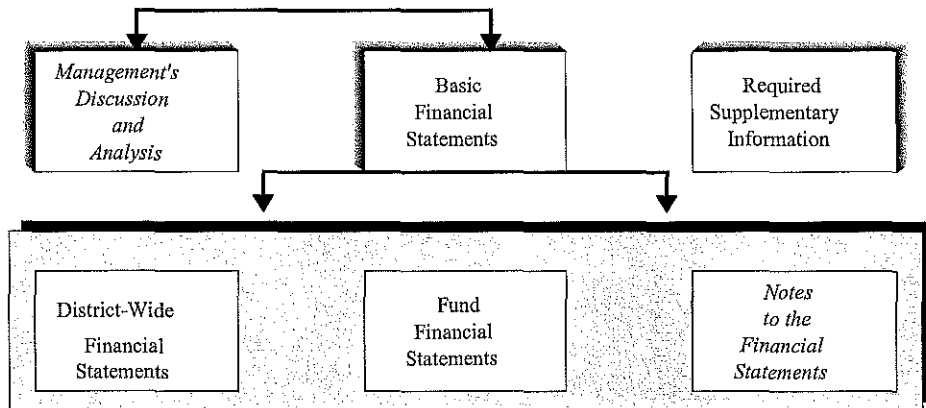
HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The governmental funds statements tell how basic services were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities the district operated like businesses.
- 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 to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The various parts of this annual report are arranged and related to one another, as noted below.



HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

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 are summarized below. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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 instruction, special education, building maintenance and community education	Activities the district operates similar to private businesses; enterprise funds	Instances in which the district administers resources on behalf of someone else, such as unemployment, payroll agency, and student activities
Required financial statements	Statements of net position Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows	Statements 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 focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows/deferred inflows/liability information	All assets, deferred outflows, liabilities, and deferred inflows, 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, liabilities, and deferred inflows, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term funds do not currently contain capital assets.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues 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 revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid.

District-wide financial 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 of resources, liabilities and deferred inflows of resources. All of the current year's revenues 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 of resources and liabilities/deferred inflows of resources – is one way to measure the District's financial health or position.

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

District-wide financial statements (continued)

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial 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 shown in two categories:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration and plant operations and maintenance. Property taxes and state aids finance most of these activities.
- *Business type activities* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's Food Service Fund, Transportation Services Fund and Day Plus Services Fund are included under this category.

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 bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state 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 to 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, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) 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.

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

Fund financial statements (continued)

Enterprise Funds – These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has three enterprise funds:

- Food Service (Cafeteria)
- Transportation Services
- Day Plus Services

• *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others. 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. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the 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 financial statements can be found following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for the general and special revenue funds. A budgetary comparison statement has been provided for these funds as required supplementary information. The required supplementary information can be found following the notes to the financial statements.

The District also presents required supplementary information regarding the accounting and financial reporting for pensions under GASB Statement No. 68 and other post-employment benefits under GASB Statement No. 75. The required supplementary information can be found following the notes to the financial statements.

Combining statements and schedules are presented immediately following the major budgetary comparisons.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a Board's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3,794,375 as of June 30, 2018.

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position As of June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	(Restated)		(Restated)		(Restated)	
	2018	2017	2018	2017	2018	2017
Assets						
Current Assets	\$ 3,279,536	\$ 3,710,853	\$ 5,613,596	\$ 5,205,752	\$ 8,893,132	\$ 8,916,605
Capital Assets, Net	<u>4,756,340</u>	<u>5,284,080</u>	<u>203,046</u>	<u>197,373</u>	<u>4,959,386</u>	<u>5,481,453</u>
Total Assets	<u>8,035,876</u>	<u>8,994,933</u>	<u>5,816,642</u>	<u>5,403,125</u>	<u>13,852,518</u>	<u>14,398,058</u>
Deferred Outflows of Resources						
Deferred Amounts on Net Pension Liability	<u>2,851,388</u>	<u>4,328,505</u>	<u>-</u>	<u>-</u>	<u>2,851,388</u>	<u>4,328,505</u>
Total Assets & Deferred Outflows of Resources	<u>10,887,264</u>	<u>13,323,438</u>	<u>5,816,642</u>	<u>5,403,125</u>	<u>16,703,906</u>	<u>18,726,563</u>
Liabilities						
Long-Term Liabilities	12,731,139	16,977,020	110,001	74,611	12,841,140	17,051,631
Other Liabilities	<u>125,363</u>	<u>127,091</u>	<u>4,444,726</u>	<u>3,985,039</u>	<u>4,570,089</u>	<u>4,112,130</u>
Total Liabilities	<u>12,856,502</u>	<u>17,104,111</u>	<u>4,554,727</u>	<u>4,059,650</u>	<u>17,411,229</u>	<u>21,163,761</u>
Deferred Inflows of Resources						
Deferred Commodities Revenue			1,194	3,572	1,194	3,572
Deferred Amounts on Net Pension Liability	<u>3,085,858</u>	<u>313,767</u>	<u>-</u>	<u>-</u>	<u>3,085,858</u>	<u>313,767</u>
Total Liabilities & Deferred Inflows of Resources	<u>15,942,360</u>	<u>17,417,878</u>	<u>4,555,921</u>	<u>4,063,222</u>	<u>20,498,281</u>	<u>21,481,100</u>
Net Position						
Net Investment in Capital Assets	4,610,433	5,059,104	157,867	122,762	4,768,300	5,181,866
Restricted	1,626,583	1,419,546			1,626,583	1,419,546
Unrestricted	<u>(11,292,112)</u>	<u>(10,573,090)</u>	<u>1,102,854</u>	<u>1,217,141</u>	<u>(10,189,258)</u>	<u>(9,355,949)</u>
Total Net Position	<u>\$ (5,055,096)</u>	<u>\$ (4,094,440)</u>	<u>\$ 1,260,721</u>	<u>\$ 1,339,903</u>	<u>\$ (3,794,375)</u>	<u>\$ (2,754,537)</u>

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

Change in Net Position

For The Fiscal Years Ended June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues						
Charges for Services	\$ 137,000		\$ 39,166,832	\$ 33,824,936	\$ 39,303,832	\$ 33,824,936
Operating Grants and Contributions	15,718,936	\$ 14,670,986	257,257	247,228	15,976,193	14,918,214
Capital Grants and Contributions		22,575			-	22,575
General Revenues						
Property Taxes	24,147,386	24,391,299			24,147,386	24,391,299
State Aid	9,405,588	9,395,716			9,405,588	9,395,716
Other	224,398	265,650	230,910	540	455,308	266,190
	<u>49,633,308</u>	<u>48,746,226</u>	<u>39,654,999</u>	<u>34,072,704</u>	<u>89,288,307</u>	<u>82,818,930</u>
Expenses						
Instruction						
Regular	20,458,975	20,247,169			20,458,975	20,247,169
Special Education	8,588,419	8,519,456			8,588,419	8,519,456
Other Special Instruction	683,573	648,626			683,573	648,626
Other Instruction	1,229,445	1,189,812			1,229,445	1,189,812
Support Services						
Student and Instruction Related Services	7,823,172	7,174,032			7,823,172	7,174,032
School Administrative Services	3,176,037	3,662,376			3,176,037	3,662,376
General Administrative Services	997,236	938,879			997,236	938,879
Plant Operations and Maintenance	4,845,938	4,435,140			4,845,938	4,435,140
Pupil Transportation	2,097,472	2,127,073			2,097,472	2,127,073
Central Services/Admin Info Technology	686,874	615,669			686,874	615,669
Interest on Long-Term Debt	6,823	9,946			6,823	9,946
Food Services			620,991	620,852	620,991	620,852
Transportation Services			38,774,080	33,533,400	38,774,080	33,533,400
Day Plus Services	-	-	339,110	322,875	339,110	322,875
	<u>50,593,964</u>	<u>49,568,178</u>	<u>39,734,181</u>	<u>34,477,127</u>	<u>90,328,145</u>	<u>84,045,305</u>
Change in Net Position	(960,656)	(821,952)	(79,182)	(404,423)	(1,039,838)	(1,226,375)
Net Position, Beginning of Year	<u>(4,094,440)</u>	<u>(2,837,391)</u>	<u>1,339,903</u>	<u>1,784,341</u>	<u>(2,754,537)</u>	<u>(1,053,050)</u>
Prior Period Adjustment - Capital Assets and Capital Leases	<u>-</u>	<u>(435,097)</u>	<u>-</u>	<u>(40,015)</u>	<u>-</u>	<u>(475,112)</u>
Net Position, End of Year	<u>\$ (5,055,096)</u>	<u>\$ (4,094,440)</u>	<u>\$ 1,260,721</u>	<u>\$ 1,339,903</u>	<u>\$ (3,794,375)</u>	<u>\$ (2,754,537)</u>

HOPATCONG BOARD OF EDUCATION

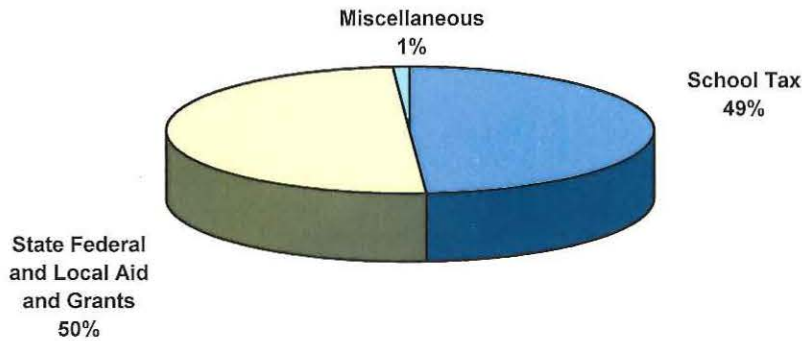
Management's Discussion and Analysis

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$49,633,308 for the fiscal year ended June 30, 2018. Property taxes of \$24,147,386 represented 49 percent of revenues. Another significant portion of revenues came from State aid; total State, Federal, Local and formula aid was \$25,124,524. This revenue type increased significantly (\$1,057,822, 4%) from the prior year primarily due to the adjustment to the on-behalf OPEB contribution to recognize the actuarially determined amount that should have been contributed on behalf of the District. This adjustment which impacts both the revenues and expenses of the governmental activities was \$3,508,784. Another source of revenues is miscellaneous income which includes items such as rentals, prior year refunds, etc.

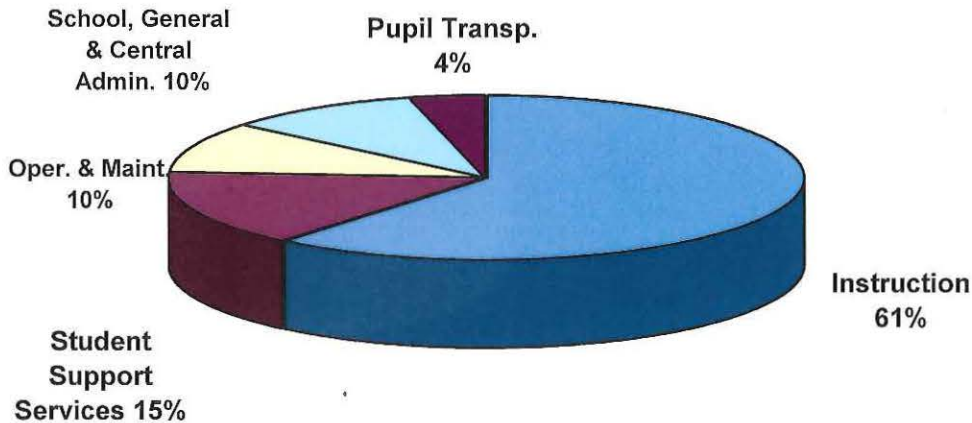
The total cost of all governmental activities programs and services was \$50,593,964. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$30,960,412 (61%) of total expenditures. Student support services, exclusive of administration, total \$7,823,172 or (15%) of total expenditures. Administrative services total \$4,860,147 (10%) of expenditures. Plant operations and maintenance comprise \$4,845,938 or 10% of total expenditures. The remaining balance of the expenditures largely related to pupil transportation.

Total governmental activities revenues were less than expenses decreasing net position by \$960,656 from the previous year.

Revenues by Source- Governmental Activities
For Fiscal Year 2017/18



Expenses by Type- Governmental Activities
For Fiscal Year 2017/18



HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

Total and Net Cost of Governmental Activities. The District's total cost of services was \$50,593,964. After applying program revenues, derived from operating grants and contributions of \$15,718,936 and charges for services of \$137,000, the net cost of services of the District is \$34,738,028.

Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction				
Regular	\$ 20,458,975	\$ 20,247,169	\$ 13,478,861	\$ 13,359,517
Special Education	8,588,419	8,519,456	4,643,311	4,752,234
Other Special Instruction	683,573	648,626	300,880	274,212
Other Instruction	1,229,445	1,189,812	1,121,908	1,137,812
Support Services				
Student and Instruction Related Services	7,823,172	7,174,032	5,870,045	5,596,901
School Administrative Services	3,176,037	3,662,376	2,155,600	2,489,454
General Administrative Services	997,236	938,879	954,656	938,879
Plant Operations and Maintenance	4,845,938	4,435,140	4,210,617	4,203,014
Pupil Transportation	2,097,472	2,127,073	1,367,547	1,496,979
Central Services/Admin Info Technology	686,874	615,669	627,780	615,669
Interest on Long-Term Debt	6,823	9,946	6,823	9,946
	<u>50,593,964</u>	<u>49,568,178</u>	<u>34,738,028</u>	<u>34,874,617</u>
Total	\$ 50,593,964	\$ 49,568,178	\$ 34,738,028	\$ 34,874,617

Business-Type Activities – The District's total business-type activities revenues were \$39,654,999 for the fiscal year ended June 30, 2018. Charges for services accounted for 99% of total revenues. Operating grants and contributions and miscellaneous revenue accounted for 1% of total revenue for the year.

The total cost of all business-type activities programs and services was \$39,734,181. The District's expenses are related to Food Service programs provided to all students, teachers and administrators within the District and the operations of the Transportation Services and Day Plus Services programs.

Total business-type activities revenues were less than expenses decreasing net position by \$79,182 from the prior year balance.

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,154,173. At June 30, 2017, the fund balance was \$3,583,762.

Revenues for the District's governmental funds were \$41,868,507, while total expenditures were \$42,298,096.

General Fund - The General Fund is the chief operating fund of the District and includes the primary operations in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund revenues.

	<u>Fiscal Year Ended</u>		Increase (Decrease)	Percentage Change
	<u>June 30, 2018</u>	<u>June 30, 2017</u>		
Local Sources				
Property Tax Levy	\$ 24,147,386	\$ 24,391,299	\$ (243,913)	-1.0%
Interest	900	15,966	(15,066)	-94.4%
Rents	137,000	80,000	57,000	71.3%
Miscellaneous	223,498	169,684	53,814	31.7%
State Sources	16,399,686	15,631,664	768,022	4.9%
Federal Sources	<u>46,942</u>	<u>35,822</u>	<u>11,120</u>	31.0%
Total General Fund Revenues	<u>\$ 40,955,412</u>	<u>\$ 40,324,435</u>	<u>\$ 630,977</u>	1.56%

Total General Fund Revenues increased by \$630,977 or 1% over the previous year.

Local property taxes decreased \$243,913 or 1% from the previous year. State aid revenues increased \$768,022 due to an increase in the State of New Jersey funding to the on-behalf TPAF Pension Contribution and Post-Retirement Medical Benefit. Federal sources increased due to more funds received for Medicaid (SEMI) reimbursements for services provided to District students. Miscellaneous revenues, including rents, increased by \$110,814 primarily due to an increase of one-time refunds and an increase in rentals of school facilities.

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

The following schedule presents a summary of General Fund expenditures.

	Fiscal Year Ended		Increase (Decrease)	Percentage Change
	June 30, 2018	June 30, 2017		
Instruction	\$ 24,256,832	\$ 23,280,763	\$ 976,069	4.2%
Support Services	16,980,752	16,160,495	820,257	5.1%
Debt Service	85,892	113,133	(27,241)	-24%
Capital Outlay	<u>61,525</u>	<u>1,216,613</u>	<u>(1,155,088)</u>	-94.9%
Total Expenditures	<u>\$ 41,385,001</u>	<u>\$ 40,771,004</u>	<u>\$ 613,997</u>	1.5%

Total General Fund expenditures increased \$613,997 or 1.5% over the previous year.

In 2017-2018 General Fund revenues were less than expenditures by \$429,589. As a result, total fund balance decreased to \$3,154,173 at June 30, 2018. After deducting restrictions and assignments, the unassigned fund balance at June 30, 2018 is a deficit of \$449,993.

Special Revenue Fund - The Special Revenue Fund includes all restricted Federal, State and local sources utilized in the operations of the district in providing educational services to students with special needs.

Revenues of the Special Revenue Fund were \$913,095, for the fiscal year ended June 30, 2018. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented more than 99% of the total revenue for the year. The remaining less than 1% is from local sources.

Expenditures of the Special Revenue Fund were \$913,095. Instructional expenditures were \$871,289 and support services expenditures were \$41,806.

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

Proprietary Funds

The District maintains Enterprise Funds to account for activities that are supported in part through user fees.

Enterprise Funds - The District uses Enterprise Funds to report activities related to the Transportation Services program as well as the Food Services and Day Plus Services programs. The District's Enterprise Funds provide the same type of information found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of these Funds have already been addressed in the discussion of the District's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to New Jersey Department of Education guidelines, and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgetary fund is the General Fund.

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

- Implementing budgets for specially funded projects, which include both federal and state grants.
- Appropriating Capital Reserve funds to fund capital outlay projects.
- Appropriating Maintenance Reserve funds to fund required maintenance expenditures.
- Reappropriation of prior year purchase orders (June 30, 2017 encumbrances).

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business type activities as of June 30, 2018 amounts to \$4,959,386 (net of accumulated depreciation). The capital assets consist of land, site improvements, buildings and building improvements, specialized machinery and various other types of equipment. Depreciation charges for fiscal year 2017-2018 amounted to \$589,265 for governmental activities and \$49,138 for business-type activities.

Capital Assets at June 30, 2018 and 2017
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>(Restated)</u>		<u>(Restated)</u>		<u>(Restated)</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 359,763	\$ 359,763			\$ 359,763	\$ 359,763
Site Improvements	392,930	448,008			392,930	448,008
Buildings and Building Improvements	3,355,913	3,615,288			3,355,913	3,615,288
Machinery and Equipment	<u>647,734</u>	<u>861,021</u>	<u>\$ 203,046</u>	<u>\$ 197,373</u>	<u>850,780</u>	<u>1,058,394</u>
Total Capital Assets (Net)	<u>\$ 4,756,340</u>	<u>\$ 5,284,080</u>	<u>\$ 203,046</u>	<u>\$ 197,373</u>	<u>\$ 4,959,386</u>	<u>\$ 5,481,453</u>

Additional information on the District's capital assets are presented in Note 3 of this report.

HOPATCONG BOARD OF EDUCATION

Management's Discussion and Analysis

LONG TERM LIABILITIES

At year end, the District's long-term liabilities consisted of compensated absences payable of \$846,330, capital leases payable of \$191,086 and net pension liability of \$11,803,724.

Additional information of the District's long-term liabilities is presented in Note 3 of this report.

Outstanding Long-Term Liabilities

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
Net Pension Liability	\$ 11,803,724	\$ 15,807,448
Capital Leases (Gov't Act. & Business-Type Activities)	191,086	299,587
Compensated Absences (Gov't Act. & Business-Type Activities)	<u>846,330</u>	<u>944,596</u>
Total Long-Term Liabilities	<u>\$ 12,841,140</u>	<u>\$ 17,051,631</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Currently, the District is in good financial condition. Everyone associated with the Hopatcong Board of Education is grateful for the community support.

Many factors were considered by the District's administration during the process of developing the fiscal year 2018-2019 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the School Business Administrator, Hopatcong Board of Education, P.O. Box 1029, Hopatcong, NJ 07843.

BASIC FINANCIAL STATEMENTS

**HOPATCONG BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,143,847		\$ 3,143,847
Receivables, net	135,689	\$ 5,607,548	5,743,237
Inventory	-	6,048	6,048
Capital Assets			
Not Being Depreciated	359,763	203,046	562,809
Being Depreciated, Net	<u>4,396,577</u>	<u>-</u>	<u>4,396,577</u>
Total Assets	<u>8,035,876</u>	<u>5,816,642</u>	<u>13,852,518</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>2,851,388</u>	<u>-</u>	<u>2,851,388</u>
Total Assets and Deferred Outflows of Resources	<u>10,887,264</u>	<u>5,816,642</u>	<u>16,703,906</u>
LIABILITIES			
Cash Overdraft		4,434,274	4,434,274
Accounts Payable and Other Current Liabilities	125,363		125,363
Unearned Revenue		10,452	10,452
Noncurrent Liabilities			
Due Within One Year	81,426	26,761	108,187
Due Beyond One Year	<u>12,649,713</u>	<u>83,240</u>	<u>12,732,953</u>
Total Liabilities	<u>12,856,502</u>	<u>4,554,727</u>	<u>17,411,229</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue		1,194	1,194
Deferred Amounts on Net Pension Liability	<u>3,085,858</u>	<u>-</u>	<u>3,085,858</u>
Total Liabilities and Deferred Inflows of Resources	<u>15,942,360</u>	<u>4,555,921</u>	<u>20,498,281</u>
NET POSITION			
Net Investment in Capital Assets	4,610,433	157,867	4,768,300
Restricted for:			
Capital Projects	1,326,980		1,326,980
Other Purposes	299,603		299,603
Unrestricted	<u>(11,292,112)</u>	<u>1,102,854</u>	<u>(10,189,258)</u>
Total Net Position	<u>\$ (5,055,096)</u>	<u>\$ 1,260,721</u>	<u>\$ (3,794,375)</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**HOPATCONG BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities							
Instruction							
Regular	\$ 20,458,975		\$ 6,980,114		\$ (13,478,861)		\$ (13,478,861)
Special Education	8,588,419		3,945,108		(4,643,311)		(4,643,311)
Other Special Instruction	683,573		382,693		(300,880)		(300,880)
Other Instruction	1,229,445		107,537		(1,121,908)		(1,121,908)
Support Services							
Student and Instruction Related Services	7,823,172		1,953,127		(5,870,045)		(5,870,045)
School Administrative Services	3,176,037		1,020,437		(2,155,600)		(2,155,600)
General Administrative Services	997,236		42,580		(954,656)		(954,656)
Central Services/Admin Info. Technology	686,874		59,094		(627,780)		(627,780)
Plant Operations and Maintenance	4,845,938	\$ 137,000	498,321		(4,210,617)		(4,210,617)
Pupil Transportation	2,097,472		729,925		(1,367,547)		(1,367,547)
Interest on Long-Term Debt and Other Charges	6,823	-	-	-	(6,823)	-	(6,823)
 Total Governmental Activities	 <u>50,593,964</u>	 <u>137,000</u>	 <u>15,718,936</u>	 <u>-</u>	 <u>(34,738,028)</u>	 <u>-</u>	 <u>(34,738,028)</u>
Business-Type Activities							
Food Service	620,991	368,764	257,257			\$ 5,030	5,030
Transportation Services	38,774,080	38,450,073				(324,007)	(324,007)
Day Plus Services	339,110	347,995	-	-	-	8,885	8,885
 Total Business-Type Activities	 <u>39,734,181</u>	 <u>39,166,832</u>	 <u>257,257</u>	 <u>-</u>	 <u>-</u>	 <u>(310,092)</u>	 <u>(310,092)</u>
 Total Primary Government	 <u>\$ 90,328,145</u>	 <u>\$ 39,303,832</u>	 <u>\$ 15,976,193</u>	 <u>\$ -</u>	 <u>(34,738,028)</u>	 <u>(310,092)</u>	 <u>(35,048,120)</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

(Continued)

**HOPATCONG BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Balance, Carried Forward	\$ (34,738,028)	\$ (310,092)	\$ (35,048,120)
General Revenues			
Property Taxes Levied for General Purposes	24,147,386		24,147,386
State Aid - Unrestricted	9,405,588		9,405,588
Miscellaneous Income	224,398	230,910	455,308
Total General Revenues	33,777,372	230,910	34,008,282
Change in Net Position	(960,656)	(79,182)	(1,039,838)
Net Position, Beginning of Year (Restated)	(4,094,440)	1,339,903	(2,754,537)
Net Position, End of Year	\$ (5,055,096)	\$ 1,260,721	\$ (3,794,375)

FUND FINANCIAL STATEMENTS

**HOPATCONG BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,123,388	\$ 20,459	\$ 3,143,847
Due from Other Funds	2,786		2,786
Receivables, Net			
Receivables from Other Governments	27,928	43,500	71,428
Other Receivables	<u>61,475</u>	<u>-</u>	<u>61,475</u>
 Total Assets	 <u>\$ 3,215,577</u>	 <u>\$ 63,959</u>	 <u>\$ 3,279,536</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 61,404	\$ 63,959	\$ 125,363
 Total Liabilities	 <u>61,404</u>	 <u>63,959</u>	 <u>125,363</u>
Fund Balances			
Restricted			
Capital Reserve	1,326,980		1,326,980
Maintenance Reserve	299,603		299,603
Excess Surplus	989,879		989,879
Excess Surplus - Designated for Subsequent Year's Expenditures (2018/19 Budget)	803,160		803,160
Assigned			
Year End Encumbrances	168,526		168,526
Designated for Subsequent Year's Expenditures (2018/19 Budget)	16,018		16,018
Unassigned	<u>(449,993)</u>	<u>-</u>	<u>(449,993)</u>
 Total Fund Balances	 <u>3,154,173</u>	 <u>-</u>	 <u>3,154,173</u>
 Total Liabilities and Fund Balances	 <u>\$ 3,215,577</u>	 <u>\$ 63,959</u>	 <u>\$ 3,279,536</u>

Total Fund Balances \$ 3,154,173

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$25,871,524 and the accumulated depreciation is \$21,115,184. 4,756,340

Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.

Deferred Outflows of Resources	\$ 2,851,388	
Deferred Inflows of Resources	<u>(3,085,858)</u>	
		\$ (234,470)

Long term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Capital Leases/Lease Purchase Agreement	(145,907)	
Net Pension Liability	(11,803,724)	
Compensated Absences Payable	<u>(781,508)</u>	
		<u>(12,731,139)</u>

Net Position of Governmental Activities (Exhibit A-1) \$ (5,055,096)

**HOPATCONG BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources			
Property Tax Levy	\$ 24,147,386		\$ 24,147,386
Interest Earned on Investments	900		900
Rents	137,000		137,000
Miscellaneous	223,498	\$ 2,300	225,798
	<u>24,508,784</u>	<u>2,300</u>	<u>24,511,084</u>
Total - Local Sources			
State Sources	16,399,686		16,399,686
Federal Sources	46,942	910,795	957,737
	<u>16,446,628</u>	<u>910,795</u>	<u>17,357,423</u>
Total Revenues	<u>40,955,412</u>	<u>913,095</u>	<u>41,868,507</u>
EXPENDITURES			
Current			
Regular Instruction	16,192,260	84,524	16,276,784
Special Education Instruction	6,613,009	572,489	7,185,498
Other Special Instruction	353,695	214,276	567,971
Other Instruction	1,097,868		1,097,868
Support Services			
Student and Instructional Related Services	6,419,784	13,306	6,433,090
School Administrative Services	2,494,819		2,494,819
General Administrative Services	935,798		935,798
Central Services/Admin. Info. Technology	594,715		594,715
Plant Operations and Maintenance	4,477,982		4,477,982
Pupil Transportation	2,057,654	28,500	2,086,154
Debt Service			
Principal	79,069		79,069
Interest and Other Charges	6,823		6,823
Capital Outlay	61,525	-	61,525
	<u>41,385,001</u>	<u>913,095</u>	<u>42,298,096</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(429,589)</u>	<u>-</u>	<u>(429,589)</u>
Net Change in Fund Balances	(429,589)	-	(429,589)
Fund Balance, Beginning of Year	<u>3,583,762</u>	<u>-</u>	<u>3,583,762</u>
Fund Balance, End of Year	<u>\$ 3,154,173</u>	<u>\$ -</u>	<u>\$ 3,154,173</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**HOPATCONG BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (429,589)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.

Capital Outlay	\$ 61,525	
Depreciation Expense	<u>(589,265)</u>	(527,740)

In the statement of activities, certain operating expenses - compensated absences and pension expense are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Increase in Pension Expenses	(245,484)	
Net Decrease in Compensated Absences	<u>163,088</u>	(82,396)

The issuance of long term debt (e.g., leases) provides current financial resources to governmental funds, while the repayment of principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal Repayments		
	79,069	
Capital Leases/Lease Purchase Agreements	<u>79,069</u>	<u>79,069</u>

Change in Net Position of Governmental Activities (Exhibit A-2) \$ (960,656)

**HOPATCONG BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

	<u>Major Program- Transportation Services</u>	<u>Other Non-Major</u>	<u>Totals</u>
ASSETS			
Cash and Cash Equivalents		\$ 177,475	\$ 177,475
Intergovernmental Accounts Receivable			
State		593	593
Federal		19,919	19,919
Other Governments	\$ 5,587,036	-	5,587,036
Inventory	-	6,048	6,048
	<u>5,587,036</u>	<u>204,035</u>	<u>5,791,071</u>
Capital Assets			
Machinery and Equipment	381,665	482,856	864,521
Less: Accumulated Depreciation	<u>238,605</u>	<u>422,870</u>	<u>661,475</u>
	<u>143,060</u>	<u>59,986</u>	<u>203,046</u>
Total Assets	<u>5,730,096</u>	<u>264,021</u>	<u>5,994,117</u>
LIABILITIES			
Current Liabilities			
Cash Overdraft	4,594,416	17,333	4,611,749
Unearned Revenue	<u>4,000</u>	<u>6,452</u>	<u>10,452</u>
	<u>4,598,416</u>	<u>23,785</u>	<u>4,622,201</u>
NON CURRENT LIABILITIES			
Compensated Absences Payable	64,822		64,822
Leases Payable			
Due Within One Year	26,761	-	26,761
Due Beyond One Year	<u>18,418</u>	<u>-</u>	<u>18,418</u>
	<u>110,001</u>	<u>-</u>	<u>110,001</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue	-	1,194	1,194
	<u>-</u>	<u>1,194</u>	<u>1,194</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,708,417</u>	<u>24,979</u>	<u>4,733,396</u>
NET POSITION			
Net Investment in Capital Assets	97,881	59,986	157,867
Unrestricted	<u>923,798</u>	<u>179,056</u>	<u>1,102,854</u>
Total Net Position	<u>\$ 1,021,679</u>	<u>\$ 239,042</u>	<u>\$ 1,260,721</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**HOPATCONG BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Major Program- Transportation Services</u>	<u>Non-Major Programs</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for Services			
School Lunch Program - Reimbursable Program		\$ 251,964	\$ 251,964
School Lunch Program - Non Reimbursable Program		116,800	116,800
Miscellaneous	\$ 214,119	392	214,511
Transportation Revenue	38,450,073		38,450,073
Day Plus Fees	-	347,995	347,995
	<u>38,664,192</u>	<u>717,151</u>	<u>39,381,343</u>
 Total Operating Revenues			
OPERATING EXPENSES			
Salaries and Wages and Employee Benefits	1,713,081	506,414	2,219,495
Cost of Sales - Reimbursable Program		254,104	254,104
Cost of Sales - Non Reimbursable Program		28,868	28,868
Contracted Transportation Services	36,720,663		36,720,663
Other Purchased Services	35,120	77,366	112,486
Maintenance and Repairs/Fuel	152,990		152,990
Supplies	9,947	21,287	31,234
Facilities Use Fee	100,000	37,000	137,000
Miscellaneous	4,212	21,097	25,309
Depreciation	35,173	13,965	49,138
Debt Service:			
Interest	2,894	-	2,894
	<u>38,774,080</u>	<u>960,101</u>	<u>39,734,181</u>
 Total Operating Expenses			
Operating Income (Loss)	<u>(109,888)</u>	<u>(242,950)</u>	<u>(352,838)</u>
NONOPERATING REVENUES			
State Sources			
State School Lunch Program		6,638	6,638
Federal Sources			
Federal School Lunch Program		185,463	185,463
Food Distribution Program		38,276	38,276
School Breakfast Program		26,880	26,880
Interest Income	13,835	2,564	16,399
	<u>13,835</u>	<u>259,821</u>	<u>273,656</u>
 Total Nonoperating Revenues			
Change in Net Position	(96,053)	16,871	(79,182)
Net Position, Beginning of Year (as Restated)	<u>1,117,732</u>	<u>222,171</u>	<u>1,339,903</u>
Net Position, End of Year	<u>\$ 1,021,679</u>	<u>\$ 239,042</u>	<u>\$ 1,260,721</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**HOPATCONG BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Major Program- Transportation Services</u>	<u>Non-Major Programs</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 36,512,075	\$ 684,765	\$ 37,196,840
Payments for Employees	(1,648,259)	(506,414)	(2,154,673)
Payments to Suppliers	(40,963,139)	(412,685)	(41,375,824)
Net Cash Provided By (Used For) Operating Activities	<u>(6,099,323)</u>	<u>(234,334)</u>	<u>(6,333,657)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
State and Federal Sources	<u>-</u>	<u>212,365</u>	<u>212,365</u>
Net Cash Provided By Non-Capital Financing Activities	<u>-</u>	<u>212,365</u>	<u>212,365</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Lease Principal Payments	(29,432)		(29,432)
Acquisition of Capital Assets	(24,267)	(30,544)	(54,811)
Net Cash Used For Capital and Related Financing Activities	<u>(53,699)</u>	<u>(30,544)</u>	<u>(84,243)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	<u>13,835</u>	<u>2,564</u>	<u>16,399</u>
Net Cash Provided By Investing Activities	<u>13,835</u>	<u>2,564</u>	<u>16,399</u>
Net Decrease in Cash and Cash Equivalents	(6,139,187)	(49,949)	(6,189,136)
Cash and Cash Equivalents, Beginning of Year	<u>1,544,771</u>	<u>210,091</u>	<u>1,754,862</u>
Cash and Cash Equivalents (Deficit), End of Year	<u>\$ (4,594,416)</u>	<u>\$ 160,142</u>	<u>\$ (4,434,274)</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (109,888)	\$ (242,950)	\$ (352,838)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities			
Depreciation	35,173	13,965	49,138
Federal Food Distribution Program	-	38,276	38,276
Changes in Assets, Liabilities and Deferred Inflows of Resources			
(Increase) Decrease in Accounts Receivable	(2,156,117)	-	(2,156,117)
(Increase) Decrease in Inventories		27	27
Increase (Decrease) in Unearned Revenue	4,000	(32,386)	(28,386)
Increase (Decrease) in Accounts Payable	(3,937,313)	(8,888)	(3,946,201)
Increase (Decrease) in Compensated Absences	64,822		64,822
Increase (Decrease) in Deferred Inflows of Resources	<u>-</u>	<u>(2,378)</u>	<u>(2,378)</u>
Total Adjustments	<u>(5,989,435)</u>	<u>8,616</u>	<u>(5,980,819)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (6,099,323)</u>	<u>\$ (234,334)</u>	<u>\$ (6,333,657)</u>
Non-Cash Investing, Capital and Financing Activities			
Value Received for Food Distribution Program		\$ 35,898	

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**HOPATCONG BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2018**

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 42,509	\$ 175,379	\$ 105,905
Due from Other Funds	-	-	502
Prepaid Expenses	-	-	1,995
	<hr/>	<hr/>	<hr/>
Total Assets	42,509	175,379	\$ 108,402
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Intergovernmental Payable		\$ 777	
Due to Other Funds		502	\$ 2,786
Accrued Salaries and Wages (Deficit)			(3,250)
Payroll Deductions and Withholdings			27,219
Due to Student Groups			80,554
Reserve for Flexible Spending	-	-	1,093
	<hr/>	<hr/>	<hr/>
Total Liabilities	-	1,279	\$ 108,402
	<hr/>	<hr/>	<hr/>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	\$ 42,509	\$ 174,100	
	<hr/>	<hr/>	

**HOPATCONG BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust</u>
ADDITIONS		
Contributions		
Employees		\$ 33,492
Scholarship Donations	\$ 8,487	
Investment Earnings		
Interest	<u>422</u>	<u>1,846</u>
Total Additions	<u>8,909</u>	<u>35,338</u>
DEDUCTIONS		
Scholarships	5,150	
Unemployment Claims and Contributions	<u>-</u>	<u>21,609</u>
Total Deductions	<u>5,150</u>	<u>21,609</u>
Change in Net Position	3,759	13,729
Net Position, Beginning of Year	<u>38,750</u>	<u>160,371</u>
Net Position, End of Year	<u>\$ 42,509</u>	<u>\$ 174,100</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Hopatcong Board of Education (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine 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. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Hopatcong Board of Education this includes general operations, food service, transportation services, before and after school child care (day plus) and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. New Accounting Standards

During fiscal year 2018, the District adopted the following GASB statements as required:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and transportation services enterprise funds to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *transportation services fund* accounts for the activities of the District's transportation services which provides transportation to various school districts as the Sussex Regional Cooperative Transportation Program.

The District reports the following non-major proprietary funds which are organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

The *day plus services fund* accounts for the activities of the District's before and after school program.

Additionally, the government reports the following fund types:

The *fiduciary trust funds* are used to account for resources legally held in trust for state unemployment insurance claims and for private donations for scholarship awards. All resources of the funds, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

The *fiduciary agency funds* account for assets held by the District as an agent for student activities and for payroll deductions and withholdings. The funds for the student activities fund are solely for noninstructional student activities that are supported and controlled by student organizations and clubs for which school administration does not have management involvement. The payroll funds are held to remit employee withholdings to respective state, federal and other agencies.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, unrestricted state aid, rentals and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities inventory at year-end is reported as deferred inflows of resources.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Site Improvements	20
Buildings and Building Improvements	50
Vehicles	8
Office Equipment and Furniture	10-15
Computer Equipment	5

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two types of items which arise only under the accrual basis of accounting that qualify for reporting in this category. The one item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years. The other item which arises only under the accrual basis of accounting that qualifies for reporting in this category is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities inventory at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

7. *Compensated Absences*

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation and sick leave benefits. A long-term liability of accumulated vacation and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated vacation and sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

8. *Pensions*

In the district-wide financial statements, 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 retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. *Long-Term Obligations*

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

10. *Net Position/Fund Balance*

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District’s fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2D).

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education. (See Note 2E).

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2018 audited excess surplus that is required to be appropriated in the 2019/2020 original budget certified for taxes.

Excess Surplus – Designated for Subsequent Year’s Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that was appropriated in the 2018/2019 original budget certified for taxes.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

10. *Net Position/Fund Balance (Continued)*

Governmental Fund Statements (Continued)

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2018/2019 District budget certified for taxes.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

In the general operating fund and other governmental funds (capital projects and debt service fund types), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

11. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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 committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

2. Property Taxes

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual “in rem” tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. Tuition Revenues and Expenditures

Tuition Expenditures - Tuition charges for the fiscal years 2016-2017 and 2017-2018 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. Proprietary Funds, Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the food service enterprise fund, of the transportation services enterprise fund and of the day plus enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general and special revenue funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. During 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account 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. The Board approved several budget transfers during 2017/2018. Also, during 2017/2018 the Board increased the original budget by \$930,407. The increase was funded by the appropriations of capital reserve and maintenance reserve, grant awards and the reappropriation of prior year general fund encumbrances.

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. 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 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 which are reappropriated and honored during the subsequent fiscal year.

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Special Revenue Fund			
Instruction			
Salaries of Teachers	\$211,662	\$212,031	(\$369)

The above variances were offset with other available resources.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

C. Deficit Fund Equity

The District has an unassigned fund deficit of \$449,993 in the General Fund as of June 30, 2018 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these delayed state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2017/2018 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General Fund deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund deficits in the future.

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficit in the GAAP (fund) financial statements of \$449,993 in the General Fund is less than the delayed state aid payments balance at June 30, 2018.

D. Capital Reserve

A capital reserve account was established by the District. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017		\$ 1,088,005
Increased by:		
Interest Earnings Approved in Budget	\$ 500	
Deposits Approved by Board Resolution	<u>300,000</u>	
Total Increases		<u>300,500</u>
		1,388,505
Decreased by:		
Withdrawals Approved by Resolution		<u>61,525</u>
Balance, June 30, 2018		<u>\$ 1,326,980</u>

The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

E. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve 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. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

The activity of the maintenance reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017		\$ 331,541
Increased by:		
Interest Earnings Approved in Budget	\$ 400	
Unexpended Funds Returned to Reserve	<u>5,400</u>	
		<u>5,800</u>
		337,341
Decreased by:		
Withdrawal Approved by Resolution		<u>37,738</u>
Balance, June 30, 2018		<u>\$ 299,603</u>

The June 30, 2018 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$2,376,654. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities

F. Emergency Reserve

An emergency reserve account was established by the District. The accumulation of funds will be used to finance unanticipated General Fund current expenditures required for a thorough and efficient education in subsequent fiscal years.

Funds placed in the emergency reserve are restricted to finance reasonably unforeseeable costs and shall not include additional costs due to poor planning. A District may appropriate funds into the emergency reserve 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. 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 to school facilities pursuant to 18A:7G-6(c)1. Pursuant to NJAC 6A:23A-14.4(A), the balance in the reserve cannot at any time exceed the greater of \$250,000 or one percent of the school district's General Fund budget as certified for taxes up to a maximum of \$1,000,000.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

F. Emergency Reserve (Continued)

The activity of the emergency reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017	\$ 50,000
Decreased by:	
Withdrawal Approved in Budget	<u>50,000</u>
Balance, June 30, 2018	<u>\$ -</u>

G. Transfers to Capital Outlay

During the 2017/2018 school year, the district transferred \$61,525 to the non-equipment capital outlay accounts. The transfer was made from the capital reserve account to supplement a capital project previously approved by the voters in the budget certified for taxes pursuant to N.J.A.C. 6A:23-8.4.

H. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for 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 fund balance in excess of 2% of budget expenditures 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 excess fund balance at June 30, 2018 is \$1,793,039. Of this amount, \$803,160 was designated and appropriated in the 2018/2019 original budget certified for taxes and the remaining amount of \$989,879 will be appropriated in the 2019/2020 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC and NCUSIF.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2018, the book value of the Board's deposits was a deficit of \$966,634 and bank and brokerage firm balances of the Board's deposits amounted to \$5,691,286. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>5,691,286</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2018 none of the Board's bank balances were exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; 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 obligations bear a fixed rate of interest not dependent on any index or other external factor; 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; 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 "Local Authorities Fiscal Control Law," (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 school districts; Local Government investment pools; 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); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2018, the Board had no outstanding investments.

Interest Rate Risk – The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 18A:20-37). The District does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Board places no limit in the amount the District may invest in any one issuer.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2018 for the district's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Transportation Services</u>	<u>Non-Major Food Service</u>	<u>Total</u>
Receivables:					
Intergovernmental					
Federal		\$ 43,500		\$ 19,919	\$ 63,419
State	\$ 27,928			593	28,521
Local	61,475	-	\$ 5,587,036	-	5,648,511
Gross Receivables	89,403	43,500	5,587,036	20,512	5,740,451
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Total Receivables	<u>\$ 89,403</u>	<u>\$ 43,500</u>	<u>\$ 5,587,036</u>	<u>\$ 20,512</u>	<u>\$ 5,740,451</u>

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	<u>Balance July 1, 2017 (Restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 359,763	-	-	\$ 359,763
Total Capital Assets, Not Being Depreciated	<u>359,763</u>	<u>-</u>	<u>-</u>	<u>359,763</u>
Capital Assets, Being Depreciated:				
Site Improvements	2,206,862			2,206,862
Buildings and Building Improvements	18,431,296	\$ 61,525		18,492,821
Machinery and Equipment	4,812,078	-	-	4,812,078
Total Capital Assets Being Depreciated	<u>25,450,236</u>	<u>61,525</u>	<u>-</u>	<u>25,511,761</u>
Less Accumulated Depreciation for:				
Site Improvements	(1,758,854)	(55,078)		(1,813,932)
Buildings and Building Improvements	(14,816,008)	(320,900)		(15,136,908)
Machinery and Equipment	(3,951,057)	(213,287)	-	(4,164,344)
Total Accumulated Depreciation	<u>(20,525,919)</u>	<u>(589,265)</u>	<u>-</u>	<u>(21,115,184)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,924,317</u>	<u>(527,740)</u>	<u>-</u>	<u>4,396,577</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,284,080</u>	<u>\$ (527,740)</u>	<u>\$ -</u>	<u>\$ 4,756,340</u>

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

	Balance July 1, 2017 (Restated)	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2018
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 809,710	\$ 54,811	\$ -	\$ 864,521
Total Capital Assets Being Depreciated	<u>809,710</u>	<u>54,811</u>	<u>-</u>	<u>864,521</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(612,337)	(49,138)	-	(661,475)
Total Accumulated Depreciation	<u>(612,337)</u>	<u>(49,138)</u>	<u>-</u>	<u>(661,475)</u>
Total Capital Assets, Being Depreciated, Net	<u>197,373</u>	<u>5,673</u>	<u>-</u>	<u>203,046</u>
Business-Type Activities Capital Assets, Net	<u>\$ 197,373</u>	<u>\$ 5,673</u>	<u>\$ -</u>	<u>\$ 203,046</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:

Instruction	
Regular	\$ 198,789
Special Instruction	132,286
Other Instruction	18,556
Total Instruction	<u>349,631</u>

Support Services

Student and Instruction Related Services	99,761
General Administrative Services	9,339
School Administrative Services	60,765
Central Services/Admin. Info. Technology	19,855
Plant Operations and Maintenance	45,034
Pupil Transportation	<u>4,880</u>

Total Support Services 239,634

Total Depreciation Expense - Governmental Activities \$ 589,265

Business-Type Activities:

Food Service Fund	\$ 13,965
Transportation Services Fund	<u>35,173</u>

Total Depreciation Expense-Business-Type Activities \$ 49,138

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Student Activity Agency Fund	\$ 2,786
Payroll Agency Fund	Unemployment Compensation Trust Fund	<u>502</u>
		<u>\$ 3,288</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund.

The District expects all interfund balances to be liquidated within one year.

E. Leases

Operating Leases

The District leases a postage machine and copiers under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2018 were \$76,508. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ 76,508
2020	74,108
2021	<u>61,090</u>
Total	<u>\$ 211,706</u>

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Leases (Continued)

Capital Leases

The District is leasing certain equipment and vehicles totaling \$1,303,599 under capital leases. The leases are for terms of 5 to 10 years.

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Energy Savings Equipment	\$ 1,058,403	
Various Equipment	93,156	
Machinery and Equipment - Vehicles	<u>-</u>	\$ <u>152,040</u>
Total	<u>\$ 1,151,559</u>	<u>\$ 152,040</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ 85,896	\$ 28,155
2020	<u>66,525</u>	<u>18,844</u>
Total Minimum Lease Payments	152,421	46,999
Less: Amount Representing Interest	<u>(6,514)</u>	<u>(1,820)</u>
Present Value of Minimum Lease Payments	<u>\$ 145,907</u>	<u>\$ 45,179</u>

F. Long-Term Debt

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2018 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 63,768,974
Less: Net Debt Issued	<u>-</u>
Remaining Borrowing Power	<u>\$ 63,768,974</u>

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017 (Restated)	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Lease Purchase Agreements	\$ 224,976		\$ 79,069	\$ 145,907	\$ 81,426
Compensated Absences Payable	944,596		163,088	781,508	-
Net Pension Liability	15,807,448	-	4,003,724	11,803,724	-
Governmental Activity Long-Term Liabilities	<u>\$ 16,977,020</u>	<u>\$ -</u>	<u>\$ 4,245,881</u>	<u>\$ 12,731,139</u>	<u>\$ 81,426</u>
Business-Type Activities:					
Capital Leases	\$ 63,543	\$ 11,069	\$ 29,433	\$ 45,179	\$ 26,761
Compensated Absences Payable	-	64,822	-	64,822	-
Business-Type Activity Long-Term Liabilities	<u>\$ 63,543</u>	<u>\$ 75,891</u>	<u>\$ 29,433</u>	<u>\$ 110,001</u>	<u>\$ 26,761</u>

For the governmental activities, the liabilities for lease purchase agreements, compensated absences and net pension liability are generally liquidated by the general fund. The capital lease payments and compensated absences for business-type activities are liquidated by the Transportation Services Enterprise Fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the School Alliance Insurance Fund (SAIF) and the School Excess Liability Joint Insurance Fund (SEL). The Groups are a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims and various other types of insurance coverages.

The relationship between the Board and the insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the funds, to report claims on a timely basis, cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which they were a member.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

SAIF and SEL provide its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the respective insurance funds are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's fiduciary trust fund for the current and previous two years:

Fiscal Year Ended June 30,	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2018		\$ 33,492	\$ 21,609	\$ 174,100
2017		34,977	43,965	160,371
2016	\$ 90,106	34,134	27,477	168,739

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost sharing multiple employer defined benefit pension plan.

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.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Public Employees' Retirement System (PERS) (Continued)

The following represents the membership tiers for PERS:

Tier	Definition
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 tier 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 reached age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members 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 ten years of service credit and have not reached the service retirement age for the respective tier.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees. TPAF is a cost sharing multiple employer defined benefit pension plan with a special funding situation, by which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions.

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 following represent the membership tiers for TPAF:

Tier	Definition
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

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 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 tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members 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 retirement for his/her respective tier. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits (“Division”), issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Plan Amendments

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Investments are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Division of Investment issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 33 percent with an unfunded actuarial accrued liability of \$90.90 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 25.41 percent and \$67.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 48.10 percent and \$23.3 billion, respectively.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.00 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.34% for PERS, 7.34% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2018.

Annual Pension Costs (APC)

For the fiscal year ended June 30, 2018 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

During the fiscal years ended June 30, 2018, 2017 and 2016 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2018	\$ 469,744	\$ 2,254,648	\$ 29,584
2017	474,155	1,632,904	17,788
2016	472,677	1,217,815	29,461

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$6,950 and \$3,570, respectively for PERS and the State contributed \$1,385 and \$1,861, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB Statement No. 85, *Omnibus 2017* (GASB No. 85). The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,119,965 during the fiscal year ended June 30, 2018 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

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

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits (“Division”) administers one cost-sharing multiple employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

To facilitate the separate actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer’s contribution to total employer contributions of the group for the fiscal year ended June 30, 2017.

At June 30, 2018, the District reported in the statement of net position (accrual basis) a liability of \$11,803,724 for its proportionate share of the PERS 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 that date. The District’s proportionate share 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 governmental entities, actuarially determined. At June 30, 2017, the District’s proportionate share was 0.05070 percent, which was a decrease of 0.00267 percent from its proportionate share measured as of June 30, 2016 of 0.05337 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$715,228 for PERS. The pension contribution made by the District during the current 2017/2018 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2018 with a measurement date of the prior fiscal year end of June 30, 2017. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2018 for contributions made subsequent to the current fiscal year end. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 277,937	
Changes of Assumptions	2,378,044	\$ 2,369,325
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	80,375	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>115,032</u>	<u>716,533</u>
Total	<u>\$ 2,851,388</u>	<u>\$ 3,085,858</u>

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

At June 30, 2018, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	<u>Total</u>
2019	\$ 153,388
2020	303,243
2021	123,709
2022	(503,231)
2023	(311,579)
Thereafter	<u>-</u>
	<u>\$ (234,470)</u>

Actuarial Assumptions

The District’s 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:

	<u>PERS</u>
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%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

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.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

<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%
US Equities	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
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 Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	5.00%
2017	June 30, 2016	3.98%

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. 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.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 5.00%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 14,643,321</u>	<u>\$ 11,803,724</u>	<u>\$ 9,437,988</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2017. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2017. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. 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 includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2017, the State's pension contribution was less than the actuarial determined amount.

In accordance with GASB No. 68, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$6,780,665 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State's proportionate share of the net pension liability attributable to the District is \$97,880,493. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. At June 30, 2017, the state's share of the net pension liability attributable to the District was 0.14517 percent, which was a decrease of 0.00693 percent from its proportionate share measured as of June 30, 2016 of 0.15210 percent.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

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.

	<u>TPAF</u>
Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year 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.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

<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 Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

Fiscal Year	Measurement Date	Discount Rate
2018	June 30, 2017	4.25%
2017	June 30, 2016	3.22%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit

Payments for which the Following
 Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2036
Municipal Bond Rate *	From July 1, 2036 and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. 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.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.25%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 116,285,096</u>	<u>\$ 97,880,493</u>	<u>\$ 82,718,701</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2017. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2017 was not provided by the pension system.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

D. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for school districts.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2017. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school district employees, including those Board employees and retirees eligible for coverage.

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage and prescription drug benefits to qualified retired education participants. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

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 or more years 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 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 above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2016:

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u>—</u>
Total	<u>366,078</u>

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$69.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.5 billion for state active and retired members and \$43.8 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

Funded Status and Funding Progress (Continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2017, there were 112,966, retirees receiving post-retirement medical benefits and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2018, 2017 and 2016 were \$1,456,229, \$1,360,580 and \$1,450,081, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The nonemployer allocation percentages presented are based on the ratio of the State’s contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District’s proportionate share percentage determined under Statement No. 75 is zero percent and the State’s proportionate share is 100% of the OPEB liability attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$4,965,013. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State’s proportionate share of the OPEB liability attributable to the District is \$93,749,478. The nonemployer allocation percentages are based on the ratio of the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the state’s share of the OPEB liability attributable to the District was 0.17478 percent, which was a decrease of 0.00058 percent from its proportionate share measured as of June 30, 2016 of 0.17536 percent.

Actuarial Assumptions

The OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 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	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%
Mortality	RP-2014 Headcount-Weighted Healthy Employee, Healthy Annuitant and Disabled Male/Female Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year Using Scale MP-2017
Long-Term Rate of Return	1.00%

*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

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

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	3.58%
2017	June 30, 2016	2.85%

The discount rate represents the municipal bond return rate as chosen by the Division. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Changes in the Total OPEB Liability

The change in the State’s proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	Total OPEB Liability <u>(State Share 100%)</u>
Balance, June 30, 2016 Measurement Date	\$ 101,415,447
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 3,283,111
Interest on the Total OPEB Liability	2,980,189
Changes of Assumptions	(12,385,662)
Gross Benefit Payments	(1,602,619)
Contributions from the Member	59,012
Net Changes	<u>\$ (7,665,969)</u>
Balance, June 30, 2017 Measurement Date	<u>\$ 93,749,478</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

The change in the total OPEB liability was based on the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017. A change in the total OPEB liability specific to the State’s proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2017 was not provided by the pension system.

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State’s proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.58%, as well as what the State’s proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	1% Decrease <u>(2.58%)</u>	Current Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	<u>\$ 111,287,394</u>	<u>\$ 93,749,478</u>	<u>\$ 79,838,236</u>

**HOPATCONG BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State’s proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability (School Retirees)	\$ <u>77,099,883</u>	\$ <u>93,749,478</u>	\$ <u>115,859,944</u>

The sensitivity analyses were based on the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017. Sensitivity analyses specific to the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017 were not provided by the pension system.

E. Subsequent Events

In July 2018, the Board was notified that the District’s 2018/19 State aid revenue in the General Fund will be reduced by \$670,027. In October 2018, the District received an award letter for Emergency Aid in the amount of \$611,056.

The Board incurred \$925,402 of expenditures in the summer of 2018 to address emergent mold remediation at District schools. The District received County approval to fund these costs with a withdrawal from the Capital Reserve Fund.

The Board discontinued operating its Day Plus Services Program effective July 1, 2018. The program is now being administered by an outside organization. The District’s plan is to transfer any residual fund balance remaining in the Day Plus Services Enterprise Fund to the General Fund during fiscal year 2018/19.

The Board executed a lease agreement commencing on September 1, 2018 in the amount of \$127,392 for the acquisition of chromebooks. The lease is for a term of 36 months.

NOTE 5 RESTATEMENT

The District has restated its July 1, 2017 capital lease liability amounts to reflect a capital lease previously omitted from the District’s financial statements. The net effect of this restatement was a decrease to business-type activities net position of \$11,068 with a corresponding reduction to Proprietary Fund – Transportation Services Enterprise Fund’s net position.

The District has restated its July 1, 2017 capital asset values, including accumulated depreciation amounts to reflect amounts reported in the updated capital asset report. The net effect of this restatement was a decrease to governmental activity net position of \$435,097 with a corresponding reduction to Governmental Funds net position.

The District has restated its July 1, 2017 capital asset values, including accumulated depreciation amounts to reflect the amounts reported in the updated capital asset report. The net effect of this restatement was a decrease to business-type activities net position of \$28,947 with a corresponding reduction of \$9,447 to Proprietary Fund – Food Service Enterprise Fund and a corresponding reduction of \$19,500 to Proprietary Fund – Transportation Services Enterprise Funds net position.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Property Tax Levy	\$ 24,147,386		\$ 24,147,386	\$ 24,147,386	-
Interest on Maintenance Reserve	400		400	400	-
Interest on Capital Reserve	500		500	500	-
Rents	222,000		222,000	137,000	\$ (85,000)
Unrestricted Miscellaneous	185,473	-	185,473	223,498	38,025
Total Revenues - Local Sources	24,555,759	-	24,555,759	24,508,784	(46,975)
State Sources					
Equalization Aid	5,217,357		5,217,357	5,217,357	-
Special Education Aid	1,104,933		1,104,933	1,104,933	-
Adjustment Aid	4,126,103	\$ (227,978)	3,898,125	3,898,125	-
Security Aid	232,021		232,021	232,021	-
Transportation Aid	668,951		668,951	668,951	-
PARCC Readiness Aid	16,905		16,905	16,905	-
Per Pupil Growth Aid	16,905		16,905	16,905	-
Professional Learning Community Aid	15,740		15,740	15,740	-
Emergency Aid		227,978	227,978	227,978	-
Extraordinary Aid	100,000		100,000	129,947	29,947
Non-Public Transportation Aid			-	27,928	27,928
Lead Testing for Schools Aid				2,626	2,626
On-Behalf/TPAF					
Normal & Accrued Liability Pension			-	2,201,230	2,201,230
NCGI Contribution			-	53,418	53,418
Long Term Disability				1,385	1,385
Post Retirement Contribution			-	1,456,229	1,456,229
Social Security Reimbursements	-	-	-	1,119,965	1,119,965
Total State Sources	11,498,915	-	11,498,915	16,391,643	4,892,728
Federal Sources					
Medicaid Reimbursement	43,186	-	43,186	46,942	3,756
Total Federal Sources	43,186	-	43,186	46,942	3,756
Total Revenues	36,097,860	-	36,097,860	40,947,369	4,849,509
CURRENT EXPENDITURES					
Regular Programs - Instruction					
Salaries of Teachers:					
Kindergarten	459,812	94,392	554,204	544,821	9,383
Grades 1 - 5	3,190,288	272,978	3,463,266	3,463,266	-
Grades 6 - 8	2,239,086	50,323	2,289,409	2,266,484	22,925
Grades 9 - 12	2,857,904	(22,457)	2,835,447	2,835,078	369
Regular Programs - Home Instruction:					
Salaries of Teachers	4,750	3,930	8,680	8,680	-
Regular Programs - Undistributed Instruction:					
Salaries of Teachers	165,393	(66,927)	98,466	98,466	-
Other Salaries for Instruction	-	93,007	93,007	93,007	-
Purchased Professional Educational Services	368,984	(30,046)	338,938	245,099	93,839
Other Purchased Services	179,293	7,642	186,935	172,995	13,940
General Supplies	599,898	(42,252)	557,646	446,754	110,892
Textbooks	144,170	(95,035)	49,135	43,535	5,600
Other Objects	46,500	(6,998)	39,502	28,062	11,440
Total Instruction Regular Programs	10,256,078	258,557	10,514,635	10,246,247	268,388
Special Education					
Learning/Language Disabilities					
Salaries of Teachers	545,539	2,835	548,374	547,795	579
Other Salaries for Instruction	301,057	(89,862)	211,195	198,746	12,449
Other Purchased Services	-	84	84	84	-
General Supplies	13,000	(9,535)	3,465	1,735	1,730
Textbooks	5,000	(3,000)	2,000	319	1,681
Other Objects	8,100	-	8,100	3,919	4,181
Total Learning/Language Disabilities	872,696	(99,478)	773,218	752,598	20,620
Multiple Disabilities					
Salaries of Teachers	145,418	-	145,418	143,618	1,800
Other Salaries for Instruction	140,982	(82,536)	58,446	58,446	-
General Supplies	6,000	2,362	8,362	6,159	2,203
Textbooks	200	(84)	116	-	116
Other Objects	100	382	482	415	67
Total Multiple Disabilities	292,700	(79,876)	212,824	208,638	4,186

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Resource Room/Resource Center					
Salaries of Teachers	\$ 1,785,040	\$ 86,435	\$ 1,871,475	\$ 1,835,026	\$ 36,449
Other Salaries for Instruction	396,960	(184,159)	212,801	212,250	551
General Supplies	3,600	-	3,600	-	3,600
Textbooks	2,000	(150)	1,850	-	1,850
Other Objects	2,000	-	2,000	-	2,000
Total Resource Room/Resource Center	2,189,600	(97,874)	2,091,726	2,047,276	44,450
Preschool Disabilities - Part-Time					
Other Salaries for instruction	14,375	(82)	14,293	14,293	-
Total Preschool Disabilities - Part-Time	14,375	(82)	14,293	14,293	-
Preschool Disabilities - Full-Time					
Salaries of Teachers	168,194	(21,026)	147,168	147,168	-
Other Salaries for Instruction	144,773	(34,813)	109,960	109,960	-
General Supplies	1,500	(108)	1,392	405	987
Other Objects	500	-	500	-	500
Total Preschool Disabilities - Full-Time	314,967	(55,947)	259,020	257,533	1,487
Total Special Education	3,684,338	(333,257)	3,351,081	3,280,338	70,743
Basic Skills/Remedial					
Salaries of Teachers	135,152	32,594	167,746	160,681	7,065
Textbooks	500	-	500	-	500
Total Basic Skills/Remedial	135,652	32,594	168,246	160,681	7,565
Bilingual Education					
Salaries of Teachers	64,933	-	64,933	64,933	-
General Supplies	400	-	400	335	65
Textbooks	250	-	250	250	-
Total Bilingual Education	65,583	-	65,583	65,518	65
School Sponsored Co-Curricular Activities					
Salaries of Teachers	233,240	(15,874)	217,366	179,768	37,598
Supplies and Materials	1,000	1,800	2,800	2,580	220
Other Objects	400	-	400	-	400
Total Co-Curricular Activities	234,640	(14,074)	220,566	182,348	38,218
School Sponsored Athletics					
Salaries	450,545	17,363	467,908	467,908	-
Other Purchased Services	50,000	3,103	53,103	29,950	23,153
Supplies and Materials	71,764	(18)	71,746	64,736	7,010
Other Objects	17,900	(2,936)	14,964	6,247	8,717
Transfer to Cover Deficit	70,605	-	70,605	27,214	43,391
Total School Sponsored Athletics	660,814	17,512	678,326	596,055	82,271
Other Instruction Programs					
Supplies and Materials	2,000	(2,000)	-	-	-
Total Other Instruction Programs	2,000	(2,000)	-	-	-
Total Instruction	15,039,105	(40,668)	14,998,437	14,531,187	467,250

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to Other LEA's Within State - Special	\$ 498,062	\$ 250,210	\$ 748,272	\$ 748,272	
Tuition to County Vocational - Regular	120,120	36,228	156,348	156,348	
Tuition to County Vocational - Special	24,024	(24,024)			
Tuition to CSSD and Regional Day Schools	-	38,547	38,547	38,547	
Tuition to Private School for the Disabled W/ State	1,023,199	(281,063)	742,136	742,136	
Tuition - State Facilities	32,306	(32,306)	-	-	-
Total Instruction	1,697,711	(12,408)	1,685,303	1,685,303	-
Attendance and Social Work Services					
Salaries	18,255	-	18,255	18,245	\$ 10
Total Attendance and Social Work Services	18,255	-	18,255	18,245	10
Health Services					
Salaries	400,701	(62,115)	338,586	338,337	249
Purchased Professional and Technical Services	40,500	(329)	40,171	37,262	2,909
Supplies and Materials	8,200	238	8,438	7,063	1,375
Other Objects	1,000	-	1,000	792	208
Total Health Services	450,401	(62,206)	388,195	383,454	4,741
Speech, OT, PT and Related Services					
Salaries	463,125	-	463,125	463,125	-
Purchased Professional Educational Services	130,000	(16,501)	113,499	113,499	-
Supplies and Materials	5,680	(1,590)	4,090	4,090	-
Other Objects	500	(250)	250	250	-
Total Speech, OT, PT and Related Services	599,305	(18,341)	580,964	580,964	-
Other Supp. Svcs.-Guidance					
Salaries of Other Professional Staff	755,562	(3,214)	752,348	752,348	-
Salaries of Secretarial and Clerical Assistants	73,477	-	73,477	73,436	41
Purchased Professional and Technical Services	4,200	-	4,200	3,882	318
Other Purchased Services	1,200	43	1,243	644	599
Supplies and Materials	19,175	(16,197)	2,978	2,439	539
Other Objects	20,400	(13,552)	6,848	6,815	33
Total Other Support Services-Guidance	874,014	(32,920)	841,094	839,564	1,530
Other Supp. Svcs.-Child Study Teams					
Salaries of Other Professional Staff	1,031,854	(10,271)	1,021,583	1,021,583	-
Salaries of Secretarial and Clerical Assistants	87,924	-	87,924	87,877	47
Other Salaries	62,712	(19,001)	43,711	43,711	-
Purchased Professional and Technical Services	12,744	(3,186)	9,558	9,558	-
Other Purchased Services	15,800	(9,377)	6,423	6,320	103
Supplies and Materials	9,500	(914)	8,586	7,797	789
Other Objects	200	820	1,020	994	26
Total Other Support Services-Child Study Teams	1,220,734	(41,929)	1,178,805	1,177,840	965
Improvement of Instruction					
Salaries of Other Professional Staff	470,311	(2,300)	468,011	467,609	402
Salaries of Secretarial and Clerical Assist.	76,498	(5,847)	70,651	70,651	-
Salaries of Facilitators, Math, Literacy Coaches	231,221	(4,097)	227,124	227,124	-
Other Purchased Services	6,000	1,602	7,602	7,037	565
Supplies and Materials	3,000	(530)	2,470	2,187	283
Other Objects	240,000	49,850	289,850	237,467	52,383
Total Improvement of Instruction	1,027,030	38,678	1,065,708	1,012,075	53,633
Educational Media Services/ School Library					
Salaries	86,435	(16,697)	69,738	69,737	1
Salaries of Technology Coordinators	218,984	(5,804)	213,180	213,180	-
Other Purchased Services	-	1,340	1,340	1,340	-
Supplies and Materials	15,618	(14,551)	1,067	566	501
Total Educational Media Services/ School Library	321,037	(35,712)	285,325	284,823	502

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Instructional Staff Training Services					
Purchased Professional and Educational Services	\$ 65,000	\$ (7,241)	\$ 57,759	\$ 57,614	\$ 145
Other Purchased Services	6,000	(4,767)	1,233	1,233	-
Supplies and Materials	5,000	(3,425)	1,575	1,575	-
Other Objects	4,000	-	4,000	3,812	188
Total Instructional Staff Training Services	<u>80,000</u>	<u>(15,433)</u>	<u>64,567</u>	<u>64,234</u>	<u>333</u>
Support Services General Administration					
Salaries	316,497	(59,130)	257,367	256,448	919
Unused Vacation Payment	-	28,316	28,316	28,316	-
Legal Services	50,000	177,113	227,113	227,113	-
Audit Fees	60,000	(4,072)	55,928	55,928	-
Other Purchased Professional Services	11,624	153,098	164,722	162,572	2,150
Communications/Telephone	65,290	(37,583)	27,707	27,707	-
BOE Other Purchased Services	7,700	(4,095)	3,605	3,594	11
Other Purchased Services	850	15,416	16,266	15,787	479
Supplies and Materials	3,500	3,920	7,420	7,053	367
BOE In-House Training/Meeting Supplies	700	-	700	636	64
Miscellaneous Expenses	9,900	(4,338)	5,562	5,562	-
BOE Membership Dues and Fees	17,475	-	17,475	17,475	-
Total Support Services General Administration	<u>543,536</u>	<u>268,645</u>	<u>812,181</u>	<u>808,191</u>	<u>3,990</u>
Support Services School Administration					
Salaries of Principals and Assistant Principals	1,305,842	(6,000)	1,299,842	1,299,841	1
Salaries of Secretarial and Clerical Assistants	300,281	1,655	301,936	301,936	-
Other Purchased Services	1,500	1,285	2,785	1,352	1,433
Supplies and Materials	6,960	(3,116)	3,844	814	3,030
Other Objects	8,480	(535)	7,945	7,396	549
Total Support Services School Administration	<u>1,623,063</u>	<u>(6,711)</u>	<u>1,616,352</u>	<u>1,611,339</u>	<u>5,013</u>
Central Services					
Salaries	365,372	(1,902)	363,470	355,911	7,559
Purchased Professional Services	25,940	31,520	57,460	57,338	122
Purchased Technical Services	210	115	325	325	-
Other Purchased Services	1,900	-	1,900	226	1,674
Supplies and Materials	6,000	-	6,000	4,074	1,926
Miscellaneous Expenditures	1,644	(115)	1,529	1,289	240
Total Central Services	<u>401,066</u>	<u>29,618</u>	<u>430,684</u>	<u>419,163</u>	<u>11,521</u>
Admin. Info. Tech.					
Supplies and Materials	2,000	(2,000)	-	-	-
Total Undistributed Expenditures - Admin. Info. Technology	<u>2,000</u>	<u>(2,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Required Maintenance for School Facilities					
Salaries	285,402	(26,710)	258,692	258,661	31
Unused Vacation Payout	-	17,574	17,574	17,574	-
Cleaning, Repair and Maintenance Services	486,731	25,770	512,501	461,250	51,251
Travel	-	401	401	401	-
General Supplies	210,000	(792)	209,208	202,819	6,389
Other Objects	22,650	(5,900)	16,750	14,290	2,460
Interest Deposit to Maintenance Reserve	400	-	400	400	-
Total Required Maint for School Facilities	<u>1,005,183</u>	<u>10,343</u>	<u>1,015,526</u>	<u>955,395</u>	<u>60,131</u>

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Custodial Services					
Salaries	\$ 1,047,134	\$ 75,882	\$ 1,123,016	\$ 1,122,471	\$ 545
Unused Vacation Payout		5,160	5,160		-
Purchased Professional and Technical Services	40,800	(26,818)	13,982	13,982	-
Cleaning, Repair and Maintenance Services	113,004	(35,478)	77,526	76,789	737
Lease Purchase Payments - Energy Savings	66,518	-	66,518	66,517	1
Other Purchased Property Services	91,350	(12,248)	79,102	38,692	40,410
Property Insurance	250,915	5,672	256,587	256,587	-
General Supplies	78,826	82,591	161,417	121,441	39,976
Energy (Electricity)	191,000	24,902	215,902	206,657	9,245
Energy (Oil)	135,000	164,881	299,881	296,715	3,166
Other Objects	-	1,100	1,100	1,100	-
Total Custodial Services	2,014,547	285,644	2,300,191	2,206,111	94,080
Care and Upkeep of Grounds					
Salaries	156,115	28,475	184,590	183,418	1,172
Purchased Professional and Technical Services	65,500	(26,411)	39,089	27,061	12,028
Cleaning, Repair and Maintenance Services	-	286,025	286,025	280,625	5,400
General Supplies	45,500	19,368	64,868	64,868	-
Other Objects	-	200	200	200	-
Total Care and Upkeep of Grounds	267,115	307,657	574,772	556,172	18,600
Security					
Salaries	22,120	2,928	25,048	25,000	48
Purchased Professional and Technical Services	75,000	(50,000)	25,000	14,586	10,414
Cleaning, Repair and Maintenance Services	5,000	(4,000)	1,000	289	711
General Supplies	10,000	-	10,000	7,904	7,096
Total Security	112,120	(51,072)	61,048	42,779	18,269
Student Transportation Services					
Salaries of Non-Instructional Aides	38,366	(38,366)			-
Salaries for Pupil Trans (Bet Home & Sch)-Regular	32,695	-	32,695	31,694	1,001
Cleaning, Repair and Maintenance Services	14,500	(7,000)	7,500	5,375	2,125
Rental Payments - School Buses	2,500	(1,000)	1,500	-	1,500
Contr Serv(Bet Home &Sch)-Vend	890,525	(110,000)	780,525	750,957	29,568
Contr Serv(Oth. Than Bet Home &Sch)-Vend	136,284	7,682	143,966	109,344	34,622
Contr Serv(Regular Students)-ESC's	180,000	71,316	251,316	251,316	-
Contr Serv(Special Education)-ESC's	665,000	136,340	801,340	791,675	9,665
Aid in Lieu Payments - Non-Public Students	61,500	(7,378)	54,122	54,122	-
Aid in Lieu Payments - School Choice Students	13,584	11,916	25,500	25,500	-
Aid in Lieu Payments - Charter School	2,000	1,000	3,000	3,000	-
Miscellaneous Purch. Services- Transportation	13,100	(8,422)	4,678	1,763	2,915
General Supplies	6,787	-	6,787	2,327	4,460
Transportation Supplies	70,300	(45,468)	24,832	14,948	9,884
Other Objects	250	-	250	250	-
Total Student Transportation Services	2,127,391	10,620	2,138,011	2,042,021	95,990
Unallocated Employee Benefits					
Social Security Contributions	460,500	(15,877)	444,623	421,272	23,351
Other Retirement Contributions - PERS	520,000	(21,030)	498,970	498,970	-
Other Retirement Contributions - Regular	20,000	11,191	31,191	29,584	1,607
Unemployment Compensation	90,000	(65,750)	24,250	-	24,250
Workman's Compensation	310,000	(787)	309,213	309,213	-
Health Benefits	5,630,080	-	5,630,080	5,111,031	519,049
Tuition Reimbursements	83,000	(3,000)	80,000	58,840	21,160
Other Employee Benefits	249,000	97,546	346,546	346,528	18
Total Unallocated Employee Benefits	7,362,580	2,293	7,364,873	6,775,438	589,435
On-Behalf TPAF					
Pension System Contributions-Normal & Accrued Liability	-	-	-	2,201,230	(2,201,230)
NCGI Premium	-	-	-	53,418	(53,418)
Long Term Disability	-	-	-	1,385	(1,385)
Post Retirement Benefits	-	-	-	1,456,229	(1,456,229)
Social Security Reimbursements	-	-	-	1,119,965	(1,119,965)
Total TPAF Pension and Social Security Contributions	-	-	-	4,832,227	(4,832,227)
Total Undistributed Expenditures	21,747,088	674,766	22,421,854	26,295,338	(3,873,484)
Interest Deposit to Maintenance Reserve	400	-	400	-	400
Total Current Expenditures	36,786,593	634,098	37,420,691	40,826,525	(3,405,834)

**HOPATCONG BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	\$ 500		\$ 500		\$ 500
Facilities Acquisition and Construction Services					
Architectural and Engineering Services		\$ 6,250	6,250	\$ 6,250	-
Purchased Professional and Technical Services		55,275	55,275	55,275	-
Assessment for Debt Service on SDA Funding	1,114	-	1,114	1,114	-
Total Facilities Acquisition and Construction Services	1,114	61,525	62,639	62,639	-
Total Expenditures - Capital Outlay	1,614	61,525	63,139	62,639	500
Transfer of Funds to Charter Schools	540,059	17,253	557,312	495,837	61,475
Total Expenditures - General Fund	37,328,266	712,876	38,041,142	41,385,001	(3,343,859)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,230,406)	(712,876)	(1,943,282)	(437,632)	1,505,650
Fund Balance, Beginning of Year	4,830,728	-	4,830,728	4,830,728	-
Fund Balance, End of Year	\$ 3,600,322	\$ (712,876)	\$ 2,887,446	\$ 4,393,096	\$ 1,505,650

Recapitulation of Fund Balance

Restricted	
Capital Reserve	\$ 1,326,980
Maintenance Reserve	299,603
Excess Surplus	989,879
Excess Surplus - Designated for Subsequent Year's Expenditures (2018/19 Budget)	803,160
Assigned	
Designated for Subsequent Year's Expenditures (2018/19 Budget)	16,018
Year End Encumbrances	168,526
Unassigned	788,930
Fund Balance (Budgetary Basis)	4,393,096

Reconciliation to Governmental Fund Statements (GAAP)

2017/2018 State Aid Payments Not Recognized on a GAAP Basis	(1,108,976)
2017/2018 Extraordinary Aid Not Recognized on a GAAP Basis	(129,947)
	\$ 3,154,173

**HOPATCONG BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
Federal	\$ 690,500	\$ 215,231	\$ 905,731	\$ 905,731	
Local	-	2,300	2,300	2,300	-
Total Revenues	<u>690,500</u>	<u>217,531</u>	<u>908,031</u>	<u>908,031</u>	<u>-</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	190,500	21,162	211,662	212,031	\$ (369)
Other Purchased Services	500,000	69,080	569,080	569,080	-
General Supplies		17,285	17,285	17,285	-
Other Objects	-	5,927	5,927	5,927	-
Total Instruction	<u>690,500</u>	<u>113,454</u>	<u>803,954</u>	<u>804,323</u>	<u>(369)</u>
Support Services					
Salaries of Other Professional Staff		6,965	6,965	6,965	-
Employee Benefits		64,211	64,211	63,842	369
Purchased Professional and Technical Services		2,617	2,617	2,617	-
Other Purchased Services		1,784	1,784	1,784	-
Transportation	-	28,500	28,500	28,500	-
Total Support Services	<u>-</u>	<u>104,077</u>	<u>104,077</u>	<u>103,708</u>	<u>369</u>
Total Expenditures	<u>690,500</u>	<u>217,531</u>	<u>908,031</u>	<u>908,031</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**HOPATCONG BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	C-1 \$ 40,947,369	C-2 \$ 908,031
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Add: June 30, 2017 Encumbrances		5,064
Less: June 30, 2018 Encumbrances		
State Aid payments recognized for GAAP Statements, not recognized for budgetary purposes.	1,246,966	
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements.	<u>(1,238,923)</u>	<u>-</u>
 Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 B-2 \$ <u>40,955,412</u>	 B-2 \$ <u>913,095</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	C-1 \$ 41,385,001	C-2 \$ 908,031
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.		
Add: June 30, 2017 Encumbrances		5,064
Less: June 30, 2018 Encumbrances	<u>-</u>	<u>-</u>
 Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 B-2 \$ <u>41,385,001</u>	 B-2 \$ <u>913,095</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

PENSION INFORMATION

AND

OTHER POST-EMPLOYMENT BENEFITS INFORMATION

**HOPATCONG BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Public Employees Retirement System

Last Five Fiscal Years*

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>	
District's Proportion of the Net Position Liability (Asset)	0.05070	%	0.05337	%	0.05497		0.05372	%	0.05423	%
District's Proportionate Share of the Net Pension Liability (Asset)	\$11,803,724		\$15,807,448		\$12,341,816		\$10,058,400		\$ 10,364,659	
District's Covered-Employee Payroll	\$ 3,764,391		\$ 3,492,518		\$ 3,474,446		\$ 3,764,850		\$ 3,721,026	
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	313.56%		452.61%		355.22%		267.17%		278.54%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%		40.14%		47.93%		52.08%		48.72%	

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

HOPATCONG BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT CONTRIBUTIONS

Public Employees Retirement System

Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 469,744	\$ 474,155	\$ 472,677	\$ 442,884	\$ 408,621
Contributions in Relation to the Contractually Required Contribution	<u>469,744</u>	<u>474,155</u>	<u>472,677</u>	<u>442,884</u>	<u>408,621</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 3,764,391	\$ 3,492,518	\$ 3,474,446	\$ 3,764,850	\$ 3,721,026
Contributions as a Percentage of Covered-Employee Payroll	12.48%	13.58%	13.60%	11.76%	10.98%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**HOPATCONG BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Teachers Pension and Annuity Fund

Last Five Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 97,880,493</u>	<u>\$ 119,655,811</u>	<u>\$ 96,562,596</u>	<u>\$82,640,839</u>	<u>\$ 79,734,594</u>
Total	<u>\$ 97,880,493</u>	<u>\$ 119,655,811</u>	<u>\$ 96,562,596</u>	<u>\$82,640,839</u>	<u>\$ 79,734,594</u>
District's Covered-Employee Payroll	\$ 15,787,577	\$ 15,168,019	\$ 14,642,439	\$14,979,215	\$ 15,003,720
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**HOPATCONG BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 4.

**HOPATCONG BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF
 TOTAL OPEB LIABILITY**

Postemployment Health Benefit Plan

Last One Fiscal Year*

	2018
Total OPEB Liability	
Service Cost	\$ 3,283,111
Interest on Total OPEB Liability	2,980,189
Changes of Assumptions	(12,385,662)
Gross Benefit Payments	(1,602,619)
Contribution from the Member	59,012
Net Change in Total OPEB Liability	(7,665,969)
Total OPEB Liability - Beginning	101,415,447
Total OPEB Liability - Ending	\$ 93,749,478
District's Proportionate Share of OPEB Liability	\$
State's Proportionate Share of OPEB Liability	93,749,478
Total OPEB Liability - Ending	\$ 93,749,478
District's Covered-Employee Payroll	\$ 19,551,968
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

*The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 75. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**HOPATCONG BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the OPEB liability are presented in Note 4.

SPECIAL REVENUE FUND

**HOPATCONG BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	ESEA			IDEA		Blended Early Learning Competitive Grant	T1 Arts Grant	Temporary Emergency Impact Aid	Local Grants	Total
	Title I	Title IIA	Title IV	Part B Preschool	Part B Basic					
REVENUES										
Federal Sources	\$ 214,276	\$ 42,241	\$ 10,000	\$ 19,814	\$ 549,266	\$ 285	\$ 26,349	\$ 43,500		\$ 905,731
Local Sources	-	-	-	-	-	-	-	-	\$ 2,300	2,300
Total Revenues	<u>\$ 214,276</u>	<u>\$ 42,241</u>	<u>\$ 10,000</u>	<u>\$ 19,814</u>	<u>\$ 549,266</u>	<u>\$ 285</u>	<u>\$ 26,349</u>	<u>\$ 43,500</u>	<u>\$ 2,300</u>	<u>\$ 908,031</u>
EXPENDITURES										
Instruction:										
Salaries of Teachers	\$ 162,948	\$ 32,122	\$ 7,605				\$ 9,056		\$ 300	\$ 212,031
Other Purchased Services				\$ 19,814	\$ 549,266					569,080
General Supplies						\$ 285		\$ 15,000	2,000	17,285
Other Objects	-	-	-	-	-	-	5,927	-	-	5,927
Total Instruction	<u>162,948</u>	<u>32,122</u>	<u>7,605</u>	<u>19,814</u>	<u>549,266</u>	<u>285</u>	<u>14,983</u>	<u>15,000</u>	<u>2,300</u>	<u>804,323</u>
Support Services										
Salaries of Other Professional Staff							6,965			6,965
Employee Benefits	51,328	10,119	2,395							63,842
Purchased Professional and Technical Services							2,617			2,617
Other Purchased Services							1,784			1,784
Transportation	-	-	-	-	-	-	-	28,500	-	28,500
Total Support Services	<u>51,328</u>	<u>10,119</u>	<u>2,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,366</u>	<u>28,500</u>	<u>-</u>	<u>103,708</u>
Total Expenditures	<u>\$ 214,276</u>	<u>\$ 42,241</u>	<u>\$ 10,000</u>	<u>\$ 19,814</u>	<u>\$ 549,266</u>	<u>\$ 285</u>	<u>\$ 26,349</u>	<u>\$ 43,500</u>	<u>\$ 2,300</u>	<u>\$ 908,031</u>

**HOPATCONG BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

CAPITAL PROJECTS FUND

(NOT APPLICABLE)

PROPRIETARY FUND

**HOPATCONG BOARD OF EDUCATION
 PROPRIETARY FUNDS - NONMAJOR
 COMBINING STATEMENT OF NET POSITION
 AS OF JUNE 30, 2018**

	<u>Business-Type Activities Enterprise Funds</u>		<u>Totals</u>
	<u>Food Service</u>	<u>Day Plus Services</u>	
ASSETS			
Cash and Cash Equivalents	-	\$ 177,475	\$ 177,475
Intergovernmental Accounts Receivable			
State	\$ 593		593
Federal	19,919		19,919
Inventory	6,048	-	6,048
 Total Current Assets	<u>26,560</u>	<u>177,475</u>	<u>204,035</u>
Capital Assets			
Machinery and Equipment	482,856		482,856
Less: Accumulated Depreciation	422,870	-	422,870
 Total Capital Assets, Net	<u>59,986</u>	<u>-</u>	<u>59,986</u>
 Total Assets	<u>86,546</u>	<u>177,475</u>	<u>264,021</u>
LIABILITIES			
Current Liabilities			
Cash Overdraft	17,333	-	17,333
Unearned Revenue	6,452	-	6,452
 Total Current Liabilities	<u>23,785</u>	<u>-</u>	<u>23,785</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue	1,194	-	1,194
 Total Deferred Inflows of Resources	<u>1,194</u>	<u>-</u>	<u>1,194</u>
 Total Liabilities & Deferred Inflows of Resources	<u>24,979</u>	<u>-</u>	<u>24,979</u>
NET POSITION			
Net Investment in Capital Assets	59,986		59,986
Unrestricted	1,581	177,475	179,056
 Total Net Position	<u>\$ 61,567</u>	<u>\$ 177,475</u>	<u>\$ 239,042</u>

**HOPATCONG BOARD OF EDUCATION
 PROPRIETARY FUNDS - NONMAJOR
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Business-Type Activities Enterprise Funds		Totals
	Food Service	Day Plus Services	
OPERATING REVENUES			
Charges for Services			
School Lunch Program - Reimbursable Program	\$ 251,964		\$ 251,964
School Lunch Program - Non Reimbursable Program	116,800		116,800
Miscellaneous	392		392
Program Fees	-	347,995	347,995
	<u>369,156</u>	<u>347,995</u>	<u>717,151</u>
Total Operating Revenues			
OPERATING EXPENSES			
Salaries and Wages and Benefits	275,578	230,836	506,414
Cost of Sales - Reimbursable Program	254,104		254,104
Cost of Sales - Non Reimbursable Program	28,868		28,868
Other Purchased Services	47,358	30,008	77,366
Facilities Use Fee		37,000	37,000
Supplies	369	20,918	21,287
Miscellaneous	749	20,348	21,097
Depreciation	13,965	-	13,965
	<u>620,991</u>	<u>339,110</u>	<u>960,101</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(251,835)</u>	<u>8,885</u>	<u>(242,950)</u>
NONOPERATING REVENUES			
State Sources			
State School Lunch Program	6,638		6,638
Federal Sources			
Federal School Lunch Program	185,463		185,463
Food Distribution Program	38,276		38,276
School Breakfast Program	26,880		26,880
Interest Income	617	1,947	2,564
	<u>257,874</u>	<u>1,947</u>	<u>259,821</u>
Total Nonoperating Revenues			
Change in Net Position	6,039	10,832	16,871
Net Position, Beginning of Year (as Restated)	<u>55,528</u>	<u>166,643</u>	<u>222,171</u>
Net Position, End of Year	<u>\$ 61,567</u>	<u>\$ 177,475</u>	<u>\$ 239,042</u>

**HOPATCONG BOARD OF EDUCATION
 PROPRIETARY FUNDS - NONMAJOR
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>		
	<u>Food</u> <u>Service</u>	<u>Day Plus</u> <u>Services</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 369,382	\$ 315,383	\$ 684,765
Payments for Employees	(275,578)	(230,836)	(506,414)
Payments to Suppliers	(304,411)	(108,274)	(412,685)
Net Cash Provided By (Used For) Operating Activities	<u>(210,607)</u>	<u>(23,727)</u>	<u>(234,334)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
State and Federal Sources	<u>212,365</u>	<u>-</u>	<u>212,365</u>
Net Cash Provided By (Used for) Non-Capital Financing Activities	<u>212,365</u>	<u>-</u>	<u>212,365</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	<u>(30,544)</u>	<u>-</u>	<u>(30,544)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(30,544)</u>	<u>-</u>	<u>(30,544)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	<u>617</u>	<u>1,947</u>	<u>2,564</u>
Net Cash Provided By Investing Activities	<u>617</u>	<u>1,947</u>	<u>2,564</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(28,169)	(21,780)	(49,949)
Cash and Cash Equivalents, Beginning of Year	<u>10,836</u>	<u>199,255</u>	<u>210,091</u>
Cash and Cash Equivalents (Overdraft), End of Year	<u>\$ (17,333)</u>	<u>\$ 177,475</u>	<u>\$ 160,142</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (251,835)	\$ 8,885	\$ (242,950)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities			
Depreciation	13,965		13,965
Federal Food Distribution Program	38,276		38,276
Changes in Assets, Liabilities and Deferred Inflows of Resources			
(Increase) Decrease in Inventories	27		27
Increase (Decrease) in Deferred Revenue	226	(32,612)	(32,386)
Increase (Decrease) in Accounts Payable	(8,888)	-	(8,888)
Increase (Decrease) in Deferred Inflows of Resources	(2,378)	-	(2,378)
Total Adjustments	<u>41,228</u>	<u>(32,612)</u>	<u>8,616</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (210,607)</u>	<u>\$ (23,727)</u>	<u>\$ (234,334)</u>
Non-Cash Investing, Capital and Financing Activities			
Value Received for Food Distribution Program	\$ 35,898		

FIDUCIARY FUNDS

**HOPATCONG BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2018**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 81,345	\$ 24,560	\$ 105,905
Due from Other Trust Funds	-	502	502
Prepaid Expenses	1,995	-	1,995
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 83,340</u>	<u>\$ 25,062</u>	<u>\$ 108,402</u>
LIABILITIES			
Accrued Salaries and Wages		\$ (3,250)	\$ (3,250)
Payroll Deductions and Withholdings		27,219	27,219
Due to Student Groups	\$ 80,554		80,554
Due to Other Funds	2,786		2,786
Reserve for Flexible Spending	-	1,093	1,093
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 83,340</u>	<u>\$ 25,062</u>	<u>\$ 108,402</u>

**HOPATCONG BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

**HOPATCONG BOARD OF EDUCATION
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>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2018</u>
ELEMENTARY SCHOOLS				
Tulsa Trail	\$ 2,162	\$ 11,281	\$ 11,397	\$ 2,046
Durban Avenue	2,750	9,218	8,239	3,729
Hudson Maxim	4,915	13,114	12,186	5,843
	<u>9,827</u>	<u>33,613</u>	<u>31,822</u>	<u>11,618</u>
MIDDLE SCHOOL	<u>12,550</u>	<u>25,521</u>	<u>28,116</u>	<u>9,955</u>
SENIOR HIGH SCHOOL	<u>59,575</u>	<u>112,266</u>	<u>106,508</u>	<u>65,333</u>
ATHLETIC ACCOUNT	<u>4,794</u>	<u>46,665</u>	<u>57,811</u>	<u>(6,352)</u>
DUE TO GENERAL FUND	<u>-</u>	<u>2,786</u>	<u>-</u>	<u>2,786</u>
PREPAID EXPENSES	<u>-</u>	<u>-</u>	<u>1,995</u>	<u>(1,995)</u>
TOTAL ALL SCHOOLS	<u>\$ 86,746</u>	<u>\$ 218,065</u>	<u>\$ 226,252</u>	<u>\$ 81,345</u>

**HOPATCONG BOARD OF EDUCATION
FIDUCIARY FUNDS
PAYROLL AGENCY FUND
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Balance, July 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, <u>2018</u>
ASSETS				
Cash	\$ 206,493	\$ 25,388,046	\$ 25,569,979	\$ 24,560
Due from Unemployment Trust Fund	<u>-</u>	<u>502</u>	<u>-</u>	<u>502</u>
Total Assets	<u>\$ 206,493</u>	<u>\$ 25,388,548</u>	<u>\$ 25,569,979</u>	<u>\$ 25,062</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 204,008	\$ 11,351,057	\$ 11,527,846	\$ 27,219
Accrued Salaries and Wages	(52)	14,001,968	14,005,166	(3,250)
Reserve for Flexible Spending	<u>2,537</u>	<u>35,523</u>	<u>36,967</u>	<u>1,093</u>
Total Liabilities	<u>\$ 206,493</u>	<u>\$ 25,388,548</u>	<u>\$ 25,569,979</u>	<u>\$ 25,062</u>

LONG-TERM DEBT

**HOPATCONG BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

**HOPATCONG BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES/LEASE PURCHASE AGREEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Purpose</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2017 (Restated)</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance, June 30, 2018</u>
Governmental Activities:						
Lease Purchase Agreement						
Energy Savings Equipment	\$ 1,058,403	3.170%	\$ 187,549		\$ 60,572	\$ 126,977
Various Equipment	93,156	2.348%	37,427	-	18,497	18,930
Total Governmental Activities			224,976	-	79,069	145,907
Business-Type Activities:						
Vehicle	20,097	4.90%	3,156		3,156	-
Vehicles (2)	107,718	2.23%	60,387		21,533	38,854
Vehicle	24,225	4.69%	11,068	-	4,743	6,325
Total Business-Type Activities			74,611	-	29,432	45,179
			\$ 299,587	\$ -	\$ 108,501	\$ 191,086

**HOPATCONG BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

STATISTICAL SECTION

This part of the Hopatcong Board of Education'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 government's overall financial health.

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

J-16 to J-20

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

HOPATCONG BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016 (Restated)	2017	2018
Governmental Activities										
Net Investment In Capital Assets	\$ 6,880,203	\$ 7,132,386	\$ 6,962,957	\$ 7,198,903	\$ 6,969,390	\$ 5,095,319	\$ 4,727,555	\$ 4,675,357	\$ 5,059,104	\$ 4,610,433
Restricted	152,550	263,997	550,000	781,541	1,281,541	1,306,641	1,606,741	1,925,591	1,419,546	1,626,583
Unrestricted	<u>(1,830,295)</u>	<u>(1,539,466)</u>	<u>(24,983)</u>	<u>(365,159)</u>	<u>(324,461)</u>	<u>(10,138,146)</u>	<u>(8,375,312)</u>	<u>(9,438,339)</u>	<u>(10,573,090)</u>	<u>(11,292,112)</u>
Total Governmental Activities Net Position	<u>\$ 5,202,458</u>	<u>\$ 5,856,917</u>	<u>\$ 7,487,974</u>	<u>\$ 7,615,285</u>	<u>\$ 7,926,470</u>	<u>\$ (3,736,186)</u>	<u>\$ (2,041,016)</u>	<u>\$ (2,837,391)</u>	<u>\$ (4,094,440)</u>	<u>\$ (5,055,096)</u>
Business-Type Activities										
Net Investment In Capital Assets	\$ 207,157	\$ 309,819	\$ 275,892	\$ 234,946	\$ 174,825	\$ 223,680	\$ 130,130	\$ 160,791	\$ 122,762	\$ 157,867
Unrestricted	<u>1,086,119</u>	<u>1,143,045</u>	<u>1,326,802</u>	<u>1,279,016</u>	<u>1,462,755</u>	<u>1,584,764</u>	<u>1,696,485</u>	<u>1,623,550</u>	<u>1,217,141</u>	<u>1,102,854</u>
Total Business-Type Activities Net Position	<u>\$ 1,293,276</u>	<u>\$ 1,452,864</u>	<u>\$ 1,602,694</u>	<u>\$ 1,513,962</u>	<u>\$ 1,637,580</u>	<u>\$ 1,808,444</u>	<u>\$ 1,826,615</u>	<u>\$ 1,784,341</u>	<u>\$ 1,339,903</u>	<u>\$ 1,260,721</u>
District-Wide										
Net Investment In Capital Assets	\$ 7,087,360	\$ 7,442,205	\$ 7,238,849	\$ 7,433,849	\$ 7,144,215	\$ 5,318,999	\$ 4,857,685	\$ 4,836,148	\$ 5,181,866	\$ 4,768,300
Restricted	152,550	263,997	550,000	781,541	1,281,541	1,306,641	1,606,741	1,925,591	1,419,546	1,626,583
Unrestricted	<u>(744,176)</u>	<u>(396,421)</u>	<u>1,301,819</u>	<u>913,857</u>	<u>1,138,294</u>	<u>(8,553,382)</u>	<u>(6,678,827)</u>	<u>(7,814,789)</u>	<u>(9,355,949)</u>	<u>(10,189,258)</u>
Total District Net Position	<u>\$ 6,495,734</u>	<u>\$ 7,309,781</u>	<u>\$ 9,090,668</u>	<u>\$ 9,129,247</u>	<u>\$ 9,564,050</u>	<u>\$ (1,927,742)</u>	<u>\$ (214,401)</u>	<u>\$ (1,053,050)</u>	<u>\$ (2,754,537)</u>	<u>\$ (3,794,375)</u>

Note - Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions"

Source: District's financial statements

HOPATCONG BOARD OF EDUCATION
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 13,254,299	\$ 13,902,752	\$ 12,345,351	\$ 13,412,642	\$ 13,071,673	\$ 13,761,723	\$ 16,206,563	\$ 18,788,436	\$ 20,247,169	\$ 20,458,975
Special Education	5,434,707	5,723,488	6,013,061	6,431,473	6,701,360	7,814,101	7,678,460	8,218,599	8,319,456	8,588,419
Other Special Instruction	288,760	304,964	332,974	356,389	357,159	637,136	659,314	696,128	648,626	683,573
Other Instruction	572,854	561,692	518,569	519,255	574,548	624,175	828,497	1,192,189	1,189,812	1,229,445
Support Services										
Tuition	1,071,923	1,230,195	1,311,153	1,832,766	1,597,291	-	-	6,268,661	7,174,032	7,823,172
Student And Instruction Related Services	5,153,975	5,292,807	5,074,553	5,037,583	4,648,101	4,881,753	5,837,003	911,246	7,174,032	7,823,172
School Administrative Services	2,144,465	2,029,131	2,275,692	2,310,205	2,636,127	2,746,791	2,439,729	2,728,876	3,662,376	3,176,037
General Administrative Services	787,282	789,890	767,632	733,565	815,909	792,286	1,013,778	911,246	938,879	997,236
Central Services/Admin Info Technology	642,945	680,485	788,688	882,332	908,391	963,976	1,024,495	986,165	615,669	686,874
Plant Operations And Maintenance	4,383,947	3,897,821	3,847,245	4,737,246	4,616,222	4,353,475	4,333,282	4,494,623	4,435,140	4,845,938
Pupil Transportation	2,128,095	2,133,535	1,970,453	2,034,204	2,144,137	2,028,486	1,930,920	2,074,842	2,127,073	2,097,472
Charter Schools	108,254	262,288	253,373	245,349	370,039	-	-	-	-	-
Interest On Long-Term Debt	36,110	29,210	22,310	15,410	8,510	18,320	13,793	12,976	9,946	6,823
Unallocated Depreciation	485,821	455,894	456,042	426,919	326,203	-	-	-	-	-
Total Governmental Activities Expenses	36,493,437	37,294,152	35,977,096	38,975,338	38,775,670	38,622,222	41,985,834	46,372,741	49,568,178	50,593,964
Business-Type Activities:										
Food Service	734,383	729,273	661,809	663,523	660,736	692,094	645,457	606,766	620,852	620,991
Transportation Services	21,845,879	21,186,621	21,227,427	21,317,987	20,980,079	23,212,039	24,575,426	27,666,306	33,533,400	38,774,080
Day Plus Services	226,511	227,171	208,514	197,966	103,146	129,729	211,586	243,476	322,875	339,110
Total Business-Type Activities Expense	22,806,773	22,143,065	22,097,750	22,179,476	21,743,961	24,033,862	25,432,469	28,516,548	34,477,127	39,734,181
Total District Expenses	\$ 59,300,210	\$ 59,437,217	\$ 58,074,846	\$ 61,154,814	\$ 60,519,631	\$ 62,656,084	\$ 67,418,303	\$ 74,889,289	\$ 84,045,305	\$ 90,328,145
Program Revenues										
Governmental Activities:										
Charges For Services:	\$ 91,807				\$ 17,610	\$ 1,300	\$ 4,895			\$ 137,000
Operating Grants And Contributions	4,908,635	5,310,555	5,238,968	5,342,559	6,090,704	5,754,539	10,004,225	11,672,241	\$ 14,670,986	15,718,936
Capital Grants And Contributions		93,690							22,575	
Total Governmental Activities Program Revenues	5,000,442	5,404,245	5,238,968	5,342,559	6,090,704	5,772,149	10,005,525	11,677,136	14,693,561	15,855,936
Business-Type Activities:										
Charges For Services:										
Food Service	523,004	491,262	443,416	409,700	359,216	339,865	405,177	367,458	371,412	368,764
Transportation Services	21,927,859	21,382,482	21,369,571	21,272,405	21,203,087	23,477,114	24,351,710	27,571,151	33,199,026	38,450,073
Preschool							8,600			
Day Plus Services	157,290	192,758	211,312	187,717	163,898	137,308	212,217	249,252	254,498	347,995
Operating Grants And Contributions	220,996	235,654	222,904	220,715	208,101	168,110	214,563	251,942	247,228	257,257
Total Business Type Activities Program Revenues	22,829,149	22,302,156	22,247,203	22,090,537	21,934,302	24,122,397	25,192,267	28,439,803	34,072,164	39,424,089
Total District Program Revenues	\$ 27,829,591	\$ 27,706,401	\$ 27,486,171	\$ 27,433,096	\$ 28,025,006	\$ 29,894,546	\$ 35,197,792	\$ 40,116,939	\$ 48,765,725	\$ 55,280,025

HOPATCONG BOARD OF EDUCATION
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental Activities	\$ (31,492,995)	\$ (31,889,907)	\$ (30,738,128)	\$ (33,632,779)	\$ (32,684,966)	\$ (32,850,073)	\$ (31,980,309)	\$ (34,695,605)	\$ (34,874,617)	\$ (34,738,028)
Business-Type Activities	22,376	159,091	149,453	(88,939)	190,341	88,535	(240,202)	(76,745)	(404,963)	(310,092)
Total District-Wide Net Expense	<u>\$ (31,470,619)</u>	<u>\$ (31,730,816)</u>	<u>\$ (30,588,675)</u>	<u>\$ (33,721,718)</u>	<u>\$ (32,494,625)</u>	<u>\$ (32,761,538)</u>	<u>\$ (32,220,511)</u>	<u>\$ (34,772,350)</u>	<u>\$ (35,279,580)</u>	<u>\$ (35,048,120)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 19,882,966	\$ 20,708,854	\$ 22,023,170	\$ 22,023,170	\$ 22,964,246	\$ 23,423,531	\$ 24,149,801	\$ 24,391,299	\$ 24,391,299	\$ 24,147,386
Taxes Levied for Debt Service	122,892	118,364	122,780	122,780	113,011	97,755	-	-	-	-
State Aid for Debt Service	-	-	-	-	-	40,350	-	-	-	-
Federal and State Aid Not Restricted	10,876,951	11,448,087	9,951,658	9,951,658	9,725,611	9,322,282	9,378,596	9,380,401	9,395,716	9,405,588
Investment Earnings	38,937	22,975	20,389	20,389	21,270	9,803	9,751	8,442	15,966	15,966
Miscellaneous Income	221,396	246,086	251,188	251,188	172,014	188,685	395,183	161,096	249,684	224,398
Transfers	-	-	-	-	-	-	(257,852)	8,605	-	-
Total Governmental Activities	<u>31,143,142</u>	<u>32,544,366</u>	<u>32,369,185</u>	<u>32,369,185</u>	<u>32,996,152</u>	<u>33,082,406</u>	<u>33,675,479</u>	<u>33,949,843</u>	<u>34,052,665</u>	<u>33,777,372</u>
Business-Type Activities:										
Investment Earnings	\$ 717	\$ 497	\$ 377	\$ 377	\$ 181	\$ 193	\$ 521	\$ 659	\$ 540	
Miscellaneous	-	-	-	-	(66,904)	-	-	-	-	\$ 230,910
Prior Year Adjustment to capital assets, net	-	-	-	-	-	-	257,852	(8,605)	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	<u>717</u>	<u>497</u>	<u>377</u>	<u>377</u>	<u>(66,723)</u>	<u>193</u>	<u>258,373</u>	<u>(7,946)</u>	<u>540</u>	<u>230,910</u>
Total District-Wide	<u>\$ 31,143,859</u>	<u>\$ 32,544,863</u>	<u>\$ 32,369,562</u>	<u>\$ 32,369,562</u>	<u>\$ 32,929,429</u>	<u>\$ 33,082,599</u>	<u>\$ 33,933,852</u>	<u>\$ 33,941,897</u>	<u>\$ 34,053,205</u>	<u>\$ 34,008,282</u>
Change in Net Position										
Governmental Activities	\$ (349,853)	\$ 654,459	\$ 1,631,057	\$ (1,263,594)	\$ 311,186	\$ 232,333	\$ 1,695,170	\$ (745,762)	\$ (821,952)	\$ (960,656)
Business-Type Activities	23,093	159,588	149,830	(88,562)	123,618	88,728	18,171	(84,691)	(404,423)	(79,182)
Total District	<u>\$ (326,760)</u>	<u>\$ 814,047</u>	<u>\$ 1,780,887</u>	<u>\$ (1,352,156)</u>	<u>\$ 434,804</u>	<u>\$ 321,061</u>	<u>\$ 1,713,341</u>	<u>\$ (830,453)</u>	<u>\$ (1,226,375)</u>	<u>\$ (1,039,838)</u>

Source: District's financial statements

**HOPATCONG BOARD OF EDUCATION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)**

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable						\$ 8,927	\$ 25,855	\$ 105,627	\$ 18,196	
Restricted/Reserved	\$ 152,550	\$ 239,444	\$ 550,000	\$ 781,541	\$ 1,281,541	1,908,565	2,907,183	3,814,240	3,435,454	\$ 3,419,622
Unreserved (Deficit)	(398,060)	(236,493)								
Committed										
Assigned			1,226,164	794,345	764,413	561,649	1,696,061	599,021	630,871	184,544
Unassigned						(410,669)	(560,156)	(488,557)	(500,759)	(449,993)
Total General Fund	<u>\$ (245,510)</u>	<u>\$ 2,951</u>	<u>\$ 1,776,164</u>	<u>\$ 1,575,886</u>	<u>\$ 2,045,954</u>	<u>\$ 2,068,472</u>	<u>\$ 4,068,943</u>	<u>\$ 4,030,331</u>	<u>\$ 3,583,762</u>	<u>\$ 3,154,173</u>
All Other Governmental Funds										
Reserved/Restricted		\$ 24,533								
Unreserved, Reported in:										
Special Revenue Fund										
Capital Projects Fund										
Debt Service Fund										
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ 24,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Beginning with 2010/11 Fiscal Year, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Type Definitions." The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required

Source: District's financial statements

HOPATCONG BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax Levy	\$ 20,005,858	\$ 20,827,218	\$ 22,145,950	\$ 22,631,863	\$ 23,077,257	\$ 23,521,286	\$ 24,149,801	\$ 24,391,299	\$ 24,391,299	\$ 24,147,386
Tuition Charges	91,807					17,610	1,300	4,895	-	
Interest Earned on Investments	37,655	22,975	20,389	21,270	12,474	9,803	9,751	8,342	15,966	900
Interest Earned on Capital Reserve Funds	1,282							100	-	
Miscellaneous	221,396	246,086	251,188	247,904	180,809	189,184	396,183	161,096	250,359	362,798
State Sources	14,840,028	14,524,570	14,009,998	14,802,974	14,673,594	14,183,400	14,779,327	15,432,968	15,631,664	16,399,686
Federal Sources	945,558	2,327,762	1,180,628	1,398,638	1,142,721	933,272	981,618	941,473	1,099,373	957,737
Total Revenues	36,143,584	37,948,611	37,608,153	39,102,649	39,086,855	38,854,555	40,317,980	40,940,173	41,388,661	41,868,507
Expenditures										
Instruction										
Regular Instruction	9,991,535	10,082,544	8,790,339	9,824,074	8,846,597	13,624,450	14,021,137	15,775,805	15,651,821	16,276,784
Special Education Instruction	4,096,660	4,229,696	4,379,149	4,522,562	4,726,267	7,744,199	6,897,746	7,139,528	6,999,890	7,185,498
Other Special Instruction	210,041	216,612	239,532	240,552	239,851	639,980	588,927	599,110	528,958	567,971
Other Instruction	453,563	436,132	404,540	384,256	432,160	611,526	826,207	1,136,255	1,075,967	1,097,868
Support Services										
Tuition	1,071,923	1,230,195	1,311,153	1,832,766	1,597,291					
Student & Inst. Related Services	3,909,445	3,835,893	3,613,294	3,374,611	3,252,799	4,829,037	5,232,667	5,393,596	5,818,367	6,433,090
General Administrative Services	774,094	688,379	688,728	648,931	695,581	787,351	1,003,845	879,633	875,717	935,798
School Administrative Services	1,547,071	1,499,395	1,498,210	1,509,412	1,726,807	2,714,682	2,109,125	2,244,565	2,785,193	2,494,819
Central Services/Admin Info Technology	529,511	527,624	543,165	621,463	621,197	953,484	1,004,074	920,438	536,994	594,715
Plant Operations and Maintenance	3,642,886	3,212,019	3,174,440	4,107,147	4,073,712	4,329,678	4,283,935	4,328,837	4,099,085	4,477,982
Pupil Transportation	2,034,869	2,087,525	1,852,861	1,912,262	2,017,522	2,025,907	1,925,556	2,060,157	2,110,917	2,086,154
Unallocated Benefits	7,857,682	8,505,207	8,454,685	8,995,995	9,459,123					
Charter Schools	108,254	262,288	253,373	245,349	370,039					
Debt Service:										
Principal	150,000	150,000	150,000	150,000	150,000	212,495	99,956	100,152	103,187	79,069
Interest And Other Charges	37,260	30,360	23,460	16,560	9,660	19,355	13,793	12,976	9,946	6,823
Capital Outlay	416,024	820,676	482,564	916,987	398,181	339,893	145,845	396,338	1,239,188	61,525
Total Expenditures	36,830,818	37,814,545	35,859,493	39,302,927	38,616,787	38,832,037	38,152,813	40,987,390	41,835,230	42,298,096
Excess (Deficiency) Of Revenues										
Over (Under) Expenditures	(687,234)	134,066	1,748,660	(200,278)	470,068	22,518	2,165,167	(47,217)	(446,569)	(429,589)
Other Financing Sources (Uses)										
Capital Leases (Non-Budgeted)		138,948					93,156			
Transfers In		140,535						8,605		
Transfers Out		(140,535)					(257,852)			
Total Other Financing Sources (Uses)	-	138,948	-	-	-	-	(164,696)	8,605	-	-
Net Change In Fund Balances	\$ (687,234)	\$ 273,014	\$ 1,748,660	\$ (200,278)	\$ 470,068	\$ 22,518	\$ 2,000,471	\$ (38,612)	\$ (446,569)	\$ (429,589)
Debt Service As A Percentage Of										
Noncapital Expenditures	0.51%	0.48%	0.49%	0.43%	0.42%	0.60%	0.30%	0.28%	0.27%	0.20%

* Noncapital expenditures are total expenditures less capital outlay.

Source: District's financial statements

HOPATCONG BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year Ended June 30</u>	<u>Interest</u>	<u>Tuition</u>	<u>Prior Year Appropriation Refunds/Donations</u>	<u>Special/Community Projects</u>	<u>Rentals</u>	<u>Prior Year Accounts Payable Cancelled</u>	<u>Miscellaneous</u>	<u>Total</u>
2009	\$ 38,937	\$ 91,807	\$ 7,647	\$ 100,000	\$ 72,508	\$ 8,000	\$ 33,241	\$ 352,140
2010	22,975		7,689	70,000	75,116	34,452	58,829	269,061
2011	20,389		36,045	70,000	77,825	10,792	56,526	271,577
2012	21,270		62,210	70,000	79,255	11,050	25,389	269,174
2013	12,474		28,049		82,112		70,648	193,283
2014	9,803	17,610	43,284		88,211	12,133	45,057	216,098
2015	9,751	1,300	-		92,400	-	302,783	406,234
2016	8,442	4,895	-		-	-	161,096	174,433
2017	15,966		-		-	-	249,684	265,650
2018	900		-		137,000	7,606	215,892	361,398

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Source: District financial records

HOPATCONG BOARD OF EDUCATION
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 (Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Total Assessed Value	Public Utilities	Net Valuation Taxable	Tax-Exempt Property	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2009	\$ 42,912,500	\$ 1,912,360,300	\$ 2,295,400	\$ 247,600	\$ 89,741,900	\$ 486,800	\$ 2,048,044,500	\$ 1,558,691	\$ 2,049,603,191	\$ 98,712,100	\$ 1,927,858,579	\$ 0.96
2010	40,926,100	1,914,150,400	2,980,800	249,500	88,509,500	486,800	2,047,303,100		2,047,303,100	100,050,600	1,896,190,997	1.00
2011	38,205,400	1,907,643,400	3,344,700	255,800	87,506,900	486,800	2,037,443,000		2,037,443,000	102,205,800	1,845,166,470	1.05
2012	37,531,500	1,875,303,700	3,320,700	255,800	79,589,300	421,100	1,996,422,100		1,996,422,100	102,385,600	1,748,802,573	1.10
2013 *	20,393,000	1,305,041,400	2,561,100	277,300	71,189,800	345,500	1,399,808,100		1,399,808,100	74,886,300	1,650,911,782	1.664
2014	18,550,400	1,302,275,200	3,012,800	281,700	72,203,200	345,500	1,396,668,800		1,396,668,800	76,555,200	1,601,317,129	1.706
2015	18,332,200	1,302,892,800	3,012,800	250,300	76,078,400	345,500	1,400,912,000		1,400,912,000	76,713,800	1,606,957,427	1.733
2016	15,936,800	1,302,854,200	3,012,800	250,300	76,113,100	345,500	1,398,512,700		1,398,512,700	77,352,800	1,636,821,275	1.744
2017	17,897,600	1,303,433,800	2,561,100	239,200	75,447,300	345,500	1,399,924,500		1,399,924,500	77,927,400	1,577,240,720	1.734
2018	17,541,100	1,305,511,600	2,561,100	600,900	75,719,200	345,500	1,402,279,400		1,402,279,400	77,523,100	1,572,256,246	1.723

* Revaluation Year

Source: County Abstract of Ratables

a Tax rates are per \$100

**HOPATCONG BOARD OF EDUCATION
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
PER \$100 OF ASSESSED VALUATION
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Assessment Year</u>	<u>Hopatcong Board of Education Direct Rate</u>			<u>Overlapping Rates</u>		
	<u>Basic Rate a</u>	<u>General Obligation Debt Service b</u>	<u>Total Direct</u>	<u>Hopatcong Borough</u>	<u>Sussex County</u>	<u>Total</u>
2009	\$ 0.95	\$ 0.01	\$ 0.96	\$ 0.47	\$ 0.34	\$ 1.77
2010	0.99	0.01	1.00	0.52	0.36	1.88
2011	1.04	0.01	1.05	0.56	0.37	1.98
2012	1.09	0.01	1.10	0.58	0.39	2.07
2013 *	1.654	0.010	1.664	0.885	0.547	3.096
2014	1.696	0.010	1.706	0.908	0.618	3.232
2015	1.733	-	1.733	0.917	0.593	3.243
2016	1.744	-	1.744	0.926	0.648	3.318
2017	1.734	-	1.734	0.933	0.644	3.311
2018	1.723		1.723	0.941	0.652	3.316

* Revaluation Year

a The District's basic tax rate is calculated from the A4f Form which is submitted with the budget and the Net Valuation Table.

b Rates for debt service are based on each year's requirements.

Source: Municipal Tax Assessor

HOPATCONG BOARD OF EDUCATION
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)

Taxpayer	2018		2009	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Weldon Quarry Corporation	\$ 15,005,100	1.07%	INFORMATION NOT AVAILABLE	
PSE&G	6,297,600	0.45%		
Heller Property Partners, LP	4,255,600	0.30%		
IAT Reinsurance Company	4,158,200	0.30%		
Federal National Mortgage Assoc.	3,602,900	0.26%		
Durling Realty, LLC	2,615,500	0.19%		
Atkins/Hopatcong LLC	2,525,000	0.18%		
RPC Andover, LLC	2,491,500	0.18%		
Locor Realty Corp	2,445,100	0.17%		
BJ Properties	2,377,300	0.17%		
Total	45,773,800	3.26%	\$ -	0.00%

Source: Municipal Tax Assessor

**HOPATCONG BOARD OF EDUCATION
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		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 20,005,858	\$ 20,005,858	100.00%	-
2010	20,827,218	20,827,218	100.00%	-
2011	22,145,950	22,145,950	100.00%	-
2012	22,631,863	22,631,863	100.00%	-
2013	23,077,257	23,077,257	100.00%	-
2014	23,521,286	23,521,286	100.00%	-
2015	24,149,801	24,149,801	100.00%	-
2016	24,391,299	24,391,299	100.00%	-
2017	24,391,299	24,391,299	100.00%	-
2018	24,147,386	24,147,386	100.00%	-

Source: District financial records

HOPATCONG BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities		Business-Type	Total District	Population	Per Capita
	General Obligation Bonds	Capital Leases/Lease Purchase	Activities Capital Leases			
2009	\$ 735,000	\$ 973,587	\$ 51,568	\$ 1,760,155	15,521	\$ 113
2010	585,000	955,832	57,403	1,598,235	15,137	106
2011	435,000	835,852	10,892	1,281,744	15,056	85
2012	285,000	602,612		887,612	14,923	59
2013	135,000	512,610	16,494	664,104	14,777	45
2014	-	435,115	13,482	448,597	14,654	31
2015	-	428,315	112,083	540,398	14,464	37
2016	-	328,163	88,044	416,207	14,362	29
2017	-	224,976	74,611	299,587	14,298	21
2018		145,907	45,179	191,086	14,298	13

Source: District records

HOPATCONG BOARD OF EDUCATION
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	\$ 735,000	-	\$ 735,000	0.036%	\$ 47
2010	585,000	-	585,000	0.029%	39
2011	435,000	-	435,000	0.021%	29
2012	285,000	-	285,000	0.014%	19
2013	135,000	-	135,000	0.010%	9
2014	-	-	NONE	0.000%	-
2015	-	-	NONE	0.000%	-
2016	-	-	NONE	0.000%	-
2017	-	-	NONE	0.000%	-
2018	-	-	NONE	0.000%	-

Source: District records

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.

**HOPATCONG BOARD OF EDUCATION
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 AS OF DECEMBER 31, 2017
 (Unaudited)**

Net Direct Debt of School District as of June 30, 2018		-
Net Overlapping Debt of School District		
Borough of Hopatcong	\$ 8,095,230	
County of Sussex General Obligation Debt	<u>10,155,252</u>	
		<u>\$ 18,250,482</u>
 Hopatcong Board of Education Direct Debt		 -
 Total Direct and Overlapping Debt as of June 30, 2018		 <u>\$ 18,250,482</u>

- (A) The debt for this entity was apportioned by dividing the Municipality's 2017 equalized value by the total 2017 equalized value for Sussex County.
- (B) Overlapping debt was computed based upon usage

Sources:

- (1) Borough of Hopatcong 2017 Annual Debt Statement
- (2) Sussex County 2017 Annual Debt Statement
- (3) Sussex County Utilities Authority

HOPATCONG BOARD OF EDUCATION
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 73,774,186	\$ 76,330,808	\$ 74,693,436	\$ 72,275,667	\$ 71,061,741	\$ 68,365,919	\$ 65,932,970	\$ 65,214,745	\$ 64,201,277	\$ 63,768,974
Total Net Debt Applicable To Limit	<u>735,000</u>	<u>585,000</u>	<u>435,000</u>	<u>285,000</u>	<u>135,000</u>	-	-	-	-	-
Legal Debt Margin	<u>\$ 73,039,186</u>	<u>\$ 75,745,808</u>	<u>\$ 74,258,436</u>	<u>\$ 71,990,667</u>	<u>\$ 70,926,741</u>	<u>\$ 68,365,919</u>	<u>\$ 65,932,970</u>	<u>\$ 65,214,745</u>	<u>\$ 64,201,277</u>	<u>\$ 63,768,974</u>
Total net debt applicable to the limit as a percentage of debt limit	1.00%	0.77%	0.58%	0.39%	0.19%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2018

Equalized Valuation Basis

2017	\$ 1,568,894,430
2016	1,574,901,689
2015	<u>1,638,876,930</u>
	<u>\$ 4,782,673,049</u>

Average Equalized Valuation of Taxable Property

\$ 1,594,224,350

Debt Limit (4 % of Average Equalization Value)

63,768,974

Total Net Debt Applicable to Limit

Legal Debt Margin

\$ 63,768,974

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

**HOPATCONG BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2009	15,521	\$ 46,651	6.9%
2010	15,137	47,230	11.4%
2011	15,056	48,958	12.1%
2012	14,923	50,597	11.8%
2013	14,777	51,132	11.7%
2014	14,654	53,138	9.4%
2015	14,464	54,998	6.6%
2016	14,362	56,183	5.6%
2017	14,298	56,183 Est.	4.9%
2018	14,298 Est.	56,183 Est.	4.1%

Source: New Jersey State Department of Education

Est. - Estimated

HOPATCONG BOARD OF EDUCATION
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

	<u>2018</u>		<u>2009</u>	
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

INFORMATION NOT AVAILABLE

HOPATCONG BOARD OF EDUCATION
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

<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	202	178	157	152	152	161	173	174	183	179
Support Services										
Student and Instruction Related Services	37	40	40	34	41	37	41	41	74	71
School Administrative Services	13	14	13	13	17	13	14	15	15	11
General and Business Administrative Services	8	7	7	7	12.5	10	10	10	26	26
Plant Operations and Maintenance	<u>27</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>26.5</u>	<u>27</u>	<u>26</u>	<u>27</u>	<u>26</u>	<u>25</u>
Total	<u>287</u>	<u>266</u>	<u>244</u>	<u>233</u>	<u>249</u>	<u>248</u>	<u>264</u>	<u>267</u>	<u>324</u>	<u>312</u>

Source: District Personnel Records

* Prior to FY 2017, certain paraprofessional positions were not included.

HOPATCONG BOARD OF EDUCATION
 OPERATING STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Enrollment	Operating Expenditures (A)	Cost Per Pupil	Percentage Change	Teacher/Pupil Ratio				Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff ^b	Elementary	Middle School	High School				
2009	2,287	\$ 36,227,534	\$ 15,841	1.27%	243	1:12	1:11	1:11	2,287	2,153	-6.00%	94.14%
2010	2,195	36,813,509	16,772	5.88%	218	1:12	1:10	1:11	2,195	2,047	-4.02%	93.26%
2011	2,110	35,203,469	16,684	-0.52%	197	1:21	1:17	1:17	2,110	1,985	-3.87%	94.08%
2012	2,021	38,219,380	18,911	13.35%	186	1:22	1:18	1:18	2,021	1,903	-4.22%	94.16%
2013	1,886	38,058,946	20,180	6.71%	193	1:08	1:09	1:10	1,886	1,790	-6.68%	94.91%
2014	1,818	38,260,294	21,045	4.29%	198	1:21	1:18	1:19	1,818	1,721	-3.61%	94.66%
2015	1,742	37,893,219	21,753	3.36%	186	1:20	1:17	1:18	1,672	1,581	-8.03%	94.56%
2016	1,588	40,477,924	25,490	17.18%	186	1:20	1:17	1:18	1,600	1,517	-4.31%	94.81%
2017	1,608	40,482,909	25,176	-1.23%	184	1:20	1:17	1:18	1,568	1,482	-2.00%	94.52%
2018	1,592	42,150,679	26,477	5.17%	179	1:20	1:17	1:18	1,548	1,474	-1.28%	95.22%

Sources: District records

(A) Includes General and Special Revenue Funds

**HOPATCONG BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>District Building</u>										
<u>High School</u>										
Square Feet	196,855	196,855	196,855	196,855	196,855	196,855	196,855	196,855	196,855	196,855
Capacity (students)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Enrollment	748	729	713	673	622	574	574	592	477	456
<u>Durban Avenue School</u>										
Square Feet	55,065	55,065	55,065	55,065	55,065	55,065	55,065	55,065	55,065	55,065
Capacity (students)	487	487	487	487	487	487	487	487	487	487
Enrollment	344	329	312	303	274	257	257	214	253	254
<u>Middle School</u>										
Square Feet	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Capacity (students)	791	791	791	791	791	791	791	791	791	791
Enrollment	600	528	518	483	449	398	398	294	345	349
<u>Hudson Maxim School</u>										
Square Feet	33,660	33,660	33,660	33,660	33,660	33,660	33,660	33,660	33,660	33,660
Capacity (students)	490	490	490	490	490	490	490	490	490	490
Enrollment	296	313	267	283	288	274	274	257	274	270
<u>Tulsa Trail School</u>										
Square Feet	32,184	32,184	32,184	32,184	32,184	32,184	32,184	32,184	32,184	32,184
Capacity (students)	500	500	500	500	500	500	500	500	500	500
Enrollment	323	296	300	279	253	252	252	231	259	263
<u>Other</u>										
<u>Administration Building</u>										
Square Feet	12,735	12,735	12,735	12,735	12,735	12,735	12,735	12,735	12,735	12,735
<u>Field House</u>										
Square Feet	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840
<u>Maintenance Sheds</u>										
Square Feet	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
<u>Garage</u>										
Square Feet	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
<u>Storage Building</u>										
Square Feet	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Number of Schools at June 30, 2018

Elementary = 3
Middle School = 1
High School = 1
Other = 5

Source: District Records

HOPATCONG BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN YEARS
(Unaudited)

<u>School</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>
High School	\$ 423,254	\$ 432,226	\$ 345,823	\$ 832,018	\$ 650,711	\$ 474,901	\$ 353,020	\$ 617,966	\$ 450,724	\$ 441,971
Durban Avenue School	118,394	120,904	96,735	232,735	182,019	132,841	98,747	172,858	126,077	123,628
Middle School	182,757	186,631	149,323	359,257	280,970	205,058	152,430	266,830	194,617	190,837
Hudson Maxim School	72,372	73,906	59,132	142,266	111,264	81,203	60,362	105,664	77,068	75,571
Tulsa Trail School	69,198	70,665	56,539	136,027	106,385	77,642	57,715	101,031	73,688	72,257
Administration Building	27,381	27,962	22,372	53,825	42,096	30,722	22,837	39,976	29,157	28,591
Field House	8,256	8,431	6,746	16,230	12,693	9,264	6,886	12,054	8,792	8,621
Maintenance Sheds	8,600	8,782	7,027	16,906	13,222	9,650	7,173	12,556	9,158	8,980
Garage	2,580	2,635	2,108	5,072	3,967	2,895	2,152	3,767	2,748	2,694
Storage Building	<u>2,150</u>	<u>2,195</u>	<u>1,757</u>	<u>4,227</u>	<u>3,306</u>	<u>2,412</u>	<u>1,793</u>	<u>3,139</u>	<u>2,289</u>	<u>2,245</u>
Grand Total	<u>\$ 914,942</u>	<u>\$ 934,337</u>	<u>\$ 747,562</u>	<u>\$ 1,798,563</u>	<u>\$ 1,406,633</u>	<u>\$ 1,026,588</u>	<u>\$ 763,115</u>	<u>\$ 1,335,841</u>	<u>\$ 974,318</u>	<u>\$ 955,395</u>

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2018
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund		
Building and Personal Property	\$ 250,000,000	\$ 2,500
Inland Marine - Auto Physical Damage		
General Liability including Auto, Employee Benefits:	5,000,000	
Benefits:		
Each Occurrence		
General Aggregate	100,000,000	Fund Agg.
Product/Completed Ops		
Personal Injury		
Fire Damage	2,500,000	
Medical Expenses (excluding students taking part in athletics)	10,000	
Automobile Coverage		
Combined Single Limit		
Hired/Non-owned		
Environmental Impairment Liability	1,000,000/25,000,000	Fund Agg. 5,000
Crime Coverage	50,000	1,000
Blanket Dishonesty Bond	500,000	1,000
Boiler and Machinery	100,000,000	2,500
Excess Liability (AL/GL)	5,000,000	
School Board Legal		
Excess SLPL	5,000,000/5,000,000	10,000
Workers' Compensation	Statutory	
Employer's Liability	5,000,000	
Supplemental Indemnity	Statutory	
Public Official's Bond		
Treasurer of School Monies	300,000	
Business Administrator/Board Secretary	300,000	

Source: School District's records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Hopatcong Board of Education
Hopatcong, 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 audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hopatcong Board of Education as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Hopatcong Board of Education's basic financial statements and have issued our report thereon dated January 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hopatcong Board of Education'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 Hopatcong Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hopatcong Board of Education'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hopatcong Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002.

We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Hopatcong Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated January 22, 2019.

Hopatcong Board of Education's Responses to Findings

The Hopatcong Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Hopatcong Board of Education's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
January 22, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
U.S. UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE AS
REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Hopatcong Board of Education
Hopatcong, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Hopatcong Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Hopatcong Board of Education's major federal and state programs for the fiscal year ended June 30, 2018. The Hopatcong Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Hopatcong Board of Education'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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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 OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular 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 Hopatcong Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08 which are described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004. Our opinion on each major federal and state program is not modified with respect to these matters.

The Hopatcong Board of Education's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Hopatcong Board of Education's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Hopatcong Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hopatcong Board of Education'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 U.S. Uniform Guidance and New Jersey 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 the Hopatcong Board of Education's internal control over compliance.

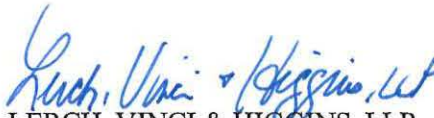
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 U.S. Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hopatcong Board of Education, as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated January 22, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
January 22, 2019

HOPATCONG BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	FAIN Number	Grant Period	Award Amount	Balance July 1, 2017		Due to Grantor	Cash Received	Budgetary Expenditures	Adjustment	Balance June 30, 2018			Memo GAAP Receivable
					(Accounts Receivable)	Unearned Revenue					(Accounts Receivable)	Unearned Revenue	Due to Grantor	
Special Revenue Fund:														
Title I	84.010	S010A170030	7/1/17-6/30/18	\$ 214,276	-	-	-	\$ 214,276	\$ 214,276	-	-	-	-	-
Title I	84.010	S010A160030	7/1/16-6/30/17	216,611	\$ (113,000)	-	-	113,000	-	-	-	-	-	-
Title I Arts Integration	84.010		1/1/17-7/31/17	100,000	(68,432)	\$ 26,349	-	68,432	26,349	-	-	-	-	-
Total Title I Cluster					(181,432)	26,349	-	395,708	240,625	-	-	-	-	-
Title II, Part A	84.367A	S367A170029	7/1/17-6/30/18	42,241	-	-	-	42,241	42,241	-	-	-	-	-
Title II, Part A	84.367A	S367A160029	7/1/16-6/30/17	45,649	(27,534)	-	-	27,534	-	-	-	-	-	-
Title II, Part A	84.367A		7/1/15-6/30/16	48,615	-	409	-	-	-	\$ (409)	-	-	-	-
Title IV	84.424	S424A170031	7/1/17-6/30/18	10,000	-	-	-	10,000	10,000	-	-	-	-	-
IDEA Part B, Basic	84.027	H027A170100	7/1/17-6/30/18	549,266	-	-	-	549,266	549,266	-	-	-	-	-
IDEA Part B, Basic	84.027	H027A160100	7/1/16-6/30/17	551,856	(55,609)	-	-	55,609	-	-	-	-	-	-
IDEA, Part B, Preschool	84.173	H173A170114	7/1/17-6/30/18	19,814	-	-	-	19,814	19,814	-	-	-	-	-
IDEA, Part B, Preschool	84.173	H173A160114	7/1/16-6/30/17	19,872	(19,872)	-	-	19,872	-	-	-	-	-	-
Total IDEA, Part B Cluster					(75,481)	-	-	644,561	569,080	-	-	-	-	-
Temporary Emergency Impact Aid	84.938c		7/1/17-6/30/18	43,500	-	-	-	-	43,500	-	\$ (43,500)	-	-	\$ (43,500)
Blended Early Learning Competitive	84.413		9/1/15-8/31/16	75,000	-	259	-	-	-	(259)	-	-	-	-
Blended Early Learning Competitive	84.413	16E00059	9/1/16-8/31/17	75,000	(75,000)	285	-	75,000	285	-	-	-	-	-
Total Special Revenue Fund					(331,913)	27,302	-	1,167,510	905,731	(668)	(43,500)	-	-	(43,500)
U.S.D.A. Department of Agriculture Passed Through State Department of Education Enterprise Fund:														
Food Distribution Program	10.555	181NJ304N1099	7/1/17-6/30/18	35,898	-	-	-	35,898	34,704	-	\$ 1,194	-	-	-
Food Distribution Program	10.555	171NJ304N1099	7/1/16-6/30/17	38,295	-	3,572	-	-	3,572	-	-	-	-	-
National School Lunch Program	10.555	181NJ304N1099	7/1/17-6/30/18	185,463	-	-	-	168,668	185,463	-	\$ (16,795)	-	-	\$ (16,795)
National School Lunch Program	10.555	171NJ304N1099	7/1/16-6/30/17	181,046	(11,641)	-	-	11,641	-	-	-	-	-	-
School Breakfast Program	10.553	181NJ304N1099	7/1/17-6/30/18	26,880	-	-	-	23,756	26,880	-	(3,124)	-	-	(3,124)
School Breakfast Program	10.553	171NJ304N1099	7/1/16-6/30/17	22,474	(1,877)	-	-	1,877	-	-	-	-	-	-
Total Enterprise Fund					(13,518)	3,572	-	241,840	250,619	-	(19,919)	1,194	-	(19,919)
U's Department of Health and Human Services- Passed through State Department of Human Services Medicaid Assistance Program														
Medicaid Assistance Program	93.778	1805NJSMAP	7/1/17-6/30/18	46,942	-	-	-	46,942	46,942	-	-	-	-	-
					-	-	-	46,942	46,942	-	-	-	-	-
Total Federal Financial Awards					\$ (345,431)	\$ 30,874	\$ -	\$ 1,456,292	\$ 1,203,292	\$ (668)	\$ (63,419)	\$ 1,194	\$ -	\$ (63,419)

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HOPATCONG BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Department of Education	Grant or State Project Number	Grant	Award Amount	Balance June 30, 2017	Carryover Amount	Cash Received	Budgetary Expenditures	Cancellation	Repayment of Prior Year Balances	Balance June 30, 2018			Memorandum		
										(Accts. Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Budgetary Expenditures	
General Fund:															
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	\$ 668,951			\$ 602,542	\$ 668,951				\$ (66,409)				\$ 668,951
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	668,951	(65,693)		65,693					-			*	-
Nonpublic Transportation Costs	18-495-034-5120-014	7/1/17-6/30/18	27,928				27,928				(27,928)			\$	(27,928)
Nonpublic Transportation Costs	17-495-034-5120-014	7/1/16-6/30/17	12,840	(12,840)		12,840					-			*	-
Total Transportation Aid Cluster				(78,533)		681,075	696,879				(94,337)			*	(27,928)
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	5,217,357			4,699,412	5,217,357				(517,945)			*	5,217,357
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	5,217,357	(512,360)		512,360					-			*	-
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	1,104,933			995,243	1,104,933				(109,690)			*	1,104,933
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	1,104,933	(108,508)		108,508					-			*	-
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	232,021			208,988	232,021				(23,033)			*	232,021
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	232,021	(22,785)		22,785					-			*	-
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	3,898,125			3,511,145	3,898,125				(386,980)			*	3,898,125
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	4,126,103	(405,196)		405,196					-			*	-
Emergency Aid	18-495-034-5120-106	7/1/17-6/30/18	227,978			227,978	227,978				-			*	227,978
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	16,905			15,227	16,905				(1,678)			*	16,905
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	16,905	(1,660)		1,660					-			*	-
Professional Learning Commn Aid	18-495-034-5120-101	7/1/17-6/30/18	15,740			14,177	15,740				(1,563)			*	15,740
Professional Learning Commn Aid	17-495-034-5120-101	7/1/16-6/30/17	15,740	(1,546)		1,546					-			*	-
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	16,905			15,227	16,905				(1,678)			*	16,905
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	16,905	(1,660)		1,660					-			*	-
Total State Aid - Public Cluster				(1,053,715)		10,741,112	10,729,964				(1,042,567)			*	10,729,964
District Reimbursement for Extraordinary Costs	18-100-034-5120-473	7/1/17-6/30/18	129,947				129,947				(129,947)			*	129,947
District Reimbursement for Extraordinary Costs	17-100-034-5120-473	7/1/16-6/30/17	127,558	(127,558)		127,558					-			*	-
Lead Testing for Schools Aid	18-495-034-5120-104	7/1/17-6/30/18	2,626			2,626	2,626				-			*	2,626
On-Behalf TPAF Pension System-NCGI Prem.	18-495-034-5095-007	7/1/17-6/30/18	53,418			53,418	53,418				-			*	53,418
On-Behalf TPAF Pension System-LTDI	18-495-034-5095-007	7/1/17-6/30/18	1,385			1,385	1,385				-			*	1,385
On-Behalf TPAF Pension Benefit Contributions Normal	18-495-034-5095-006	7/1/17-6/30/18	2,201,230			2,201,230	2,201,230				-			*	2,201,230
On-Behalf TPAF Post Retirement-Medical	18-495-034-5095-001	7/1/17-6/30/18	1,456,229			1,456,229	1,456,229				-			*	1,456,229
Reimbursed TPAF Social Security Contributions	18-495-034-5095-002	7/1/17-6/30/18	1,119,965			1,119,965	1,119,965				-			*	1,119,965
Reimbursed TPAF Social Security Contributions	17-495-034-5095-002	7/1/16-6/30/17	1,107,288	(54,096)		54,096					-			*	-
Total General Fund				(1,313,902)		16,438,694	16,391,643				(1,266,851)			*	(27,928)
Enterprise Fund:															
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	6,638			6,045	6,638				(593)			*	(593)
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	5,854	(378)		378					-			*	-
Total State Financial Assistance Subject to Single Audit Determination				(1,314,280)		\$ 16,445,117	\$ 16,398,281				\$ (1,267,444)			\$	(28,521)
Less On-Behalf TPAF Pension and Annuity Aid															
On-Behalf TPAF Pension System-NCGI Prem.	18-495-034-5095-007	7/1/17-6/30/18	53,418			53,418	53,418				-			*	53,418
On-Behalf TPAF Pension System-LTDI	18-495-034-5095-007	7/1/17-6/30/18	1,385			1,385	1,385				-			*	1,385
On-Behalf TPAF Pension Benefit Contributions Normal	18-495-034-5095-006	7/1/17-6/30/18	2,201,230			2,201,230	2,201,230				-			*	2,201,230
On-Behalf TPAF Post Retirement-Medical	18-495-034-5095-001	7/1/17-6/30/18	1,456,229			1,456,229	1,456,229				-			*	1,456,229
Subject to Single Audit						3,712,262	3,712,262				-			*	3,712,262
Total for State Financial Assistance Major Program Determination				(1,314,280)		\$ 12,732,855	\$ 12,686,019				\$ (1,267,444)			\$	(28,521)

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**HOPATCONG BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Hopatcong Board of Education. The Board of Education is defined in Note 1(A) to the Board's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. 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 (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain 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 revenues, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$8,043 for the general fund and an increase of \$5,064 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 46,942	\$ 16,399,686	\$ 16,446,628
Special Revenue Fund	910,795		910,795
Food Service Fund	<u>250,619</u>	<u>6,638</u>	<u>257,257</u>
Total Financial Assistance	<u>\$ 1,208,356</u>	<u>\$ 16,406,324</u>	<u>\$ 17,614,680</u>

**HOPATCONG BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$1,119,965 represents 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. The amount reported as TPAF Pension System Contributions in the amount of \$2,254,648, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,456,229 and TPAF Long-Term Disability Insurance in the amount of \$1,385 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2018.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension, Post-Retirement Medical Benefits and Long-Term Disability Insurance Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditors' report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified: _____ yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses? X yes _____ no

Noncompliance material to the basic financial statements noted? X yes _____ no

Federal Awards Section

Internal Control over major programs:

1) Material weakness(es) identified: _____ yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X no

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? _____ yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>FAIN Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>H027A170100</u>	<u>IDEA, Part B Basic</u>
<u>84.173</u>	<u>H173A170114</u>	<u>IDEA, Part B Preschool</u>
_____	_____	_____
_____	_____	_____

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

**HOPATCONG BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part I – Summary of Auditor’s Results

State Awards Section

Internal Control over major programs:

(1) Material weakness(es) identified yes no

(2) Significant deficiencies identified that are not considered to be material weakness(es) yes no

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 15-08? yes no

Identification of major state programs:

GMIS Number(s)	Name of State Program
495-034-5120-078	Equalization Aid
495-034-5120-089	Special Education Aid
495-034-5120-084	Security Aid
495-034-5120-085	Adjustment Aid
495-034-5120-098	PARCC Readiness Aid
495-034-5120-097	Per Pupil Growth Aid
495-034-5120-101	Professional Learning Comm Aid
495-034-5094-003	Reimbursed TPAF Social Security Contributions

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding 2018-001:

Our audit of the District's year end bank reconciliation balances revealed the following cash balances were in an overdraft position at June 30, 2018:

- Transportation Services Enterprise Fund - \$4,594,616
- Food Service Enterprise fund - \$17,333
- Payroll Agency Fund - Net Payroll Account - \$3,250
- Student Activity Fund - Athletic Account - \$3,566

Criteria or specific requirement:

The State Department of Education's GAAP Technical Systems Manual

Condition:

Certain reconciled cash balances were in an overdraft position.

Questioned Costs:

None.

Context:

It appears that numerous checks issued in late July 2018 were backdated in internal accounting records to June 30, 2018, thereby appearing on year end bank reconciliations as outstanding items rather than open accounts payable balances at June 30, 2018.

Effect:

See Finding 2018-001.

Recommendation:

Internal controls be enhanced to ensure cash balances are monitored to prevent cash overdrafts from occurring.

Views of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed this finding and has indicated it will review its procedures to ensure corrective action is taken.

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding 2018-002:

Our audit of the June 30, 2018 Treasurer’s Report and bank reconciliations revealed the following:

- There were reconciling items on certain bank reconciliations that were deemed invalid
- There were instances of checks being issued out of sequence.
- There were instances of checks issued and being held by the District until the vendor provided all of the supporting documentation.

Criteria or specific requirement:

The State Department of Education’s GAAP Technical Systems Manual

Condition:

Certain adjustments were required to adjust for invalid reconciling items on the various bank reconciliations.

Questioned Costs:

None.

Context:

See Finding 2018-002.

Effect:

The Treasurer’s Report bank reconciliations were not always accurate. Checks reported as outstanding may have been erroneously issued out of sequence and/or prior to receiving all necessary documents to support release of the check to the vendor.

Recommendation:

The various bank reconciliations on the Treasurer’s report contain only valid reconciling items.

Views of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed this finding and has indicated they will review their procedures to ensure corrective action is taken.

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

There are none.

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS

Finding 2018-003

Our audit noted there were seven instances where the District was unable to provide proof that quotes were obtained.

State Program Information

Equalization Aid	495-034-5120-078
Special Education Aid	495-034-5120-089
Security Aid	495-034-5120-084
Adjustment Aid	495-034-5120-085
PARCC Reading Aid	495-034-5120-098
Per Pupil Growth Aid	495-034-5120-067
Professional Learning Community Aid	495-034-5120-101

Criteria or Specific Requirement

State Grant Compliance Supplements
N.J.S.A. 18:18A-4 Contracts and Agreements Requiring Advertising
N.J.S.A. 52:15C-10

Condition

See Finding 2018-003.

Questioned Cost

Undeterminable.

Context

- Quotes were not obtained for the following:
 - Fire Alarm Inspection - \$16,347
 - Mechanic Services - \$13,250
 - Plumbing Services - \$18,358
 - Furniture - \$15,203
 - Furniture - \$6,110
 - Boiler Repairs - \$12,488
 - Food Service Equipment - \$8,545

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS (Continued)

Finding 2018-003 (Continued)

Effect

It appears that the District is not in compliance with Public School Contracts Law.

Recommendation

- Quotations be obtained whenever a purchase exceeds the limit set forth by the Public School Contracts Law.

Views of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated they will review and revise their procedures to ensure corrective action is taken.

**HOPATCONG BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

CURRENT YEAR STATE AWARDS

Finding 2018-004:

The reimbursement to the State for the amount of the expenditures charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made subsequent to the end of the 60 day grant liquidation period required by the Office of Grants Management and also subsequent to the 90 days required by *N.J.S.A. 18A:66-90*. Accordingly, the expenditure was not in accordance with State law (90 days).

State Program Information:

Reimbursed TPAF Social Security Contributions	495-034-5094-003
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Criteria or Specific Requirement

State of New Jersey Grant Compliance Supplement

Condition:

See Finding 2018-001.

Questioned Costs:

None.

Context

See Finding 2018-001

Effect

The District did not remit the reimbursement to the State within the 90 day liquidation period.

Recommendation

The district should adopt internal control procedures designed to ensure that reimbursement of TPAF/FICA paid by the State on-behalf of TPAF employees charged to federal grants are properly reported in the current year's Final Reports for all federal awards and are encouraged to remit payment within the 60 day grant liquidation period and/or certainly within the statutory 90 day liquidation period.

Views of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated they will review and revise their procedures to ensure corrective action is taken.

**HOPATCONG BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

Finding 2017-001 and 2017-005:

The cash balances reflected on the June 30, 2017 Board Secretary and Treasurer's Reports were not in agreement.

Current Status:

Corrective action has been taken.

Finding 2017-002:

The audit of June 30, 2017 Treasurer's Report and bank reconciliations revealed the following:

- There were numerous reconciling items on the various bank reconciliations that were deemed invalid.
- There were instances of checks on the outstanding check list that had previously cleared the bank.
- There were instances of checks issued prior to June 30, 2017 that were not reflected on the outstanding check list.
- The total of the outstanding checks on the Net Payroll account bank reconciliation was not accurate.
- The Payroll Agency account is not included in the Treasurer's Report.

Current Status:

See Finding 2018-002

Finding 2017-003:

Our audit noted the following with regards to compliance with the Public School Contracts Law:

- There were seven instances where the District was unable to provide proof that quotes were obtained.
- There were several instances where a Political Contribution Disclosure Form was not on file at the time the contract was awarded. All but four Political Contribution Disclosure Forms were subsequently received.
- There were three instances where aggregate purchases for a vendor exceeded \$36,000 for which it does not appear bids were obtained.
- State contracts and cooperative agreement purchases that exceed the bid threshold were not approved by Board resolution.
- The District did not obtain bids or quotes for transportation for athletic event trips.

Current Status:

See Finding 2018-003

**HOPATCONG BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS (Continued)

Finding 2017-004:

The monthly and year to date 10% transfer reports submitted to the Executive County Superintendent for approval reported certain budget transfers that required Executive County Superintendent approval. The District was subsequently notified that the approval request was denied by the Executive County Superintendent.

Current Status:

Corrective action has been taken.