

HARDYSTON TOWNSHIP SCHOOL DISTRICT

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019**

**Comprehensive Annual
Financial Report**

of the

HARDYSTON TOWNSHIP SCHOOL DISTRICT

Hardyston, New Jersey

For the Fiscal Year Ended June 30, 2019

Prepared by

**Hardyston Township School District
Business Office**

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INTRODUCTORY SECTION

Hardyston School District

183 Wheatsworth Road
Hamburg, NJ 07419
(973) 823-7000 FAX (973) 823-7010
www.htps.org

Michael Ryder
Chief School Administrator/Middle School Principal

James R. Sekelsky
Business Administrator/Board Secretary

Jennifer Cimaglia
Elementary School Principal

Robert J. Demeter
Middle School Vice-Principal

November 22, 2019

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

Dear Board Members:

The comprehensive annual financial report of the Hardyston Township School District (“the District”) for the fiscal year ended June 30, 2019, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Hardyston Township Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District’s organizational chart and a list of principal officials. The financial section includes the Independent Auditors’ Report, the management’s discussion and analysis, the basic financial statements and notes providing an overview of the District’s financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors’ reports on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

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

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

2) ECONOMIC CONDITION AND OUTLOOK: Hardyston Township encompasses an area of 32.5 square miles in central Sussex County. Hamburg Mountain divides the Township into almost two equal areas. The eastern portion of the Township is mountainous and consists mainly of lakes and resort development. At least one-half of this area consists of the Newark watershed property. The western portion of Hardyston is made up of mostly farmland. New housing development has slowed as compared to recent years. The outlook for the future is that Hardyston Township will grow at a moderate pace, slightly higher than surrounding communities, with both housing for families and senior citizen facilities.

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

The Hardyston Township School District became a two-school district during the 2003-2004 school year. The Hardyston Township Middle School became a reality on November 11, 2003. The school, located on Wheatsworth Road, is part of an educational/recreational cooperative effort between the school board and the community. The Middle School building also houses the Administrative and Board Offices.

The middle school houses grades 5 through 8, making the elementary facility a pre-k through fourth building. The elementary school is located on State Highway Route 23, in the Borough of Franklin, NJ.

During the 2018-2019 school year, the two schools in the Hardyston Township School District provided education for 708 students in grades pre-kindergarten through grade eight with a staff of 78 professionals and a support staff of 32.5. Students in grades nine through twelve have the option of attending Wallkill Valley Regional High School, Pope John XXIII Regional High School or Sussex County Technical School.

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

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

The Hardyston Township Manager and the Economic Development Committee focus their efforts to lure additional clean, commercial ratables. Crystal Springs offers the golfing public a choice of several courses in a small, concentrated area, including a huge clubhouse and hotel, which is a centerpiece for the golfing community.

The Township's ratables have begun to reach a plateau and ratable growth has become flat. The District conducted a demographic study with Wallkill Valley Regional High School but has expressed no discernable growth.

The Township is comprised of a large community work force. The major housing developments of Crystal Springs, Ridgefield Commons, Indian Fields, Timberline Manor, and Walden Village have reduced the rate at which they build new houses over the last several years. The recreation complex created by the joint venture with the School District and the Township is operational and successful. The level of activity has exceeded the most optimistic projections with soccer, baseball, softball, and football teams continually utilizing the fields. The perimeter track, which was an afterthought of the project, has proven to be an equally popular attraction. The complex itself is another inducement attracting residential and commercial growth in the community.

3) MAJOR INITIATIVES: The School District continues to perform on mandated tests at a level that meets those required by the Elementary and Secondary Education Act. The District continues to pursue academic excellence by providing staff with professional development programs, along with the purchase of teaching materials in the areas of mathematics, language arts, science and special education. The District maintains a multiple disabled classroom in both the elementary school and the middle school. The District also has a number of classroom aides who work closely with classified students in accordance with their individual educational plans.

The District, in partnership with the County of Sussex, participated in a County Solar Initiative – this is in the form of a Power Purchase Agreement for the Board of Education. Both the middle and elementary schools have improved technology, networking software, and bandwidth. A legal settlement balance (middle school roof) has been budgeted over several years to offset the tax liability for the bond repayment.

The District refunded its existing debt in May 2016, generating a gross budgetary savings of \$1,507,912 over the life of the refunding bonds. The net present value savings was \$1,264,732, 13.08% of the refunded bonds.

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

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is the responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments, and/or assignments at June 30, 2019.

6) ACCOUNTING SYSTEM AND REPORTS: The District’s accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in “Notes to the Basic Financial Statements”, Note 1.


7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in “Notes to the Basic Financial Statements”, Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

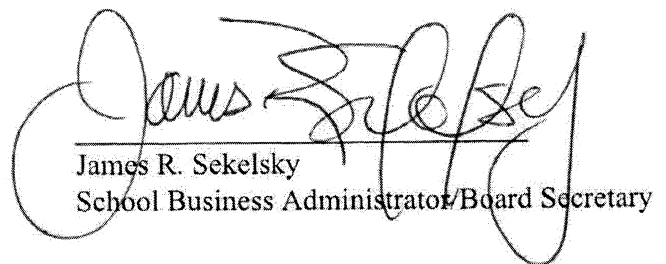
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

9) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The Auditors’ Report on the basic financial statements and specific required supplementary information are included in the financial section of this report. The Auditors’ Reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

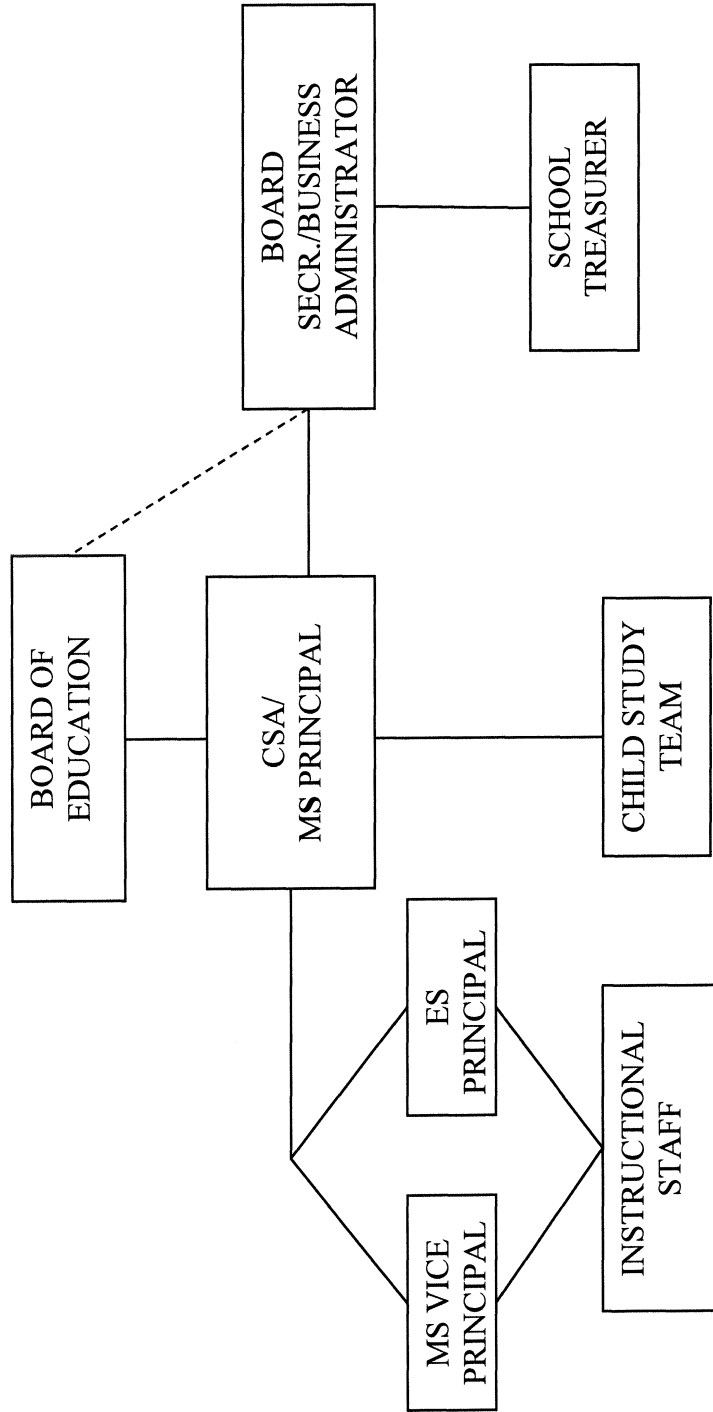
10) ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Hardyston Township School District for their concern in providing fiscal accountability to the citizens and taxpayers of the District and thereby contributing their full support to the development and maintenance of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

Respectfully submitted,


Michael Ryder
Superintendent


James R. Sekelsky
School Business Administrator/Board Secretary

HARDYSTON TOWNSHIP SCHOOL DISTRICT



**HARDYSTON TOWNSHIP SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2019**

| <u>Members of the Board of Education</u> | | <u>Term Expires</u> |
|--|----------------|---------------------|
| Ronald Hoffman | President | 2021 |
| Nick Demsak | Vice President | 2020 |
| Donna Carey | | 2019 |
| Amie Ficacci | | 2020 |
| Carla Kubrin | | 2021 |
| Susan Lucarelli | | 2020 |
| Susana Pohl | | 2019 |
| Jennifer Cenatiempo | | 2019 |
| David VanGinneken | | 2021 |

Other Officers

Title

| | |
|-------------------|--|
| Michael Ryder | Superintendent of Schools |
| James R. Sekelsky | Business Administrator/Board Secretary |
| Grant Rome | Treasurer of School Moneys |
| Joe Roselle | Attorney |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors

Audit Firm

Nisivoccia LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road Suite 300
Mt. Arlington, New Jersey 07856-1320
and
Lawrence Business Park
11 Lawrence Road
Newton, New Jersey 07860

Attorney

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220 Park Avenue
P.O. Box 991
Florham Park, New Jersey 07932-0991

Bond Counsel

McManimon & Scotland, LLC
1037 Raymond Boulevard, Suite 400
Newark, New Jersey 07102

Architect

Parette Somjen Architects
439 Route 46 East
Rockaway, New Jersey 07866

Official Depositories

Sussex Bank
399 Route 23
Franklin, New Jersey 07416

New Jersey Cash Management Fund
CN 290
Trenton, New Jersey 08625

New Jersey Asset Rebate Management Fund
224 Strawbridge Drive Suite 104
Moorestown, New Jersey 08057

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hardyston Township School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hardyston Township School District, in the County of Sussex, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

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

Other Information

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

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

The Honorable President and Members
of the Board of Education
Hardyston Township School District
Page 3

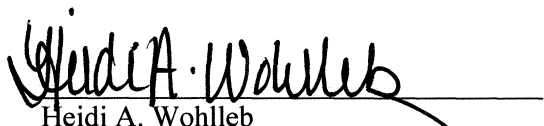
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 District'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 District's internal control over financial reporting and compliance.

November 22, 2019
Mount Arlington, New Jersey

NISIVOCIA LLP


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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

**Hardyston Township School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

This section of the Hardyston Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

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

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

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

Figure A-1

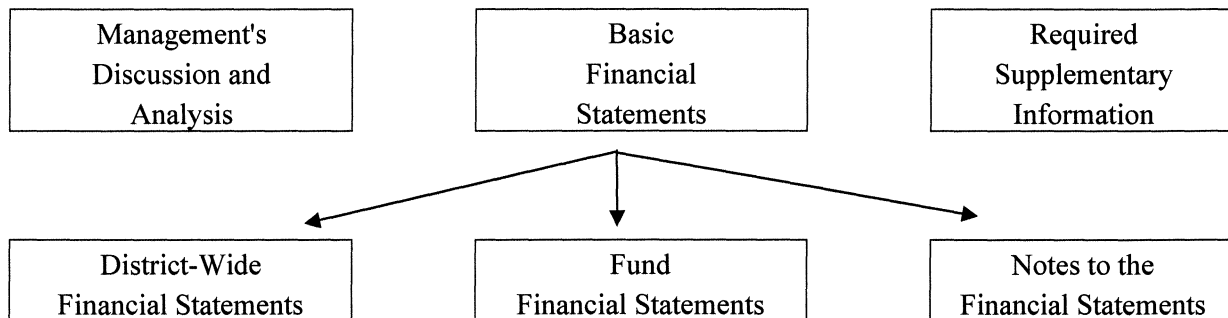


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

Notes to the Basic Financial Statements: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District’s combined net position increased by \$592,788. Net position from governmental activities increased by \$585,323, and net position from business-type activities increased by \$7,465. Net investment in capital assets increased by \$195,738, restricted net position increased by \$198,566, and unrestricted net position increased by \$198,484.

**Figure A-3
Condensed Statement of Net Position**

| | Government Activities | | Business-Type Activities | | Total School District | | Percentage |
|--------------------------------|-----------------------|---------------------|--------------------------|------------------|-----------------------|---------------------|------------|
| | Restated | | | | Restated | | Change |
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 | 2018/2019 |
| Assets: | | | | | | | |
| Current and Other Assets | \$ 4,423,182 | \$ 4,241,657 | \$ 75,278 | \$ 60,164 | \$ 4,498,460 | \$ 4,301,821 | |
| Capital Assets, Net | 13,159,245 | 13,565,836 | 22,748 | 22,217 | 13,181,993 | 13,588,053 | |
| Total Assets | <u>17,582,427</u> | <u>17,807,493</u> | <u>98,026</u> | <u>82,381</u> | <u>17,680,453</u> | <u>17,889,874</u> | -1.17% |
| Deferred Outflows of Resources | <u>717,958</u> | <u>919,840</u> | | | <u>717,958</u> | <u>919,840</u> | -21.95% |
| Liabilities: | | | | | | | |
| Other Liabilities | 357,823 | 436,454 | 11,599 | 3,419 | 369,422 | 439,873 | |
| Long-Term Liabilities | 11,172,123 | 12,167,393 | | | 11,172,123 | 12,167,393 | |
| Total Liabilities | <u>11,529,946</u> | <u>12,603,847</u> | <u>11,599</u> | <u>3,419</u> | <u>11,541,545</u> | <u>12,607,266</u> | -8.45% |
| Deferred Inflows of Resources | <u>908,987</u> | <u>847,357</u> | | | <u>908,987</u> | <u>847,357</u> | 7.27% |
| Net Position: | | | | | | | |
| Net Investment in Capital | | | | | | | |
| Assets | 5,003,668 | 4,808,461 | 22,748 | 22,217 | 5,026,416 | 4,830,678 | |
| Restricted | 3,810,066 | 3,611,500 | | | 3,810,066 | 3,611,500 | |
| Unrestricted/(Deficit) | <u>(2,952,282)</u> | <u>(3,143,832)</u> | <u>63,679</u> | <u>56,745</u> | <u>(2,888,603)</u> | <u>(3,087,087)</u> | |
| Total Net Position | <u>\$ 5,861,452</u> | <u>\$ 5,276,129</u> | <u>\$ 86,427</u> | <u>\$ 78,962</u> | <u>\$ 5,947,879</u> | <u>\$ 5,355,091</u> | 11.07% |

Changes in Net Position

The Changes in Net Position shows the cost of program services and the revenues of the District on a comparative schedule (Figure A-4). The increase in net position from governmental activities is primarily due to the reduction in net pension liability, deferred outflows in pensions, and serial bonds payable offset by the increase in deferred inflows in pensions. The increase in net position from business-type activities is primarily due to an excess in revenue over expenses. The increase in daily sales offset the small increase in expenses and the decrease in federal and state lunch reimbursements. The increase in net investment in capital assets is primarily due to a reduction in serial bonds payable offset by current year depreciation expense. The increase in restricted net position is primarily due to a transfer into capital reserve. The increase in unrestricted net position is primarily due to the reduction in net pension liability, deferred outflows in pensions, and unamortized bond premium offset by the increase in deferred inflows in pensions.

Figure A-4
Change in Net Position from Operating Results

| | Governmental Activities | | Business-Type Activities | | Total School District | | Percentage |
|------------------------------------|-------------------------|-------------------|--------------------------|------------------|-----------------------|-------------------|------------|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 | Change |
| Revenue: | | | | | | | |
| Program Revenue: | | | | | | | |
| Charges for Services | | | \$ 116,598 | \$ 107,119 | \$ 116,598 | \$ 107,119 | |
| Operating Grants & Contributions | \$ 4,331,626 | \$ 5,196,364 | 55,139 | 58,267 | 4,386,765 | 5,254,631 | |
| Capital Grants & Contributions | | | | 11,940 | | | |
| General Revenue: | | | | | | | |
| Property Taxes | 10,521,134 | 10,458,009 | | | 10,521,134 | 10,458,009 | |
| Federal and State Aid Unrestricted | 1,252,137 | 1,356,330 | | | 1,252,137 | 1,356,330 | |
| Other | 49,839 | 133,483 | 31 | 28 | 49,870 | 133,511 | |
| Total Revenue | <u>16,154,736</u> | <u>17,144,186</u> | <u>171,768</u> | <u>177,354</u> | <u>16,326,504</u> | <u>17,309,600</u> | -5.68% |
| Expenses: | | | | | | | |
| Instruction | 8,746,218 | 9,303,243 | | | 8,746,218 | 9,303,243 | |
| Pupil and Instruction Services | 2,256,100 | 2,292,431 | | | 2,256,100 | 2,292,431 | |
| Administrative and Business | 1,623,677 | 1,586,159 | | | 1,623,677 | 1,586,159 | |
| Maintenance and Operations | 1,443,424 | 1,616,140 | | | 1,443,424 | 1,616,140 | |
| Transportation | 952,197 | 984,562 | | | 952,197 | 984,562 | |
| Other | 547,797 | 615,701 | 164,303 | 162,389 | 712,100 | 778,090 | |
| Total Expenses | <u>15,569,413</u> | <u>16,398,236</u> | <u>164,303</u> | <u>162,389</u> | <u>15,733,716</u> | <u>16,560,625</u> | -4.99% |
| Other Items | | | | (412) | | (412) | 100.00% |
| Increase in Net Position | <u>\$ 585,323</u> | <u>\$ 745,950</u> | <u>\$ 7,465</u> | <u>\$ 14,965</u> | <u>\$ 592,788</u> | <u>\$ 748,563</u> | -20.81% |

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District remains strong. However, maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District’s resources.

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

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

It is crucial that the District examine its expenses carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly.

Figure A-5 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

The net cost shows the financial obligation placed on the District’s taxpayers by each of these functions:

**Figure A-5
Net Cost of Governmental Activities**

| | Total Costs of Services | | Net Cost of Services | |
|--------------------------------|-------------------------|----------------------|----------------------|----------------------|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| Instruction | \$ 8,746,218 | \$ 9,303,243 | \$ 6,024,034 | \$ 5,974,385 |
| Pupil and Instruction Services | 2,256,100 | 2,292,431 | 1,672,558 | 1,593,259 |
| Administrative and Business | 1,623,677 | 1,586,159 | 1,252,644 | 1,123,110 |
| Maintenance and Operations | 1,443,424 | 1,616,140 | 1,246,531 | 1,369,356 |
| Transportation | 952,197 | 984,562 | 494,223 | 526,061 |
| Other | 547,797 | 615,701 | 547,797 | 615,701 |
| | <u>\$ 15,569,413</u> | <u>\$ 16,398,236</u> | <u>\$ 11,237,787</u> | <u>\$ 11,201,872</u> |

Business-Type Activities

Net position from the District’s business-type activity increased by \$7,465 primarily due to an excess of revenues over expenses. The increase in daily sales offset the small increase in expenses and the decrease in federal and state lunch reimbursements. (Refer to Figure A-4).

Financial Analysis of the District’s Funds

The District’s financial position remains strong despite difficult economic times. Expenditures remain elevated as a result of an increased number of pupils with disabilities entering the school district. In addition to greater numbers, these pupils are more profoundly disabled and require more complex educational and related services. A continued increase in enrollment of disabled students has also forced the District to expand its classroom teaching staff, special education aides, and special transportation. The District is experiencing a decline in overall enrollment and this has caused the per pupil costs to increase.

General Fund Budgetary Highlights

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

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

Capital Asset and Long Term Liabilities

At year-end, the District had \$13,181,993 in capital assets as shown in Figure A-6. There were capital additions of \$103,727, offset by depreciation expense of \$509,787. (More detailed information about the District’s capital assets is presented in Note 7 to the financial statements.)

Figure A-6
Capital Assets (Net of Depreciation)

| | Government Activities | | Business-Type Activities | | Total School District | | Percentage |
|--------------------------|-----------------------|----------------------|--------------------------|------------------|-----------------------|----------------------|------------|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 | Change |
| Land | \$ 362,892 | \$ 362,892 | | | \$ 362,892 | \$ 362,892 | |
| Construction in Progress | 1,031,627 | 1,031,627 | | | 1,031,627 | 1,031,627 | |
| Site Improvements | 44,766 | 57,077 | | | 44,766 | 57,077 | |
| Buildings and | | | | | | | |
| Building Improvements | 11,504,483 | 11,966,287 | | | 11,504,483 | 11,966,287 | |
| Machinery and Equipment | 215,477 | 147,953 | \$ 22,748 | \$ 22,217 | 238,225 | 170,170 | |
| | <u>\$ 13,159,245</u> | <u>\$ 13,565,836</u> | <u>\$ 22,748</u> | <u>\$ 22,217</u> | <u>\$ 13,181,993</u> | <u>\$ 13,588,053</u> | -2.99% |

Long-term Liabilities

At year-end, the District had \$8,314,000 in general obligation bonds outstanding as shown in Figure A-7. (More detailed information about the District's long-term liabilities is presented in Note 10 to the financial statements.)

Figure A-7
Long-Term Liabilities

| | Total School District | | Percentage |
|---|-----------------------|-----------------------|------------|
| | 2018/2019 | Restated 2017/2018 | |
| General Obligation Bonds (Financed with Property Taxes) | \$ 8,314,000 | \$ 8,929,000 | |
| Unamortized Bond Issuance Premium | 560,919 | 608,998 | |
| Net Pension Liability | 1,992,572 | 2,337,305 | |
| Compensated Absenses | 304,632 | 292,090 | |
| | <u>\$ 11,172,123</u> | <u>\$ 12,167,393</u> | -8.18% |

Factors Bearing on the District's Future

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

- There is concern financially due to the fact that the State has not increased the level of aid provided to the District overall during the last several years. In addition, the allowable increase in the tax levy has remained at 2%. Prices for energy, transportation, and out-of-district tuitions have historically increased more than 2% per year. The Board of Education will have to plan long term to avoid significant changes to the current educational programs as we receive less state aid in the next six years.
- The District has established and continues to contribute to the capital and maintenance reserves in order to address long term facilities planning and short-term required maintenance, respectively.
- The District executed a Strategic Plan with public input to help map out future initiatives.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 711,444 | \$ 58,776 | \$ 770,220 |
| Receivables From State Government | 110,334 | 139 | 110,473 |
| Receivables From Federal Government | 5,138 | 2,842 | 7,980 |
| Internal Balances | (6,783) | 6,783 | |
| Interfund Receivable | 47,946 | | 47,946 |
| Inventories | | 6,738 | 6,738 |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | 3,555,103 | | 3,555,103 |
| Capital Assets: | | | |
| Sites (Land) and Construction in Progress | 1,394,519 | | 1,394,519 |
| Depreciable Buildings and Building Improvements and Machinery and Equipment | 11,764,726 | 22,748 | 11,787,474 |
| Total Assets | <u>17,582,427</u> | <u>98,026</u> | <u>17,680,453</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Amount on Refunding | 158,423 | | 158,423 |
| Deferred Outflows - Pensions | 559,535 | | 559,535 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>717,958</u> | | <u>717,958</u> |
| LIABILITIES | | | |
| Accrued Interest Payable | 103,019 | | 103,019 |
| Accounts Payable | 232,305 | 7,590 | 239,895 |
| Interfund Payable | 13,721 | | 13,721 |
| Payable to Federal Government | 28 | | 28 |
| Unearned Revenue | 8,750 | 4,009 | 12,759 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 687,079 | | 687,079 |
| Due Beyond One Year | 10,485,044 | | 10,485,044 |
| Total Liabilities | <u>11,529,946</u> | <u>11,599</u> | <u>11,541,545</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>908,987</u> | | <u>908,987</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 5,003,668 | 22,748 | 5,026,416 |
| Restricted for: | | | |
| Capital Reserve | 2,778,579 | | 2,778,579 |
| Maintenance Reserve | 776,524 | | 776,524 |
| Excess Surplus | 83,043 | | 83,043 |
| Debt Service | 6,610 | | 6,610 |
| Capital Projects | 165,310 | | 165,310 |
| Unrestricted/(Deficit) | (2,952,282) | 63,679 | (2,888,603) |
| Total Net Position | <u>\$ 5,861,452</u> | <u>\$ 86,427</u> | <u>\$ 5,947,879</u> |

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| Functions/Programs | Program Revenue | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|-------------------|-------------------------|-----------------------------|--------------------------|--|-----------------------------|---------------------|
| | Expenses | Charges for Services | Operating | | Governmental Activities | Business-type Activities | Total |
| | | | Grants and Contributions | Capital Contributions | | | |
| Governmental Activities: | | | | | | | |
| Instruction: | | | | | | | |
| Regular | \$ 5,827,542 | | \$ 1,394,617 | | \$ (4,432,925) | | \$ (4,432,925) |
| Special Education | 2,467,012 | | 1,220,854 | | (1,246,158) | | (1,246,158) |
| Other Special Instruction | 245,893 | | 55,050 | | (190,843) | | (190,843) |
| School-Sponsored /Other Instruction | 205,771 | | 51,663 | | (154,108) | | (154,108) |
| Support Services: | | | | | | | |
| Tuition | 294,439 | | 66,725 | | (227,714) | | (227,714) |
| Student & Instruction Related Services | 1,961,661 | | 516,817 | | (1,444,844) | | (1,444,844) |
| General Administrative Services | 420,918 | | 64,487 | | (356,431) | | (356,431) |
| School Administrative Services | 826,834 | | 213,394 | | (613,440) | | (613,440) |
| Central Services | 366,378 | | 93,152 | | (273,226) | | (273,226) |
| Administration Information Technology | 9,547 | | | | (9,547) | | (9,547) |
| Plant Operations and Maintenance | 1,443,424 | | 196,893 | | (1,246,531) | | (1,246,531) |
| Pupil Transportation | 952,197 | | 457,974 | | (494,223) | | (494,223) |
| Interest on Long-Term Debt | 244,841 | | | | (244,841) | | (244,841) |
| Capital Outlay | 36,488 | | | | (36,488) | | (36,488) |
| Transfer of Funds to Charter Schools | 266,468 | | | | (266,468) | | (266,468) |
| Total Governmental Activities | 15,569,413 | | 4,331,626 | | (11,237,787) | | (11,237,787) |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| Functions/Programs | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|-----------------|-------------------------|--|--|----------------------------|-----------------------------|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Business-Type Activities: | | | | | | | |
| Proprietary Funds | \$ 164,303 | \$ 116,598 | \$ 55,139 | | \$ 7,434 | \$ 7,434 | 7,434 |
| Total Business-Type Activities | 164,303 | 116,598 | 55,139 | | 7,434 | 7,434 | 7,434 |
| Total Primary Government | \$ 15,733,716 | \$ 116,598 | \$ 4,386,765 | \$ -0- | \$ (11,237,787) | 7,434 | (11,230,353) |
| General Revenue: | | | | | | | |
| Property Taxes, Levied for General Purposes, Net | | | | | 9,835,098 | | 9,835,098 |
| Taxes Levied for Debt Service | | | | | 686,036 | | 686,036 |
| Federal and State Aid not Restricted | | | | | 1,252,137 | | 1,252,137 |
| Miscellaneous Income | | | | | 49,839 | 31 | 49,870 |
| Total General Revenue | | | | | 11,823,110 | 31 | 11,823,141 |
| Change in Net Position | | | | | 585,323 | 7,465 | 592,788 |
| Net Position - Beginning as Restated | | | | | 5,276,129 | 78,962 | 5,355,091 |
| Net Position - Ending | | | | | \$ 5,861,452 | \$ 86,427 | \$ 5,947,879 |

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

FUND FINANCIAL STATEMENTS

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---------------------------------------|---------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| ASSETS: | | | | | |
| Cash and Cash Equivalents | \$ 467,206 | \$ 8,738 | \$ 228,890 | \$ 6,610 | \$ 711,444 |
| Receivables From State Government | 110,334 | | | | 110,334 |
| Receivables From Federal Government | | 5,138 | | | 5,138 |
| Interfund Receivables | 47,946 | | | | 47,946 |
| Restricted Cash and Cash Equivalents: | | | | | |
| Maintenance Reserve Account | 776,524 | | | | 776,524 |
| Capital Reserve Account | 2,778,579 | | | | 2,778,579 |
| Total Assets | <u>\$ 4,180,589</u> | <u>\$ 13,876</u> | <u>\$ 228,890</u> | <u>\$ 6,610</u> | <u>\$ 4,429,965</u> |

LIABILITIES AND FUND BALANCES:

| | | | | | |
|--|----------------|---------------|------------|--|----------------|
| Liabilities: | | | | | |
| Accounts Payable | \$ 124,395 | \$ 5,098 | | | \$ 129,493 |
| Interfund Payable | 20,504 | | | | 20,504 |
| Payable to Federal Government | | 28 | | | 28 |
| Unearned Revenue | | 8,750 | | | 8,750 |
| Total Liabilities | <u>144,899</u> | <u>13,876</u> | | | <u>158,775</u> |
| Fund Balances: | | | | | |
| Restricted: | | | | | |
| Capital Reserve Account | 2,778,579 | | | | 2,778,579 |
| Maintenance Reserve Account | 776,524 | | | | 776,524 |
| Excess Surplus- Designated for Subsequent Year's Expenditure | | | | | 83,043 |
| Capital Projects Fund | | | \$ 165,310 | | 165,310 |
| Debt Service | | | \$ 6,610 | | 6,610 |
| Committed: | | | | | |
| Capital Projects Fund | | | 63,580 | | 63,580 |
| Assigned for: | | | | | |
| Year End Encumbrances | 131,625 | | | | 131,625 |
| Subsequent Year's Expenditures | 110,000 | | | | 110,000 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|---------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| LIABILITIES AND FUND BALANCES (Cont'd): | | | | | |
| Fund Balances (Cont'd): | | | | | |
| Unassigned | \$ 155,919 | | | | \$ 155,919 |
| Total Fund Balances | 4,035,690 | | 228,890 | 6,610 | 4,271,190 |
| Total Liabilities and Fund Balances | <u>\$ 4,180,589</u> | <u>\$ 13,876</u> | <u>\$ 228,890</u> | <u>\$ 6,610</u> | <u>\$ 4,429,965</u> |

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

Total Fund Balances From Above

\$ 4,271,190

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds.

13,159,245

Bond Premiums are reported as a revenue in the Governmental Funds in the year of receipt.

(560,919)

The Deferred amount on the refunding is not Reported as an Expenditure in the Governmental Funds in the Year of the Expenditure.

158,423

The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.

(1,992,572)

Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.

456,723
(908,987)

Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds.

(8,618,632)

Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.

(103,019)

Net Position of Governmental Activities

\$ 5,861,452

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|-------------------|----------------------|-----------------------|-------------------|--------------------------|
| REVENUE: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 9,835,098 | | | \$ 686,036 | \$ 10,521,134 |
| Interest Earned on Maintenance Reserve | 1,265 | | | | 1,265 |
| Interest Earned on Capital Reserve | 2,953 | | | | 2,953 |
| Miscellaneous | 45,621 | | | | 45,621 |
| Total - Local Sources | 9,884,937 | | | 686,036 | 10,570,973 |
| State Sources | 3,863,230 | | | 53,920 | 3,917,150 |
| Federal Sources | | \$ 237,780 | | | 237,780 |
| Total Revenue | 13,748,167 | 237,780 | | 739,956 | 14,725,903 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Regular Instruction | 3,220,643 | 55,729 | | | 3,276,372 |
| Special Education Instruction | 1,453,253 | 16,445 | | | 1,469,698 |
| Other Special Instruction | 161,002 | | | | 161,002 |
| School-Sponsored/Other Instruction | 126,254 | | | | 126,254 |
| Support Services and Undistributed Costs: | | | | | |
| Tuition | 227,714 | 66,725 | | | 294,439 |
| Student & Instruction Related Services | 1,216,964 | 98,881 | | | 1,315,845 |
| General Administrative Services | 321,474 | | | | 321,474 |
| School Administrative Services | 477,429 | | | | 477,429 |
| Administration Information Technology | 8,482 | | | | 8,482 |
| Central Services | 222,728 | | | | 222,728 |
| Plant Operations and Maintenance | 1,131,075 | | | | 1,131,075 |
| Pupil Transportation | 952,197 | | | | 952,197 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|--|---------------------|----------------------|-----------------------|-------------------|--------------------------|
| EXPENDITURES: | | | | | |
| Support Services and Undistributed Costs (Cont'd): | | | | | |
| Unallocated Benefits | \$ 3,411,153 | | | | \$ 3,411,153 |
| Debt Service: | | | | | |
| Principal | | | | \$ 615,000 | 615,000 |
| Interest and Other Charges | 134,868 | | | 287,956 | 287,956 |
| Capital Outlay | 266,468 | | | | 134,868 |
| Transfer of Funds to Charter Schools | | | | | 266,468 |
| Total Expenditures | <u>13,331,704</u> | <u>\$ 237,780</u> | | <u>902,956</u> | <u>14,472,440</u> |
| Excess/(Deficit) of Revenues Over/(Under) Expenditures | 416,463 | | | (163,000) | 253,463 |
| Other Financing Sources/(Uses): | | | | | |
| Transfers In/(Out) | (61,495) | | \$ (99,763) | 161,258 | |
| Total Other Financing Sources/(Uses) | <u>(61,495)</u> | | <u>(99,763)</u> | <u>161,258</u> | |
| Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses | 354,968 | | (99,763) | (1,742) | 253,463 |
| Fund Balance - July 1 | 3,680,722 | | 328,653 | 8,352 | 4,017,727 |
| Fund Balance - June 30 | <u>\$ 4,035,690</u> | <u>\$ - 0 -</u> | <u>\$ 228,890</u> | <u>\$ 6,610</u> | <u>\$ 4,271,190</u> |

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | | |
|---|----------------------------|--------------|
| Total Net Change in Fund Balances - Governmental Funds (from B-2) | \$ | 253,463 |
| Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because: | | |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differ from depreciation expense in the current period. | Depreciation expense | \$ (504,971) |
| | Addition of Capital Assets | 98,380 |
| | | (406,591) |
| In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). | | (12,542) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) | | 615,000 |
| The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+) | | 48,079 |
| The governmental funds report the effect of the deferred amount on the refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (-) | | (13,202) |
| The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds: | | |
| Changes in Net Pension Liability | | 344,733 |
| Changes in Deferred Outflows | | (190,225) |
| Changes in Deferred Inflows | | (61,630) |
| In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). | | 8,238 |
| | \$ | 585,323 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS:

Current Assets:

| | | |
|-------------------------------------|----|------------|
| Cash and Cash Equivalents | \$ | 58,776 |
| Accounts Receivable: | | |
| State | | 139 |
| Federal | | 2,842 |
| Interfund Receivable - General Fund | | 6,783 |
| Inventories | | 6,738 |
| | | 6,738 |
| Total Current Assets | | 75,278 |

Non-Current Assets:

| | | |
|--------------------------------|--|------------|
| Capital Assets | | 230,353 |
| Less: Accumulated Depreciation | | (207,605) |
| | | 22,748 |
| Total Non-Current Assets | | 22,748 |

| | | |
|--------------|--|--------|
| Total Assets | | 98,026 |
|--------------|--|--------|

LIABILITIES:

Current Liabilities:

| | | |
|--|--|------------|
| Accounts Payable | | 7,590 |
| Unearned Revenue - Donated Commodities | | 3,538 |
| Unearned Revenue - Prepaid Sales | | 471 |
| | | 11,599 |
| Total Current Liabilities | | 11,599 |

NET POSITION:

| | | |
|------------------------------|--|---------------|
| Investment in Capital Assets | | 22,748 |
| Unrestricted | | 63,679 |
| | | 86,427 |
| Total Net Position | | \$ 86,427 |

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | |
|---|------------------|
| Operating Revenue: | |
| Local Sources: | |
| Daily Sales - Reimbursable Programs | \$ 107,546 |
| Daily Sales - Non Reimbursable Programs | 9,052 |
| | <hr/> |
| Total Operating Revenue | 116,598 |
| | <hr/> |
| Operating Expenses: | |
| Cost of Sales - Reimbursable Programs | 59,187 |
| Cost of Sales - Non Reimbursable Programs | 12,624 |
| Salaries, Benefits, and Payroll Taxes | 68,080 |
| Management Fee | 8,046 |
| Supplies, Insurance & Other Costs | 11,550 |
| Depreciation Expense | 4,816 |
| | <hr/> |
| Total Operating Expenses | 164,303 |
| | <hr/> |
| Operating Loss | (47,705) |
| | <hr/> |
| Non-Operating Revenue: | |
| State Sources: | |
| State School Lunch Program | 1,868 |
| Federal Sources: | |
| National School Lunch Program | 38,849 |
| Food Distribution Program | 14,422 |
| Local Sources: | |
| Interest Income | 31 |
| | <hr/> |
| Total Non-Operating Revenue | 55,170 |
| | <hr/> |
| Change in Net Position | 7,465 |
| | <hr/> |
| Net Position - Beginning of Year | 78,962 |
| | <hr/> |
| Net Position - End of Year | <u>\$ 86,427</u> |

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | |
|---|---------------------------|
| Cash Flows from Operating Activities: | |
| Receipts from Customers | \$ 116,598 |
| Payments for Employees | (68,080) |
| Payments to Suppliers | (1,930) |
| Payments to Food Service Vendor | <u>(61,158)</u> |
| Net Cash Used for Operating Activities | <u>(14,570)</u> |
| Cash Flows from Noncapital Financing Activities: | |
| Settlement of Prior Year Interfund - General Fund | 43,803 |
| Federal and State Reimbursements Collected in Food Service Fund | <u>24,412</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>68,215</u> |
| Cash Flows from Investing Activities: | |
| Investment Income | <u>31</u> |
| Net Cash Flows Provided by Investing Activities | <u>31</u> |
| Net Increase in Cash and Cash Equivalents | 53,676 |
| Cash and Cash Equivalents, July 1 | <u>5,100</u> |
| Cash and Cash Equivalents, June 30 | <u><u>\$ 58,776</u></u> |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities: | |
| Operating Loss | \$ (47,705) |
| Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities: | |
| Federal Food Distribution Program | 14,422 |
| Depreciation | 4,816 |
| Changes in Assets and Liabilities: | |
| Increase in Unearned Revenue - Donated Commodities | 740 |
| Decrease in Inventories | 386 |
| Increase in Accounts Payable | 7,590 |
| Increase in Interfund Receivable | 5,331 |
| (Decrease) in Unearned Revenue - Prepaid Sales | <u>(150)</u> |
| Net Cash Used for Operating Activities | <u><u>\$ (14,570)</u></u> |

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. donated commodities through the Food Distribution Program valued at \$15,162 and utilized commodities valued at \$14,422.

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

| | <u>Agency</u> | <u>Unemployment Compensation Trust</u> | <u>Flexible Spending Trust</u> | <u>Private Purpose Scholarship Trust</u> |
|--|---------------|--|--|--|
| <u>ASSETS:</u> | | | | |
| Cash and Cash Equivalents | \$ 91,094 | \$ 162,014 | \$ 5,059 | \$ 3,079 |
| Investments | | | | 2,315 |
| Interfund Receivable: | | | | |
| General Fund | 3,721 | 10,000 | | |
| Unemployment Compensation Trust Fund | 115 | | | |
| Total Assets | <u>94,930</u> | <u>172,014</u> | <u>5,059</u> | <u>5,394</u> |
| <u>LIABILITIES:</u> | | | | |
| Liabilities: | | | | |
| Payroll Deductions and Withholdings | 1,002 | | | |
| Due to Student Groups | 48,982 | | | |
| Interfund Payable: | | | | |
| General Fund | 44,946 | | 3,000 | |
| Payroll Agency Fund | | 115 | | |
| Total Liabilities | <u>94,930</u> | <u>115</u> | <u>3,000</u> | |
| <u>NET POSITION:</u> | | | | |
| Held in Trust for Unemployment Claims | | 171,899 | | |
| Restricted for Scholarships | | | | 5,394 |
| Held in Trust for Flexible Spending Claims | | | 2,059 | |
| Total Net Position | <u>\$ -0-</u> | <u>\$ 171,899</u> | <u>\$ 2,059</u> | <u>\$ 5,394</u> |

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | <u>Unemployment Compensation Trust</u> | <u>Private Purpose Scholarship Trust</u> | <u>Flexible Spending Trust</u> |
|--|--|--|--|
| Additions: | | | |
| Contributions: | | | |
| Plan Members | \$ 12,142 | | \$ 6,125 |
| Total Contributions | <u>12,142</u> | | <u>6,125</u> |
| Investment Earnings: | | | |
| Interest | 160 | \$ 44 | 3 |
| Net Investment Earnings | <u>160</u> | <u>44</u> | <u>3</u> |
| Total Additions | <u>12,302</u> | <u>44</u> | <u>6,128</u> |
| Deductions: | | | |
| State of New Jersey Unemployment Claims | 31,670 | | |
| Flexible Spending Claims | | | 2,642 |
| Total Deductions | <u>31,670</u> | | <u>2,642</u> |
| Change in Net Position | (19,368) | 44 | 3,486 |
| Net Position/(Deficit)—Beginning of the Year | <u>191,267</u> | <u>5,350</u> | <u>(1,427)</u> |
| Net Position—End of the Year | <u>\$ 171,899</u> | <u>\$ 5,394</u> | <u>\$ 2,059</u> |

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

District-Wide Financial Statements:

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

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

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

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

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

The District reports the following Proprietary Fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

B. Basis of Presentation: (Cont'd)

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2019 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year). Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

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

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

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

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants. Grants are recognized in the full year the grants are awarded on the budgetary basis; but, are not recognized on the GAAP basis until they are expended and submitted for reimbursement.

| | General Fund | Special Revenue Fund |
|--|-----------------|--------------------------|
| Sources/Inflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Revenue" | | |
| from the Budgetary Comparison Schedule | \$ 13,749,623 | \$ 237,780 |
| Differences - Budget to GAAP: | | |
| Prior Year State Aid Payments, not Recognized for Budgetary Purposes, Recognized for GAAP Statements | 202,959 | |
| Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements | (204,415) | |
| Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | \$ 13,748,167 | \$ 237,780 |
| | General Fund | Special Revenue Fund |
| Uses/Outflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule | \$ 13,331,704 | \$ 237,780 |
| Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds | \$ 13,331,704 | \$ 237,780 |
| | | Capital Projects Fund |
| Fund Balance per Governmental Funds (Budgetary Basis) | | \$ 433,077 |
| Reconciliation to Governmental Fund Statements (GAAP): | | |
| SDA Grant Revenue/Receivable not Recognized on GAAP Basis | | (204,187) |
| Fund Balance per Governmental Funds (GAAP) | | \$ 228,890 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

E. Cash and Cash Equivalents and Investments:

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

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

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

H. Encumbrances:

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

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

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2019.

K. Capital Assets:

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

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

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

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

L. Long Term Liabilities:

In the government-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year; therefore, there are no accrued salaries and wages as of June 30, 2019.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's various employee union agreements and other employee agreements.

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$4,035,690 General Fund fund balance at June 30, 2019, \$2,778,579 is restricted in the capital reserve account; \$776,524 is restricted in the maintenance reserve account; \$83,043 is restricted as prior year excess surplus and included as anticipated revenue for the fiscal year ending June 30, 2020, \$131,625 is assigned for current year encumbrances, \$110,000 of assigned fund balance has been appropriated and included as revenue for the fiscal year ended June 30, 2020, and \$155,919 is unassigned which is \$204,415 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2020.

Capital Projects Fund: The Capital Projects Fund balance at June 30, 2019 is \$228,890 of which \$165,310 is restricted and \$63,580 is committed for SDA approved projects, which is \$204,187 less on the GAAP basis due to the SDA Grant receivable, which is not recognized until grant funds are expended and submitted for reimbursement.

Debt Service Fund: The Debt Service Fund balance at June 30, 2019 of \$6,610 is restricted.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus at June 30, 2019 as detailed on the prior page.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$204,415 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Net Position:

The District has a deficit in unrestricted net position of \$2,952,282 in governmental activities, which is primarily due to compensated absences payable, and net pension liability and the related deferred inflows and outflows of resources. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2019 for the deferred amount on refunding of debt related to the District's 2016 refunding bonds and for pensions. The District had deferred inflows of resources at June 30, 2019 related to pensions.

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

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

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

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

Fund balance restrictions have been established for capital and maintenance reserves, excess surplus, the Capital Projects Fund and the Debt Service Fund.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the Capital Projects Fund at June 30, 2019.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and funds designated for subsequent year's expenditures at June 30, 2019 in the General Fund.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

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

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

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.). ;

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

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

Investments (Cont'd):

- (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or
- (9) Deposit of funds in accordance with the following conditions:
- (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2019, cash and cash equivalents and investments of the District consisted of the following:

| | Cash and Cash Equivalents | Restricted Cash and Cash Equivalents | | Investments | Total |
|------------------------------------|---------------------------------|---|-----------------------------------|-----------------|--------------------|
| | | Capital Reserve Account | Maintenance Reserve Account | | |
| Checking and Savings Accounts | \$ 1,028,387 | \$2,778,579 | \$ 776,524 | | \$4,583,490 |
| New Jersey Cash Management Fund | 3,079 | | | | 3,079 |
| Certificates of Deposit | | | | \$ 2,315 | 2,315 |
| | <u>\$ 1,031,466</u> | <u>\$2,778,579</u> | <u>\$ 776,524</u> | <u>\$ 2,315</u> | <u>\$4,588,884</u> |

During the period ended June 30, 2019, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2019, was \$4,588,884 and the bank balance was \$3,976,847. The \$3,079 with the New Jersey Cash Management Fund is uninsured and unregistered.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

| | |
|---|----------------------------|
| Beginning Balance, July 1, 2018 | \$ 2,412,847 |
| Increased by Deposit - Board Resolution - June 2019 | 424,274 |
| Interest Earnings | 2,953 |
| Less: Budgeted Withdrawal | <u>(61,495)</u> |
| Ending Balance, June 30, 2019 | <u><u>\$ 2,778,579</u></u> |

The June 30, 2019 balance in the capital reserve account does not exceed the balance in the LRFP balance of local support costs of uncompleted capital projects at June 30, 2019.

NOTE 5. EMERGENCY RESERVE ACCOUNT

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

The emergency reserve is used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both. The State Department of Education has defined year end for the purpose of depositing surplus into reserve accounts as an amount approved by the district board of education between June 1st and June 30th. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent or the withdrawal is included in the original budget certified for taxes to finance school security improvements pursuant to N.J.S.A. 18A:7G-6(c)1.

The activity of the emergency reserve for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

| | |
|---------------------------------|----------------------|
| Beginning Balance, July 1, 2018 | \$ 11,926 |
| Less: Budgeted Withdrawal | <u>(11,926)</u> |
| Ending Balance, June 30, 2019 | <u><u>\$ -0-</u></u> |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 6. MAINTENANCE RESERVE ACCOUNT

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

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

The activity of the maintenance reserve for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

| | | |
|---------------------------------|----|-----------------------|
| Beginning Balance, July 1, 2018 | \$ | 830,259 |
| Interest Earnings | | 1,265 |
| Less: Budgeted Withdrawal | | <u>(55,000)</u> |
| Ending Balance, June 30, 2019 | \$ | <u><u>776,524</u></u> |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2019 were as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|---------------|----------------------|
| Governmental Activities: | | | | |
| Capital Assets not being Depreciated: | | | | |
| Sites (Land) | \$ 362,892 | | | \$ 362,892 |
| Construction in Progress | 1,031,627 | | | 1,031,627 |
| Total Capital Assets not Being Depreciated | <u>1,394,519</u> | | | <u>1,394,519</u> |
| Capital Assets Being Depreciated: | | | | |
| Site Improvements | 604,002 | \$ 4,684 | | 608,686 |
| Buildings and Building Improvements | 19,972,876 | | | 19,972,876 |
| Machinery and Equipment | 2,001,165 | 93,696 | | 2,094,861 |
| Total Capital Assets Being Depreciated | <u>22,578,043</u> | <u>98,380</u> | | <u>22,676,423</u> |
| Governmental Activities Capital Assets | <u>23,972,562</u> | <u>98,380</u> | | <u>24,070,942</u> |
| Less Accumulated Depreciation for: | | | | |
| Site Improvements | (546,925) | (16,995) | | (563,920) |
| Buildings and Building Improvements | (8,006,589) | (461,804) | | (8,468,393) |
| Machinery and Equipment | (1,853,212) | (26,172) | | (1,879,384) |
| Total Accumulated Depreciation | <u>(10,406,726)</u> | <u>(504,971)</u> | | <u>(10,911,697)</u> |
| Governmental Activities Capital Assets, Net of Accumulated Depreciation | <u>\$ 13,565,836</u> | <u>\$ (406,591)</u> | <u>\$ -0-</u> | <u>\$ 13,159,245</u> |
| Business Type Activities: | | | | |
| Capital Assets Being Depreciated: | | | | |
| Machinery and Equipment | \$ 225,006 | \$ 5,347 | | \$ 230,353 |
| Less Accumulated Depreciation | (202,789) | (4,816) | | (207,605) |
| Business Type Activities Capital Assets, Net of Accumulated Depreciation | <u>\$ 22,217</u> | <u>\$ 531</u> | <u>\$ -0-</u> | <u>\$ 22,748</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|-------------------|
| Regular Instruction | \$ 485,599 |
| School Administrative Services | 14,310 |
| Plant Operations and Maintenance | <u>5,062</u> |
| | <u>\$ 504,971</u> |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 8. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2019, the District transferred \$-0- to the capital outlay accounts.

NOTE 9. OPERATING LEASES

The District entered into one lease for all of its copiers during the fiscal year ended June 30, 2015. Payments on this lease began in the fiscal year 2016 and will be payable over the following year. Future minimum lease payments are as follows:

| Year | Amount |
|-------------------------------------|-----------|
| 2020 | \$ 19,152 |
| Total Future Minimum Lease Payments | \$ 19,152 |

NOTE 10. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2019, the following changes occurred in liabilities reported in the district-wide financial statements:

| | Balance June 30, 2018 | Accrued | Retired | Balance June 30, 2019 |
|-----------------------------------|--------------------------|-----------|--------------|--------------------------|
| Serial Bonds Payable | \$ 8,929,000 | | \$ 615,000 | \$ 8,314,000 |
| Unamortized Bond Issuance Premium | 608,998 | | 48,079 | 560,919 |
| Net Pension Liability | 2,337,305 | | 344,733 | 1,992,572 |
| Compensated Absences Payable | 292,090 | \$ 49,267 | 36,725 | 304,632 |
| | \$ 12,167,393 | \$ 49,267 | \$ 1,044,537 | \$ 11,172,123 |

A. Unamortized Bond Issuance Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$48,079 and is separated from the long-term portion of \$512,840.

B. Bonds Payable:

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

On April 7, 2016, the District issued refunding school bonds of \$9,260,000 with interest rates ranging from 2.00% to 4.00% to refund \$9,665,000 of 2006 refunding school bonds with interest rates ranging from 4.000% to 5.000%. The bonds mature on August 1, 2016 through 2031 and August 1, 2026 is the first optional redemption date. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the 2006 refunding school bonds were called on August 1, 2016. The refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the School's government-wide financial statements.

As a result of the refunding, the District will realize a total of \$1,507,912 in cash savings over the life of the bond issue. On a net present value basis, the savings equate to \$1,264,732, or 13.08% of the bonds refunded.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

B. Bonds Payable (Cont'd):

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

The District had bonds outstanding as of June 30, 2019 as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Final Date of Maturity</u> | <u>Balance June 30, 2018</u> |
|----------------------------|-----------------------|-------------------------------|------------------------------|
| Roof Project Bonds of 2009 | 3.750% | 08/01/19 | \$ 154,000 |
| Refunding Bonds of 2016 | 3.000% - 4.000% | 08/01/31 | <u>8,160,000</u> |
| | | | <u>\$ 8,314,000</u> |

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

| <u>Fiscal Year</u> | <u>Bonds</u> | | <u>Total</u> |
|--------------------|---------------------|---------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | |
| 2020 | \$ 639,000 | \$ 270,331 | \$ 909,331 |
| 2021 | 500,000 | 252,669 | 752,669 |
| 2022 | 525,000 | 237,294 | 762,294 |
| 2023 | 545,000 | 218,519 | 763,519 |
| 2024 | 570,000 | 196,219 | 766,219 |
| 2025-2029 | 3,260,000 | 638,753 | 3,898,753 |
| 2030-2032 | <u>2,275,000</u> | <u>112,531</u> | <u>2,387,531</u> |
| | <u>\$ 8,314,000</u> | <u>\$ 1,926,316</u> | <u>\$ 10,240,316</u> |

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

C. Bonds Authorized But Not Issued:

As of June 30, 2019, the Board has \$408,500 of bonds authorized but not issued.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$-0- and is separated from the long-term portion of compensated absences of \$304,632. The General Fund will be used to liquidate the governmental funds Compensated Absences Payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2019, no liability existed for compensated absences in the Food Service Fund.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2019 is \$-0- and the long-term portion is \$1,992,572. See Note 11 for further information on the PERS.

NOTE 11. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$101,267 for 2019.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2019, the District's liability was \$1,992,572 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the District's proportion was 0.01011%, which was an increase of 0.00008% from its proportion measured as of June 30, 2017.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

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

For the fiscal year ended June 30, 2019, the District recognized actual pension expense in the amount of \$13,660. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferral Year | Amortization Period in Years | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|------------------|------------------------------------|--------------------------------------|-------------------------------------|
| Changes in Assumptions | 2014 | 6.44 | \$ 15,771 | |
| | 2015 | 5.72 | 71,182 | |
| | 2016 | 5.57 | 241,390 | |
| | 2017 | 5.48 | | \$ 367,315 |
| | 2018 | 5.63 | | \$ 269,803 |
| | | | 328,343 | 637,118 |
| Changes in Proportion | 2014 | 6.44 | | 108,068 |
| | 2015 | 5.72 | | 73,119 |
| | 2016 | 5.57 | 75,670 | |
| | 2017 | 5.48 | | 61,718 |
| | 2018 | 5.63 | | 14,711 |
| | | | 90,381 | 242,905 |
| Net Difference Between Projected and Actual | 2015 | 5.00 | | (12,041) |
| Investment Earnings on Pension Plan Investments | 2016 | 5.00 | | (67,312) |
| | 2017 | 5.00 | | 60,584 |
| | 2018 | 5.00 | | 37,459 |
| | | | | 18,690 |
| Difference Between Expected and Actual Experience | 2015 | 5.72 | 19,750 | |
| | 2016 | 5.57 | 7,325 | |
| | 2017 | 5.48 | 10,924 | |
| | 2018 | 5.63 | | 10,274 |
| | | | 37,999 | 10,274 |
| District Contribution Subsequent to the Measurement Date | 2018 | 1.00 | 102,812 | |
| | | | \$ 559,535 | \$ 908,987 |

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts for changes in proportion and the District contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as detailed on the following page:

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

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

| Fiscal Year Ending June 30, | Total |
|--------------------------------|--------------|
| 2019 | \$ 13,830 |
| 2020 | (19,146) |
| 2021 | (137,300) |
| 2022 | (119,014) |
| 2023 | (38,110) |
| | \$ (299,740) |

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

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

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd):

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

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

| | June 30, 2018 | | |
|---|---------------------------|-------------------------------------|---------------------------|
| | 1% Decrease (4.66%) | Current Discount Rate (5.66%) | 1% Increase (6.66%) |
| District's proportionate share of the Net Pension Liability | \$ 2,505,429 | \$ 1,992,572 | \$ 1,562,317 |

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2019, the State of New Jersey contributed \$876,847 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,755,144.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2019, the State's proportionate share of the net pension liability associated with the District was \$30,107,199. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the District's proportion was 0.047%, which was an increase of 0.001% from its proportion measured as of June 30, 2017.

| | |
|--|---------------|
| District's Proportionate Share of the Net Pension Liability | \$ -0- |
| State's Proportionate Share of the Net Pension Liability Associated with the District | 30,107,199 |
| Total | \$ 30,107,199 |

For the fiscal year ended June 30, 2019, the State recognized pension expense on behalf of the District in the amount of \$1,755,144 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2019 financial statements.

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

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

| | Year of Deferral | Amortization Period in Years | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---------------------|------------------------------------|--------------------------------------|-------------------------------------|
| Changes in Assumptions | 2014 | 8.5 | \$ 1,076,424,469 | |
| | 2015 | 8.3 | 3,063,649,492 | |
| | 2016 | 8.3 | 6,913,685,892 | |
| | 2017 | 8.3 | | \$ 10,084,192,916 |
| | 2018 | 8.29 | | 5,994,557,085 |
| | | | <u>11,053,759,853</u> | <u>16,078,750,001</u> |
| Difference Between Expected and Actual Experience | 2014 | 8.5 | | 10,252,211 |
| | 2015 | 8.3 | 189,214,650 | |
| | 2016 | 8.3 | | 85,977,601 |
| | 2017 | 8.3 | 179,419,108 | |
| | 2018 | 8.29 | 1,051,605,259 | |
| | | | <u>1,420,239,017</u> | <u>96,229,812</u> |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | 2015 | 5 | | (192,642,062) |
| | 2016 | 5 | | (863,710,381) |
| | 2017 | 5 | | 678,024,787 |
| | 2018 | 5 | | 384,121,486 |
| | | | | <u>5,793,830</u> |
| | | | <u>\$ 12,473,998,870</u> | <u>\$ 16,180,773,643</u> |

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

| <u>Fiscal Year</u> <u>Ending June 30,</u> | <u>Total</u> |
|--|---------------------------|
| 2019 | \$ 401,574,312 |
| 2020 | 208,932,249 |
| 2021 | (222,922,941) |
| 2022 | (149,225,008) |
| 2023 | (735,040,983) |
| Thereafter | <u>(3,210,092,402)</u> |
| | <u>\$ (3,706,774,773)</u> |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

| | |
|---------------------------|--------------|
| Inflation Rate | 2.25% |
| Salary Increases: | |
| 2011-2026 | 1.55 – 4.55% |
| Thereafter | 2.00 – 5.45% |
| Investment Rate of Return | 7.00% |

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2018 are summarized in the following table:

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 50% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2018 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

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

| | June 30, 2018 | | |
|---|------------------------------|--|------------------------------|
| | At 1% Decrease (3.86%) | At Current Discount Rate (4.86%) | At 1% Increase (5.86%) |
| State's Proportionate Share of the Net Pension Liability Associated with the District | \$ 35,586,138 | \$ 30,107,199 | \$ 25,565,293 |
| <u>Pension Plan Fiduciary Net Position - TPAF</u> | | | |

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$19,242 for the fiscal year ended June 30, 2019. Employee contributions to DCRP amounted to \$26,132 for the fiscal year ended June 30, 2019.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to the employees through the Schools Health Insurance Fund (the “HIF”).

Property and Liability

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

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

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

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

Selected summarized financial information for SAIF as of June 30, 2019 is as follows:

| | School Alliance Insurance Fund |
|------------------------|-----------------------------------|
| Total Assets | \$ 48,410,942 |
| Net Position | \$ 18,917,987 |
| Total Revenue | \$ 41,974,410 |
| Total Expenses | \$ 35,489,360 |
| Change in Net Position | \$ 6,485,050 |
| Members Dividends | \$ -0- |

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

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 12. RISK MANAGEMENT (Cont'd)

Health Benefits

The Board is a member of the Schools Health Insurance Fund (“HIF”). The HIF provides its members with Health Benefit coverage. The HIF is a risk-sharing pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the HIF are elected.

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

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

The June 30, 2019 audit report is not available as of the date of this report. Selected summarized financial information for HIF as of June 30, 2018 is as follows:

| | School Health Insurance Fund |
|------------------------|---------------------------------|
| Total Assets | \$ 87,163,320 |
| Net Position | \$ 69,052,551 |
| Total Revenue | \$ 190,677,550 |
| Total Expenses | \$ 171,758,864 |
| Change in Net Position | \$ 18,918,686 |
| Members Dividends | \$ -0- |

Financial Statements for HIF are available at PERMA’s Executive Director’s Office:

PERMA Risk Management Services
9 Campus Drive
Suite 216
Parsippany, NJ 07054

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 12. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

The summary on the following page details the District’s contributions, employee contributions and interest earnings, reimbursements to the State for benefits paid and the ending balance of the District’s Unemployment Trust Fiduciary Fund for the current and previous two years:

| <u>Fiscal Year</u> | <u>District Contributions</u> | <u>Employee Contributions and Interest</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|-------------------------------|--|--------------------------|-----------------------|
| 2019 | \$ -0- | \$ 12,302 | \$ 31,670 | \$ 171,899 |
| 2018 | 40,000 | 12,316 | 31,322 | 191,267 |
| 2017 | 40,000 | 12,233 | 40,788 | 170,273 |

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|---|-----------------------------|--------------------------|
| General Fund | \$ 47,946 | \$ 20,504 |
| Proprietary Funds - Food Service Fund | 6,783 | |
| Fiduciary Funds - Student Activities | 3,721 | |
| Fiduciary Funds - Agency | 115 | 44,946 |
| Fiduciary Funds - Flexible Spending Trust | | 3,000 |
| Fiduciary Funds - Unemployment Compensation Trust | 10,000 | 115 |
| | <u>\$ 68,565</u> | <u>\$ 68,565</u> |

The interfund receivable of \$47,946 in the General Fund is comprised of \$44,946 due from the Fiduciary – Payroll Agency Fund for interest earned, old agency balances cancelled, and \$3,000 from the Flexible Spending Trust for money that was advanced during the year. The interfund payable of \$20,504 in the General Fund is comprised of \$10,000 due to the Unemployment Compensation Trust Fund for the prior year’s District contribution to the Unemployment Compensation Trust Fund, \$3,721 due from General Fund to the Student Activity Agency Fund related to a prior year, and \$6,783 due to the Food Service Fund for child nutrition reimbursements collected in the General Fund and not turned over to the Food Service Fund by the end of the year. The \$115 interfund receivable in the Payroll Agency Fund due from the Unemployment Compensation Trust Fund is due to the Payroll Agency Fund turning over an excess amount to the Unemployment Compensation Trust Fund for the quarterly employees’ contributions.

There was a \$99,763 transfer from the Capital Projects Fund to the Debt Service Fund for a portion of the balance of one of the completed capital projects, and a \$61,495 transfer from the Capital Reserve to the Debt Service Fund in the current year.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 14. ECONOMIC DEPENDENCY

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

NOTE 15. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

- | | |
|--|---------------------|
| Vanguard - 403(b) | Fidelity - 403(b) |
| Variable Annuity Life Insurance Company (V.A.L.I.C.) - 403(b) | Ameriprise - 403(b) |
| AXA Equitable Life Insurance Company - 403(b) | |
| Lincoln National Life Insurance Company - 403(b) and 457 Plans | |
| Metropolitan Life Insurance Company - 403(b) | |
| The Prudential - 403(b) | |
| SBP Commercial National Bank (Syracusa) - 403(b) | |

NOTE 16. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten- day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

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

NOTE 17. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2019:

| | Governmental Funds | | | District Contri- bution Subsequent | | Business-Type Activities |
|---------------------|--------------------|----------------------------|--------------------------------|---------------------------------------|-------------------------------------|-----------------------------|
| | General Fund | Special Revenue Fund | Total Governmental Funds | to the Measure- ment Date | Total Governmental Activities | Proprietary Funds |
| Vendors | \$ 124,395 | | \$ 124,395 | | \$ 124,395 | \$ 7,590 |
| State of New Jersey | | \$ 5,098 | 5,098 | \$ 102,812 | 107,910 | |
| | \$ 124,395 | \$ 5,098 | \$ 129,493 | \$ 102,812 | \$ 232,305 | \$ 7,590 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 18. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2019, there were encumbrances as detailed below in the governmental funds:

| <u>General Fund</u> | <u>Total Governmental Funds</u> |
|-------------------------|---|
| <u>\$ 131,625</u> | <u>\$ 131,625</u> |

Arbitrage - Outstanding Bonds

The District has bond issues outstanding. The District should explore the need for an arbitrage calculation. This calculation will determine whether or not the District is subject to arbitrage payable to the federal government. If a liability does exist, it would be required to be raised by the District in the budget year the liability is payable.

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in GASB Codification Section P50. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

Plan Description and Benefits Provided (Cont'd)

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

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

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

Employees Covered by Benefit Terms

At June 30, 2017, the plan membership consisted of the following:

| | |
|---|---------|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments | 145,050 |
| Active Plan Members | 217,131 |
| Total | 362,181 |

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 which was rolled forward to June 30, 2017.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

Actuarial Assumptions and Other Inputs

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

Discount Rate

The discount rates for June 30, 2018 and 2017 were 3.87% and 3.58%, respectively, a change of +.29%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the State's Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Balance at June 30, 2017 | \$ 27,070,302 |
| Changes for Year: | |
| Service Cost | 852,196 |
| Interest on the Total OPEB Liability | 988,842 |
| Changes of Assumptions | (2,701,549) |
| Differences between Expected and Actual Experience | (2,060,164) |
| Gross Benefit Payments by the State | (629,502) |
| Contributions from Members | 21,757 |
| Net Changes | (3,528,420) |
| Balance at June 30, 2018 | \$ 23,541,882 |

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | June 30, 2018 | | |
|--|------------------------------|--------------------------------|------------------------------|
| | At 1% Decrease (2.87%) | At Discount Rate (3.87%) | At 1% Increase (4.87%) |
| Total OPEB Liability Attributable to the District | \$ 27,831,297 | \$ 23,541,882 | \$ 20,132,240 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | June 30, 2018 | | |
|--|----------------|-------------------------------|----------------|
| | 1% Decrease | Healthcare Cost Trend Rate | 1% Increase |
| Total OPEB Liability Attributable to the District | \$ 19,458,737 | \$ 23,541,882 | \$ 28,941,998 |
| <u>OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u> | | | |

For the fiscal year ended June 30, 2019 the District recognized OPEB expense of \$956,598 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2018 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Year of Deferral | Original Amortization Period in Years | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------|--|--------------------------------------|-------------------------------------|
| Changes in Assumptions | 2017 | 9.54 | | \$ (2,859,558) |
| Changes in Assumptions | 2018 | 9.51 | | (2,417,474) |
| | | | \$ -0- | (5,277,032) |
| Differences Between Expected and Actual Experience | 2018 | 9.51 | | (2,285,265) |
| Changes in Proportion | N/A | N/A | 315,729 | (50,798) |
| | | | \$ 315,729 | \$ (7,613,096) |

N/A - Not Available

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

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

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

| Fiscal Year Ending June 30, | Total |
|--------------------------------|----------------|
| 2019 | \$ (931,865) |
| 2020 | (931,865) |
| 2021 | (931,865) |
| 2022 | (931,865) |
| 2023 | (931,865) |
| Thereafter | (2,902,973) |
| | \$ (7,562,299) |

NOTE 20. PRIOR PERIOD ADJUSTMENT

The compensated absences payable at June 30, 2018 was restated as the prior year estimate included employees who were not eligible for these benefits.

| | Balance 6/30/18 as Previously Reported | Retroactive Adjustments | Balance 6/30/18 as Restated |
|--------------------------|--|----------------------------|--------------------------------|
| Governmental Activities: | | | |
| Non Current Liabilities: | | | |
| Due Beyond One Year | \$ 11,598,424 | \$ (74,110) | \$ 11,524,314 |
| Total Liabilities | 12,677,957 | (74,110) | 12,603,847 |
| Net Position: | | | |
| Unrestricted/(Deficit) | (3,217,942) | 74,110 | (3,143,832) |
| Total Net Position | 5,202,019 | 74,110 | 5,276,129 |

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

| | Fiscal Year Ending June 30, | | | |
|---|-----------------------------|---------------|---------------|---------------|
| | 2015 | 2016 | 2017 | 2018 |
| District's proportion of the net pension liability | 0.0109240145% | 0.0096608035% | 0.0104864360% | 0.0100406609% |
| District's proportionate share of the net pension liability | \$ 2,045,274 | \$ 2,168,657 | \$ 3,105,782 | \$ 2,337,305 |
| District's covered employee payroll | \$ 627,707 | \$ 648,516 | \$ 735,206 | \$ 663,968 |
| District's proportionate share of the net pension liability as a percentage of its covered employee payroll | 325.83% | 334.40% | 422.44% | 352.02% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.08% | 47.93% | 40.14% | 48.10% |
| | | | | 274.31% |
| | | | | 1,992,572 |
| | | | | 726,386 |
| | | | | 0.0101199694% |

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS
UNAUDITED

| | Fiscal Year Ending June 30, | | | | |
|--|-----------------------------|------------|------------|------------|------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Contractually required contribution | \$ 90,056 | \$ 83,057 | \$ 94,081 | \$ 95,005 | \$ 101,267 |
| Contributions in relation to the contractually required contribution | (90,056) | (83,057) | (94,081) | (95,005) | (101,267) |
| Contribution deficiency/(excess) | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| District's covered employee payroll | \$ 615,153 | \$ 627,707 | \$ 648,516 | \$ 735,206 | \$ 663,968 |
| Contributions as a percentage of covered employee payroll | 14.64% | 13.23% | 14.51% | 12.92% | 15.25% |

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST FIVE FISCAL YEARS
UNAUDITED

| | Fiscal Year Ending June 30, | | | |
|---|-----------------------------|---------------|---------------|---------------|
| | 2015 | 2016 | 2017 | 2019 |
| State's proportion of the net pension liability attributable to the District | 0.0462145106% | 0.0464034436% | 0.0466266388% | 0.0462015580% |
| State's proportionate share of the net pension liability attributable to the District | \$ 24,700,152 | \$ 29,328,958 | \$ 36,679,483 | \$ 31,150,756 |
| District's covered employee payroll | \$ 4,760,119 | \$ 4,660,108 | \$ 4,918,332 | \$ 4,822,231 |
| State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll | 518.90% | 629.36% | 745.77% | 645.98% |
| Plan fiduciary net position as a percentage of the total pension liability | 33.64% | 28.71% | 22.23% | 25.41% |
| | | | | 26.49% |

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST FIVE FISCAL YEARS
UNAUDITED

| | Fiscal Year Ending June 30, | | | | |
|--|-----------------------------|---------------------|---------------------|---------------------|-------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Contractually required contribution | \$ 1,329,100 | \$ 1,790,797 | \$ 2,755,953 | \$ 2,157,967 | \$ 1,755,144 |
| Contributions in relation to the contractually required contribution | (250,874) | (373,311) | (501,506) | (696,931) | (876,847) |
| Contribution deficiency/(excess) | <u>\$ 1,078,226</u> | <u>\$ 1,417,486</u> | <u>\$ 2,254,447</u> | <u>\$ 1,461,036</u> | <u>\$ 878,297</u> |
| District's covered employee payroll | \$ 4,760,119 | \$ 4,660,108 | \$ 4,918,332 | \$ 4,822,231 | \$ 4,840,438 |
| Contributions as a percentage of covered employee payroll | 27.92% | 8.01% | 10.20% | 14.45% | 18.12% |

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY
ASSOCIATED WITH THE DISTRICT AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

| | <u>Fiscal Year Ending June 30,</u> | |
|--|------------------------------------|----------------------|
| | <u>2017</u> | <u>2018</u> |
| Service Cost | \$ 1,028,903 | \$ 852,196 |
| Interest | 854,650 | 988,842 |
| Changes in Assumptions | (3,467,986) | (2,701,549) |
| Differences between Expected and Actual Experience | | (2,060,164) |
| Member Contributions | 23,088 | 21,757 |
| Gross Benefit Payments | <u>(627,006)</u> | <u>(629,502)</u> |
| Net Change in Total OPEB Liability | <u>(2,188,351)</u> | <u>(3,528,420)</u> |
| Total OPEB Liability - Beginning | <u>29,258,653</u> | <u>27,070,302</u> |
| Total OPEB Liability - Ending | <u>\$ 27,070,302</u> | <u>\$ 23,541,882</u> |
| District's Covered Employee Payroll * | \$ 5,308,624 | \$ 5,653,538 |
| Total OPEB Liability as a Percentage of Covered Employee Payroll | 510% | 416% |

* - Covered payroll for the fiscal years ending June 30, 2017 and June 30, 2018 are based on the payroll on the June 30, 2016 and June 30, 2017 census data.

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018. The municipal bond rate changed from 3.58% to 3.87%.

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 4.25% as of June 30, 2017 to 4.86% as of June 30, 2018. The municipal bond rate changed from 3.58 to 3.87%.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)

B. TEACHERS' PENSION AND ANNUITY FUND (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

The salary increases in the July 1, 2016 valuation were as follows: 2012-2021 and thereafter – varies based on experience. The salary increases in the July 1, 2017 valuation are as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The mortality rates in the valuation as of June 30, 2017 were based on the following:

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

The mortality rates in the valuation as of June 30, 2018 were based on the following:

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

The health care trend rates in the valuation as of June 30, 2017 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after eight years. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

The health care trend rates in the valuation as of June 30, 2018 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

BUDGETARY COMPARISON SCHEDULES

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-------------------|-------------------|-----------------------------|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 9,835,098 | | \$ 9,835,098 | \$ 9,835,098 | \$ 1,265 |
| Interest Earned on Maintenance Reserve | | | | | \$ 1,852 |
| Interest Earned on Capital Reserve | 1,101 | | 1,101 | 2,953 | 29,121 |
| Unrestricted Miscellaneous | 16,500 | | 16,500 | 45,621 | 32,238 |
| Total - Local Sources | 9,852,699 | | 9,852,699 | 9,884,937 | |
| State Sources: | | | | | |
| School Choice Aid | 108,472 | | 108,472 | 108,472 | |
| Transportation Aid | 452,207 | | 452,207 | 452,207 | |
| Special Education Aid | 461,016 | | 461,016 | 461,016 | |
| Security Aid | 61,773 | | 61,773 | 61,773 | |
| Adjustment Aid | 1,112,712 | \$ (91,359) | 1,021,353 | 1,021,353 | |
| Extraordinary Aid | | | | 103,273 | 103,273 |
| Nonpublic Transportation Aid | | | | 7,061 | 7,061 |
| TPAF Pension Contribution (On-Behalf - Non-Budgeted) | | | | 876,847 | 876,847 |
| TPAF Pension NCGI Premium (On-Behalf - Non-Budgeted) | | | | 18,355 | 18,355 |
| TPAF Pension LT/DI Premium (On-Behalf - Non-Budgeted) | | | | 737 | 737 |
| TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted) | | | | 406,062 | 406,062 |
| TPAF Social Security (Reimbursed - Non-Budgeted) | | (91,359) | 2,104,821 | 347,530 | 347,530 |
| Total State Sources | 2,196,180 | (91,359) | 2,104,821 | 3,864,686 | 1,759,865 |
| TOTAL REVENUES | 12,048,879 | (91,359) | 11,957,520 | 13,749,623 | 1,792,103 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-----------------|------------|-----------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Regular Programs - Instruction: | | | | | |
| Kindergarten - Salaries of Teachers | \$ 287,746 | \$ (98,561) | \$ 189,185 | \$ 189,185 | |
| Grades 1-5 - Salaries of Teachers | 1,583,601 | 71,306 | 1,654,907 | 1,654,907 | |
| Grades 6-8 - Salaries of Teachers | 1,186,099 | (64,702) | 1,121,397 | 1,119,235 | \$ 2,162 |
| Regular Programs - Home Instruction: | | | | | |
| Other Salaries for Instruction | 7,920 | (3,863) | 4,057 | 4,057 | |
| Regular Programs - Undistributed Instruction: | | | | | |
| Other Purchased Services (400-500 series) | 121,325 | (3,501) | 117,824 | 115,202 | 2,622 |
| General Supplies | 136,387 | (1,317) | 135,070 | 106,590 | 28,480 |
| Textbooks | 82,384 | (49,501) | 32,883 | 31,467 | 1,416 |
| Total Regular Programs - Instruction | 3,405,462 | (150,139) | 3,255,323 | 3,220,643 | 34,680 |
| Special Education - Instruction: | | | | | |
| Learning and/or Language Disabilities: | | | | | |
| Salaries of Teachers | 211,542 | (6,331) | 205,211 | 205,211 | |
| Other Salaries for Instruction | 62,339 | 24,291 | 86,630 | 86,630 | |
| General Supplies | 3,228 | (1,337) | 1,891 | 1,826 | 65 |
| Total Learning and/or Language Disabilities | 277,109 | 16,623 | 293,732 | 293,667 | 65 |
| Multiple Disabilities: | | | | | |
| Salaries of Teachers | 199,382 | (51,145) | 148,237 | 147,987 | 250 |
| Other Salaries for Instruction | 132,232 | 66,546 | 198,778 | 190,885 | 7,893 |
| General Supplies | 928 | 34 | 962 | 932 | 30 |
| Total Multiple Disabilities | 332,542 | 15,435 | 347,977 | 339,804 | 8,173 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|------------|-----------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Resource Room/Resource Center: | | | | | |
| Salaries of Teachers | \$ 521,202 | \$ 46,516 | \$ 567,718 | \$ 567,405 | \$ 313 |
| Other Salaries for Instruction | 104,007 | (9,475) | 94,532 | 94,532 | |
| General Supplies | 1,703 | 5 | 1,708 | 1,575 | 133 |
| Total Resource Room/Resource Center | 626,912 | 37,046 | 663,958 | 663,512 | 446 |
| Preschool Disabilities - Part Time: | | | | | |
| Salaries of Teachers | 67,385 | (14,191) | 53,194 | 52,767 | 427 |
| Other Salaries for Instruction | 52,906 | (29,529) | 23,377 | 23,179 | 198 |
| General Supplies | 688 | | 688 | 581 | 107 |
| Total Preschool Disabilities - Part Time | 120,979 | (43,720) | 77,259 | 76,527 | 732 |
| Preschool Disabilities - Full Time: | | | | | |
| Salaries of Teachers | 61,429 | 3,860 | 65,289 | 65,134 | 155 |
| Other Salaries for Instruction | 88,800 | (74,940) | 13,860 | 13,856 | 4 |
| General Supplies | 888 | (60) | 828 | 753 | 75 |
| Total Preschool Disabilities - Full Time | 151,117 | (71,140) | 79,977 | 79,743 | 234 |
| Total Special Education Instruction | 1,508,659 | (45,756) | 1,462,903 | 1,453,253 | 9,650 |
| Basic Skills/Remedial - Instruction: | | | | | |
| Salaries of Teachers | 91,476 | 31,419 | 122,895 | 122,008 | 887 |
| Purchased Professional - Educational Services | | 46,287 | 46,287 | 37,849 | 8,438 |
| General Supplies | 791 | 354 | 1,145 | 1,145 | |
| Total Basic Skills/Remedial - Instruction | 92,267 | 78,060 | 170,327 | 161,002 | 9,325 |
| School-Sponsored Cocurricular Activities - Instruction: | | | | | |
| Salaries | 28,105 | (3,672) | 24,433 | 13,264 | 11,169 |
| Purchased Services (300-500 series) | 3,445 | | 3,445 | 452 | 2,993 |
| Supplies and Materials | 8,066 | (287) | 7,779 | 3,449 | 4,330 |
| Total School-Sponsored Cocurricular Activities - Instruction | 39,616 | (3,959) | 35,657 | 17,165 | 18,492 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|-----------|-----------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| School-Sponsored Cocurricular Athletics - Instruction: | | | | | |
| Salaries | \$ 45,967 | | \$ 45,967 | \$ 40,319 | \$ 5,648 |
| Supplies and Materials | 3,540 | 286 | 3,826 | 3,826 | |
| Total School-Sponsored Cocurricular Athletics - Instruction | 49,507 | 286 | 49,793 | 44,145 | 5,648 |
| Other Instructional Programs - Instruction: | | | | | |
| Salaries | 59,611 | 2,497 | 62,108 | 60,918 | 1,190 |
| Supplies and Materials | 10,045 | (966) | 9,079 | 4,026 | 5,053 |
| Total Other Instructional Programs - Instruction | 69,656 | 1,531 | 71,187 | 64,944 | 6,243 |
| Total Instruction | 5,165,167 | (119,977) | 5,045,190 | 4,961,152 | 84,038 |
| Undistributed Expenditures: | | | | | |
| Instruction: | | | | | |
| Tuition to Other LEAs Within the State - Regular | | 21,500 | 21,500 | 21,500 | |
| Tuition to Other LEAs Within the State - Special | 48,772 | 30,543 | 79,315 | 79,315 | |
| Tuition to Private Schools for the Disabled - Within the State | 91,500 | 35,766 | 127,266 | 126,899 | 367 |
| Total Undistributed Expenditures - Instruction | 140,272 | 87,809 | 228,081 | 227,714 | 367 |
| Health Services: | | | | | |
| Salaries | 136,781 | 15,724 | 152,505 | 152,045 | 460 |
| Purchased Professional and Technical Services | 7,000 | (2,000) | 5,000 | 5,000 | |
| Supplies and Materials | 10,430 | 628 | 11,058 | 7,845 | 3,213 |
| Total Health Services | 154,211 | 14,352 | 168,563 | 164,890 | 3,673 |
| Speech, OT, PT and Related Services: | | | | | |
| Salaries | 174,468 | (13,463.0) | 161,005 | 160,399 | 606 |
| Purchased Professional - Educational Services | 228,424 | (33,274) | 195,150 | 176,758 | 18,392 |
| Supplies and Materials | 2,901 | 902 | 3,803 | 3,340 | 463 |
| Total Speech, OT, PT and Related Services | 405,793 | (45,835) | 359,958 | 340,497 | 19,461 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

UNAUDITED

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-----------------|----------------|-----------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Guidance: | | | | | |
| Salaries of Other Professional Staff | \$ 129,677 | | \$ 129,677 | \$ 127,814 | \$ 1,863 |
| Supplies and Materials | 2,196 | (178) | 2,018 | 1,025 | 993 |
| Total Guidance | <u>131,873</u> | <u>(178)</u> | <u>131,695</u> | <u>128,839</u> | <u>2,856</u> |
| Child Study Team: | | | | | |
| Salaries of Other Professional Staff | 294,214 | 2,382 | 296,596 | 296,596 | |
| Salaries of Secretarial and Clerical Assistants | 44,082 | 1,950 | 46,032 | 46,032 | |
| Purchased Professional and Educational Services | 28,614 | (13,289) | 15,325 | 4,500 | 10,825 |
| Supplies and Materials | 11,853 | 3,768 | 15,621 | 14,588 | 1,033 |
| Total Child Study Team | <u>378,763</u> | <u>(5,189)</u> | <u>373,574</u> | <u>361,716</u> | <u>11,858</u> |
| Educational Media Services/School Library: | | | | | |
| Salaries | 63,980 | | 63,980 | 63,977 | 3 |
| Salaries of Technology Coordinators | 89,604 | | 89,604 | 79,410 | 10,194 |
| Supplies and Materials | 32,190 | 966 | 33,156 | 31,925 | 1,231 |
| Total Educational Media Services/School Library | <u>185,774</u> | <u>966</u> | <u>186,740</u> | <u>175,312</u> | <u>11,428</u> |
| Instructional Staff Training Services: | | | | | |
| Purchased Professional and Technical Services | 21,863 | 14,668 | 36,531 | 28,262 | 8,269 |
| Other Purchased Services (400-500 series) | 8,500 | 8,948 | 17,448 | 17,448 | |
| Total Instructional Staff Training Services | <u>30,363</u> | <u>23,616</u> | <u>53,979</u> | <u>45,710</u> | <u>8,269</u> |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

UNAUDITED

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|----------------|-----------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Support Services - General Administration: | | | | | |
| Salaries | \$ 141,206 | \$ 1,717 | \$ 142,923 | 142,922 | \$ 1 |
| Legal Services | 30,600 | 16,209 | 46,809 | 46,809 | |
| Audit Fees | 23,000 | 2,000 | 25,000 | 25,000 | |
| Architectural/Engineering Services | 2,700 | (477) | 2,223 | 2,223 | |
| Communications/Telephone | 58,456 | (14,333) | 44,123 | 43,954 | 169 |
| BOE Other Purchased Services | 2,900 | (1,700) | 1,200 | 1,200 | |
| Misc. Purchased Services (400-500 series) | 6,650 | (5,410) | 1,240 | 1,240 | |
| General Supplies | 12,282 | 46 | 12,328 | 12,328 | |
| BOE In-house Training/Meeting Supplies | 2,600 | (2,600) | | | |
| Judgements Against the School District | | 39,002 | 39,002 | 39,002 | |
| Miscellaneous Expenditures | 4,500 | (3,439) | 1,061 | 1,033 | 28 |
| BOE Membership Dues and Fees | 7,535 | (1,772) | 5,763 | 5,763 | |
| Total Support Services - General Administration | 292,429 | 29,243 | 321,672 | 321,474 | 198 |
| Support Services - School Administration: | | | | | |
| Salaries of Principals/Assistant Principals | 318,767 | 9,795 | 328,562 | 328,562 | |
| Salaries of Secretarial and Clerical Assistants | 136,811 | 781 | 137,592 | 137,592 | |
| Other Salaries | 6,422 | 370 | 6,792 | 6,792 | |
| Supplies and Materials | 2,456 | (317) | 2,139 | 2,139 | |
| Other Objects | 3,582 | (1,238) | 2,344 | 2,344 | |
| Total Support Services - School Administration | 468,038 | 9,391 | 477,429 | 477,429 | |
| Administration Information Technology: | | | | | |
| Purchased Professional Services | | 35 | 35 | 35 | |
| Purchased Technical Services | 8,288 | 522 | 8,810 | 8,071 | 739 |
| Supplies and Materials | 1,757 | (558) | 1,199 | 376 | 823 |
| Total Administration Information Technology | 10,045 | (1) | 10,044 | 8,482 | 1,562 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|------------------|----------------|-----------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Central Services: | | | | | |
| Salaries | \$ 198,065 | \$ 8,389 | \$ 206,454 | \$ 206,454 | |
| Purchased Professional Services | 1,975 | (1,125) | 850 | 850 | |
| Purchased Technical Services | 15,550 | (2,415) | 13,135 | 13,135 | |
| Miscellaneous Purchased Services (400-500 series) | 2,600 | (2,600) | | | |
| Supplies and Materials | 3,400 | (791) | 2,609 | 719 | \$ 1,890 |
| Miscellaneous Expenditures | 2,925 | | 2,925 | 1,570 | 1,355 |
| Total Central Services | 224,515 | 1,458 | 225,973 | 222,728 | 3,245 |
| Required Maintenance of School Facilities: | | | | | |
| Cleaning, Repair and Maintenance Services | 116,781 | 64,164 | 180,945 | 137,072 | 43,873 |
| General Supplies | 6,756 | 8,577 | 15,333 | 10,570 | 4,763 |
| Other Objects | 1,312 | (990) | 322 | | 322 |
| Total Required Maintenance of School Facilities | 124,849 | 71,751 | 196,600 | 147,642 | 48,958 |
| Custodial Services: | | | | | |
| Salaries | 443,171 | (4,701) | 438,470 | 436,375 | 2,095 |
| Purchased Professional and Technical Services | 17,153 | 2,563 | 19,716 | 17,538 | 2,178 |
| Cleaning, Repair and Maintenance Services | 12,802 | 6,541 | 19,343 | 12,556 | 6,787 |
| Other Purchased Property Services | 49,518 | | 49,518 | 49,424 | 94 |
| Insurance | 101,685 | (3,558) | 98,127 | 98,127 | |
| General Supplies | 104,912 | (21,373) | 83,539 | 83,539 | |
| Energy (Natural Gas) | 153,415 | (8,525) | 144,890 | 95,330 | 49,560 |
| Energy (Electricity) | 186,245 | (9,906) | 176,339 | 174,540 | 1,799 |
| Other Objects | 1,550 | | 1,550 | 1,290 | 260 |
| Total Custodial Services | 1,070,451 | (38,959) | 1,031,492 | 968,719 | 62,773 |
| Security: | | | | | |
| Purchased Professional and Technical Services | 81,675 | 9,862 | 91,537 | 14,714 | 76,823 |
| Cleaning, Repair, and Maintenance Services | 9,611 | (5,595) | 4,016 | | 4,016 |
| Total Security | 91,286 | 4,267 | 95,553 | 14,714 | 80,839 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|-----------------|------------------|--------------|------------|--------------------------|
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE | | | | | |
| Student Transportation Services: | | | | | |
| Contracted Services: | | | | | |
| Between Home and School - Vendors | \$ 666,318 | \$ (49,080) | \$ 617,238 | \$ 616,288 | \$ 950 |
| Other Between Home and School - Vendors | 12,300 | 220 | 12,520 | 8,576 | 3,944 |
| Between Home and School - Joint Agreements | 52,735 | | 52,735 | 42,498 | 10,237 |
| Special Education Students - Vendors | 233,918 | 39,585 | 273,503 | 267,835 | 5,668 |
| Aid in Lieu Payments - Nonpublic Schools | 13,000 | (220) | 12,780 | 8,000 | 4,780 |
| Aid in Lieu Payments - Choice Schools | 13,000 | | 13,000 | 9,000 | 4,000 |
| Total Student Transportation Services | 991,271 | (9,495) | 981,776 | 952,197 | 29,579 |
| Unallocated Benefits: | | | | | |
| Group Insurance | 22,473 | (8,851) | 13,622 | 155,724 | 13,622 |
| Social Security Contributions | 158,357 | | 158,357 | 101,267 | 2,633 |
| Other Retirement Contributions - PERS | 99,200 | 2,067 | 101,267 | | |
| Unemployment Compensation | 20,000 | (20,000) | | | |
| Workers Compensation | 122,333 | (3,600) | 118,733 | 117,652 | 1,081 |
| Health Benefits | 1,625,079 | (114,391) | 1,510,688 | 1,266,901 | 243,787 |
| Tuition Reimbursement | 32,640 | 4,621 | 37,261 | 37,261 | |
| Other Employee Benefits | 19,250 | 26,843 | 46,093 | 46,092 | 1 |
| Unused Sick Payment to Terminated/Retired Staff | 33,000 | 3,725 | 36,725 | 36,725 | |
| Total Unallocated Benefits | 2,132,332 | (109,586) | 2,022,746 | 1,761,622 | 261,124 |
| On-Behalf Contributions | | | | | |
| TPAF Pension Contribution (On-Behalf - Non-Budgeted) | | | | 876,847 | (876,847) |
| TPAF Pension NCGI Premium (On-Behalf - Non-Budgeted) | | | | 18,355 | (18,355) |
| TPAF Pension LTDI Premium (On-Behalf - Non-Budgeted) | | | | 737 | (737) |
| TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted) | | | | 406,062 | (406,062) |
| TPAF Social Security (Reimbursed - Non-Budgeted) | | | | 347,530 | (347,530) |
| Total On-Behalf Contributions | | | | 1,649,531 | (1,649,531) |
| Total Employee Benefits | 2,132,332 | (109,586) | 2,022,746 | 3,411,153 | (1,388,407) |
| Total Undistributed Expenses | 6,832,265 | 33,610 | 6,865,875 | 7,969,216 | (1,103,341) |
| TOTAL CURRENT EXPENSE | 11,997,432 | (86,367) | 11,911,065 | 12,930,368 | (1,019,303) |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-----------------|--------------|-----------------------------|
| EXPENDITURES: | | | | | |
| CAPITAL OUTLAY | | | | | |
| Equipment: | | | | | |
| Non Instructional | \$ 74,195 | | \$ 74,195 | \$ 74,195 | |
| Total Equipment | 74,195 | | 74,195 | 74,195 | |
| Facilities Acquisition and Construction Services: | | | | | |
| Debt Service Assessment on SDA Funding | 60,673 | | 60,673 | 60,673 | |
| Total Facilities Acquisition and Construction Services | 60,673 | | 60,673 | 60,673 | |
| TOTAL CAPITAL OUTLAY | 134,868 | | 134,868 | 134,868 | |
| Transfer of Funds to Charter Schools | 192,339 | \$ 74,129 | 266,468 | 266,468 | |
| TOTAL EXPENDITURES | 12,324,639 | (12,238) | 12,312,401 | 13,331,704 | \$ (1,019,303) |
| Excess (Deficiency) of Revenues Over/(Under) Expenditures | (275,760) | (79,121) | (354,881) | 417,919 | 772,800 |
| Other Financing Uses: | | | | | |
| Capital Reserve - Transfer to Debt Service Fund | (61,495) | | (61,495) | (61,495) | |
| Total Other Financing Uses | (61,495) | | (61,495) | (61,495) | |
| Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses | (337,255) | (79,121) | (416,376) | 356,424 | 772,800 |
| Fund Balance, July 1 | 3,883,681 | | 3,883,681 | 3,883,681 | |
| Fund Balance, June 30 | \$ 3,546,426 | \$ (79,121) | \$ 3,467,305 | \$ 4,240,105 | \$ 772,800 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

Recapitulation:
 Restricted:
 Excess Surplus - For Subsequent Year's Expenditures
 Maintenance Reserve
 Capital Reserve
 Assigned:
 Year End Encumbrances
 For Subsequent Year's Expenditures
 Unassigned

Reconciliation to Governmental Funds Statements (GAAP):
 Last State Aid Payments not Recognized on GAAP Basis
 Fund Balance per Governmental Funds (GAAP)

| | | |
|----|--|--------------|
| \$ | | 83,043 |
| | | 776,524 |
| | | 2,778,579 |
| | | 131,625 |
| | | 110,000 |
| | | 360,334 |
| | | 4,240,105 |
| | | (204,415) |
| | | \$ 4,035,690 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-----------------|------------|-----------------------------|
| Revenue: | | | | | |
| Federal Sources | \$ 237,780 | | \$ 237,780 | \$ 237,780 | |
| Total Revenue | 237,780 | | 237,780 | 237,780 | |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Salaries of Teachers | 50,631 | | 50,631 | 50,631 | |
| Tuition | 66,725 | | 66,725 | 66,725 | |
| General Supplies | 14,212 | | 14,212 | 14,212 | |
| Total Instruction | 131,568 | | 131,568 | 131,568 | |
| Support Services: | | | | | |
| Salaries of Program Director | 16,445 | | 16,445 | 16,445 | |
| Personal Services - Employee Benefits | 5,098 | | 5,098 | 5,098 | |
| Purchased Professional/Technical Services | 84,669 | | 84,669 | 84,669 | |
| Total Support Services | 106,212 | | 106,212 | 106,212 | |
| Total Expenditures | \$ 237,780 | \$ - 0 - | \$ 237,780 | \$ 237,780 | \$ - 0 - |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

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

| | General Fund | Special Revenue Fund |
|---|----------------------|----------------------------|
| Sources/Inflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule | \$ 13,749,623 | \$ 237,780 |
| Differences - Budget to GAAP: | | |
| Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements | 202,959 | |
| Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements | (204,415) | |
| | <u>\$ 13,748,167</u> | <u>\$ 237,780</u> |
| Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. | <u>\$ 13,748,167</u> | <u>\$ 237,780</u> |
| Uses/Outflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule | \$ 13,331,704 | \$ 237,780 |
| Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds | <u>\$ 13,331,704</u> | <u>\$ 237,780</u> |

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SPECIAL REVENUE FUND

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Elementary and Secondary Education Act | | | | | Totals |
|---|--|--------------------|------------------|--------------------------|----------------------|-------------------|
| | Title I | Title II Part A | Title IV | IDEA Part B Preschool | IDEA Part B Basic | June 30, 2019 |
| REVENUE: | | | | | | |
| Federal Sources | \$ 65,253 | \$ 5,190 | \$ 12,000 | \$ 4,280 | \$ 151,057 | \$ 237,780 |
| Total Revenue | <u>65,253</u> | <u>5,190</u> | <u>12,000</u> | <u>4,280</u> | <u>151,057</u> | <u>237,780</u> |
| EXPENDITURES: | | | | | | |
| Instruction: | | | | | | |
| Salaries of Teachers | 50,631 | | | | | 50,631 |
| Tuition | | | | | 66,725 | 66,725 |
| General Supplies | 2,122 | | 12,000 | 45 | 45 | 14,212 |
| Total Instruction | <u>52,753</u> | | <u>12,000</u> | <u>45</u> | <u>66,770</u> | <u>131,568</u> |
| Support Services: | | | | | | |
| Salaries of Program Directors | | | | 768 | 15,677 | 16,445 |
| Personal Services - Employee Benefits | | | | 238 | 4,860 | 5,098 |
| Purchased Professional/Technical Services | 12,500 | 5,190 | | 3,229 | 63,750 | 84,669 |
| Total Support Services | <u>12,500</u> | <u>5,190</u> | | <u>4,235</u> | <u>84,287</u> | <u>106,212</u> |
| Total Expenditures | <u>\$ 65,253</u> | <u>\$ 5,190</u> | <u>\$ 12,000</u> | <u>\$ 4,280</u> | <u>\$ 151,057</u> | <u>\$ 237,780</u> |

CAPITAL PROJECTS FUND

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | |
|---|------------------|
| Other Financing Uses: | |
| Transfer to Debt Service Fund | \$ 99,763 |
| | <hr/> |
| Total Expenditures and Other Financing Uses | 99,763 |
| | <hr/> |
| Deficit of Revenue and Other Financing Sources | |
| Under Expenditures and Other Financing Uses | (99,763) |
| | <hr/> |
| Fund Balance - Beginning Balance | 532,840 |
| | <hr/> |
| Fund Balance - Ending Balance | \$ 433,077 |
| | <hr/> <hr/> |
| <u>Recapitulation:</u> | |
| Committed: | |
| Other Purposes | \$ 267,767 |
| Restricted: | |
| Other Purposes | 165,310 |
| Fund Balance per Governmental Funds (Budgetary Basis) | <hr/> 433,077 |
| Reconciliation to Governmental Funds Statement (GAAP): | |
| SDA Grant not Recognized on GAAP Basis | <hr/> (204,187) |
| | <hr/> |
| Fund Balance per Governmental Funds (GAAP) | \$ 228,890 |
| | <hr/> <hr/> |
| <u>Recapitulation of Fund Balances per Governmental Funds (GAAP):</u> | |
| Restricted | \$ 165,310 |
| Committed | 63,580 |
| | <hr/> \$ 228,890 |
| | <hr/> <hr/> |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
RENOVATIONS TO MIDDLE SCHOOL ROOF
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Prior Periods | Current Year | Total | Revised Authorized Cost |
|---|------------------|-----------------|--------------|-------------------------------|
| Revenue and Other Financing Sources: | | | | |
| Bond Sale Proceeds | \$ 1,324,000 | | \$ 1,324,000 | \$ 1,732,500 |
| Total Revenue and Other Financing Sources | 1,324,000 | | 1,324,000 | 1,732,500 |
| Expenditures and Other Financing Uses: | | | | |
| Other Purchased Professional and Technical Services | 120,595 | | 120,595 | 154,844 |
| Legal Services | 130,201 | | 130,201 | 133,833 |
| Construction Services | 538,131 | | 538,131 | 1,443,823 |
| Transfer to Debt Service Fund | 270,000 | \$ 99,763 | 369,763 | |
| Total Expenditures and Other Financing Uses | 1,058,927 | 99,763 | 1,158,690 | 1,732,500 |
| Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses | \$ 265,073 | \$ (99,763) | \$ 165,310 | \$ -0- |

Additional Project Information:

| | |
|---|--------------|
| Bond Authorization Date | 4/21/2009 |
| Bonds Authorized | \$ 1,732,500 |
| Bonds Issued | 1,324,000 |
| Original Authorized Cost | 1,732,500 |
| Additional Authorized Cost | -0- |
| Revised Authorized Cost | 1,732,500 |
| Percentage Increase over Original Authorized Cost | 0% |
| Percentage Completion | 100% |
| Original Target Completion Date | 09/03/09 |
| Revised Target Completion Date | 06/30/19 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
REPLACEMENT OF FLOOR TILE AND STAIRWAY AT HARDYSTON ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Prior Periods | Current Year | Total | Authorized Cost |
|--|------------------|-----------------|-----------|--------------------|
| Revenue and Other Financing Sources: | | | | |
| State Sources - SDA Grant | \$ 63,967 | \$ 63,967 | \$ 63,967 | \$ 63,967 |
| Transfer from Capital Reserve | 95,950 | | 95,950 | 95,950 |
| Total Revenue and Other Financing Sources | 159,917 | | 159,917 | 159,917 |
| Expenditures: | | | | |
| Other Purchased Professional and Technical Services | 2,870 | | 2,870 | 2,900 |
| Construction Services | 157,047 | | 157,047 | 157,017 |
| Total Expenditures | 159,917 | | 159,917 | 159,917 |
| Excess of Revenue and Other Financing Sources Over Expenditures | \$ -0- | \$ -0- | \$ -0- | \$ -0- |

Additional Project Information:

| | |
|---|------------------|
| Project Number | 2030-050-10-1001 |
| Grant Date | 7/23/2010 |
| Original Authorized Cost | \$ 159,917 |
| Additional Authorized Cost | -0- |
| Revised Authorized Cost | 159,917 |
| Percentage Increase over Original Authorized Cost | 0% |
| Percentage Completion | 100% |
| Original Target Completion Date | 08/09/10 |
| Revised Target Completion Date | 06/30/17 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
HARDYSTON TOWNSHIP MIDDLE SCHOOL- RETAINING WALL REPAIRS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Prior Periods | Current Year | Total | Authorized Cost |
|--|------------------|-----------------|------------|--------------------|
| Revenue and Other Financing Sources: | | | | |
| State Sources - SDA Grant | \$ 140,220 | \$ | 140,220 | \$ 140,220 |
| Transfer from Capital Reserve | 210,330 | | 210,330 | 210,330 |
| Total Revenue and Other Financing Sources | 350,550 | | 350,550 | 350,550 |
| Expenditures: | | | | |
| Other Purchased Professional and Technical Services | 82,783 | | 82,783 | 65,050 |
| Construction Services | 82,783 | | 82,783 | 285,500 |
| Total Expenditures | 82,783 | | 82,783 | 350,550 |
| Excess of Revenue and Other Financing Sources Over Expenditures | \$ 267,767 | \$ -0- | \$ 267,767 | \$ -0- |

Additional Project Information:

| | |
|---------------------------------|-----------------------|
| Project Number | 2030-030-14-1002-G-04 |
| Grant Date | 5/2/2014 |
| Original Authorized Cost | \$ 350,550 |
| Additional Authorized Cost | -0- |
| Revised Authorized Cost | 350,550 |
| Revised Authorized Cost | 0% |
| Percentage Completion | 100% |
| Original Target Completion Date | 06/30/17 |

PROPRIETARY FUNDS

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS:

Current Assets:

| | |
|-------------------------------------|-----------|
| Cash and Cash Equivalents | \$ 58,776 |
| Accounts Receivable: | |
| State | 139 |
| Federal | 2,842 |
| Interfund Receivable - General Fund | 6,783 |
| Inventories | 6,738 |
| | <hr/> |

| | |
|----------------------|--------------------|
| Total Current Assets | <hr/> 75,278 <hr/> |
|----------------------|--------------------|

Non-Current Assets:

| | |
|--------------------------------|-----------|
| Capital Assets | 230,353 |
| Less: Accumulated Depreciation | (207,605) |
| | <hr/> |

| | |
|--------------------------|--------------------|
| Total Non-Current Assets | <hr/> 22,748 <hr/> |
|--------------------------|--------------------|

| | |
|--------------|--------------------|
| Total Assets | <hr/> 98,026 <hr/> |
|--------------|--------------------|

LIABILITIES:

Current Liabilities:

| | |
|--|-------|
| Unearned Revenue - Donated Commodities | 3,538 |
| Accounts Payable | 7,590 |
| Unearned Revenue - Prepaid Sales | 471 |
| | <hr/> |

| | |
|---------------------------|--------------------|
| Total Current Liabilities | <hr/> 11,599 <hr/> |
|---------------------------|--------------------|

NET POSITION:

| | |
|------------------------------|--------|
| Investment in Capital Assets | 22,748 |
| Unrestricted | 63,679 |
| | <hr/> |

| | |
|--------------------|-----------------------|
| Total Net Position | <hr/> \$ 86,427 <hr/> |
|--------------------|-----------------------|

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | |
|---|-------------|
| Operating Revenue: | |
| Local Sources: | |
| Daily Sales - Reimbursable Meals | \$ 107,546 |
| Daily Sales - Non Reimbursable Meals | 9,052 |
| | <hr/> |
| Total Operating Revenue | 116,598 |
| | <hr/> |
| Operating Expenses: | |
| Cost of Sales - Reimbursable Programs | 59,187 |
| Cost of Sales - Non Reimbursable Programs | 12,624 |
| Salaries, Benefits and Payroll Taxes | 68,080 |
| Management Fee | 8,046 |
| Supplies, Insurance & Other Costs | 11,550 |
| Depreciation Expense | 4,816 |
| | <hr/> |
| Total Operating Expenses | 164,303 |
| | <hr/> |
| Operating Loss | (47,705) |
| | <hr/> |
| Non-Operating Revenue: | |
| State Sources: | |
| State School Lunch Program | 1,868 |
| Federal Sources: | |
| National School Lunch Program | 38,849 |
| Food Distribution Program | 14,422 |
| Local Sources: | |
| Interest Income | 31 |
| | <hr/> |
| Total Non-Operating Revenue | 55,170 |
| | <hr/> |
| Change in Net Position | 7,465 |
| | <hr/> |
| Net Position - Beginning of Year | 78,962 |
| | <hr/> |
| Net Position - End of Year | \$ 86,427 |
| | <hr/> <hr/> |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | |
|---|-------------|
| Cash Flows from Operating Activities: | |
| Receipts from Customers | \$ 116,598 |
| Payments to/for Employees | (68,080) |
| Payment to Suppliers | (1,930) |
| Payments to Food Service Vendor | (61,158) |
| | <hr/> |
| Net Cash Used for Operating Activities | (14,570) |
| | <hr/> |
| Cash Flows from Noncapital Financing Activities: | |
| State and Federal Reimbursements Collected in the Food Service Fund | 24,412 |
| Settlement of Prior Year Interfund - General Fund | 43,803 |
| | <hr/> |
| Net Cash Provided by Noncapital Financing Activities | 68,215 |
| | <hr/> |
| Cash Flows from Investing Activities: | |
| Investment Income | 31 |
| | <hr/> |
| Net Cash Flows Provided by Investing Activities | 31 |
| | <hr/> |
| Net Increase in Cash and Cash Equivalents | 53,676 |
| Cash and Cash Equivalents, July 1 | 5,100 |
| | <hr/> |
| Cash and Cash Equivalents, June 30 | \$ 58,776 |
| | <hr/> <hr/> |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities: | |
| Operating Loss | \$ (47,705) |
| Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities: | |
| Federal Food Distribution Program | 14,422 |
| Depreciation | 4,816 |
| Changes in Assets and Liabilities: | |
| Increase in Unearned Revenue - Donated Commodities | 740 |
| Decrease in Inventories | 386 |
| Increase in Accounts Payable | 7,590 |
| Increase in Interfund Receivable | 5,331 |
| (Decrease) in Unearned Revenue - Prepaid Sales | (150) |
| | <hr/> |
| Net Cash Used for Operating Activities | \$ (14,570) |
| | <hr/> <hr/> |

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. donated commodities through the Food Distribution Program valued at \$15,162 and utilized commodities valued at \$14,422.

FIDUCIARY FUNDS

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

| | Agency Funds | | Total Agency | Unemployment Compensation Trust | Private Purpose Scholarship Trust | Flexible Spending Trust |
|--|--------------------|----------------|--------------|---------------------------------|-----------------------------------|-------------------------|
| | Student Activities | Payroll Agency | Agency | Trust | Trust | Trust |
| <u>ASSETS:</u> | | | | | | |
| Cash and Cash Equivalents | \$ 45,261 | \$ 45,833 | \$ 91,094 | \$ 162,014 | \$ 3,079 | \$ 5,059 |
| Investments | | | | | 2,315 | |
| Interfund Receivable: | | | | | | |
| General Fund | 3,721 | | 3,721 | 10,000 | | |
| Unemployment Compensation Trust Fund | | 115 | 115 | | | |
| Total Assets | 48,982 | 45,948 | 94,930 | 172,014 | 5,394 | 5,059 |
| <u>LIABILITIES:</u> | | | | | | |
| Liabilities: | | | | | | |
| Payroll Deductions and Withholdings | | 1,002 | 1,002 | | | |
| Due to Student Groups | 48,982 | | 48,982 | | | |
| Interfund Payable: | | | | | | |
| General Fund | | 44,946 | 44,946 | | | 3,000 |
| Payroll Agency Fund | | | | 115 | | |
| Total Liabilities | 48,982 | 45,948 | 94,930 | 115 | 115 | 3,000 |
| <u>NET POSITION:</u> | | | | | | |
| Held in Trust for Unemployment Claims | | | | 171,899 | | |
| Restricted for Scholarships | | | | | 5,394 | |
| Held in Trust for Flexible Spending Claims | | | | | | 2,059 |
| Total Net Position | \$ -0- | \$ -0- | \$ -0- | \$ 171,899 | \$ 5,394 | \$ 2,059 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | <u>Unemployment Compensation Trust</u> | <u>Private Purpose Scholarship Trust</u> | <u>Flexible Spending Trust</u> |
|--|--|--|--|
| Additions: | | | |
| Contributions: | | | |
| Plan Members | \$ 12,142 | | \$ 6,125 |
| Total Contributions | <u>12,142</u> | | <u>6,125</u> |
| Investment Earnings: | | | |
| Interest | 160 | \$ 44 | 3 |
| Net Investment Earnings | <u>160</u> | <u>44</u> | <u>3</u> |
| Total Additions | <u>12,302</u> | <u>44</u> | <u>6,128</u> |
| Deductions: | | | |
| State of New Jersey Unemployment Claims | 31,670 | | |
| Flexible Spending Claims | | | 2,642 |
| Total Deductions | <u>31,670</u> | | <u>2,642</u> |
| Change in Net Position | (19,368) | 44 | 3,486 |
| Net Position/(Deficit)—Beginning of the Year | <u>191,267</u> | <u>5,350</u> | <u>(1,427)</u> |
| Net Position—End of the Year | <u>\$ 171,899</u> | <u>\$ 5,394</u> | <u>\$ 2,059</u> |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

| | <u>Balance</u> <u>July 1, 2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2019</u> |
|---------------------------|---------------------------------------|------------------|------------------|--|
| <u>ASSETS:</u> | | | | |
| Cash and Cash Equivalents | \$ 44,210 | \$ 71,904 | \$ 70,853 | \$ 45,261 |
| Interfund Receivable: | | | | |
| General Fund | 3,721 | | | 3,721 |
| Total Assets | <u>\$ 47,931</u> | <u>\$ 71,904</u> | <u>\$ 70,853</u> | <u>\$ 48,982</u> |
| <u>LIABILITIES:</u> | | | | |
| Due to Student Groups | \$ 47,931 | \$ 71,904 | \$ 70,853 | \$ 48,982 |
| Total Liabilities | <u>\$ 47,931</u> | <u>\$ 71,904</u> | <u>\$ 70,853</u> | <u>\$ 48,982</u> |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

| | Balance July 1, 2018 | Additions | Deletions | Balance June 30, 2019 |
|--|-------------------------|----------------------|----------------------|--------------------------|
| <u>ASSETS:</u> | | | | |
| Cash and Cash Equivalents | \$ 52,536 | \$ 11,752,902 | \$ 11,759,605 | \$ 45,833 |
| Interfund Receivable - Unemployment Compensation Trust Fund | 126 | | 11 | 115 |
| Total Assets | <u>\$ 52,662</u> | <u>\$ 11,752,902</u> | <u>\$ 11,759,616</u> | <u>\$ 45,948</u> |
| <u>LIABILITIES:</u> | | | | |
| Payroll Deductions and Withholdings | \$ 8,673 | \$ 11,751,945 | \$ 11,759,616 | \$ 1,002 |
| Interfund Payable - General Fund | 43,989 | 957 | | 44,946 |
| Total Liabilities | <u>\$ 52,662</u> | <u>\$ 11,752,902</u> | <u>\$ 11,759,616</u> | <u>\$ 45,948</u> |

LONG-TERM DEBT

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

| Purpose | Date of Issue | Original Issue | Maturities of Bonds Outstanding | | Interest Rate | Balance July 1, 2018 | Retired or Matured | Balance June 30, 2019 |
|----------------------------|---------------|----------------|---------------------------------|------------|---------------|----------------------|--------------------|-----------------------|
| | | | Date | Amount | | | | |
| Roof Project Bonds of 2009 | 06/23/09 | \$ 1,324,000 | 08/01/19 | \$ 154,000 | 3.750% | \$ 304,000 | \$ 150,000 | \$ 154,000 |
| Refunding Bonds of 2016 | 5/3/2016 | 9,260,000 | 8/1/2019 | 485,000 | 3.000% | 8,625,000 | 465,000 | 8,160,000 |
| | | | 8/1/2020 | 500,000 | 3.000% | | | |
| | | | 8/1/2021 | 525,000 | 3.000% | | | |
| | | | 8/1/2022 | 545,000 | 4.000% | | | |
| | | | 8/1/2023 | 570,000 | 4.000% | | | |
| | | | 8/1/2024 | 595,000 | 4.000% | | | |
| | | | 8/1/2025 | 625,000 | 4.000% | | | |
| | | | 8/1/2026 * | 655,000 | 3.000% | | | |
| | | | 8/1/2027 * | 680,000 | 3.000% | | | |
| | | | 8/1/2028 * | 705,000 | 3.125% | | | |
| | | 8/1/2029 * | 735,000 | 3.250% | | | | |
| | | 8/1/2030 * | 755,000 | 3.250% | | | | |
| | | 8/1/2031 * | 785,000 | 3.250% | | | | |
| | | | | | | <u>\$ 8,929,000</u> | <u>\$ 615,000</u> | <u>\$ 8,314,000</u> |

* Callable as of 2/1/26

HARDYSTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-----------------|------------|-----------------------------|
| REVENUE: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 686,036 | | \$ 686,036 | \$ 686,036 | |
| State Sources: | | | | | |
| Debt Service Aid Type II | 53,920 | | 53,920 | 53,920 | |
| Total Revenue | 739,956 | | 739,956 | 739,956 | |
| EXPENDITURES: | | | | | |
| Regular Debt Service: | | | | | |
| Redemption of Principal | 615,000 | | 615,000 | 615,000 | |
| Interest | 287,956 | | 287,956 | 287,956 | |
| Total Regular Debt Service | 902,956 | | 902,956 | 902,956 | |
| Total Expenditures | 902,956 | | 902,956 | 902,956 | |
| Deficit of Revenue Under Expenditures | (163,000) | | (163,000) | (163,000) | |
| Other Financing Sources: | | | | | |
| Transfer from Capital Reserve | 61,495 | | 61,495 | 61,495 | |
| Transfer from Capital Projects Fund | 99,763 | | 99,763 | 99,763 | |
| Total Other Financing Sources | 161,258 | | 161,258 | 161,258 | |
| Deficit of Revenues and Other Financing Sources Under Expenditures | (1,742) | | (1,742) | (1,742) | |
| Fund Balance, July 1 | 8,352 | | 8,352 | 8,352 | |
| Fund Balance, June 30 | \$ 6,610 | \$ -0- | \$ 6,610 | \$ 6,610 | \$ -0- |
| Recapitulation of Fund Balance at June 30, 2019: | | | | | |
| Restricted | | | | \$ 6,610 | |

STATISTICAL SECTION
(UNAUDITED)

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

Contents

| | <u>Exhibit</u> |
|---|-----------------------|
| Financial Trends These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time. | J-1 thru J-5 |
| Revenue Capacity These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes. | J-6 thru J-9 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future. | J-10 thru J-13 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments. | J-14 thru J-15 |
| Operating Information These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs. | J-16 thru J-20 |

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

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018* | 2019 |
| Governmental Activities: | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 4,187,266 | \$ 4,124,726 | \$ 3,919,204 | \$ 4,216,669 | \$ 3,816,367 | \$ 3,876,351 | \$ 4,529,432 | \$ 4,731,634 | \$ 4,808,461 | \$ 5,003,668 |
| Restricted | 674,999 | 729,275 | 1,122,596 | 1,497,105 | 2,130,191 | 2,087,835 | 2,630,866 | 3,137,382 | 3,611,500 | 3,810,066 |
| Unrestricted/(Deficit) | (518,097) | (283,524) | (15,002) | (290,038) | (2,754,136) | (2,480,715) | (3,337,146) | (3,338,837) | (3,143,832) | (2,952,282) |
| Total Governmental Activities Net Position | \$ 4,344,168 | \$ 4,570,477 | \$ 5,026,798 | \$ 5,423,736 | \$ 3,192,422 | \$ 3,483,471 | \$ 3,823,152 | \$ 4,530,179 | \$ 5,276,129 | \$ 5,861,452 |
| Business-Type Activities | | | | | | | | | | |
| Investment in Capital Assets | \$ 36,343 | \$ 44,982 | \$ 35,751 | \$ 51,707 | \$ 42,378 | \$ 33,277 | \$ 24,393 | \$ 15,505 | \$ 22,217 | \$ 22,748 |
| Unrestricted | 27,635 | 39,775 | 49,383 | 59,441 | 74,702 | 55,377 | 54,170 | 48,904 | 56,745 | 63,679 |
| Total Business-Type Activities Net Position | \$ 63,978 | \$ 84,757 | \$ 85,134 | \$ 111,148 | \$ 117,080 | \$ 88,654 | \$ 78,563 | \$ 64,409 | \$ 78,962 | \$ 86,427 |
| District-Wide: | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 4,223,609 | \$ 4,169,708 | \$ 3,954,955 | \$ 4,268,376 | \$ 3,858,745 | \$ 3,909,628 | \$ 4,553,825 | \$ 4,747,139 | \$ 4,830,678 | \$ 5,026,416 |
| Restricted | 674,999 | 729,275 | 1,122,596 | 1,497,105 | 2,130,191 | 2,087,835 | 2,630,866 | 3,137,382 | 3,611,500 | 3,810,066 |
| Unrestricted/(Deficit) | (490,462) | (243,749) | 34,381 | (230,597) | (2,679,434) | (2,425,338) | (3,282,976) | (3,289,933) | (3,087,087) | (2,888,603) |
| Total District Net Position | \$ 4,408,146 | \$ 4,655,234 | \$ 5,111,932 | \$ 5,534,884 | \$ 3,309,502 | \$ 3,572,125 | \$ 3,901,715 | \$ 4,594,588 | \$ 5,355,091 | \$ 5,947,879 |

* - Restated

Source: School District Financial Reports

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Expenses: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Regular | \$ 4,979,851 | \$ 4,922,141 | \$ 4,815,408 | \$ 5,062,747 | \$ 5,045,341 | \$ 5,990,597 | \$ 6,105,693 | \$ 6,528,607 | \$ 6,544,673 | \$ 5,827,542 |
| Special Education | 1,360,680 | 1,401,840 | 1,535,435 | 1,888,894 | 1,849,151 | 2,030,787 | 2,051,433 | 2,482,192 | 2,398,174 | 2,467,012 |
| Other Special Education | 132,602 | 145,387 | 147,089 | 204,001 | 218,314 | 185,646 | 176,024 | 197,176 | 226,944 | 245,893 |
| School-Sponsored/ Other Instruction | 118,279 | 137,640 | 144,783 | 99,897 | 109,941 | 139,633 | 84,716 | 104,244 | 203,772 | 205,771 |
| Support Services: | | | | | | | | | | |
| Tuition | 189,738 | 220,569 | 221,772 | 226,431 | 160,891 | 194,424 | 223,091 | 208,414 | 191,400 | 294,439 |
| Student & Instruction Related Services | 1,129,446 | 1,172,610 | 1,386,063 | 1,188,442 | 1,350,675 | 1,567,206 | 1,805,576 | 1,960,230 | 2,103,441 | 1,961,661 |
| General Administrative Services | 294,210 | 305,839 | 295,780 | 271,457 | 292,001 | 352,127 | 382,351 | 382,248 | 366,273 | 420,918 |
| School Administrative Services | 611,590 | 567,277 | 603,753 | 605,999 | 584,360 | 644,837 | 677,761 | 730,655 | 841,484 | 826,834 |
| Central Services | 212,905 | 230,142 | 224,056 | 261,568 | 278,632 | 322,977 | 320,943 | 352,915 | 170,995 | 366,378 |
| Administrative Information Technology | 79,711 | 106,497 | 99,488 | 118,947 | 10,142 | 12,745 | 6,990 | 5,603 | 207,407 | 9,547 |
| Plant Operations And Maintenance | 1,236,811 | 1,305,786 | 1,228,762 | 1,171,531 | 1,229,766 | 1,331,324 | 1,418,889 | 1,436,765 | 1,617,520 | 1,443,424 |
| Pupil Transportation | 1,012,667 | 923,026 | 942,306 | 947,319 | 850,425 | 887,322 | 931,415 | 992,551 | 984,562 | 952,197 |
| Capital Outlay | | 74,537 | 133,830 | 39,348 | 88,193 | 9,638 | 148,834 | 72,613 | 96,155 | 36,488 |
| Interest On Long-Term Debt | 567,490 | 550,407 | 476,290 | 480,475 | 456,216 | 444,619 | 470,241 | 82,893 | 262,090 | 244,841 |
| Charter Schools | 100,521 | 66,786 | 88,063 | 113,915 | 135,323 | 153,833 | 149,744 | 166,341 | 257,456 | 266,468 |
| Total Governmental Activities Expenses | 12,026,501 | 12,130,484 | 12,342,878 | 12,680,971 | 12,659,371 | 14,267,715 | 14,953,701 | 15,703,447 | 16,472,346 | 15,569,413 |

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Expenses: (Cont'd) | | | | | | | | | | |
| Business-Type Activities: | | | | | | | | | | |
| Food Service | \$ 192,973 | \$ 192,781 | \$ 202,633 | \$ 184,240 | \$ 179,860 | \$ 200,296 | \$ 183,164 | \$ 183,695 | \$ 162,953 | \$ 164,303 |
| Total Business-Type Activities Expense | 192,973 | 192,781 | 202,633 | 184,240 | 179,860 | 200,296 | 183,164 | 183,695 | 162,953 | 164,303 |
| Total District Expenses | \$ 12,219,474 | \$ 12,323,265 | \$ 12,545,511 | \$ 12,865,211 | \$ 12,839,231 | \$ 14,468,011 | \$ 15,886,611 | \$ 15,887,142 | \$ 16,635,299 | \$ 15,733,716 |
| Program Revenues: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Operating Grants and Contributions | \$ 1,757,971 | \$ 1,903,554 | \$ 1,928,474 | \$ 2,112,545 | \$ 1,923,696 | \$ 3,165,618 | \$ 3,712,607 | \$ 4,658,548 | \$ 5,196,364 | \$ 4,331,626 |
| Total Governmental Activities Program Revenues | 1,757,971 | 1,903,554 | 1,928,474 | 2,112,545 | 1,923,696 | 3,165,618 | 3,712,607 | 4,658,548 | 5,196,364 | 4,331,626 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Food Services | 156,475 | 146,471 | 138,996 | 122,765 | 131,729 | 120,263 | 118,257 | 115,360 | 108,472 | 116,598 |
| Operating Grants and Contributions | 53,211 | 49,484 | 63,799 | 62,263 | 53,974 | 51,493 | 54,740 | 54,141 | 57,478 | 55,139 |
| Capital Grants and Contributions | | | | | | | | | 11,940 | |
| Total Business-Type Activities | 209,686 | 195,955 | 202,795 | 185,028 | 185,703 | 171,756 | 172,997 | 169,501 | 177,890 | 171,737 |
| Total District Program Revenues | \$ 1,967,657 | \$ 2,099,509 | \$ 2,131,269 | \$ 2,297,573 | \$ 2,109,399 | \$ 3,337,374 | \$ 3,885,604 | \$ 4,828,049 | \$ 5,374,254 | \$ 4,503,363 |
| Change in Net (Expense)/Revenue: | | | | | | | | | | |
| Governmental Activities | \$ (10,268,530) | \$ (10,226,930) | \$ (10,414,404) | \$ (10,568,426) | \$ (10,735,675) | \$ (11,102,097) | \$ (11,241,094) | \$ (11,044,899) | \$ (11,275,982) | \$ (11,237,787) |
| Business-Type Activities | 16,713 | 3,174 | 162 | 788 | 5,843 | (28,540) | (10,167) | (14,194) | 14,937 | 7,434 |
| Total District Net Expense | \$ (10,251,817) | \$ (10,223,756) | \$ (10,414,242) | \$ (10,567,638) | \$ (10,729,832) | \$ (11,130,637) | \$ (11,251,261) | \$ (11,059,093) | \$ (11,261,045) | \$ (11,230,353) |

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Property Taxes Levied for General Purposes | \$ 8,056,336 | \$ 8,370,081 | \$ 8,537,483 | \$ 8,708,232 | \$ 8,882,397 | \$ 9,060,045 | \$ 9,241,246 | \$ 9,426,071 | \$ 9,777,592 | \$ 9,835,098 |
| Taxes Levied for Debt Services | 823,964 | 937,435 | 924,128 | 894,436 | 918,384 | 918,357 | 878,675 | 868,149 | 680,417 | 686,036 |
| Unrestricted Grants and Contributions | 1,486,733 | 1,118,856 | 1,326,796 | 1,175,632 | 1,259,557 | 1,352,102 | 1,385,421 | 1,399,037 | 1,356,330 | 1,252,137 |
| Miscellaneous Income | 48,051 | 26,867 | 107,318 | 7,090 | 15,118 | 62,642 | 75,433 | 58,669 | 133,483 | 49,839 |
| Debt Service Contribution | | | (25,000) | | | | | | | |
| Total Governmental Activities | 10,415,084 | 10,453,239 | 10,870,725 | 10,785,390 | 11,075,456 | 11,393,146 | 11,580,775 | 11,751,926 | 11,947,822 | 11,823,110 |
| Business-Type Activities: | | | | | | | | | | |
| Investment Earnings | 689 | 317 | 215 | 41 | 89 | 114 | 76 | 40 | 28 | 31 |
| Capital Assets Contribution | | | 17,288 | | | | | | | |
| Other Items | | | | | | | | | (412) | |
| Total Business-Type Activities | 689 | 317 | 17,503 | 41 | 89 | 114 | 76 | 40 | (384) | 31 |
| Total District-Wide | \$ 10,415,773 | \$ 10,453,556 | \$ 10,888,228 | \$ 10,785,431 | \$ 11,075,545 | \$ 11,393,260 | \$ 11,580,851 | \$ 11,751,966 | \$ 11,947,438 | \$ 11,823,141 |
| Change in Net Position: | | | | | | | | | | |
| Governmental Activities | \$ (26,401) | \$ 226,309 | \$ 456,321 | \$ 216,964 | \$ 339,781 | \$ 291,049 | \$ 339,681 | \$ 707,027 | \$ 671,840 | \$ 585,323 |
| Business-Type Activities | 17,402 | 3,491 | 17,665 | 829 | 5,932 | (28,426) | (10,091) | (14,154) | 14,553 | 7,465 |
| Total District | \$ (8,999) | \$ 229,800 | \$ 473,986 | \$ 217,793 | \$ 345,713 | \$ 262,623 | \$ 329,590 | \$ 692,873 | \$ 686,393 | \$ 592,788 |

Source: School District Financial Reports

HARDYSTON TOWNSHIP SCHOOL DISTRICT
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

UNAUDITED
 (modified accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|------------------------------------|----------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| General Fund: | | | | | | | | | | |
| Reserved | \$ 522,783 | | | | | | | | | |
| Unreserved | 114,293 | | | | | | | | | |
| Restricted | | \$ 567,261 | \$ 879,810 | \$ 1,280,926 | \$ 1,568,416 | \$ 1,529,087 | \$ 2,115,508 | \$ 2,700,957 | \$ 3,338,075 | \$ 3,638,146 |
| Assigned | | 220,259 | 333,704 | 271,587 | 407,367 | 440,412 | 285,738 | 215,211 | 209,935 | 241,625 |
| Unassigned | | 104,954 | 132,722 | 75,766 | 62,531 | 52,689 | 47,014 | 92,801 | 132,712 | 155,919 |
| Total General Fund | \$ 637,076 | \$ 892,474 | \$ 1,346,236 | \$ 1,628,279 | \$ 2,038,314 | \$ 2,022,188 | \$ 2,448,260 | \$ 3,008,969 | \$ 3,680,722 | \$ 4,035,690 |
| All Other Governmental Funds: | | | | | | | | | | |
| Unreserved, Reported In: | | | | | | | | | | |
| Capital Projects Fund | \$ 175,461 | | | | | | | | | |
| Debt Service Fund/(Deficit) | (23,245) | | | | | | | | | |
| Restricted | | \$ 162,014 | \$ 242,786 | \$ 216,178 | \$ 561,775 | \$ 558,748 | \$ 515,358 | \$ 436,425 | \$ 273,425 | \$ 171,920 |
| Committed | | 52,049 | 49,992 | (48,345) | (63,967) | 122,805 | 63,580 | 63,580 | 63,580 | 63,580 |
| Unassigned/(Deficit) | | | | | | | | | | |
| Total All Other Governmental Funds | \$ 152,216 | \$ 214,063 | \$ 292,778 | \$ 167,833 | \$ 497,808 | \$ 681,553 | \$ 578,938 | \$ 500,005 | \$ 337,005 | \$ 235,500 |

Source: School District Financial Reports

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

UNAUDITED
(modified accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Revenues: | | | | | | | | | | |
| Tax Levy | \$ 8,880,300 | \$ 9,307,516 | \$ 9,461,611 | \$ 9,602,668 | \$ 9,800,781 | \$ 9,978,402 | \$ 10,119,921 | \$ 10,294,220 | \$ 10,458,009 | \$ 10,521,134 |
| Interest Earnings | 1,965 | 2,492 | 4,611 | 1,116 | 1,385 | 2,791 | 3,099 | 3,671 | 4,075 | 4,218 |
| Miscellaneous | 46,086 | 24,375 | 102,707 | 5,974 | 13,733 | 59,851 | 72,334 | 54,998 | 129,408 | 45,621 |
| State Sources | 2,992,189 | 2,680,950 | 2,955,866 | 3,069,434 | 2,997,342 | 3,221,376 | 3,433,991 | 3,578,364 | 3,830,564 | 3,917,150 |
| Federal Sources | 252,515 | 341,460 | 299,404 | 218,743 | 185,911 | 218,118 | 249,548 | 224,775 | 217,214 | 237,780 |
| Total Revenue | 12,173,055 | 12,356,793 | 12,824,199 | 12,897,935 | 12,999,152 | 13,480,538 | 13,878,893 | 14,156,028 | 14,639,270 | 14,725,903 |
| Expenditures: | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Regular Instruction | 3,262,396 | 3,224,289 | 3,137,309 | 3,260,634 | 3,264,733 | 3,535,752 | 3,572,068 | 3,468,225 | 3,409,640 | 3,276,372 |
| Special Education Instruction | 1,064,249 | 1,103,656 | 1,079,882 | 1,335,387 | 1,346,318 | 1,295,024 | 1,259,373 | 1,350,354 | 1,330,162 | 1,469,698 |
| Other Special Instruction | 95,325 | 104,698 | 103,080 | 140,843 | 155,185 | 116,231 | 107,501 | 107,147 | 123,115 | 161,002 |
| School-Sponsored/Other Instruction | 106,773 | 115,286 | 97,686 | 73,135 | 79,445 | 95,890 | 51,599 | 58,916 | 117,375 | 126,254 |
| Support Services: | | | | | | | | | | |
| Tuition | 189,738 | 220,569 | 221,772 | 226,431 | 160,891 | 194,424 | 223,091 | 208,414 | 191,400 | 294,439 |
| Student & Instruction Related Services | 832,392 | 849,632 | 1,052,369 | 874,135 | 999,044 | 1,050,774 | 1,227,204 | 1,240,315 | 1,342,864 | 1,315,845 |
| General Administrative Services | 247,459 | 260,972 | 246,254 | 218,935 | 241,098 | 275,704 | 300,401 | 277,445 | 255,727 | 321,474 |
| School Administrative Services | 437,002 | 401,059 | 414,786 | 410,629 | 406,226 | 396,807 | 407,213 | 389,841 | 447,038 | 477,429 |
| Central Services | 155,312 | 171,626 | 158,210 | 186,641 | 201,305 | 206,233 | 204,172 | 200,367 | 211,527 | 222,728 |
| Administrative Information Technology | 65,178 | 85,865 | 78,998 | 86,929 | 10,142 | 12,745 | 6,990 | 1,483 | 4,733 | 8,482 |
| Plant Operations And Maintenance | 1,077,398 | 1,131,678 | 1,038,299 | 974,591 | 1,046,019 | 1,069,746 | 1,019,922 | 1,062,028 | 1,265,782 | 1,131,075 |
| Student Transportation | 1,012,667 | 923,026 | 942,306 | 947,319 | 850,425 | 887,322 | 931,415 | 992,551 | 984,562 | 952,197 |
| Unallocated Benefits | 2,286,647 | 2,263,482 | 2,597,826 | 2,780,670 | 2,633,658 | 2,936,874 | 2,898,755 | 3,077,095 | 3,195,525 | 3,411,153 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(modified accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|------------|------------|------------|--------------|------------|-------------|------------|------------|------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Expenditures: | | | | | | | | | | |
| Capital Outlay | \$ 80,886 | \$ 144,753 | \$ 70,535 | \$ 148,873 | \$ (241,782) | \$ 110,779 | \$ 217,067 | \$ 96,288 | \$ 96,155 | \$ 134,868 |
| Charter Schools | 100,521 | 66,786 | 88,063 | 113,915 | 135,323 | 153,833 | 149,744 | 166,341 | 257,456 | 266,468 |
| Debt Service: | | | | | | | | | | |
| Principal | 290,000 | 415,000 | 435,000 | 485,000 | 505,000 | 520,000 | 540,000 | 735,000 | 595,000 | 615,000 |
| Interest And Other Charges | 557,210 | 557,171 | 504,347 | 476,769 | 466,113 | 454,781 | 442,531 | 242,442 | 302,456 | 287,956 |
| Total Expenditures | 11,861,153 | 12,039,548 | 12,266,722 | 12,740,836 | 12,259,143 | 13,312,919 | 13,559,046 | 13,674,252 | 14,130,517 | 14,472,440 |
| Excess/(Deficiency) Of Revenues Over/(Under) Expenditures | 311,902 | 317,245 | 557,477 | 157,099 | 740,009 | 167,619 | 319,847 | 481,776 | 508,753 | 253,463 |
| Other Financing Sources/(Uses): | | | | | | | | | | |
| Long Term Debt Issued | | | | | | | 9,260,000 | | | |
| Bond Premium | | | | | | | 721,182 | | | |
| Serial Bonds Defeased | | | | | | | (9,665,000) | | | |
| Bond Issuance Costs | | | | | | | (111,543) | | | |
| Deferred Amount on Refunding | | | | | | | (198,029) | | | |
| Bond Refunding, Net | | | | | | | 6,610 | | | |
| Total Other Financing Sources/(Uses) | | | | | | | 6,610 | | | |
| Net Change In Fund Balances | \$ 311,902 | \$ 317,245 | \$ 532,477 | \$ 157,099 | \$ 740,009 | \$ 167,619 | \$ 326,457 | \$ 481,776 | \$ 508,753 | \$ 253,463 |
| Debt Service As A Percentage Of Noncapital Expenditures | 7.19% | 8.17% | 7.70% | 7.64% | 7.77% | 7.38% | 7.36% | 7.20% | 6.39% | 6.30% |

Source: School District Financial Reports

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

| <u>Fiscal Year Ended June 30,</u> | <u>Interest on Investments</u> | <u>Tuition</u> | <u>Prior Year Reimbursement</u> | <u>Other</u> | <u>Total</u> |
|---|------------------------------------|----------------|-------------------------------------|--------------|--------------|
| 2010 | \$ 18,890 | | | \$ 29,161 | \$ 48,051 |
| 2011 | 6,390 | \$ 20,022 | | 455 | 26,867 |
| 2012 | 4,611 | 63,244 | | 34,837 | 102,692 |
| 2013 | 2,168 | | | 4,922 | 7,090 |
| 2014 | 1,385 | | | 13,733 | 15,118 |
| 2015 | 2,791 | | \$ 23,297 | 49,037 | 75,125 |
| 2016 | 3,099 | 54,117 | | 18,217 | 75,433 |
| 2017 | 3,671 | 32,210 | | 22,788 | 58,669 |
| 2018 | 4,075 | 31,860 | 25,660 | 71,888 | 133,483 |
| 2019 | 4,218 | 34,125 | | 11,496 | 49,839 |

Source: Hardyston Township School District records

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

| Year Ended December 31, | Vacant Land | Residential | Farm Regular | Farm Qualified | Commercial | Industrial | Apartment | Total Assessed Value | Public Utilities * | Net Valuation Taxable | Tax-Exempt Property | Total Direct School Tax Rate ^b | Estimated Actual (County Equalized Value) |
|----------------------------|----------------|----------------|-----------------|-------------------|---------------|---------------|--------------|----------------------------|-----------------------|--------------------------|------------------------|---|---|
| 2009 | \$ 28,631,500 | \$ 596,713,000 | \$ 9,448,700 | \$ 1,070,200 | \$ 61,514,100 | \$ 16,711,200 | \$ 9,688,000 | \$ 723,776,700 | \$ 1,135,127 | \$ 724,911,827 | \$ 58,076,100 | \$ 1.20 | \$ 1,296,337,316 |
| 2010 | * 47,367,900 | 916,046,400 | 15,985,100 | 1,277,300 | 115,094,600 | 46,989,500 | 17,013,600 | 1,159,774,400 | 2,595,898 | 1,162,370,298 | 121,692,000 | 0.78 | 1,233,284,136 |
| 2011 | 45,888,100 | 914,453,800 | 15,949,600 | 1,279,200 | 111,256,300 | 43,547,700 | 17,013,600 | 1,149,388,300 | 2,165,303 | 1,151,553,603 | 122,537,000 | 0.81 | 1,223,968,238 |
| 2012 | 45,246,200 | 916,366,400 | 15,348,800 | 1,281,700 | 110,953,000 | 43,062,300 | 17,013,600 | 1,149,272,000 | 2,303,546 | 1,151,575,546 | 123,886,900 | 0.83 | 1,209,212,158 |
| 2013 | 44,953,900 | 920,224,100 | 16,501,900 | 1,282,800 | 111,807,300 | 41,908,600 | 17,013,600 | 1,153,692,200 | 2,239,471 | 1,155,931,671 | 124,109,800 | 0.85 | 1,188,256,592 |
| 2014 | 37,337,300 | 851,140,900 | 13,851,200 | 1,286,800 | 111,774,500 | 41,987,200 | 17,000,000 | 1,074,377,900 | 2,229,373 | 1,076,607,273 | 124,187,200 | 0.93 | 1,136,483,623 |
| 2015 | 33,919,500 | 856,886,600 | 13,852,900 | 1,333,800 | 109,514,500 | 41,088,000 | 17,000,000 | 1,073,595,300 | 2,306,168 | 1,075,901,468 | 124,124,900 | 0.94 | 1,156,145,795 |
| 2016 | 31,300,700 | 861,892,600 | 14,134,500 | 1,320,400 | 105,202,000 | 41,088,000 | 17,000,000 | 1,071,938,200 | 2,083,146 | 1,074,021,346 | 124,194,400 | 0.96 | 1,119,212,905 |
| 2017 | 31,222,300 | 863,665,200 | 13,607,400 | 1,337,700 | 101,381,500 | 41,088,000 | 17,000,000 | 1,069,302,100 | 1,987,169 | 1,071,289,269 | 124,193,400 | 0.97 | 1,136,196,356 |
| 2018 | 31,669,400 | 864,077,100 | 13,554,400 | 1,092,700 | 101,366,600 | 39,863,400 | 17,000,000 | 1,068,623,600 | 1,983,073 | 1,070,606,673 | 125,520,600 | 0.98 | 1,113,588,531 |

* - Revaluation was effective in this year.

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

b Tax rates are per \$100

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

Reassessment occurs when ordered by the County Board of Taxation

Source: Municipal Tax Assessor

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

| Year Ended December 31, | Hardyston Township School District | | | Overlapping Rates | | | Total Direct and Overlapping Tax Rate |
|----------------------------|------------------------------------|---|-----------------|-----------------------------|---|------------------|--|
| | Direct Rate | | | Township of Hardyston | Walkill Valley Regional High School | Sussex County | |
| | Basic Rate ^a | Obligation Debt Service ^b | Total Direct | | | | |
| 2009 | \$ 1.09 | \$ 0.11 | \$ 1.20 | \$ 0.81 | \$ 0.58 | \$ 0.74 | \$ 3.33 |
| 2010 | * 0.71 | 0.07 | 0.78 | 0.54 | 0.37 | 0.46 | 2.15 |
| 2011 | 0.73 | 0.08 | 0.81 | 0.56 | 0.39 | 0.46 | 2.22 |
| 2012 | 0.75 | 0.08 | 0.83 | 0.57 | 0.41 | 0.49 | 2.30 |
| 2013 | 0.77 | 0.08 | 0.85 | 0.61 | 0.41 | 0.51 | 2.37 |
| 2014 | 0.84 | 0.09 | 0.93 | 0.66 | 0.44 | 0.55 | 2.58 |
| 2015 | 0.86 | 0.08 | 0.94 | 0.67 | 0.45 | 0.55 | 2.61 |
| 2016 | 0.88 | 0.08 | 0.96 | 0.64 | 0.45 | 0.54 | 2.60 |
| 2017 | 0.91 | 0.06 | 0.97 | 0.68 | 0.49 | 0.61 | 2.75 |
| 2018 | 0.92 | 0.06 | 0.98 | 0.68 | 0.53 | 0.60 | 2.79 |

* - Revaluation was effective in this year.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

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

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

Source: Municipal Tax Collector and School Business Administrator

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

| | 2018 | | 2009 | |
|---|------------------------|--|--|------------------------|
| | Taxable Assessed Value | % of Total District Net Assessed Value | Taxpayer | Taxable Assessed Value |
| Edgewater Assoc, LLC | \$ 8,500,000 | 0.79% | Wild Turkey Golf Club, LLC | \$ 10,251,800 |
| Grand Cascades Lodge at Crystal Springs | 8,475,300 | 0.79% | Edgewater Associates, LLC | 9,688,000 |
| WT SPE, LLC | 7,028,900 | 0.66% | Crystal Springs Resort Development | 9,063,300 |
| Ballyowen Spe, LLC | 6,855,300 | 0.64% | Crystal Springs Spec, LLC | 5,493,000 |
| Edgewater Assoc, LLC | 6,800,000 | 0.64% | Ballyowen Golf Club USA, Inc. | 5,288,400 |
| North Church Gravel, Inc | 5,000,000 | 0.47% | Pottersville Properties Development, LLC | 4,451,900 |
| Black Bear Spe, LLC | 3,811,500 | 0.36% | Shotland Bauer, LLC | 4,215,000 |
| Beaver Lake Realty | 3,626,200 | 0.34% | Newark Watershed CDC | 4,109,300 |
| Eastern Concrete Materials, Inc. | 3,599,400 | 0.34% | Skylands Ownership Group, LLC | 3,408,000 |
| Sussex Land, LLC | 3,500,000 | 0.33% | Crystal Springs Builders, LLC | 3,325,000 |
| Total | \$ 57,196,600 | 5.34% | | \$ 59,293,700 |
| | | | | 8.18% |

Note - A revaluation was effective in 2010.

Source: Municipal Tax Assessor

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

| <u>Fiscal Year</u> <u>Ended June 30,</u> | <u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u> | <u>Collected within the Fiscal</u> <u>Year of the Levy^a</u> | | <u>Collections in</u> <u>Subsequent</u> <u>Years</u> |
|---|---|---|-------------------------------------|--|
| | | <u>Amount</u> | <u>Percentage</u> <u>of Levy</u> | |
| 2010 | \$ 8,880,300 | \$ 8,880,300 | 100.00% | -0- |
| 2011 | 9,307,516 | 9,307,516 | 100.00% | -0- |
| 2012 | 9,461,611 | 9,461,611 | 100.00% | -0- |
| 2013 | 9,602,668 | 9,602,668 | 100.00% | -0- |
| 2014 | 9,800,781 | 9,800,781 | 100.00% | -0- |
| 2015 | 9,978,402 | 9,978,402 | 100.00% | -0- |
| 2016 | 10,119,921 | 10,119,921 | 100.00% | -0- |
| 2017 | 10,294,220 | 10,294,220 | 100.00% | -0- |
| 2018 | 10,458,009 | 9,643,210 | 92.21% | \$ 814,799 |
| 2019 | 10,521,134 | 10,521,134 | 100.00% | -0- |

- a School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: School District Financial Reports

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

(dollars in thousands, except per capita)

| Fiscal Year Ended June 30, | Governmental Activities | | | Percentage of Personal Income ^a | Per Capita ^a |
|----------------------------------|--------------------------------|-------------------|-------------------|--|-------------------------|
| | General Obligation Bonds | Capital Leases | Total District | | |
| 2010 | \$ 13,524,000 | \$ -0- | \$ 13,524,000 | 3.48% | \$ 1,624 |
| 2011 | 13,109,000 | -0- | 13,109,000 | 3.39% | 1,602 |
| 2012 | 12,714,000 | -0- | 12,714,000 | 3.19% | 1,560 |
| 2013 | 12,229,000 | -0- | 12,229,000 | 2.99% | 1,510 |
| 2014 | 11,724,000 | -0- | 11,724,000 | 2.85% | 1,460 |
| 2015 | 11,204,000 | -0- | 11,204,000 | 2.62% | 1,394 |
| 2016 | 10,259,000 | -0- | 10,259,000 | 2.34% | 1,288 |
| 2017 | 9,524,000 | -0- | 9,524,000 | 2.14% | 1,205 |
| 2018 | 8,929,000 | -0- | 8,929,000 | 1.92% | 1,135 |
| 2019 | 8,314,000 | -0- | 8,314,000 | 1.80% | 1,065 |

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

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

Source: School District Financial Reports

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

(dollars in thousands, except per capita)

| Fiscal Year Ended June 30, | General Bonded Debt Outstanding | | | Percentage of Actual Taxable Value ^a of Property | Per Capita ^b |
|-------------------------------------|---------------------------------|------------|---------------|--|-------------------------|
| | General | | Net General | | |
| | Obligation | Deductions | Bonded Debt | | |
| | Bonds | | Outstanding | | |
| 2010 | \$ 13,524,000 | \$ -0- | \$ 13,524,000 | 1.87% | \$ 1,624 |
| 2011 | 13,109,000 | -0- | 13,109,000 | 1.13% | 1,602 |
| 2012 | 12,714,000 | -0- | 12,714,000 | 1.10% | 1,560 |
| 2013 | 12,229,000 | -0- | 12,229,000 | 1.06% | 1,510 |
| 2014 | 11,724,000 | -0- | 11,724,000 | 1.01% | 1,460 |
| 2015 | 11,204,000 | -0- | 11,204,000 | 1.04% | 1,394 |
| 2016 | 10,259,000 | -0- | 10,259,000 | 0.95% | 1,288 |
| 2017 | 9,524,000 | -0- | 9,524,000 | 0.89% | 1,205 |
| 2018 | 8,929,000 | -0- | 8,929,000 | 0.83% | 1,135 |
| 2019 | 8,314,000 | -0- | 8,314,000 | 0.78% | 1,065 |

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

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

b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: School District Financial Reports

HARDYSTON TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2018
UNAUDITED

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable ^a</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|---|--|
| Debt Repaid With Property Taxes: | | | |
| Hardyston Township | \$ 11,817,500 | 100.00% | \$ 11,817,500 |
| Wallkill Valley Regional High School | 2,460,000 | 76.71% | 1,887,185 |
| County of Sussex-Municipality's Share | 102,675,174 | 6.69% | <u>6,873,312</u> |
| Subtotal, Overlapping Debt | | | 20,577,997 |
| Hardyston Township School District Direct Debt | | | <u>8,314,000</u> |
| Total Direct And Overlapping Debt | | | <u><u>\$ 28,891,997</u></u> |

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2018

| | Fiscal Year Ended June 30, | | | | |
|---|----------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Debt Limit | \$ 35,344,553 | \$ 34,915,396 | \$ 34,579,417 | \$ 33,629,528 | \$ 33,535,158 |
| Total Net Debt Applicable to Limit | 11,612,500 | 10,259,000 | 9,524,000 | 8,929,000 | 8,314,000 |
| Legal Debt Margin | <u>\$ 23,511,820</u> | <u>\$ 23,543,049</u> | <u>\$ 23,732,053</u> | <u>\$ 25,055,417</u> | <u>\$ 25,221,158</u> |
| Total Net Debt Applicable to the Limit As a Percentage of Debt Limit | 32.86% | 29.38% | 27.54% | 26.55% | 24.79% |

| | Fiscal Year Ended June 30, | | | | |
|---|----------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Debt Limit | \$ 35,675,549 | \$ 36,149,320 | \$ 37,297,731 | \$ 39,303,924 | \$ 39,300,253 |
| Total Net Debt Applicable to Limit | 12,132,500 | 12,637,500 | 12,714,000 | 13,109,000 | 13,524,000 |
| Legal Debt Margin | <u>\$ 24,583,731</u> | <u>\$ 26,194,924</u> | <u>\$ 25,776,253</u> | <u>\$ 24,256,719</u> | <u>\$ 21,672,725</u> |
| Total Net Debt Applicable to the Limit As a Percentage of Debt Limit | 34.01% | 34.96% | 34.09% | 33.35% | 34.41% |

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

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

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

| Year | Population ^a | Sussex County Per Capita Personal Income ^b | Personal Income ^c | Unemployment Rate ^d |
|------|-------------------------|---|---------------------------------|-----------------------------------|
| 2010 | 8,181 | \$ 47,230 | \$ 386,388,630 | 11.00% |
| 2011 | 8,148 | 48,958 | 398,909,784 | 10.70% |
| 2012 | 8,096 | 50,597 | 409,633,312 | 10.60% |
| 2013 | 8,032 | 51,132 | 410,692,224 | 6.20% |
| 2014 | 8,035 | 53,138 | 426,963,830 | 6.20% |
| 2015 | 7,967 | 54,998 | 438,169,066 | 5.10% |
| 2016 | 7,907 | 56,183 | 444,238,981 | 4.50% |
| 2017 | 7,867 | 59,193 | 465,671,331 | 4.10% |
| 2018 | 7,804 | 59,193 * | 461,942,172 *** | 3.70% |
| 2019 | 7,804 ** | 59,193 * | 461,942,172 *** | N/A |

* - Latest Sussex County per capita personal income available (2017) was used for calculation purposes.

** - Latest population data available (2018) was used for calculation purposes.

*** - Latest available population data (2018) and latest available Sussex County per capita personal income (2017) was used for calculation purposes.

N/A - Information not available

Source:

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

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

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

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

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

| <u>Employer</u> | <u>2018</u> | |
|---|----------------------|---|
| | <u>Employees</u> | <u>Percentage of Total Employment</u> |
| Selective Insurance Group | 1,000-4,999 | 1.38%-6.89% |
| Crystal Springs Resort | 1,000-4,999 | 1.38%-6.89% |
| Newton Medical Center | 500-999 | 0.69%-1.38% |
| Sussex County Offices | 500-999 | 0.69%-1.38% |
| Thorlabs | 500-999 | 0.69%-1.38% |
| Mountain Creek Resort | 500-999 | 0.69%-1.38% |
| Shop Rite | 250-499 | 0.34%-0.69% |
| Sussex County Community College | 250-499 | 0.34%-0.69% |
| United Methodist Community Bristol Glen | 250-499 | 0.34%-0.69% |
| Andover Subacute & Rehab Center | 100-249 | 0.14%-0.34% |
| | <u>2,850 - 8,990</u> | <u>6.68%-21.69%</u> |

| <u>Employer</u> | <u>2009</u> | |
|-------------------------------------|------------------|---|
| | <u>Employees</u> | <u>Percentage of Total Employment</u> |
| Crystal Springs Golf and Spa Resort | 2,000 | 5.05% |
| Newton Memorial Hospital | 1,490 | 3.76% |
| Selective Insurance | 900 | 2.27% |
| County of Sussex | 830 | 2.10% |
| Mountain Creek Resort | 800 | 2.02% |
| Shop Rite (Ronetco) | 697 | 1.76% |
| Ames Rubber Corp | 445 | 1.12% |
| Walmart | 412 | 1.04% |
| Andover Sub Acute & Rehab Center | 300 | 0.76% |
| Sussex County Community College | 300 | 0.76% |
| | <u>8,174</u> | <u>20.64%</u> |

Source: County of Sussex Chamber of Commerce

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

| <u>Function/Program</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> | <u>2019</u> |
|--|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Instruction: | | | | | | | | | | |
| Regular | 46.0 | 41.9 | 43.0 | 44.0 | 43.6 | 43.6 | 45.5 | 47.8 | 44.4 | 44.4 |
| Special Education | 14.5 | 12.0 | 14.3 | 31.5 | 31.9 | 31.9 | 31.9 | 34.9 | 12.6 | 12.6 |
| Other Special Education | 7.0 | 11.0 | 11.0 | 8.1 | 8.1 | 8.1 | 8.1 | 3 | 4 | 4 |
| Other Education | 4.0 | 4.0 | 4.0 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 2.8 | 2.8 |
| Support Services: | | | | | | | | | | |
| Student & Instruction Related Services | 13.0 | 12.0 | 12.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.6 | 27.2 | 27.2 |
| General Administrative Services | 3.0 | 8.6 | 8.6 | 5.6 | 5.6 | 5.6 | 5.6 | 6 | 7.4 | 7.4 |
| School Administration | | | | | | | | | 5 | 5 |
| Central Services and Administrative Information Technology | 3.0 | 3.0 | 3.0 | 5.0 | 5.0 | 5.0 | 5.0 | 1 | 1 | 1 |
| Plant Operation and Maintenance | 8.5 | 7.5 | 7.5 | 7.6 | 7.6 | 8.1 | 8.2 | 7.6 | 6.8 | 6.8 |
| Total | <u>99.0</u> | <u>100.0</u> | <u>103.4</u> | <u>109.3</u> | <u>109.3</u> | <u>109.8</u> | <u>111.8</u> | <u>108.4</u> | <u>111.2</u> | <u>111.2</u> |

Source: District Personnel Records

HARDYSTON TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

| Fiscal Year | Enrollment | Operating Expenditures ^a | Cost Per Pupil | Percentage Change | Teaching Staff ^b | Pupil/Teacher Ratio | | Average Daily Enrollment (ADE) ^c | Average Daily Attendance (ADA) ^c | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|------------|-------------------------------------|----------------|-------------------|-----------------------------|---------------------|--------|---|---|--------------------------------------|-------------------------------|
| | | | | | | Elementary | Middle | | | | |
| 2010 | 743 | \$ 10,933,057 | \$ 14,715 | 3.30% | 75 | 10.1/1 | 10.5/1 | 743 | 703 | -1.59% | 95.00% |
| 2011 | 740 | 10,922,624 | 14,760 | 0.31% | 71 | 10.1/1 | 10.5/1 | 740 | 701 | -0.40% | 95.20% |
| 2012 | 761 | 11,256,840 | 14,792 | 0.22% | 73.8 | 10.1/1 | 10.5/1 | 745 | 710 | 0.68% | 95.30% |
| 2013 | 782 | 11,630,194 | 14,872 | 0.54% | 70.9 | 11.1/1 | 10.0/1 | 768 | 724 | 3.09% | 94.27% |
| 2014 | 756 | 11,529,812 | 15,251 | 2.55% | 70.2 | 12.2/1 | 9.0/1 | 751 | 713 | -2.21% | 94.94% |
| 2015 | 750 | 12,227,359 | 16,303 | 6.90% | 70.2 | 12.2/1 | 9.0/1 | 746 | 711 | -0.67% | 95.31% |
| 2016 | 720 | 12,359,448 | 17,166 | 5.29% | 70.2 | 11.3/1 | 9.1/1 | 719 | 694 | -3.62% | 96.52% |
| 2017 | 691 | 12,600,522 | 18,235 | 6.23% | 71.7 | 10.9/1 | 8.2/1 | 680 | 663 | -5.42% | 97.50% |
| 2018 | 673 | 13,136,906 | 19,520 | 7.05% | 72.7 | 11.2/1 | 9.9/1 | 663 | 654 | -2.50% | 98.64% |
| 2019 | 708 | 13,434,616 | 18,975 | -2.79% | 72.7 | 11.2/1 | 9.9/1 | 663 | 654 | 0.00% | 98.64% |

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The cost per pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from their cost per pupil calculations.

Source: Hardyston Township School District records

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

| <u>District Building</u> | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Hardyston Elementary School | | | | | | | | | | |
| Square Feet | 65,150 | 65,150 | 65,150 | 65,150 | 65,150 | 65,150 | 65,150 | 65,150 | 65,150 | 65,150 |
| Capacity (students) | 565 | 565 | 565 | 565 | 565 | 565 | 565 | 565 | 656 | 656 |
| Enrollment | 479 | 497 | 426 | 453 | 436 | 433 | 402 | 370 | 368 | 394 |
| Hardyston Middle School | | | | | | | | | | |
| Square Feet | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 |
| Capacity (students) | 424 | 424 | 424 | 424 | 424 | 424 | 424 | 424 | 424 | 424 |
| Enrollment | 264 | 244 | 319 | 329 | 320 | 317 | 318 | 309 | 305 | 314 |

Number of Schools at June 30, 2019

Elementary = 1

Middle School = 1

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

Source: Hardyston Township School District Facilities Office

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

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

| School Facilities | Project # | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------|-----------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Hardyston Elementary School | N/A | \$ 25,498 | \$ 80,763 | \$ 97,127 | \$ 59,627 | \$ 64,115 | \$ 98,132 | \$ 75,910 | \$ 81,476 | \$ 138,754 | \$ 74,528 |
| Hardyston Middle School | N/A | 41,066 | 42,832 | 52,432 | 46,501 | 62,441 | 113,314 | 90,160 | 79,929 | 136,120 | 73,114 |
| | | <u>\$ 66,564</u> | <u>\$ 123,595</u> | <u>\$ 149,559</u> | <u>\$ 106,128</u> | <u>\$ 126,556</u> | <u>\$ 211,446</u> | <u>\$ 166,070</u> | <u>\$ 161,405</u> | <u>\$ 274,874</u> | <u>\$ 147,642</u> |

N/A - Not Applicable

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

Source: Hardyston Township School District records

HARDYSTON TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2019
UNAUDITED

| | <u>Coverage</u> | | <u>Deductible</u> |
|---|---------------------------------------|----------------|-------------------|
| School Alliance Insurance Fund: | \$500,000,000 | Fund Aggregate | |
| School Package Policy: | | | |
| Building & Personal Property | | | \$2,500 |
| Auto Physical Damage | | | \$1,000 |
| General Liability Including Auto, Employee Benefits | \$5,000,000 | | |
| Each Occurrence | | | |
| General Aggregate | \$100,000,000 | Fund Aggregate | |
| Product/Completed Ops | | | |
| Personal Injury | | | |
| Fire Damage | \$2,500,000 | | |
| Medical Expenses | \$10,000 | | |
| (Excluding Students Taking Part in Athletics) | | | |
| Automobile Coverage | | | |
| Combined Single Limit | | | |
| Hired/Non-Owned | | | |
| Security Guard Liability | \$1,000,000 | | Excluded |
| Environmental Impairment Liability | \$1,000,000/\$25,000,000 | Fund Aggregate | \$10,000 |
| | First Party Fungi & Legionella | | \$100,000 |
| Crime Coverage | \$50,000 Inside / Outside | | \$1,000 |
| Blanket Dishonesty Bond | \$500,000 | | \$1,000 |
| Boiler & Machinery | \$100,000,000 | | \$2,500 |
| Excess Liability (AL/GL) | \$5,000,000 | | |
| School Board Legal (SLPL) | \$5,000,000 | | \$5,000 |
| Cyber Liability | \$2,000,000 per Occurrence/Aggregate | | \$10,000 |
| Workers' Compensation | Statutory | | |
| Employer's Liability | \$2,000,000 | | |
| Supplemental Indemnity | Statutory | | |
| Bond for School Business Administrator | \$200,000 Selective Insurance | | |
| Bond for Treasurer of School Monies | \$200,000 Selective Insurance | | |
| Student Accident Bollinger | All Students and Athletes \$1,000,000 | | Full Excess |

Source: Hardyston Township School District records

SINGLE AUDIT SECTION



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 200 Valley Road, Suite 300
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Report on Internal Control Over Financial Reporting and
 on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hardyston Township School District, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

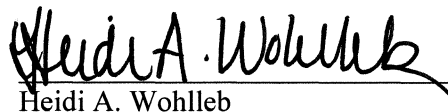
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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

November 22, 2019
Mount Arlington, New Jersey

NISIVOCIA LLP



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



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Hardyston Township School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2019. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2019.

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 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 District's internal control over compliance.

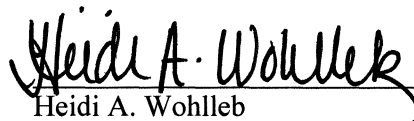
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

November 22, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| Federal Grantor/Pass Through Grantor Program Title/Cluster Title | Federal CFDA Number | Grant or State Project Number | Grant Period | Award Amount | Cash Received | Budgetary Expenditures | Balance June 30, 2018 | | Balance June 30, 2019 | | Amounts Provided to Subrecipients | |
|--|---------------------|-------------------------------|----------------|--------------|---------------|------------------------|--|----------------|-----------------------|------------------|-----------------------------------|----------------|
| | | | | | | | Unearned Revenue/(Accounts Receivable) | Due to Grantor | Accounts Receivable | Unearned Revenue | | Due to Grantor |
| U.S. Department of Agriculture | | | | | | | | | | | | |
| Passed-through State Department of Agriculture: | | | | | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | | | | | |
| Federal Food Distribution Program | 10.555 | N/A | 7/1/18-6/30/19 | \$ 15,162 | \$ 15,162 | \$ (11,624) | | | \$ 3,538 | | | |
| Federal Food Distribution Program | 10.555 | N/A | 7/1/17-6/30/18 | 14,891 | | (2,798) | | | | | | |
| National School Lunch Program | 10.555 | N/A | 7/1/18-6/30/19 | 38,849 | 36,007 | (38,849) | | \$ (2,842) | | | | |
| National School Lunch Program | 10.555 | N/A | 7/1/17-6/30/18 | 36,797 | 3,942 | | | | | | | |
| Total U.S. Department of Agriculture | | | | | | | | | | | | |
| | | | | | 55,111 | (53,271) | | (2,842) | 3,538 | | | |
| Special Revenue Fund - Passed-through State Department of Education: | | | | | | | | | | | | |
| Elementary and Secondary Education Act: | | | | | | | | | | | | |
| Title I | 84.010A | ESEA-2030-19 | 7/1/18-6/30/19 | 65,253 | 65,253 | (65,253) | | | | | | |
| Title IIA | 84.367A | ESEA-2030-19 | 7/1/18-6/30/19 | 5,190 | 5,190 | (5,190) | | | | | | |
| Title IV | 84.424 | ESEA-2030-19 | 7/1/18-6/30/19 | 12,000 | 11,960 | (12,000) | (40) | | | | | |
| Special Education Cluster: | | | | | | | | | | | | |
| I.D.E.A. Part B, Basic | 84.027 | IDEA-2030-19 | 7/1/18-6/30/19 | 151,057 | 146,197 | (151,057) | | (4,860) | | | | |
| I.D.E.A. Part B, Preschool | 84.173 | IDEA-2030-19 | 7/1/18-6/30/19 | 4,280 | 4,042 | (4,280) | | (238) | | \$ 28 | | |
| I.D.E.A. Part B, Preschool | 84.173 | IDEA-2030-13 | 9/1/12-6/30/13 | 4,490 | | | | | | | | |
| Total Special Education Cluster | | | | | | | | | | | | |
| | | | | | 150,239 | (155,337) | | (5,098) | | 28 | | |
| Total Special Revenue Fund | | | | | | | | | | | | |
| | | | | | 232,642 | (237,780) | | (5,138) | | 28 | | |
| Total U.S. Department of Education | | | | | | | | | | | | |
| | | | | | 232,642 | (237,780) | | (5,138) | | 28 | | |
| Total Federal Financial Awards | | | | | | | | | | | | |
| | | | | | \$ 287,753 | \$ (291,051) | | \$ (7,980) | \$ 3,538 | \$ 28 | \$ -0- | |

N/A - Not Available/Applicable

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| State Grantor/Program Title | Grant or State Project Number | Grant Period | Award Amount | Balance June 30, 2018 | | Balance June 30, 2019 | | MEMO | |
|---|-------------------------------|------------------|--------------|-----------------------|----------------|----------------------------|----------------|------------------------|----------------------|
| | | | | (Accounts Receivable) | Due to Grantor | GAAP (Accounts Receivable) | Due to Grantor | Budgetary Expenditures | Budgetary Receivable |
| NJ Department of Education: | | | | | | | | | |
| General Fund: | | | | | | | | | |
| Transportation Aid | 19-495-034-5120-014 | 7/1/18 - 6/30/19 | \$ 452,207 | | | \$ 408,290 | | \$ (43,917) | \$ 452,207 |
| Special Education Aid | 19-495-034-5120-089 | 7/1/18 - 6/30/19 | 461,016 | | | 416,243 | | (44,773) | 461,016 |
| Security Aid | 19-495-034-5120-084 | 7/1/18 - 6/30/19 | 61,773 | | | 55,774 | | (5,999) | 61,773 |
| Adjustment Aid | 19-495-034-5120-085 | 7/1/18 - 6/30/19 | 1,021,353 | | | 922,162 | | (1,021,353) | 1,021,353 |
| School Choice Aid | 19-495-034-5120-068 | 7/1/18 - 6/30/19 | 108,472 | | | 97,937 | | (10,535) | 108,472 |
| Extraordinary Aid | 19-495-034-5120-044 | 7/1/18 - 6/30/19 | 103,273 | | | | (103,273) | (103,273) | 103,273 |
| Non-Public Transportation Aid | 19-495-034-5120-014 | 7/1/18 - 6/30/19 | 7,061 | | | | (7,061) | (7,061) | 7,061 |
| Reimbursed TPAF Social Security Contributions | 19-495-034-5094-003 | 7/1/18 - 6/30/19 | 347,530 | | | 347,530 | | | 347,530 |
| Transportation Aid | 18-495-034-5120-014 | 7/1/17 - 6/30/18 | 452,207 | \$ (42,623) | | 42,623 | | | 452,207 |
| Special Education Aid | 18-495-034-5120-089 | 7/1/17 - 6/30/18 | 403,070 | (37,992) | | 37,992 | | | 403,070 |
| Security Aid | 18-495-034-5120-084 | 7/1/17 - 6/30/18 | 54,279 | (5,116) | | 5,116 | | | 54,279 |
| Adjustment Aid | 18-495-034-5120-085 | 7/1/17 - 6/30/18 | 1,118,136 | (105,391) | | 105,391 | | | 1,118,136 |
| School Choice Aid | 18-495-034-5120-068 | 7/1/17 - 6/30/18 | 103,048 | (9,713) | | 9,713 | | | 103,048 |
| PARCC Readiness Act | 18-495-034-5120-098 | 7/1/17 - 6/30/18 | 7,540 | (711) | | 711 | | | 7,540 |
| Per Pupil Growth Aid | 18-495-034-5120-097 | 7/1/17 - 6/30/18 | 7,540 | (711) | | 711 | | | 7,540 |
| Professional Learning Community Aid | 18-495-034-5120-101 | 7/1/17 - 6/30/18 | 7,450 | (702) | | 702 | | | 7,450 |
| Extraordinary Aid | 18-495-034-5120-044 | 7/1/17 - 6/30/18 | 79,429 | (79,429) | | 79,429 | | | 79,429 |
| Non-Public Transportation Aid | 18-495-034-5120-014 | 7/1/17 - 6/30/18 | 6,242 | (6,242) | | 6,242 | | | 6,242 |
| Reimbursed TPAF Social Security Contributions | 18-495-034-5094-003 | 7/1/17 - 6/30/18 | 357,846 | (17,785) | | 17,785 | | | 357,846 |
| On-Behalf TPAF Post Retirement Contributions | 19-495-034-5094-001 | 7/1/18 - 6/30/19 | 406,062 | | | 406,062 | | (406,062) | 406,062 |
| On-Behalf TPAF Pension Contributions | 19-495-034-5094-002 | 7/1/18 - 6/30/19 | 876,847 | | | 876,847 | | (876,847) | 876,847 |
| On-Behalf TPAF Non-Contributory Insurance | 19-495-034-5094-004 | 7/1/18 - 6/30/19 | 18,355 | | | 18,355 | | (18,355) | 18,355 |
| On-Behalf TPAF Long-Term Disability Insurance | 19-495-034-5094-004 | 7/1/18 - 6/30/19 | 737 | | | 737 | | (737) | 737 |
| Total General Fund State Aid | | | | (306,415) | | 3,856,352 | | (314,749) | 6,461,473 |
| Capital Projects Fund: | | | | | | | | | |
| School Development Authority: | | | | | | | | | |
| Replace Floor Tile/Stairway Project - Elementary School | 2030-050-10-1001 | 7/23/10-5/30/14 | 63,967 | (63,967) | | | | (63,967) | |
| Repairing Retaining Walls Project - Middle School | 2030-030-14-1002 | 5/2/14-6/30/17 | 140,220 | (140,220) | | | | (140,220) | |
| Total Capital Projects Fund | | | | (204,187) | | | | (204,187) | |
| Debt Service Fund: | | | | | | | | | |
| Debt Service Aid - State Support | 19-495-034-5120-017 | 7/1/18 - 6/30/19 | 53,920 | | | 53,920 | | | 53,920 |
| Total Debt Service Fund | | | | | | 53,920 | | | 53,920 |

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| State Grantor/Program Title | Grant or State Project Number | Grant Period | Award Amount | Balance June 30, 2018 | | Cash Received | Budgetary Expenditures | Balance June 30, 2019 | | MEMO | |
|--|-------------------------------|------------------|--------------|-----------------------|----------------|---------------|------------------------|----------------------------|----------------|----------------------|-------------------------------|
| | | | | (Accounts Receivable) | Due to Grantor | | | GAAP (Accounts Receivable) | Due to Grantor | Budgetary Receivable | Cumulative Total Expenditures |
| Enterprise Fund: | | | | | | | | | | | |
| State School Lunch Program | 19-100-010-3330-023 | 7/1/18 - 6/30/19 | \$ 1,868 | | | \$ 1,729 | \$ (1,868) | \$ (139) | \$ | (139) | \$ 1,868 |
| State School Lunch Program | 18-100-010-3330-023 | 7/1/17 - 6/30/18 | 1,840 | (195) | | 195 | | | | | 1,840 |
| Total Enterprise Fund | | | | (195) | | 1,924 | (1,868) | (139) | | (139) | 3,708 |
| Total State Awards Subject to Single Audit Determination | | | | \$ (510,797) | \$ -0- | \$ 3,912,196 | (3,920,474) | \$ (110,473) | \$ -0- | \$ (519,075) | \$ 6,519,101 |
| Less: State Awards Not Subject to Single Audit Major Program Determination | | | | | | | | | | | |
| On-Behalf TPAF Pension System Contributions: | | | | | | | | | | | |
| On-Behalf TPAF Post Retirement Contributions | 19-495-034-5094-001 | 7/1/18 - 6/30/19 | | | | \$ 406,062 | | | | | |
| On-Behalf TPAF Pension Contributions | 19-495-034-5094-002 | 7/1/18 - 6/30/19 | | | | 876,847 | | | | | |
| On-Behalf TPAF Non-Contributory Insurance | 19-495-034-5094-004 | 7/1/18 - 6/30/19 | | | | 18,355 | | | | | |
| On-Behalf TPAF Long-Term Disability Insurance | 19-495-034-5094-004 | 7/1/18 - 6/30/19 | | | | 737 | | | | | |
| Subtotal - On-Behalf TPAF Pension System Contributions | | | | | | 1,302,001 | | | | | |
| Total State Awards Subject to Single Audit Major Program Determination | | | | | | | | | | | \$ (2,618,473) |

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Hardyston Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2019. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,456) for the general fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general, special revenue, and capital projects funds.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF THE EXPENDITURE OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|--------------------------------|-------------------|---------------------|---------------------|
| General Fund | | \$ 3,863,230 | \$ 3,863,230 |
| Special Revenue Fund | \$ 237,780 | | 237,780 |
| Debt Service Fund | | 53,920 | 53,920 |
| Enterprise Fund - Food Service | <u>53,271</u> | <u>1,868</u> | <u>55,139</u> |
| Total Awards | <u>\$ 291,051</u> | <u>\$ 3,919,018</u> | <u>\$ 4,210,069</u> |

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

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

Hardyston Township School District had no outstanding federal or state loan balances at June 30, 2019.

NOTE 7. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2019. Revenues and expenditures reported under the Food Distribution program represent current year value received and current year distributions, respectively.

NOTE 8. NJ SCHOOLS DEVELOPMENT AUTHORITY (NJSDA) GRANT

The District has been awarded two grants in the amount of \$204,187 which are recorded in the Capital Projects Fund from the New Jersey Schools Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2019, \$-0- of the grants have been expended and drawn down on a GAAP basis. In the Capital Projects Fund, the District realizes the full amount of the grant revenue on a budgetary basis in the year awarded and realizes the grant revenue on a GAAP basis as it is expended and submitted for reimbursement. Expenditures reported under the NJSDA on the Schedule of Expenditures of State Awards represent reimbursement requests submitted to the NJSDA.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2019 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

| | Grant Number | Grant Period | Award Amount | Budgetary Expenditures |
|-----------------------|---------------------|------------------|--------------|------------------------|
| State: | | | | |
| State Aid - Public: | | | | |
| Adjustment Aid | 19-495-034-5120-085 | 7/1/18 - 6/30/19 | \$ 1,021,353 | \$ 1,021,353 |
| Special Education Aid | 19-495-034-5120-089 | 7/1/18 - 6/30/19 | 461,016 | 461,016 |
| School Choice Aid | 19-495-034-5120-068 | 7/1/18 - 6/30/19 | 108,472 | 108,472 |
| Security Aid | 19-495-034-5120-084 | 7/1/18 - 6/30/19 | 61,773 | 61,773 |

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

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

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

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Summary of Auditors' Results: (Cont'd)

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance or NJOMB 15-08.

HARDYSTON TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Status of Prior Year Findings:

The District had no prior year audit findings.