

SCHOOL DISTRICT

OF

HARMONY TOWNSHIP

Harmony Township School District
Board of Education
Phillipsburg, Warren County
New Jersey

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

Comprehensive Annual

Financial Report

of the

Harmony Township School District

Board of Education

Phillipsburg, New Jersey

For the Fiscal Year Ending June 30, 2019

Prepared by

Harmony Township School District

Board of Education

Finance Department

OUTLINE OF CAFR

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
Organizational Chart	2
Roster of Officials	3
Consultants and Advisors	4

FINANCIAL SECTION

Independent Auditor's Report	7-9
Required Supplementary Information – Part I Management's Discussion and Analysis	11-18
Basic Financial Statements	
A. District-Wide Financial Statements:	
A-1 Statement of Net Position	21
A-2 Statement of Activities	22
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	24
B-2 Statement of Revenues, Expenditures and Changes in Fund Balance	25
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Proprietary Funds:	
B-4 Statement of Net Position	27
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position	28
B-6 Statement of Cash Flows	29
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	30
B-8 Statement of Changes in Fiduciary Net Position	31
Notes to the Financial Statements	33-63
Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	66-74
C1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	N/A
C-1b Community Block Development Grant (CDBG) – Budget and Actual	N/A
C-2 Budgetary Comparison Schedule - Special Revenue Fund	75
Notes to Required Supplementary Information - Part II	
C-3 Budget-to-GAAP Reconciliation	76

OUTLINE OF CAFR

Required Supplementary Information – Part III	<u>Page</u>
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1/L- Schedule of the District's Proportionate Share of the Net Pension Liability	77
L-2 Schedule of District Contributions	78
M. Schedules Related to Accounting and Reporting for OPEB (GASB 75)	
M-1 Schedule of Changes in the State's Total OPEB Liability and Related Ratios (TPAF and PERS)	79
 Notes to Required Supplementary Information - Part III	 80
 Other Supplementary Information	
D. School Level Schedules:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund – Budgetary Basis	83
E-2 Schedule(s) of Preschool Education Aid Expenditures – Preschool-All Programs- Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues and Expenditures	N/A
F-2a- Schedule of Project Revenues and Expenditures - Detail Schedules	N/A
F-2c	
G. Proprietary Funds	
Enterprise Fund:	
G-1 Combining Statement of Net Position	See B-4
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Position	See B-5
G-3 Combining Statement of Cash Flows	See B-6
Internal Service Fund:	
G-4 Combining Statement of Net Position	N/A
G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Position	N/A
G-6 Combining Statement of Cash Flows	N/A

OUTLINE OF CAFR

Other Supplementary Information - (Continued)		<u>Page</u>
H.	Fiduciary Funds:	
H-1	Combining Statement of Fiduciary Net Position	87
H-2	Combining Statement of Changes in Fiduciary Net Position	88
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	89
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	90
I.	Long-Term Debt:	
I-1	Schedule of Serial Bonds	N/A
I-2	Schedule of Obligations Under Capital Leases	N/A
I-3	Budgetary Comparison Schedule Debt Service Fund	N/A

STATISTICAL SECTION (Unaudited)

Introduction to the Statistical Section

Financial Trends

J-1	Net Position by Component	93
J-2	Changes in Net Position	94-95
J-3	Fund Balances - Governmental Funds	96
J-4	Changes in Fund Balances - Governmental Funds	97
J-5	General Fund Other Local Revenue by Source	98

Revenue Capacity

J-6	Assessed Value and Estimated Actual Value of Taxable Property	99
J-7	Direct and Overlapping Property Tax Rates	100
J-8	Principal Property Taxpayers	101
J-9	Property Tax Levies and Collections	102

Debt Capacity

J-10	Ratios of Outstanding Debt by Type	103
J-11	Ratios of General Bonded Debt Outstanding	104
J-12	Direct and Overlapping Governmental Activities Debt	105
J-13	Legal Debt Margin Information	106

Demographic and Economic Information

J-14	Demographic and Economic Statistics	107
J-15	Principal Employers	108

Operating Information

J-16	Full-time Equivalent District Employees by Function/Program	109
J-17	Operating Statistics	110
J-18	School Building Information	111
J-19	Schedule of Required Maintenance Expenditures by School Facility	112
J-20	Insurance Schedule	113

OUTLINE OF CAFR

SINGLE AUDIT SECTION		<u>Page</u>
K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	115-116
K-2	Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB's circular 15-08	117-119
K-3	Schedule of Expenditures of Federal Awards, Schedule A	N/A
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	120
K-5	Notes to the Schedules of Awards and Financial Assistance	121-122
K-6	Summary of Auditor's Results	123-124
K-7	Schedule of Findings and Questioned Costs	125
K-8	Summary Schedule of Prior Audit Findings	126

Introductory Section

Harmony Township School

2551 Belvidere Road
Phillipsburg, NJ 08865
Phone: (908) 859-1001
Fax: (908) 859-2277

www.harmonytownshipschool.org

Christopher Carrubba
Chief School Administrator

Rachelle Tjalma
School Business Administrator

November 8, 2019

Honorable President and Members of the Board of Education
Harmony Township School District
County of Warren, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report of the Harmony Township School 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 Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual audit in conformity with the provisions of the Single Audit Act of 2007 and the U.S. Office of Management and Budget Uniform Guidance, "Audits of State and Local Governments", and the state Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Harmony Township School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Harmony Township Board of Education and its Elementary School constitute the District's reporting entity.

Services for grade levels 9 through 12 are provided by Belvidere High School on a sending/receiving relationship basis for resident students. The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped youngsters. The District's resident enrollment on 10/15/18 was composed of 243 students in Harmony School and 90 sent to Belvidere. The total of 333 students is fewer students than the previous year's enrollment. In addition the district has a preschool program that addresses the needs of 3 & 4 year olds.

The following details the changes in the student enrollment of the Harmony School over the last ten years.

Average Daily Enrollment		
Fiscal Year	Student Enrollment	Percent Change
2018-19	243	3.0%
2017-18	253	1.0%
2016-17	250	-0.7%
2015-16	252	0.8%
2014-15	250	-5.3%
2013-14	264	---
2012-13	263	-7.1%
2011-12	283	- 3.4%
2010-11	293	- 2.0%
2009-10	298	- 5.9%

2) ECONOMIC CONDITIONS AND OUTLOOK: Harmony Township is essentially a rural community with a small population base. Several years ago a number of projects and housing developments were "on the books" totaling almost 1500 homes. Most options on farmlands have lapsed, or the projects failed to obtain the necessary financial support to be initiated due to general economic conditions. While there is considerable building in surrounding communities, most development in Harmony Township consists of individual single-family homes. As the surrounding communities become saturated, the potential for development becomes very real.

There is very little expectation for commercial or industrial development. The largest employer is a local golf course and club whose work force is largely made up of seasonal employees. The largest taxpayer is a reservoir operated by a power company consortium. It occupies almost 2000 township acres and accounts for approximately 47% of the tax base and hence the same amount of tax revenues.

There are four or five commercial/industrial facilities in the township such as quarries, small service providers / businesses, and a waste products recycling firm. The school district ranks as the second or third largest employer and expends the largest share of tax revenues.

The declining enrollment appears to be related to an aging resident population coupled with the lack of available housing for new residents. Families whose children attended the township school and graduated from high school have remained in the community. Construction in surrounding communities has deflected growth to those areas. Previous renovations and construction projects will allow the district to absorb unanticipated enrollment growth "spurts" and provide time to accommodate any long-term growth patterns.

3) MAJOR INITIATIVES: In the 2018-19 school year, the Harmony Township School finalized the installation of an HVAC system throughout all remaining classrooms and the multi-purpose room.

The district continues to score above state and national norms and above expected local ranges on standardized testing programs. Comments received from students and high school staff indicates that the district is adequately preparing students for their high school experience.

Resident high school students of Harmony Township attend Belvidere High School. The district has continued its association with the cluster sending districts (Belvidere, Hope and White Townships) to improve the curriculum and programs and to maintain a positive working relationship between the respective Boards of Education. Shared services include speech therapist, school psychologist, CSA and BA.

A practical five-year program of building maintenance and improvement has been accepted and implemented by the Board of Education to insure the stability of the facility and to protect the community investment in the school property.

The Harmony Township School District receives only limited state aid aid. Overall, and in spite of this limited government support, the district has been able to offer students a broad program of studies.

Approximately 91% of the costs of education are borne by the Township taxpayers. While the local tax rate is the lowest in the county, it presents an obstacle to positive school-community relationships. Reallocation of funds at the state level, while highly unlikely, would help the district immeasurably, and relieve the property owners' tax burden.

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

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue 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 canceled or are included as reappropriation of the fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance 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 and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. Surplus is sound and will adequately support future budget requirements along with state aid and local tax levy support.

8) DEBT ADMINISTRATION: The district is debt free.

9) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Government 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.

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

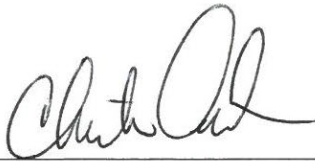
11) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Co. was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related OMB Uniform Guidance and state Treasury Circular Letter OMB 15-08. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

12) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Harmony Township Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully Submitted,

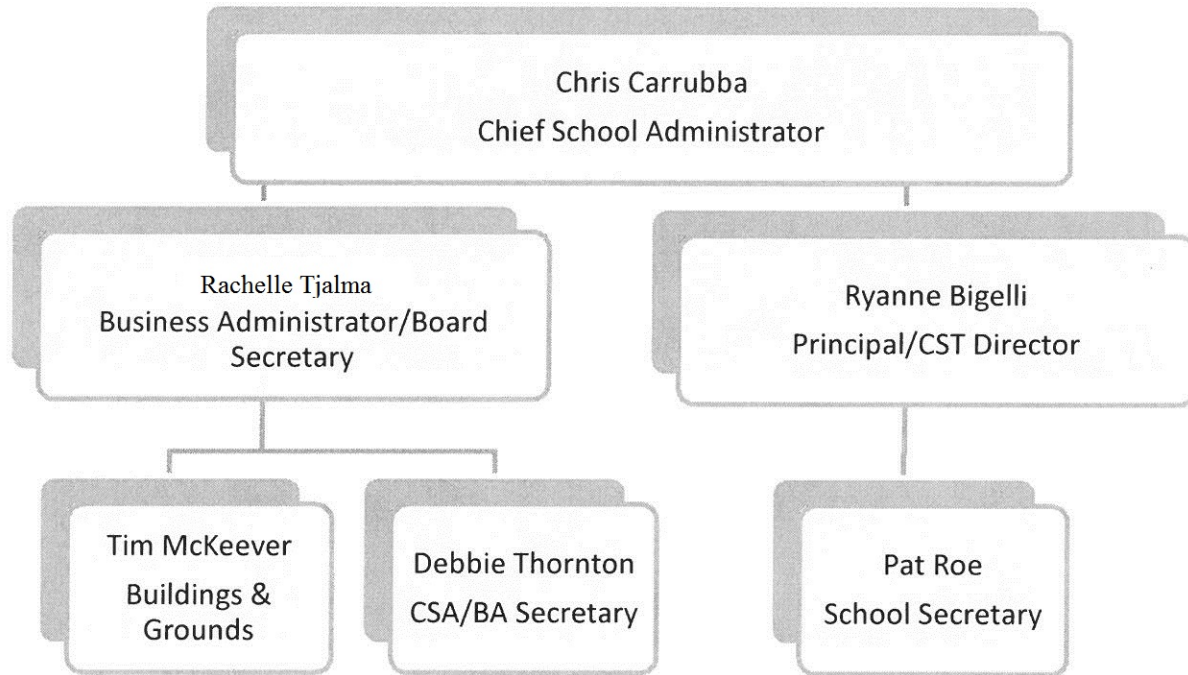


Christopher Carrubba
Chief School Administrator



Rachelle Tjalma
School Business Administrator

Harmony Township School



HARMONY TOWNSHIP SCHOOL DISTRICT

BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2019

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Heather Weidlick, President	2020
Tadgh LaBar, Vice-President	2021
Paul Williams	2019
Jaymee Mauceri	2021
Jamie Sampson	2019
Nicole Tipton	2021
Denise Carney	2020
George Babula	2020
Ken Koch	2019

Other Officials

Chris Carrubba, *Chief School Administrator*

Rachelle Tjalma, *School Business Administrator/Board Secretary*

Randy Wilson, *Treasurer*

HARMONY TOWNSHIP SCHOOL DISTRICT

BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Architect

Gianforcaro Engineers & Architects

555 Main Street, Suite One
Chester, New Jersey 07930

Audit Firm

Ardito & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825

Attorney

Adams, Gutierrez & Lattiboudere, LLC

1037 Raymond Blvd., Suite 900
Newark, New Jersey 07102

Official Depository

PNC Bank

101 Mansfield Street
Belvidere, New Jersey 07823

Financial Section

Independent Auditor's Report

ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com



Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA

Independent Auditor's Report

Honorable President and
Members of the Board of Education
Harmony Township School District
County of Warren
Phillipsburg, New Jersey 08865

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Harmony Township School District Board of Education, as of and for the 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States, 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 of 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.

-Continued-

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Harmony Township School District Board of Education, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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, budgetary comparison information, and pension trend information as identified in the table of contents 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 Harmony Township School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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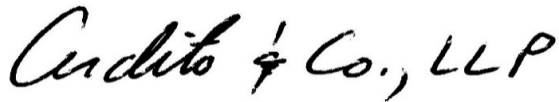
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, **Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid**, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued our report dated November 8, 2019, on our consideration of the Harmony Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



ARDITO & CO., LLP
November 8, 2019



Licensed Public School Accountant No. 2369

Required Supplementary Information - Part I

Management's Discussion and Analysis

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

The discussion and analysis of Harmony Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- ◆ In total, Net Position increased \$65,656 which represents a 1.0% increase from 2018.
- ◆ General revenues accounted for \$6,276,896 in revenue or 75.4% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,049,060 or 24.6% of total revenues of \$8,325,956.
- ◆ Total assets of governmental activities increased by \$190,989, as cash and cash equivalents decreased by \$460,693, receivables decreased by \$67,223, and capital assets increased by \$720,952.
- ◆ The School District had \$8,260,300 in expenses; only \$2,049,060 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$6,276,896 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$7,480,545 in revenues and \$8,119,706 in expenditures. The General Fund's surplus balance decreased \$639,161 over 2018, which compares favorably to the budgeted decrease of \$1,504,228.

Using this Generally Accepted Accounting Principals Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Harmony Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Harmony Township School District, the General Fund is by far the most significant fund.

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's Net Position and changes in those assets. This change in Net Position is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Nonfinancial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 24. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

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

Table 1 provides a summary of the School District's Net Position for 2019 compared to 2018.

**Table 1
Net Position**

	<u>2019</u>	<u>2018</u>
Assets		
Current and Other Assets	\$ 1,596,935	\$ 2,126,898
Capital Assets	<u>6,317,195</u>	<u>5,596,243</u>
Total Assets	<u>7,914,130</u>	<u>7,723,141</u>
 Deferred Outflows of Resources	 <u>338,960</u>	 <u>427,746</u>
 Liabilities		
Long-Term Liabilities	44,233	35,837
Other Liabilities	<u>1,184,528</u>	<u>1,239,653</u>
Total Liabilities	<u>1,228,761</u>	<u>1,275,490</u>
 Deferred Inflows of Resources	 <u>373,522</u>	 <u>290,246</u>
 Net Position		
Invested in Capital Assets, Net of Debt	6,317,195	5,596,243
Restricted	1,089,254	784,252
Unrestricted	<u>(755,642)</u>	<u>204,656</u>
Total Net Position	<u>\$ 6,650,807</u>	<u>\$ 6,585,151</u>

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

Total assets of governmental activities increased by \$190,989, as cash and cash equivalents decreased by \$460,693, receivables decreased by \$67,223, and capital assets increased by \$720,952.

The cash decrease and capital asset increase was due to capital asset spending on the HVAC project and receivable decrease was due to federal grants collected in the subsequent year.

Table 2 shows the changes in Net Position from fiscal year 2018.

Table 2
Changes in Net Position

	<u>2019</u>	<u>2018</u>
Revenues		
Program Revenues:		
Charges for Services	\$102,720	\$ 95,759
Operating Grants and Contributions	\$1,946,340	2,435,057
General Revenues:		
Property Taxes	6,255,541	6,193,605
Federal & State Aid on Capital Asset Projects		
Investment Earnings	15,750	4,417
Other	<u>5,605</u>	<u>2,936</u>
Total Revenues	<u>8,325,956</u>	<u>8,731,774</u>
 Program Expenses		
Instruction	3,953,996	4,199,670
Support Services:		
Tuition	1,499,127	1,656,489
Pupils and Instructional Staff	877,632	1,029,541
General Administration, School Administration, Business	693,635	733,111
Operations and Maintenance of Facilities	845,514	727,702
Pupil Transportation	284,109	292,983
Business-Type Activities	84,095	82,340
Interest and Fiscal Charges	<u>22,192</u>	<u>22,082</u>
Total Expenses	<u>8,260,300</u>	<u>8,743,918</u>
 Increase in Net Position	 <u>\$ 65,656</u>	 <u>\$ (12,144)</u>

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 75.1% percent of revenues for governmental activities for the Harmony Township School District for the fiscal year 2019.

Instruction comprises 47.9% of district expenses. Support services expenses make up 50.8% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2018. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2019</u>	<u>Net Cost of Services 2019</u>	<u>Total Cost of Services 2018</u>	<u>Net Cost of Services 2018</u>
Instruction	\$ 3,953,996	\$ 2,949,800	\$ 4,199,670	\$ 2,967,978
Support Services:				
Tuition	1,499,127	1,174,981	1,656,489	1,225,768
Pupils and Instructional Staff	877,632	634,801	1,029,541	699,371
General Admin., School Admin., Business	693,635	543,656	733,111	542,487
Operation and Maintenance of Facilities	845,514	662,695	727,702	538,484
Pupil Transportation	284,109	222,678	292,983	216,801
Business-Type Activities	84,095	437	82,340	131
Interest and Fiscal Charges	<u>22,192</u>	<u>22,192</u>	<u>22,082</u>	<u>22,082</u>
Total Expenses	<u>\$ 8,260,300</u>	<u>\$ 6,211,240</u>	<u>\$ 8,743,918</u>	<u>\$ 6,213,102</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Tuition activities are for those expenditures related to sending district resident students to high school and other special schools.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

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

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District and unallocated depreciation.

The dependence upon tax revenues is apparent. Over 74.6% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 77.1%. The community, as a whole, is the primary support for the Harmony Township School District.

The School District's Funds

Information about the School District's major funds starts on page 24. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$7,642,623 and expenditures of \$8,281,784. The General Fund's surplus balance decreased \$639,161 over 2018, which compares favorably to the budgeted decrease of \$1,504,228.

General Fund Budgeting Highlights

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

During the course of the fiscal 2019 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$6,726,161, \$35,850 over original budgeted estimates of \$6,690,311. This difference was due primarily to increases in tuition revenue.

General fund revenues fell short of expenditures by \$634,690. Again this deficit compares to a budgeted deficit of \$1,504,228, which was due to the budgeted use of surplus of \$450,000, and capital reserve withdrawal approved the previous year, but spent in the current year. The budgeted deficit was reduced due to underspending in benefits and instruction.

Overall general fund balance (budget basis) was \$1,455,431, and amounts ear-marked and reserved for future purposes were \$1,204,773, creating a surplus in unreserved fund balance of \$250,658. Management believes unreserved fund balance near statutory levels will provide adequate working capital for the district.

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

Capital Assets

At the end of the fiscal year 2019, the School District had \$6,315,999 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2019 balances compared to 2018.

**Table 4
Capital Assets (Net of Depreciation) at June 30,**

	<u>2019</u>	<u>2018</u>
Land	\$ 2,500,000	\$ 2,500,000
Land Improvements	52,958	57,563
Buildings and Improvements	3,624,028	2,860,240
Machinery and Equipment	<u>139,013</u>	<u>176,048</u>
 Totals	 <u>\$ 6,315,999</u>	 <u>\$ 5,593,851</u>

Overall capital assets increased \$722,148 from fiscal year 2018 to fiscal year 2019. The increase in capital assets was due to capital additions, net of depreciation expense for the year.

Capital improvements of \$926,680 were purchased during fiscal year 2019, which included the HVAC project.

Debt Administration

At June 30, 2019, the School District had \$44,233 as outstanding long term debt. Of this amount, \$44,233 is for compensated absences.

At June 30, 2019, the School District's overall legal debt margin was \$16,031,840 and the unvoted debt margin was the same.

HARMONY TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED

For the Future

The Harmony Township School District is in very good financial condition presently. A major concern is the continued reliance on local property taxes in light of possible state funding decreases. However, future finances are not without challenges as the community continues to grow and state funding is expected to decrease.

It has been increasingly difficult to balance educational needs with increases in property tax rates. The steady decrease in state aid to offset local property taxes in a predominately bedroom community is thought to be the main reason for the problem. This problem seems to be statewide and is not exclusive to the Harmony Township School District. The Harmony Township School District is primarily a residential community, with very few ratables, thus the burden is focused on homeowners to bear the tax burden.

In conclusion, the Harmony Township School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact the School Business Administrator/ Board Secretary at Harmony Township School District, 2551 Belvidere Road, Phillipsburg, NJ, 08865.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

JUNE 30, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 1,521,784	\$ 3,439	\$ 1,525,223
Receivables from Other Governments	48,876	731	49,607
Other Receivables	15,237		15,237
Interfund Receivables		3,091	3,091
Inventory		3,777	3,777
Capital Assets, Net (Note 6):	6,315,999	1,196	6,317,195
Total Assets	7,901,896	12,234	7,914,130
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows	338,960		338,960
LIABILITIES			
Accounts Payable	150,330		150,330
Interfund Payables	3,091		3,091
Unearned Revenue	11,290	2,163	13,453
Net Pension Liability (Note 8)	1,017,654		1,017,654
Noncurrent Liabilities (Note 7):			
Due Beyond One Year	44,233		44,233
Total Liabilities	1,226,598	2,163	1,228,761
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows	373,522		373,522
NET POSITION			
Invested in Capital Assets, Net of Related Debt	6,315,999	1,196	6,317,195
Restricted for:			
Other Purposes	1,089,254		1,089,254
Unrestricted	(764,517)	8,875	(755,642)
Total Net Position	\$ 6,640,736	\$ 10,071	\$ 6,650,807

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING	CAPITAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS			
Governmental Activities:							
Instruction:							
Regular	\$ 3,028,546	\$ 43,940	\$ 760,152		\$ (2,224,454)		\$ (2,224,454)
Special Education	591,422		127,879		(463,543)		(463,543)
Other Special Instruction	334,028		72,225		(261,803)		(261,803)
Support Services:							
Tuition	1,499,127		324,146		(1,174,981)		(1,174,981)
Student & Instruction Related Serv.	877,632		242,831		(634,801)		(634,801)
School Administrative Services	205,471		44,427		(161,044)		(161,044)
General and Business Admin. Serv.	488,164		105,552		(382,612)		(382,612)
Plant Operations and Maintenance	845,514		182,819		(662,695)		(662,695)
Pupil Transportation	284,109		61,431		(222,678)		(222,678)
Other Charges	1,739				(1,739)		(1,739)
Unallocated Depreciation	20,453				(20,453)		(20,453)
Total Governmental Activities	8,176,205	43,940	1,921,462		(6,210,803)		(6,210,803)
Business-Type Activities:							
Food Service	84,095	58,780	24,878			\$ (437)	(437)
Total Business-Type Activities	84,095	58,780	24,878			(437)	(437)
Total Primary Government	\$ 8,260,300	\$102,720	\$1,946,340		(\$6,210,803)	(\$437)	\$ (6,211,240)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 6,255,541		\$ 6,255,541
Investment Earnings					15,750		15,750
Miscellaneous Income					5,604	\$ 1	5,605
Total General Revenues, Special Items, Extraor. Items and Transfers					6,276,895	1	6,276,896
Change in Net Position					66,092	(436)	65,656
Net Position—Beginning					6,574,644	10,507	6,585,151
Net Position—Ending					\$ 6,640,736	\$ 10,071	\$ 6,650,807

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

FUND FINANCIAL STATEMENTS

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,521,784		\$ 1,521,784
Interfund Receivable	12,635		12,635
Other Receivables	15,237		15,237
Receivables from Other Governments	10,140	\$ 38,736	48,876
TOTAL ASSETS	<u>\$ 1,559,796</u>	<u>\$ 38,736</u>	<u>\$ 1,598,532</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund Payable	\$ 3,091	\$ 12,635	\$ 15,726
Accounts Payable	135,519	14,811	150,330
Unearned Revenue		11,290	11,290
Total Liabilities	<u>138,610</u>	<u>38,736</u>	<u>177,346</u>
Fund Balances:			
<u>Restricted for:</u>			
Capital Reserve Account	254		254
Maintenance Reserve	639,000		639,000
<u>Assigned to:</u>			
Year-End Encumbrances	115,519		115,519
Designated for Subsequent Year's Expenditures	450,000		450,000
Capital Projects Fund			-
<u>Unassigned:</u>			
General Fund	216,413		216,413
Total Fund Balances	<u>1,421,186</u>		<u>1,421,186</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,559,796</u>	<u>\$ 38,736</u>	<u>\$ 1,598,532</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$8,929,208 and the accumulated depreciation is \$2,613,209 (Note 6).	\$6,315,999
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 8)	338,960
Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 8)	(373,522)
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8)	(1,017,654)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7).	(44,233)
Net Position of governmental activities	<u>\$6,640,736</u>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Local Tax Levy	\$ 6,255,541		\$ 6,255,541
Tuition	43,940		43,940
Interest on Capital Reserve Account	2		2
Miscellaneous	17,652	\$ 3,700	21,352
Total - Local Sources	<u>6,317,135</u>	<u>3,700</u>	<u>6,320,835</u>
State Sources	1,163,410		1,163,410
Federal Sources		158,378	158,378
Total Revenues	<u>7,480,545</u>	<u>162,078</u>	<u>7,642,623</u>
EXPENDITURES			
Current:			
Regular Instruction	1,613,356	109,011	1,722,367
Special Education Instruction	372,295		372,295
Other Special Instruction	210,268		210,268
Support services and undistributed costs:			
Tuition	1,499,127		1,499,127
Student and Instruction Related Services	499,395	53,067	552,462
School Administrative Services	129,342		129,342
Other Administrative Services	307,295		307,295
Plant Operations and Maintenance	532,244		532,244
Pupil Transportation	284,109		284,109
Unallocated Benefits	1,743,856		1,743,856
Transfer to Charter School			
Debt Service:			
Principal			
Interest and Other Charges			
Capital Outlay	928,419		928,419
Total Expenditures	<u>8,119,706</u>	<u>162,078</u>	<u>8,281,784</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(639,161)</u>		<u>(639,161)</u>
Net Change in Fund Balances	(639,161)		(639,161)
Fund Balance—July 1	2,060,347		2,060,347
Fund Balance—June 30	<u>\$ 1,421,186</u>		<u>\$ 1,421,186</u>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (639,161)

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

	Depreciation Expense	\$ (204,532)	
	Capital Outlays	<u>926,680</u>	722,148

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. (8,499)

In the statement of activities, compensated absences in the statement of activities is accrued, regardless of when due. In the governmental funds, the amounts are expensed and reported when due. This is the amount by which current year's amount of accrual exceeds the prior year's amount. (8,396)

Change in Net Position of Governmental Activities \$ 66,092

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION
 PROPRIETARY FUNDS

JUNE 30, 2019

	Business-Type Activities - Enterprise Funds	
	<u>Food Service</u>	<u>Totals</u>
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 3,439	\$ 3,439
Accounts Receivable	731	731
Interfund Receivables	3,091	3,091
Inventories	3,777	3,777
Total Current Assets	<u>11,038</u>	<u>11,038</u>
Noncurrent Assets:		
Furniture, Machinery and Equipment	33,132	33,132
Less Accumulated Depreciation	(31,936)	(31,936)
Total Noncurrent Assets	<u>1,196</u>	<u>1,196</u>
Total Assets	<u>12,234</u>	<u>12,234</u>
LIABILITIES		
Current liabilities:		
Deferred Revenue	2,163	2,163
Total Current Liabilities	<u>2,163</u>	<u>2,163</u>
Total Liabilities	<u>2,163</u>	<u>2,163</u>
NET POSITION		
Invested in Capital Assets Net of Related Debt	1,196	1,196
Unrestricted	8,875	8,875
Total Net Position	<u>\$ 10,071</u>	<u>\$ 10,071</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable/Non-Reimb. Programs	\$ 56,023	\$ 56,023
Daily Sales - Non-Reimb. Programs	2,757	2,757
Miscellaneous	1	1
Total Operating Revenues	<u>58,781</u>	<u>58,781</u>
 Operating Expenses:		
Cost of Sales - Reimbursable Programs	25,166	25,166
Cost of Sales - Non-reimbursable Programs	11,339	11,339
Salaries	22,932	22,932
Employee Benefits	6,120	6,120
Supplies	6,908	6,908
Miscellaneous	2,584	2,584
Other Purchased Professional Services	7,850	7,850
Depreciation	1,196	1,196
Total Operating Expenses	<u>84,095</u>	<u>84,095</u>
 Operating Income (Loss)	<u>(25,314)</u>	<u>(25,314)</u>
 Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	914	914
Federal Sources:		
National School Lunch Program	16,657	16,657
Food Distribution Program	7,151	7,151
Special Milk Program	156	156
Total Nonoperating Revenues (Expenses)	<u>24,878</u>	<u>24,878</u>
 Income (Loss) Before Contributions and Transfers	<u>(436)</u>	<u>(436)</u>
 Change in Net Position	(436)	(436)
 Total Net Position—Beginning	10,507	10,507
Total Net Position—Ending	<u>\$ 10,071</u>	<u>\$ 10,071</u>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 58,780	\$ 58,780
Payments to Employees	(22,932)	(22,932)
Payments for Employee Benefits	(6,120)	(6,120)
Payments to Suppliers	(47,539)	(47,539)
Net Cash Provided by (used for) Operating Activities	(17,811)	(17,811)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	915	915
Federal Sources	16,779	16,779
Operating Subsidies and Transfers to Other Funds		
Net Cash Provided by (used for) Non-Capital Financing Activities	17,694	17,694
Net Increase (Decrease) in Cash and Cash Equivalents	(117)	(117)
Balances—Beginning of Year	3,556	3,556
Balances—End of Year	\$ 3,439	\$ 3,439
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (25,314)	\$ (25,314)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Depreciation and Net Amortization	1,196	1,196
Federal Commodities	7,151	7,151
(Increase) Decrease in Accounts Receivable	1,306	1,306
(Increase) Decrease in Inventories	740	740
Increase (Decrease) in Accounts Payable	(2,890)	(2,890)
Total Adjustments	7,503	7,503
Net Cash Provided by (used for) Operating Activities	\$ (17,811)	\$ (17,811)

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

JUNE 30, 2019

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 217,841	\$ 16,571
Total Assets	<u>\$ 217,841</u>	<u>\$ 16,571</u>
LIABILITIES		
Accounts Payable		\$ 1,465
Payroll Deductions		5,763
Payable to Student Groups		<u>9,343</u>
Total Liabilities		<u>\$ 16,571</u>
NET POSITION		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 217,841</u>	<u> </u>

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

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit B-8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

For the Year Ended June 30, 2019

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Contributions:	
Plan Member	\$ 5,466
Total Contributions	<u>5,466</u>
Investment Earnings:	
Interest	<u>1,315</u>
Net Investment Earnings	<u>1,315</u>
Total Additions	<u>6,781</u>
DEDUCTIONS	
Unemployment Claims	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Position	6,781
Net Position—Beginning of the Year	<u>211,060</u>
Net Position—End of the Year	<u>\$ 217,841</u>

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

Notes to Financial Statements

HARMONY TOWNSHIP SCHOOL DISTRICT

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, GASB No. 68, Accounting for Pensions, an amendment of GASB No. 27 and GASB No. 75, Accounting for OPEB. The implementation of these statements did not effect net position balances as previously reported for the fiscal year ended June 30, 2018.

A. Reporting Entity:

The Harmony Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Harmony Township School District had an approximate enrollment at June 30, 2019, of 243 students.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

The School District's basic financial statements consist of District-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Basis of Presentation

District-wide Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net position presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

GOVERNMENTAL FUNDS (Continued)

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to 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 Expense by board resolution.

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

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

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 and Unemployment Compensation Trust Fund.

Measurement Focus-Basis of Accounting

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

District-wide, Proprietary, and Fiduciary Fund Financial Statements : The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year.

The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements : Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. 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. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and 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 revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

D. Encumbrance Accounting:

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

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

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

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. 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.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Allowance for Uncollectible Accounts:

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

Capital Assets:

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No.16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted sick leave in varying amounts under the District's contracted personnel policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service and payment is made on predetermined levels at retirement with provisions of the state retirement system.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

E. Assets, Liabilities and Equity (Continued):

Net Position:

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

Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues—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 income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 available as an advance, interest and tuition.

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

Operating revenues 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.

Allocation of Indirect Expenses:

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense, that could not be attributed to a specific function, is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

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

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2: CASH AND CASH EQUIVALENTS

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.

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.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2019, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

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

	<u>Cash and Cash Equivalents(A-1)</u>	<u>Cash and Cash Equivalents(B-7)</u>	<u>Total</u>
Checking Accounts	\$ 1,525,223	\$234,412	\$1,759,635
	<u>\$1,525,223</u>	<u>\$234,412</u>	<u>\$1,759,635</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2019, was \$1,759,635 and the bank balance was \$1,794,827. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$1,544,827 was covered by collateral pool.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2: CASH AND CASH EQUIVALENTS - (Continued)

Custodial Credit Risk: Pursuant to GASB 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk disclosure. The district does not have a policy for custodial credit risk.

Credit Risk: The district does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

Interest Rate Risk: The district does not have a policy to limit interest rate risk. The average maturity of the district's investments is less than one year.

NOTE 3: RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental amounts. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Government-Wide Financial Statements
Tuition and Other	\$ 15,237	\$ 15,237
State Aid	10,140	10,178
Federal Aid	38,736	39,429
Gross Receivable	<u>64,113</u>	<u>64,844</u>
Less: Allow. for Uncollectibles		
Total Receivables, Net	<u>\$ 64,113</u>	<u>\$ 64,844</u>

The tuition receivable was collected from Belvidere School District in July 2019.

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2019, consisted of the following:

Food	<u>\$ 3,777</u>
	<u>\$ 3,777</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 2,500,000			\$ 2,500,000
Total Capital Assets Not Being Depreciated	<u>2,500,000</u>	-	-	<u>2,500,000</u>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	94,200			94,200
Buildings and Building Improvements	5,107,328	\$ 926,680		6,034,008
Machinery and Equipment	301,000			301,000
Total at Historical Cost	<u>5,502,528</u>	<u>926,680</u>	-	<u>6,429,208</u>
Less Accumulated Depreciation for:				
Land Improvements	(36,637)	(4,605)		(41,242)
Building and Improvements	(2,247,088)	(162,892)		(2,409,980)
Equipment	(124,952)	(37,035)		(161,987)
Total Accumulated Depreciation	<u>(2,408,677)</u>	<u>(204,532)</u>	-	<u>(2,613,209)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>3,093,851</u>	<u>722,148</u>	-	<u>3,815,999</u>
Government Activity Capital Assets, Net	<u>\$ 5,593,851</u>	<u>\$ 722,148</u>	<u>\$ -</u>	<u>\$ 6,315,999</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 184,079
Unallocated	<u>20,453</u>
Total	<u><u>\$ 204,532</u></u>

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 7: LONG-TERM OBLIGATIONS

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.

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2019, are as follows:

	Balance <u>7/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/2019</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences Payable	\$35,837	\$8,396		\$44,233	-
Total	<u>\$35,837</u>	<u>8,396</u>	-	<u>\$44,233</u>	-

Compensated absences and capital leases have ben liquidated in the General Fund.

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

For the year ended June 30, 2019, it is not necessary for the Board to establish a liability for arbitrage rebate.

As of June 30, 2019, the District had no authorized but not issued bonds.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION PLANS

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

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Summary of Significant Accounting Policies - 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 Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is 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 district (employer) does 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 district. However, the state's portion of the net pension liability that was associated with the district was \$12,685,238 as measured on June 30, 2018 and \$14,179,166 measured on June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$739,505 and revenue of \$739,505 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2019 is based upon changes in the collective net pension liability with a measurement period of June 30, 2017 through June 30, 2018. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2017 and June 30, 2018.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION PLANS (Continued)

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>6/30/2017</u>	<u>6/30/2018</u>
Collective deferred outflows of resources	\$14,251,854,934	\$12,599,296,329
Collective deferred inflows of resources	\$11,807,233,433	\$16,171,861,734
Collective net pension liability (Nonemployer-State of New Jersey)	\$67,423,605,859	\$63,617,852,031
State's portion of the net pension liability that was associated with the district	\$14,179,166	\$12,685,238
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.021030%	0.019940%

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:	2.25%
Salary Increases:	
Through 2026	1.55-4.55%
Therafter	2.00-5.45%
Investment Rate of Return:	7.00%

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

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 plan investments (7.0% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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:

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yeild	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%
US Equity	30.00%	8.19%
Non-US developed markets E	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 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 on the contribution rate in the most recent fiscal year. The State contributed 50% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the State's net pension liability to changes in the discount rate - Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. The following presents the State's net pension liability measured as of June 30, 2018, calculated using the discount rate shown 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:

<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
<u>(3.86%)</u>	<u>Rate (4.86%)</u>	<u>(5.86%)</u>

State's Collective Net Pension Liability	\$ 75,417,894,537	\$ 63,806,350,446	\$ 54,180,663,328
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HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION PLANS (Continued)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>. The plan fiduciary net position as of June 30, 2018 was \$22,991,116,840.

Amortization of Deferred Outflows and Inflows of Resources - Amount reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in the state's pension expense as follows:

	<u>Year Ended June 30:</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>
Total	<u>(\$3,706,774,773)</u>

Pension Expense - The components of allocable pension expense and pension expense related to specific liabilities of individual employers, for state and local employers for the year ending June 30, 2018 are as follows:

Service cost	\$2,229,422,113
Interest on total pension liability	3,858,188,355
Member contributions	(810,899,751)
Administrative expenses	13,222,178
Expected investment return net of investment expenses	(1,536,165,072)
Pension expense related to specific liabilities of individual employers	(345,897)
Recognition (amortization) of deferred inflows/outflows:	
Recognition of economic/demographic gains/losses	197,584,362
Recognition of assumption changes or inputs	(98,468,671)
Recognition of investment gains/losses	<u>(132,850,523)</u>
Total pension expense	<u>\$3,719,687,094</u>

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION PLANS (Continued)

Summary of Significant Accounting Policies - 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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

At June 30, 2019, the District reported a liability of \$1,017,654 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 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 total pension liability for the June 30, 2017 valuation was determined by an experience study for the period July 1, 2011 to June 30, 2014. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2018 and 2017. At June 30, 2018, the District's proportion was .00517% which was an increase of 0.0001% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$68,944. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ 19,407	\$ 5,247
Changes of assumptions	167,693	325,392
Net difference between projected and actual earnings on pension plan investments	-	9,546
Changes in proportion and differences between District contributions and proportionate share of contributions	100,405	33,337
District contributions subsequent to the measurement date	51,455	
Total	<u>\$ 338,960</u>	<u>\$ 373,522</u>

\$51,455 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2019, the plan measurement date is June 30, 2018) will be recognized as a reduction of the net pension liability measured as of June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION PLANS (Continued)

	<u>Year Ended June 30:</u>	
	2019	\$3,969
	2020	(5,495)
	2021	(39,401)
	2022	(34,153)
	2023	<u>(10,936)</u>
	Total	<u>(\$86,017)</u>
	<u>6/30/2017</u>	<u>6/30/2018</u>
Collective deferred outflows of resources	\$6,424,455,842	\$4,684,852,302
Collective deferred inflows of resources	5,700,625,981	7,646,736,226
Collective net pension liability (Non State - Local Group)	\$23,278,401,588	\$19,689,501,539
District's portion of net pension liability	\$1,181,217	\$1,017,654
District's proportion %	0.00507430%	0.00516851%

Actuarial assumptions - The collective 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:	2.25%
Salary Increases:	
Through 2026	1.65%-4.15% based on age
Thereafter	2.65%-5.15% based on age
Investment Rate of Return:	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2013 Based on Projection Scale AA.

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.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US 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%
US Equity	30.00%	8.19%
Non-US developed markets E	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 7.0%, 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 on contribution rate in the most recent fiscal year.

The State contributed 50% of the 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 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 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 net pension liability measured as of June 30, 2018, calculated using the discount rate as disclosed above, 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:

	<u>1% Decrease</u> (4.66%)	<u>Current Discount</u> <u>Rate (5.66%)</u>	<u>1% Increase</u> (6.66%)
District's proportionate share of the net pension liability	\$ 1,279,583	\$1,017,654	\$ 797,913

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION PLANS (Continued)

Pension Expense - The components of allocable pension expense and pension expense related to specific liabilities of individual employers, for state and local employers for the year ending June 30, 2018 are as follows:

Service cost	\$58,705
Interest on total ension liability	141,129
Member contributions	(33,711)
Administrative expens	934
Expected investment return net of investment expenses	(88,606)
Pension expense related to specific liabilities of individual employers	(519)
Recognition (amortization) of deferred inflows/outflows:	
Recognition of economic/demographic gains/losses	9,520
Recognition of assumption changes or inputs	(10,960)
Recognition of investment gains/losses	<u>(7,547)</u>
Total pension expense	<u>\$68,944</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

PERS and TPAF Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION PLANS (Continued)

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. 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.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

□ The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8: PENSION PLANS (Continued)

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/2019	\$51,455	100 %	-0-
6/30/2018	\$47,153	100 %	-0-
6/30/2017	\$39,827	100 %	-0-

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/2019	\$410,661	100 %	-0-
6/30/2018	\$301,394	100 %	-0-
6/30/2017	\$237,207	100 %	-0-

During the fiscal year ended June 30, 2019, the State of New Jersey did contribute \$596,604 the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$162,251 during the year ended June 30, 2019, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

NOTE 9: POST-RETIREMENT BENEFITS

Plan description and benefits provided

The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2018, the State paid PRM benefits for 148,401 State and local retirees.

The State funds post-retirement medical benefits on a “pay-as-you-go” basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2018, the State contributed \$1.909 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The increase in the State’s pay-as-you-go contribution between Fiscal Year 2017 and Fiscal Year 2018 is attributed to rising health care costs, an increase in the number of participants qualifying for State-paid PRM benefits at retirement and larger fund balance utilization in Fiscal Year 2017 than in Fiscal Year 2018. The Fiscal Year 2019 Appropriations Act includes \$1.921 billion as the State’s contribution to fund pay-as-you-go PRM costs.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9: POST-RETIREMENT BENEFITS-(Continued)

In accordance with the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. As such, the Fiscal Year 2017 total State OPEB liability to provide these benefits has been re-measured to \$97.1 billion, an increase of \$60.6 billion or 166 percent from the previous year's \$36.5 billion liability booked in accordance with GASB Statement No. 45. For Fiscal Year 2018, the total OPEB liability for the State is \$90.5 billion, a decrease of \$6.6 billion or 7 percent from the re-measured total OPEB liability in Fiscal Year 2017.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service (GASB Cod. Sec. 2300.106(g)).

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

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

The State of New Jersey (a nonemployer contributing entity) is the only entity that has a legal obligation to make benefit payments as other postemployment benefits (OPEB) comes due for benefits provided to employees of a local school district, charter school, and renaissance school project through an OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75. The department has obtained an opinion from GASB that, for purposes of meeting the required note disclosures and required supplementary information (RSI) of this statement, New Jersey schools are to treat OPEB as "a defined benefit single employer OPEB Plan That is Not Administered through a Trust That Meets the Criteria in Paragraph 4 of GASBS. No. 75."

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9: POST-RETIREMENT BENEFITS-(Continued)

Actuarial assumptions and other imputes 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, 2017. 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%
Salary Increases Through 2026:	1.55-4.55% TPAF 2.15-4.15% PERS Based on age
Salary Increases Thereafter:	2.00-5.45% TPAF 3.15-5.15% PERS Based on age
Discount rate (2018)	3.87%
Discount rate (2017)	3.58%
Healthcare cost trend rates (PPO Plans)	5.8% decreasing to 5.0% after eight years
Healthcare cost trend rates (Self-insured post 65 PPO Plans)	4.50%
Healthcare cost trend rates (HMO Plans)	5.8% decreasing to 5.0% after eight years
Healthcare cost trend rates (Prescription Drug Benefits)	8.0% decreasing to 5.0% after seven years
Healthcare cost trend rates (Medicare Part B reimbursement)	5.00%
Healthcare cost trend rates (Medicare Advantage)	4.50%
Retirees' share of benefit related Costs	Projected health insurance premiums for retirees based on the retiree's annual retirement benefit and level of coverage

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Preretirement 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. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy 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 the MP-2017 scale.

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, July 1, 2010 - June 30, 2014, and July 1, 2010 - June 30, 2013 for TPAF , PFRS and PERS , respectively .

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9: POST-RETIREMENT BENEFITS-(Continued)

Changes in the Total OPEB Liability reported by the State of New Jersey

	<u>Total OPEB Liability</u>
The State's Total OPEB Liability Balance at 6/30/2017	\$53,639,841,858
<u>Changes for the year:</u>	
Service Cost	1,984,642,729
Interest	1,970,236,232
Change in Benefit Terms	-
Differences Between Expected and Actual Experience	(5,002,065,740)
Changes of Assumptions	(5,291,448,855)
Benefit Payments	(1,232,987,247)
Contributions from Members	42,614,005
Net changes	<u>(7,529,008,876)</u>
The State's Total OPEB Liability Balance at 6/30/2018	<u>\$46,110,832,982</u>
 The State's total OPEB liability attributable to the District:	 \$10,885,368

There were no changes of benefit terms.

Changes of assumptions and other inputs reflects a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018 and other changes.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage -point lower or 1- percentage-point higher than the current discount rate:

	<u>June 30, 2018</u>		
	At 1% Decrease <u>2.87%</u>	At Discount Rate <u>3.87%</u>	At 1% Increase <u>4.87%</u>
Total OPEB Liability (School Retirees)	\$54,512,391,175	\$46,110,832,982	\$39,432,461,816
	 <u>June 30, 2017</u>		
	At 1% Decrease <u>2.58%</u>	At Discount Rate <u>3.58%</u>	At 1% Increase <u>4.58%</u>
Total OPEB Liability (School Retirees)	\$63,674,362,200	\$53,639,841,858	\$45,680,364,953

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9: POST-RETIREMENT BENEFITS-(Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State, as well as what the State’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage- point higher than the current healthcare cost trend rates:

		June 30, 2018	
		Health Care Cost	
	<u>At 1% Decrease</u>	<u>Trend Rate</u>	<u>At 1% Increase</u>
Total OPEB Liability (School Retirees)	\$38,113,289,045	\$46,110,832,982	\$56,687,891,003

		June 30, 2017	
		Health Care Cost	
	<u>At 1% Decrease</u>	<u>Trend Rate</u>	<u>At 1% Increase</u>
Total OPEB Liability (School Retirees)	\$44,113,584,560	\$53,639,841,858	\$66,290,599,457

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

For the year ended June 30, 2018, the board of education recognized OPEB expense of \$456,041 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero, and there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee’s OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences Between Expected and Actual Experience		(\$4,476,086,167)
Changes of assumptions or other inputs		(\$10,335,978,867)
Total	-	<u>(\$14,812,065,034)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee’s OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	(\$1,825,218,593)
2020	(\$1,825,218,593)
2021	(\$1,825,218,593)
2022	(\$1,825,218,593)
2023	(\$1,825,218,593)
Thereafter	<u>(\$5,685,972,069)</u>
	<u>(\$14,812,065,034)</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10: DEFERRED COMPENSATION

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

Equitable
Legg Mason
Roth IRA

NOTE 11: COMPENSATED ABSENCES

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No.16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted sick leave in varying amounts under the District's contracted personnel policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service and payment is made on predetermined levels at retirement with provisions of the state retirement system.

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

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 proprietary fund types.

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.

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12: RISK MANAGEMENT - (Continued)

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018-2019	\$1,315	\$5,466	-	\$217,841
2017-2018	\$0	\$5,110	-	\$211,060
2016-2017	\$20	\$5,242	-	\$205,950

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

The Board participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Board is potentially liable for any expenditures which may be disallowed pursuant to the 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 Board is not involved in claims or lawsuits incidental to its operations.

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$1,421,186 General Fund fund balance at June 30, 2019, \$115,519 has been reserved for encumbrances; \$254 has been reserved in the Capital Reserve Account; \$639,000 has been reserved in the Maintenance Reserve Account; \$450,000 is appropriated and included as anticipated revenue for the year ending June 30, 2020; and \$216,413 is unreserved and undesignated.

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Harmony Township School District Board of Education by inclusion of \$110,000 in the 89-90 capital outlay budget, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, 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. 6A:23-2.13(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15: CAPITAL RESERVE ACCOUNT - ((Continued))

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

Beginning Balance, July 1, 2018	\$252
Interest Earned	<u>2</u>
Ending Balance, June 30, 2019	<u><u>\$254</u></u>

The June 30, 2019 LRFPP balance of local support costs of uncompleted capital projects at June 30, 2019 exceeds the balance in the capital reserve.

NOTE 16: MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by the School District Board of Education for the accumulation of funds for use in accordance with PL 2007 c.62 (A1). 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	\$ 334,000
Deposits (PL 2007 c.62 (A1)) - June 11, 2019 Resolution	<u>305,000</u>
Ending balance June 30, 2019	<u><u>\$ 639,000</u></u>

NOTE 17: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2019 is zero.

NOTE 18: TUITION ADJUSTMENTS

A comparison of tentative tuition charges and actual certified tuition charges was made by the receiving district (Belvidere School District) for fiscal year 2015-2017 and certified by the state department. The resulting 2013-2017 tuition adjustment in accordance with N.J.A.C 6a:23-3.1(f)3, was due in fiscal year 2018-2019, and was paid as part of the 2018-2019 adjusted tuition billings.

HARMONY TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 19: INTERFUND BALANCES

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 12,635	\$ 3,091
Food Service Fund	3,091	
Special Revenue Fund	-	12,635
Total	<u>\$ 15,726</u>	<u>\$ 15,726</u>

The general fund owes the food service fund for subsidy payments not yet paid over to food service. The special revenue fund owes the general fund for cash advances in anticipation of federal grant funds received in the subsequent year.

NOTE 20: TAX ABATEMENTS

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

NOTE 21: RETROACTIVE RESTATEMENT OF NET POSITION

Restatement of Prior Period:

As an ongoing process of maintaining records in accordance with GASB#34, the district conducted a physical appraisal of capital assets as of June 30, 2019. The appraisal revealed asset activity that that should be recorded as of June 30, 2018. Accordingly, a restatement of Net Position as of June 30, 2018 was necessary.

<u>Governmental Activities Net Position:</u>	
Net Position (per A-1), June 30, 2018	\$ 6,086,104
Restatement of net capital assets	<u>488,540</u>
Net Position (per A-1), June 30, 2019, as Restated	<u>\$ 6,574,644</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 6,255,541		\$ 6,255,541	\$ 6,255,541	
Tuition	25,000		25,000	43,940	\$ 18,940
Interest on Capital Reserve Account				2	2
Miscellaneous	2,575		2,575	17,652	15,077
Total - Local Sources	<u>6,283,116</u>		<u>6,283,116</u>	<u>6,317,135</u>	<u>34,019</u>
State Sources:					
Transportation Aid	146,873		146,873	146,873	
Special Education Aid	228,888		228,888	228,888	
Security Aid	31,434		31,434	31,434	
Other State Aid				1,831	1,831
TPAF Pension (On-Behalf - Non-Budgeted)				409,929	409,929
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				185,943	185,943
TPAF Pension LTD Insurance (On-Behalf - Non-Budgeted)				732	732
TPAF Social Security (Reimbursed - Non-Budgeted)				162,251	162,251
Total State Sources	<u>407,195</u>		<u>407,195</u>	<u>1,167,881</u>	<u>760,686</u>
TOTAL REVENUES	<u>6,690,311</u>		<u>6,690,311</u>	<u>7,485,016</u>	<u>794,705</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Pre-Kindergarten - Salaries of Teachers	101,803	(12,000)	89,803	87,387	2,416
Kindergarten - Salaries of Teachers	147,473		147,473	141,700	5,773
Grades 1-5 - Salaries of Teachers	788,301	(68,500)	719,801	709,389	10,412
Grades 6-8 - Salaries of Teachers	479,078		479,078	443,767	35,311
Regular Programs - Home Instruction:					
Salaries of Teachers	3,000	1,000	4,000	187	3,813
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	46,000	20,000	66,000	61,568	4,432
Purchased Professional - Educational Services	10,000		10,000		10,000
Purchased Technical Services	65,000		65,000	16,957	48,043
Other Purchased Services (400-500 series)	28,000		28,000	26,261	1,739
General Supplies	119,000	3,756	122,756	106,909	15,847
Textbooks	25,000	(4,256)	20,744	18,764	1,980
Other Objects	1,000		1,000	467	533
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,813,655	(60,000)	1,753,655	1,613,356	140,299
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	337,193	(13,293)	323,900	315,786	8,114
Other Salaries for Instruction	41,228	13,293	54,521	54,521	
General Supplies	3,000		3,000	1,988	1,012
Total Resource Room/Resource Center	381,421		381,421	372,295	9,126
TOTAL SPECIAL EDUCATION - INSTRUCTION	381,421		381,421	372,295	9,126

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	141,781	45,000	186,781	183,080	3,701
Other Salaries for Instruction	3,930		3,930	844	3,086
General Supplies	1,000		1,000	23	977
Total Basic Skills/Remedial - Instruction	146,711	45,000	191,711	183,947	7,764
School Sponsored Co/Extra Curricular Activities-Instruction:					
Salaries	20,000	1,022	21,022	21,022	
Supplies and Materials	1,500	700	2,200	1,755	445
Other Objects	1,000	2,600	3,600	3,544	56
Total School Sponsored Cocurricular Activities-Instruc.	22,500	4,322	26,822	26,321	501
Before/After School Programs:					
Salaries	25,000	(1,022)	23,978	23,104	874
Supplies and Materials	500	(300)	200		200
Total Before/After School Programs	25,500	(1,322)	24,178	23,104	1,074
Summer School:					
Salaries	20,000		20,000	5,296	14,704
Total Summer School	20,000		20,000	5,296	14,704
TOTAL INSTRUCTION	2,409,787	(12,000)	2,397,787	2,224,319	173,468
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Regular	1,462,289		1,462,289	1,439,552	22,737
Tuition to Other LEAs Within the State-Special	70,000		70,000	35,000	35,000
Tuition to County Voc. District - Regular	4,575		4,575	4,575	
Tuition to County Voc. District - Special	20,000		20,000	20,000	
Total Instruction	1,556,864		1,556,864	1,499,127	57,737

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Health Services:					
Salaries	57,258	2,000	59,258	57,481	1,777
Purchased Professional and Technical Services	500		500	25	475
Supplies and Materials	3,000		3,000	2,182	818
Total Health Services	<u>60,758</u>	<u>2,000</u>	<u>62,758</u>	<u>59,688</u>	<u>3,070</u>
Other Supp. Services Students-Related Services:					
Salaries	68,843		68,843	68,643	200
Purchased Professional - Educational Services	85,000	(24,000)	61,000	28,979	32,021
Supplies and Materials	1,500		1,500	576	924
Total Other Supp. Services Students-Related Services	<u>155,343</u>	<u>(24,000)</u>	<u>131,343</u>	<u>98,198</u>	<u>33,145</u>
Other Supp. Services Students-Extra.Serv.:					
Salaries	57,422	22,000	79,422	79,101	321
Total Other Supp. Services Students-Extra.Serv.	<u>57,422</u>	<u>22,000</u>	<u>79,422</u>	<u>79,101</u>	<u>321</u>
Other Supp. Services Students-Regular:					
Other Purchased Professional and Technical Services	37,000	(461)	36,539	34,209	2,330
Supplies and Materials	250		250	46	204
Total Other Supp. Services Students-Regular	<u>37,250</u>	<u>(461)</u>	<u>36,789</u>	<u>34,255</u>	<u>2,534</u>
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	90,377	(5,899)	84,478	81,256	3,222
Salaries of Secretarial and Clerical Assistants	10,019		10,019	9,971	48
Other Purchased Professional and Technical Services	9,000	10,899	19,899	19,899	
Misc. Purchased Services (400-500 series O/than Resid.Costs)	1,400		1,400	490	910
Supplies and Materials	2,200		2,200	1,886	314
Other Objects		7,460	7,460	7,460	
Total Other Supp. Services Students-Special	<u>112,996</u>	<u>12,460</u>	<u>125,456</u>	<u>120,962</u>	<u>4,494</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Improvement of Instruction Services:					
Salaries of Other Professional Staff	10,000		10,000	5,609	4,391
Other Purchased Professional and Technical Services	5,000		5,000		5,000
Total Improvement of Instruction Services	<u>15,000</u>		<u>15,000</u>	<u>5,609</u>	<u>9,391</u>
Educational Media Services/School Library:					
Salaries	54,715		54,715	54,275	440
Supplies and Materials	12,000	(300)	11,700	6,574	5,126
Other Objects	5,000	300	5,300	5,190	110
Total Educational Media Services/School Library	<u>71,715</u>		<u>71,715</u>	<u>66,039</u>	<u>5,676</u>
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	20,000		20,000	7,018	12,982
Supplies and Materials	500		500	125	375
Total Instructional Staff Training Services	<u>20,500</u>		<u>20,500</u>	<u>7,143</u>	<u>13,357</u>
Supp. Services - General Administration:					
Salaries	29,071	2,500	31,571	31,327	244
Legal Services	8,250	(4,051)	4,199	3,940	259
Audit Fees	15,500		15,500	15,345	155
Other Purchased Professional Services	4,000		4,000	4,000	
Communications/Telephone	5,500	5,468	10,968	10,968	
BOE Other Purchased Services	3,500	50	3,550	3,285	265
Other Purchased Services (400-500 series)	83,500	(800)	82,700	81,898	802
General Supplies	3,000	(2,417)	583	583	
BOE In house Training/Meeting Supplies	100	150	250	140	110
Miscellaneous Expenditures	250		250		250
BOE Membership Dues and Fees	4,200		4,200	4,104	96
Total Supp. Services - General Administration	<u>156,871</u>	<u>900</u>	<u>157,771</u>	<u>155,590</u>	<u>2,181</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals	98,129		98,129	97,655	474
Salaries of Secretarial and Clerical Assistants	30,057	(900)	29,157	27,420	1,737
Other Purchased Services (400-500 series)	750		750	291	459
Supplies and Materials	3,500	(200)	3,300	2,229	1,071
Other Objects	1,750	200	1,950	1,747	203
Total Support Services - School Administration	134,186	(900)	133,286	129,342	3,944
Central Services:					
Salaries	25,777		25,777	25,653	124
Purchased Professional Services	15,000	2,300	17,300	15,198	2,102
Misc. Purchased Services (400-500 series)	80,000		80,000	78,412	1,588
Supplies and Materials	3,000	(2,300)	700	681	19
Total Central Services	123,777		123,777	119,944	3,833
Administrative Information Tech.:					
Salaries	26,600	871	27,471	27,471	
Purchased Technical Services	35,500	(871)	34,629	4,290	30,339
Supplies and Materials	6,000		6,000		6,000
Total Administrative Information Tech.	68,100		68,100	31,761	36,339
Required Maintenance for School Facilities:					
Salaries	99,981	1,100	101,081	100,900	181
Cleaning, Repair and Maintenance Services	141,560	40,516	182,076	164,533	17,543
General Supplies	31,300	(1,460)	29,840	26,804	3,036
Total Required Maintenance for School Facilities	272,841	40,156	312,997	292,237	20,760
Other Operations and Maintenance of Plant:					
Salaries	88,325	4,049	92,374	92,374	
Cleaning, Repair and Maintenance Services	11,000		11,000	2,042	8,958
Insurance	36,000		36,000	30,891	5,109
Miscellaneous Purchased Services	9,500		9,500	1,667	7,833
General Supplies	20,000	755	20,755	20,755	
Energy (Electricity)	78,000		78,000	44,202	33,798
Energy (Oil)	70,000		70,000	48,076	21,924
Total Other Operations and Maintenance of Plant	312,825	4,804	317,629	240,007	77,622

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Security:					
Cleaning, Repair and Maintenance Services	25,000		25,000		25,000
Other Objects	35,000		35,000		35,000
Total Security	60,000		60,000		60,000
Student Transportation Services					
Management Fee	1,000		1,000	202	798
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	4,420	3,580	8,000	8,000	
Contracted Services (Bet. Home and School)-Vendors	224,029	5	224,034	224,030	4
Contrac.Serv.(Other than Bet.Home and School)-Vendors	5,000		5,000	4,003	997
Contr Serv (Regular Students) - ESCs & CTSA	48,050	(14,702)	33,348	7,070	26,278
Contr Serv (Sp. Ed. Students) - ESCs & CTSA	29,687	11,117	40,804	40,804	
Total Student Transportation Services	312,186		312,186	284,109	28,077
UNALLOCATED BENEFITS					
Social Security Contributions	58,000		58,000	56,671	1,329
Other Retirement Contributions - PERS	46,000	5,455	51,455	51,455	
Other Retirement Contributions - Regular	800		800	666	134
Workmen's Compensation	30,000	1,612	31,612	31,612	
Health Benefits	998,851	(7,067)	991,784	826,271	165,513
Tuition Reimbursement	15,000	2,881	17,881	17,881	
Other Employee Benefits	16,500	(2,881)	13,619	445	13,174
TOTAL UNALLOCATED BENEFITS	1,165,151		1,165,151	985,001	180,150

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
On-behalf TPAF pension Contrib. (non-budgeted)				409,929	(409,929)
On-behalf TPAF PRM Contrib. (non-budgeted)				185,943	(185,943)
On-behalf TPAF pension LTD Ins. (non-budgeted)				732	(732)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				162,251	(162,251)
TOTAL ON-BEHALF CONTRIBUTIONS				758,855	(758,855)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	1,165,151		1,165,151	1,743,856	(578,705)
TOTAL UNDISTRIBUTED EXPENDITURES	4,693,785	56,959	4,750,744	4,966,968	(216,224)
TOTAL GENERAL CURRENT EXPENSE	7,103,572	44,959	7,148,531	7,191,287	(42,756)
Equipment:					
Undistributed Expenditures - Facilities	35,000		35,000		35,000
Total Equipment	35,000		35,000		35,000
Facilities Acquisition and Construction Services					
Construction Services		1,009,269	1,009,269	926,680	82,589
Assessment for Debt Service on SDA Funding	1,739		1,739	1,739	
Total Facilities Acquisition and Construction Services	1,739	1,009,269	1,011,008	928,419	82,589
TOTAL CAPITAL OUTLAY	36,739	1,009,269	1,046,008	928,419	117,589
TOTAL EXPENDITURES	7,140,311	1,054,228	8,194,539	8,119,706	74,833
Excess (Deficiency) of Revenues Over (Under) Expenditures	(450,000)	(1,054,228)	(1,504,228)	(634,690)	869,538

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(450,000)	(1,054,228)	(1,504,228)	(634,690)	869,538
Fund Balance, July 1	2,090,121		2,090,121	2,090,121	
Fund Balance, June 30	<u>\$ 1,640,121</u>	<u>\$(1,054,228)</u>	<u>\$ 585,893</u>	<u>\$ 1,455,431</u>	<u>\$ 869,538</u>
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 254	
Maintenance Reserve				639,000	
Assigned to:					
Year-End Encumbrances				115,519	
Designated for Subsequent Year's Expenditures				450,000	
Unassigned:					
Unrestricted Fund Balance				<u>250,658</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				1,455,431	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(34,245)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 1,421,186</u>	

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources		\$ 3,700	\$ 3,700	\$ 3,700	-
Federal Sources	\$ 105,500	57,098	162,598	162,598	-
Total Revenues	105,500	60,798	166,298	166,298	
EXPENDITURES:					
Instruction					
Salaries of Teachers	37,500	(1,347)	36,153	36,153	
Tuition	30,000	5,000	35,000	35,000	
General Supplies		42,078	42,078	42,078	
Total Instruction	67,500	45,731	113,231	113,231	
Support Services					
Personal Services - Employee Bene.	6,000	6,706	12,706	12,706	
Purchased Profess. - Education Services	32,000	7,997	39,997	39,997	
Supplies and Materials		364	364	364	
Total Support Services	38,000	15,067	53,067	53,067	
Total Expenditures	105,500	60,798	166,298	166,298	
Total Outflows	\$ 105,500	\$ 60,798	\$ 166,298	\$ 166,298	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)				None	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>None</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>None</u>	

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2019

Explanation of Differences between Budgetary Inflows and Outflows and

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 7,485,016	\$ 166,298
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	7,070
Current Year Encumbrances	N/A	(11,290)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	29,774	
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(34,245)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 7,480,545</u>	<u>\$ 162,078</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 8,119,706	\$ 166,298
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	7,070
Current Year Encumbrances	N/A	(11,290)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 8,119,706</u>	<u>\$ 162,078</u>

Harmony Township School District
Required Supplementary Information - Part III
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years *

Exhibit L-3

Teachers' Pension and Annuity Fund (TPAF)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A	N/A	N/A	N/A				
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A	N/A	N/A				
State's proportionate share of the net pension liability (asset) associated with the District	\$ 12,685,238	\$ 14,179,166	\$ 16,149,833	\$ 11,901,730	\$ 9,608,718	\$ 9,449,173				
Total	\$ 12,685,238	\$ 14,179,166	\$ 16,149,833	\$ 11,901,730	\$ 9,608,718	\$ 9,449,173				
District's covered employee payroll	\$ 2,214,089	\$ 2,241,856	\$ 2,078,811	\$ 2,123,213	\$ 2,112,247	\$ 2,032,803				
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A				
Plan fiduciary net position as a percentage of the total pension liability	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%				

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the district (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the district.

Public Employees' Retirement System (PERS)

Exhibit L-1

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
District's proportion of the net pension liability (asset)	0.00516851%	0.00507430%	0.00447531%	0.00459143%	0.00460622%	0.00511733%				
District's proportionate share of the net pension liability (asset)	\$ 1,017,654	\$ 1,181,217	\$ 1,325,458	\$ 1,030,684	\$ 862,410	\$ 978,023				
District's covered employee payroll	\$ 379,483	\$ 373,294	\$ 355,286	\$ 555,182	\$ 561,656	\$ 602,763				
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	268.17%	316.43%	373.07%	185.65%	153.55%	162.26%				
Plan fiduciary net position as a percentage of the total pension liability (Local)	53.60%	58.18%	40.14%	47.92%	52.08%	48.72%				

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

**Harmony Township School District
Required Supplementary Information - Part III
Schedule of District Contributions
Last Ten Fiscal Years ***

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution **	N/A	N/A	N/A	N/A	N/A	N/A				
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A	N/A	N/A	N/A				
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A	N/A				
District's covered employee payroll	\$ 2,214,089	\$ 2,241,856	\$ 2,078,811	\$ 2,123,213	\$ 2,112,247	\$ 2,032,803				
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A				

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. The district (employer) does not contribute to the plan.

Public Employees' Retirement System (PERS)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$51,455	\$47,153	\$ 39,827	\$ 39,474	\$ 37,973	\$ 38,557				
Contributions in relation to the contractually required contribution	(51,455)	(47,153)	(39,827)	(39,474)	(37,973)	(38,557)				
Contribution deficiency (excess)	-	-	-	-	-	-				
District's covered employee payroll	\$ 379,483	\$ 373,294	\$ 355,286	\$ 555,182	\$ 561,656	\$ 602,763				
Contributions as a percentage of covered-employee payroll	13.56%	12.63%	11.21%	7.11%	6.76%	6.40%				

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

Harmony Township School District
 Required Supplementary Information - Part III
 Schedule of Changes in the State's Total OPEB Liability and Related Ratios
 Last Ten Fiscal Years *

Exhibit M-1

State Health Benefit Local Education Retired Employees Plan (TPAF and PERS)

The State of New Jersey's Total OPEB Liability	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Service Cost	\$ 1,984,642,729	\$ 2,391,878,884	\$ 1,723,999,319							
Interest	1,970,236,232	1,699,441,736	1,823,643,792							
Change in Benefit Terms										
Differences Between Expected and Actual Experience	(5,002,065,740)									
Benefit Payments	(1,232,987,247)	(1,242,412,566)	(1,223,298,019)							
Contributions from Members	42,614,005	45,748,749	46,273,747							
Changes of Assumptions or other inputs	<u>\$ (5,291,448,855)</u>	<u>\$ (7,086,599,129)</u>	<u>8,611,513,521</u>							
Net change in total OPEB liability	<u>(7,529,008,876)</u>	<u>(4,191,942,326)</u>	<u>10,982,132,360</u>							
Total OPEB Liability - Beginning	<u>\$ 53,639,841,858</u>	<u>\$57,831,784,184</u>	<u>\$46,849,651,824</u>							
Total OPEB Liability - Ending	<u>\$ 46,110,832,982</u>	<u>\$53,639,841,858</u>	<u>\$57,831,784,184</u>							
The State of New Jersey's total OPEB liability **	\$ 46,110,832,982	\$53,639,841,858	\$57,831,784,184							
The State of New Jersey's OPEB liability attributable to the District **	\$ 10,885,368	\$ 12,608,446	\$ 13,716,070							
The District's proportionate share of the total OPEB liability	Zero	Zero	Zero							
District's covered employee payroll	\$ 2,593,572	\$ 2,615,150	\$ 2,434,097							
Total District's OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%							
District's contribution	None	None	None							
State's covered employee payroll ***	\$ 13,640,275,833	\$13,493,400,208	\$13,493,400,208							
Total State's OPEB liability as a percentage of its covered-employee payroll	338.05%	397.53%	428.59%							

** Note: Other Post Employment Benefits (OPEB) for employees of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS) is considered a special funding situation as defined by GASB Statement No. 75 in which the State of New Jersey is 100% responsible for contributions to the health insurance plan. The district (employer) does not contribute to the plan and the district's OPEB liability is zero.

*** Based on payroll on the June 30, 2016 and June 30, 2017 census data

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

HARMONY TOWNSHIP SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III
Pension and Other Post Employment Benefits (OPEB) Schedules**

For the Fiscal Year Ended June 30, 2019

Teachers' Pension and Annuity Fund (TPAF)

Pension Schedules

Changes of benefit terms. 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.

Changes of assumptions. Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

OPEB Schedules

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

Changes of benefit terms. There were no changes of benefit terms.

Changes of assumptions. Changes of assumptions and other inputs reflects a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

Public Employees' Retirement System (PERS)

Pension Schedules

Changes of benefit terms. 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.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

OPEB Schedules

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

Changes of benefit terms. There were no changes of benefit terms.

Changes of assumptions. Changes of assumptions and other inputs reflects a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2019

	Title I	Title II Part A	Title IV	IDEA Basic	IDEA Preschool	REAP	Local Grants	Totals
REVENUES								
Local Sources							\$ 3,700	\$ 3,700
Federal Sources	\$ 42,018	\$ 7,669	\$ 10,000	\$ 72,402	\$ 2,595	\$ 27,914		162,598
TOTAL REVENUES	42,018	7,669	10,000	72,402	2,595	27,914	3,700	166,298
EXPENDITURES:								
Instruction:								
Salaries of Teachers	30,821	5,332						36,153
Tuition				35,000				35,000
General Supplies		464	10,000			27,914	3,700	42,078
Total Instruction	30,821	5,796	10,000	35,000	-	27,914	3,700	113,231
Support Services:								
Personal Services - Employee Bene.	10,833	1,873						12,706
Purchased Profess. - Education Services				37,402	2,595			39,997
Supplies and Materials	364							364
Total Support Services	11,197	1,873	-	37,402	2,595	-	-	53,067
TOTAL EXPENDITURES	42,018	7,669	10,000	72,402	2,595	27,914	3,700	166,298
Total Outflows	42,018	7,669	10,000	72,402	2,595	27,914	3,700	166,298
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)								

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

N/A

**PROPRIETARY FUND
DETAIL STATEMENTS**

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the district's board is that the costs of providing goods or services be financed through user charges.

Food Services Fund - This fund provides for the operation of food services in all schools within the school district.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.

FIDUCIARY FUND DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

Student Activity Fund - This agency fund is used to account for student funds held at the schools.

Payroll Fund - This agency fund is used to account for the payroll transactions of the school

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2019

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	<u>AGENCY FUNDS</u> STUDENT <u>ACTIVITY</u>	PAYROLL <u>AGENCY</u>	<u>TOTALS</u>
ASSETS:				
Cash and Cash Equivalents	\$ 217,841	\$ 9,343	\$ 7,228	\$ 234,412
TOTAL ASSETS	<u>\$ 217,841</u>	<u>\$ 9,343</u>	<u>\$ 7,228</u>	<u>\$ 234,412</u>
LIABILITIES:				
Liabilities:				
Payroll Deductions and Withholdings			\$ 5,763	\$ 5,763
Accounts Payable			1,465	1,465
Payable to Student Groups		\$ 9,343		9,343
Total Liabilities		<u>9,343</u>	<u>7,228</u>	<u>16,571</u>
NET POSITION				
Held in Trust for Unemployment				
Claims and Other Purposes	\$ 217,841			217,841
TOTAL LIABILITIES AND NET POSITION	<u>\$ 217,841</u>	<u>\$ 9,343</u>	<u>\$ 7,228</u>	<u>\$ 234,412</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2019

	UNEMPLOYMENT COMPENSATION INSURANCE	
	<u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 5,466	\$ 5,466
Employer	-	-
Total Contributions	<u>5,466</u>	<u>5,466</u>
Investment Earnings:		
Interest	1,315	1,315
Net Investment Earnings	<u>1,315</u>	<u>1,315</u>
Total Additions	<u>6,781</u>	<u>6,781</u>
DEDUCTIONS		
Unemployment Claims	-	-
Total Deductions	<u>-</u>	<u>-</u>
Change in Net Position	6,781	6,781
Net Position—Beginning of the Year	<u>211,060</u>	<u>211,060</u>
Net Position—End of the Year	<u>\$ 217,841</u>	<u>\$ 217,841</u>

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>ACTIVITY</u>	<u>BALANCE</u> <u>JULY 1, 2018</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2019</u>
Student Council	\$ 5,717	\$ 24,290	\$ 22,016	\$ 7,991
Eighth Grade Account	1,894	17,661	18,203	1,352
Total	\$ 7,611	\$ 41,951	\$ 40,219	\$ 9,343

HARMONY TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	BALANCE			BALANCE
	<u>JULY 1, 2018</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2019</u>
ASSETS:				
Cash and Cash Equivalents	\$ 17,067	\$ 3,236,194	\$ 3,246,033	\$ 7,228
Total Assets	<u>\$ 17,067</u>	<u>\$ 3,236,194</u>	<u>\$ 3,246,033</u>	<u>\$ 7,228</u>
 LIABILITIES:				
Payroll Deductions and Withholdings	\$ 5,250	\$ 1,342,909	\$ 1,342,396	\$ 5,763
Accounts Payable	1,465	1,465	1,465	1,465
Due Unemployment Comp Ins. Trust Fund	10,352		10,352	-
Salaries and Wages	-	1,891,820	1,891,820	-
Total Liabilities	<u>\$ 17,067</u>	<u>\$ 3,236,194</u>	<u>\$ 3,246,033</u>	<u>\$ 7,228</u>

LONG-TERM DEBT SCHEDULES

The Long-Term Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

N/A

Harmony Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	93-98
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	99-102
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	103-106
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	107-108
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	109-113

Sources:

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

Harmony Township School District
Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Invested in capital assets, net of related debt	\$ 4,457,217	\$ 4,942,459	\$ 5,147,100	\$ 4,328,919	\$ 4,243,675	\$ 4,296,205	\$ 4,281,434	\$ 4,846,700	\$ 5,105,311	\$ 6,315,999
Restricted	620,072	596,598	561,678	736,922	1,404,844	1,917,596	1,835,337	2,032,174	784,252	1,089,254
Unrestricted	666,091	391,170	530,757	521,124	376,024	(650,949)	(53,863)	(780,721)	196,541	(764,517)
Total governmental activities net position	<u>\$ 5,743,380</u>	<u>\$ 5,930,227</u>	<u>\$ 6,239,535</u>	<u>\$ 5,586,965</u>	<u>\$ 6,024,543</u>	<u>\$ 5,562,852</u>	<u>\$ 6,062,908</u>	<u>\$ 6,098,153</u>	<u>\$ 6,086,104</u>	<u>\$ 6,640,736</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 9,199	\$ 8,630	\$ 5,859	\$ 3,089	\$ 319	-	\$ 4,783	\$ 3,587	\$ 2,392	\$ 1,196
Restricted					-	-	-	-	-	-
Unrestricted	11,316	24,316	4,443	8,312	12,843	\$ 13,247	6,748	7,015	8,115	8,875
Total business-type activities net position	<u>\$ 20,515</u>	<u>\$ 32,946</u>	<u>\$ 10,302</u>	<u>\$ 11,401</u>	<u>\$ 13,162</u>	<u>\$ 13,247</u>	<u>\$ 11,531</u>	<u>\$ 10,602</u>	<u>\$ 10,507</u>	<u>\$ 10,071</u>
District-wide										
Invested in capital assets, net of related debt	\$ 4,466,416	\$ 4,951,089	\$ 5,152,959	\$ 4,332,008	\$ 4,243,994	\$ 4,296,205	\$ 4,286,217	\$ 4,850,287	\$ 5,107,703	\$ 6,317,195
Restricted	620,072	596,598	561,678	736,922	1,404,844	1,917,596	1,835,337	2,032,174	784,252	1,089,254
Unrestricted	677,407	415,486	535,200	529,436	388,867	(637,702)	(47,115)	(773,706)	204,656	(755,642)
Total district net position	<u>\$ 5,763,895</u>	<u>\$ 5,963,173</u>	<u>\$ 6,249,837</u>	<u>\$ 5,598,366</u>	<u>\$ 6,037,705</u>	<u>\$ 5,576,099</u>	<u>\$ 6,074,439</u>	<u>\$ 6,108,755</u>	<u>\$ 6,096,611</u>	<u>\$ 6,650,807</u>

Source: CAFR Schedule A-1

Harmony Township School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
Instruction										
Regular	\$ 2,243,834	\$ 1,959,353	\$ 2,716,954	\$ 2,305,998	\$ 2,316,079	\$ 2,586,358	\$ 3,121,833	\$ 3,142,612	\$ 3,278,009	\$ 3,028,546
Special education	608,539	647,341	551,929	433,002	441,872	509,541	458,972	552,221	630,807	591,422
Other special education	30,901	90,620	54,593	124,368	87,259	87,369	124,232	245,704	290,854	334,028
Support Services:										
Tuition	1,936,385	1,974,145	1,786,158	1,751,201	1,496,904	1,500,461	1,638,348	1,721,977	1,656,489	1,499,127
Student & instruction related services	735,037	711,401	702,306	771,704	772,388	804,357	725,295	923,107	1,029,541	877,632
School administrative services	43,427	119,425	151,474	166,450	167,829	191,264	188,983	211,575	224,370	205,471
General and business administrative services	414,889	314,014	284,148	343,479	332,581	390,295	399,504	459,823	508,741	488,164
Plant operations and maintenance	412,787	526,054	494,828	546,377	497,328	597,439	505,681	718,570	727,702	845,514
Pupil transportation	329,726	299,775	338,333	315,051	275,610	270,534	258,072	283,307	292,983	284,109
Interest on debt and other fiscal charges	28,166	13,909	-	1,440	1,739	1,739	1,739	1,739	1,739	1,739
Unallocated depreciation	9,030	10,796	10,796	8,842	8,921	9,667	10,577	18,033	20,343	20,453
Total governmental activities expenses	<u>6,792,721</u>	<u>6,666,833</u>	<u>7,091,519</u>	<u>6,767,912</u>	<u>6,398,510</u>	<u>6,949,024</u>	<u>7,433,236</u>	<u>8,278,668</u>	<u>8,661,578</u>	<u>8,176,205</u>
Business-type activities:										
Food service	92,231	74,217	84,489	78,166	85,072	79,327	84,759	74,619	82,340	84,095
Child Care	24,960	21,624	-	-	-	-	-	-	-	-
Total business-type activities expense	<u>117,191</u>	<u>95,841</u>	<u>84,489</u>	<u>78,166</u>	<u>85,072</u>	<u>79,327</u>	<u>84,759</u>	<u>74,619</u>	<u>82,340</u>	<u>84,095</u>
Total district expenses	<u>\$ 6,909,912</u>	<u>\$ 6,762,674</u>	<u>\$ 7,176,008</u>	<u>\$ 6,846,078</u>	<u>\$ 6,483,582</u>	<u>\$ 7,028,351</u>	<u>\$ 7,517,995</u>	<u>\$ 8,353,287</u>	<u>\$ 8,743,918</u>	<u>\$ 8,260,300</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Tuition	\$ 109,235	\$ 66,393	\$ 36,493	\$ 48,488	\$ 27,470	\$ 34,338	\$ 36,000	\$ 35,750	\$ 38,250	\$ 43,940
Operating grants and contributions	1,074,561	751,556	901,072	950,482	845,223	1,304,354	1,606,006	2,081,195	2,410,357	1,921,462
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>1,183,796</u>	<u>817,949</u>	<u>937,565</u>	<u>998,970</u>	<u>872,693</u>	<u>1,338,692</u>	<u>1,642,006</u>	<u>2,116,945</u>	<u>2,448,607</u>	<u>1,965,402</u>
Business-type activities:										
Charges for services										
Food service	61,917	47,383	48,438	53,765	55,498	51,278	53,851	48,835	57,509	58,780
Child Care	21,944	35,689	1,803	-	-	-	-	-	-	-
Operating grants and contributions	26,997	25,186	30,012	25,499	31,335	27,068	27,411	24,855	24,700	24,878
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>110,858</u>	<u>108,258</u>	<u>80,253</u>	<u>79,264</u>	<u>86,833</u>	<u>78,346</u>	<u>81,262</u>	<u>73,690</u>	<u>82,209</u>	<u>83,658</u>
Total district program revenues	<u>\$ 1,294,654</u>	<u>\$ 926,207</u>	<u>\$ 1,017,818</u>	<u>\$ 1,078,234</u>	<u>\$ 959,526</u>	<u>\$ 1,417,038</u>	<u>\$ 1,723,268</u>	<u>\$ 2,190,635</u>	<u>\$ 2,530,816</u>	<u>\$ 2,049,060</u>
Net (Expense)/Revenue										
Governmental activities	\$ (5,608,925)	\$ (5,848,884)	\$ (6,153,954)	\$ (5,768,942)	\$ (5,525,817)	\$ (5,610,332)	\$ (5,791,230)	\$ (6,161,723)	\$ (6,212,971)	\$ (6,210,803)
Business-type activities	(6,333)	12,417	(4,236)	1,098	1,761	(981)	(3,497)	(929)	(131)	(437)
Total district-wide net expense	<u>\$ (5,615,258)</u>	<u>\$ (5,836,467)</u>	<u>\$ (6,158,190)</u>	<u>\$ (5,767,844)</u>	<u>\$ (5,524,056)</u>	<u>\$ (5,611,313)</u>	<u>\$ (5,794,727)</u>	<u>\$ (6,162,652)</u>	<u>\$ (6,213,102)</u>	<u>\$ (6,211,240)</u>

Continued

Harmony Township School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	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, net	\$ 5,503,600	\$ 5,723,744	\$ 5,723,744	\$ 5,838,218	\$ 6,018,532	\$ 6,078,717	\$ 6,193,605	\$ 6,193,605	\$ 6,193,605	\$ 6,255,541
Taxes levied for debt service	299,347	304,173	304,173	-	-	-	-	-	-	-
Investment earnings	7,641	2,010	2,010	1,212	875	991	1,296	1,120	4,417	15,750
Federal and state aid for capital asset projects	279,135	-	-	-	(68,139)	-	-	-	-	-
Miscellaneous income	5,688	5,804	5,804	31,845	12,127	8,963	96,385	2,243	2,900	5,604
Transfers										
Total governmental activities	<u>6,095,411</u>	<u>6,035,731</u>	<u>6,035,731</u>	<u>5,871,275</u>	<u>5,963,395</u>	<u>6,088,671</u>	<u>6,291,286</u>	<u>6,196,968</u>	<u>6,200,922</u>	<u>6,276,895</u>
Business-type activities:										
Miscellaneous income	1,638	14	14	1	-	1,066	1,781	-	36	1
Transfers										
Total business-type activities	<u>1,638</u>	<u>14</u>	<u>14</u>	<u>1</u>	<u>-</u>	<u>1,066</u>	<u>1,781</u>	<u>-</u>	<u>36</u>	<u>1</u>
Total district-wide	<u>\$ 6,097,049</u>	<u>\$ 6,035,745</u>	<u>\$ 6,035,745</u>	<u>\$ 5,871,276</u>	<u>\$ 5,963,395</u>	<u>\$ 6,089,737</u>	<u>\$ 6,293,067</u>	<u>\$ 6,196,968</u>	<u>\$ 6,200,958</u>	<u>\$ 6,276,896</u>
Change in Net Position										
Governmental activities	\$ 486,486	\$ 186,847	\$ (118,223)	\$ 102,333	\$ 437,578	\$ 478,339	\$ 500,056	\$ 35,245	\$ (12,049)	\$ 66,092
Business-type activities	(4,695)	12,431	(4,222)	1,099	1,761	85	(1,716)	(929)	(95)	(436)
Total district	<u>\$ 481,791</u>	<u>\$ 199,278</u>	<u>\$ (122,445)</u>	<u>\$ 103,432</u>	<u>\$ 439,339</u>	<u>\$ 478,424</u>	<u>\$ 498,340</u>	<u>\$ 34,316</u>	<u>\$ (12,144)</u>	<u>\$ 65,656</u>

Source: CAFR Schedule A-2

**Harmony Township School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years**
(modified accrual basis of accounting)

Exhibit J-3

	2010		2011		2012		2013		Fiscal Year Ending June 30,		2014		2015		2016		2017		2018		2019			
General Fund																								
Reserved	\$	537,235	\$	605,062	\$	622,076	\$	736,922	\$	1,476,984	\$	1,917,596	\$	2,545,029	\$	2,065,397	\$	1,838,480	\$	1,204,773				
Unreserved		376,739		311,649		275,182		266,017		230,216		233,686		221,276		220,256		221,867		216,413				
Total general fund	\$	<u>913,974</u>	\$	<u>916,711</u>	\$	<u>897,258</u>	\$	<u>1,002,939</u>	\$	<u>1,707,200</u>	\$	<u>2,151,282</u>	\$	<u>2,766,305</u>	\$	<u>2,285,653</u>	\$	<u>2,060,347</u>	\$	<u>1,421,186</u>				
All Other Governmental Funds																								
Reserved	\$	145,608																						
Unreserved, reported in:																								
Special revenue fund																								
Capital projects fund	\$	295,885		139,097	\$	252,397	\$	290,287	\$	108,848	\$	108,848												
Debt service fund		-		-		-		-		-		-		-		-		-		-		-		
Total all other governmental funds	\$	<u>441,493</u>	\$	<u>139,097</u>	\$	<u>252,397</u>	\$	<u>290,287</u>	\$	<u>108,848</u>	\$	<u>108,848</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>

Source: CAFR Schedule B-1

**Harmony Township School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	<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>
Revenues										
Tax levy	\$ 5,802,947	\$ 6,027,917	\$ 5,838,218	\$ 5,838,218	\$ 6,018,532	\$ 6,078,717	\$ 6,193,605	\$ 6,193,605	\$ 6,193,605	\$ 6,255,541
Tuition charges	109,235	66,393	36,493	48,488	27,470	34,338	36,000	35,750	38,250	43,940
Interest earnings	2,165	522	60	9	10	28	64	51	78	2
Miscellaneous	11,164	7,292	84,984	33,048	12,992	9,926	97,617	3,312	7,239	21,352
State sources	1,091,168	593,465	719,944	807,476	652,083	790,484	868,748	952,326	1,031,904	1,163,410
Federal sources	262,528	158,091	181,128	143,006	125,001	98,636	174,917	152,641	163,911	158,378
Total revenue	7,279,207	6,853,680	6,860,827	6,870,245	6,836,088	7,012,129	7,370,951	7,337,685	7,434,987	7,642,623
Expenditures										
Instruction										
Regular Instruction	1,646,355	1,410,274	1,539,162	1,638,716	1,662,416	1,643,507	1,991,765	1,723,414	1,719,638	1,722,367
Special education instruction	468,675	498,035	418,016	322,647	332,482	340,930	306,825	331,358	366,154	372,295
Other special instruction	23,799	69,719	41,347	92,672	65,657	58,458	83,050	147,434	168,827	210,268
Other instruction										
Support Services:										
Tuition	1,936,385	1,974,145	1,786,158	1,751,201	1,496,904	1,500,461	1,638,348	1,721,977	1,656,489	1,499,127
Student & instruction related services	566,099	547,320	531,907	575,028	581,175	538,189	484,863	553,907	597,600	552,462
School administrative services	33,446	91,880	114,722	124,029	118,856	127,973	126,336	126,955	130,236	129,342
Other administrative services	319,533	241,588	215,206	255,940	250,247	261,143	267,070	275,915	295,300	307,295
Plant operations and maintenance	317,914	404,722	374,769	407,128	374,209	399,742	338,050	431,175	422,397	532,244
Pupil transportation	329,726	299,775	338,333	315,051	275,610	270,534	258,072	283,307	292,983	284,109
Unallocated employee benefits	1,031,827	1,007,507	1,082,319	1,216,479	1,127,164	1,262,428	1,277,657	1,475,558	1,546,884	1,743,856
Charter Schools	-	-	-	1,203	15,414	13,741	-	-	-	-
Special Revenue										
Capital Outlay	263,242	304,201	325,041	26,580	13,132	150,941	92,740	747,337	463,785	928,419
Debt service:										
Principal	270,000	289,000	-	-	-	-	-	-	-	-
Interest and other charges	29,348	15,173	-	-	-	-	-	-	-	-
Total expenditures	7,236,349	7,153,339	6,766,980	6,726,674	6,313,266	6,568,047	6,864,776	7,818,337	7,660,293	8,281,784
Excess (Deficiency) of revenues over (under) expenditures	42,858	(299,659)	93,847	143,571	522,822	444,082	506,175	(480,652)	(225,306)	(639,161)
Other Financing Sources (uses)										
Transfers in	425,100									
Transfers out	(425,000)									
Total other financing sources (uses)	100	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 42,958	\$ (299,659)	\$ 93,847	\$ 143,571	\$ 522,822	\$ 444,082	\$ 506,175	\$ (480,652)	\$ (225,306)	\$ (639,161)
Debt service as a percentage of noncapital expenditures	4.3%	4.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

HARMONY TOWNSHIP SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Rentals</u>	<u>Interest</u> <u>Earned on</u> <u>Capital Reserve</u> <u>Funds</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2010	\$ 5,476	\$ 1,152		\$ 2,165	\$ 109,235	\$ 4,536	\$ 121,542
2011	1,488	460		522	66,393	5,344	74,207
2012	654			60	36,493	84,330	121,537
2013	1,203			9	48,488	31,845	81,545
2014	875	12,701		10	27,470	584	41,640
2015	991				34,338	8,963	44,292
2016	1,232	87,925		64	36,000	6,960	132,181
2017	1,069			51	35,750	243	37,113
2018	4,339			78	38,250	-	42,667
2019	15,750				43,940	1,904	61,594

SOURCE: District Records

**Harmony Township School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2010	\$10,832,800	\$196,288,100	\$25,749,800	\$3,876,300	\$19,984,100	\$232,683,000	-	\$519,874,140	\$29,685,800	\$774,240	\$490,188,340	\$1.184	\$667,437,299
2011	11,123,700	195,832,400	26,368,800	3,855,200	19,984,100	232,683,000	-	519,871,432	29,239,500	784,732	490,631,932	1.229	670,179,617
2012	8,629,700	196,425,100	26,281,300	3,995,600	19,984,100	224,926,600	-	515,107,771	34,213,900	651,471	480,893,871	1.214	642,054,276
2013	8,221,300	198,307,000	26,909,600	3,950,500	20,532,200	225,382,300	-	517,203,411	33,207,600	692,911	483,995,811	1.206	595,129,101
2014	7,888,900	198,578,500	25,904,700	3,906,300	19,073,300	225,096,500	-	514,989,516	33,867,100	674,216	481,122,416	1.251	553,971,122
2015	7,768,900	195,001,400	27,095,700	3,912,700	18,765,800	225,096,500	-	513,935,187	35,770,900	523,287	478,164,287	1.271	521,335,225
2016	7,301,800	196,864,400	26,387,100	3,936,300	18,713,300	224,700,700	-	513,639,961	35,356,100	380,261	478,283,861	1.295	510,932,410
2017	7,485,900	195,055,200	27,222,000	3,893,700	19,020,800	224,143,500	-	513,428,839	36,258,700	349,039	477,170,139	1.298	535,957,748
2018	7,485,900	195,055,200	27,222,000	3,893,700	19,020,800	224,143,500	-	513,428,839	36,258,700	349,039	477,170,139	1.297	535,957,748
2019	7,118,700	195,323,100	27,759,400	3,922,500	19,639,300	224,061,300	-	512,647,613	34,485,600	337,713	478,162,013	1.308	547,022,917

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

**Harmony Township School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Harmony Township Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Harmony Township	Library	Warren County	
2010	\$1.123	\$0.061	\$1.184	\$0.210	\$0.071	\$0.757	\$2.222
2011	\$1.167	\$0.062	\$1.229	\$0.235	\$0.066	\$0.771	\$2.301
2012	\$1.214	\$0.000	\$1.214	\$0.293	\$0.065	\$0.785	\$2.357
2013	\$1.206	\$0.000	\$1.206	\$0.296	\$0.058	\$0.776	\$2.336
2014	\$1.251	\$0.000	\$1.251	\$0.302	\$0.058	\$0.735	\$2.346
2015	\$1.271	\$0.000	\$1.271	\$0.314	\$0.058	\$0.783	\$2.426
2016	\$1.295	\$0.000	\$1.295	\$0.321	\$0.058	\$0.771	\$2.445
2017	\$1.298	\$0.000	\$1.298	\$0.322	\$0.058	\$0.800	\$2.478
2018	\$1.297	\$0.000	\$1.297	\$0.327	\$0.000	\$0.852	\$2.476
2019	\$1.308	\$0.000	\$1.308	\$0.333	\$0.000	\$0.836	\$2.477

Source: District Records and Municipal Tax Collector

Note:

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

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

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

**Harmony Township School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Merrill Creek Reservoir	\$221,059,508	1	46.23%	\$ 187,317,750	1	36.08%
Transcontinental Gas Pipeline Corp.	8,398,400	2	1.76%	2,035,000	5	0.39%
Anchor Concrete Products	3,403,800	3	0.71%			
Signature Estates LLC	2,008,500	4	0.42%			
Harkers Hollow Golf Club	2,000,000	7	0.42%	2,597,440	3	0.50%
Shumack/Tully Rcyclg	1,124,300	8	0.22%			
A Paradise Farm	1,063,400	7	0.22%			
Deep Pool Holding, Inc.	1,030,900	8	0.19%			
Individual Taxpayer #1	899,900	9	0.19%	908,500	7	0.17%
Harmony Sand & Gravel	824,100	10	0.17%	945,700	6	0.18%
Hydropress, Inc.				3,003,200	2	0.58%
Par Four Assoc (Anchor Concrete)				2,247,800	4	0.43%
Gill Properties				839,200	8	0.16%
Bell Atlantic				642,685	9	0.12%
APS Mgmt				573,000	10	0.11%
Total	\$ 241,812,808		50.53%	\$ 201,110,275		38.74%

Source: District CAFR & Municipal Tax Assessor

**Harmony Township School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	\$5,503,600	\$5,503,600	100.00%	-
2011	\$5,723,744	\$5,723,744	100.00%	-
2012	\$5,838,218	\$5,838,218	100.00%	-
2013	\$5,838,218	\$5,838,218	100.00%	-
2014	\$6,018,532	\$6,018,532	100.00%	-
2015	\$6,078,717	\$6,078,717	100.00%	-
2016	\$6,193,605	\$6,193,605	100.00%	-
2017	\$6,193,605	\$6,193,605	100.00%	-
2018	\$6,193,605	\$6,193,605	100.00%	-
2019	\$6,255,541	\$6,255,541	100.00%	-

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

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

**Harmony Township School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2010	\$ 289,000	-0-	-0-	-0-	-0-	\$ 289,000	0.24%	\$103	
2011	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0	
2012	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0	
2013	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0	
2014	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0	
2015	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0	
2016	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0	
2017	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0	
2018	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0	
2019	-0-	-0-	-0-	-0-	-0-	-0-	0.00%	\$0	

Source: District CAFR Schedules I-1, I-2

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

Harmony Township School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Exhibit J-11

General Bonded Debt Outstanding						
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b	
2010	\$ 289,000	-0-	\$ 289,000	0.06%	\$103	
2011	-0-	-0-	-0-	0.00%	\$0	
2012	-0-	-0-	-0-	0.00%	\$0	
2013	-0-	-0-	-0-	0.00%	\$0	
2014	-0-	-0-	-0-	0.00%	\$0	
2015	-0-	-0-	-0-	0.00%	\$0	
2016	-0-	-0-	-0-	0.00%	\$0	
2017	-0-	-0-	-0-	0.00%	\$0	
2018	-0-	-0-	-0-	0.00%	\$0	
2019	-0-	-0-	-0-	0.00%	\$0	

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

a See Exhibit NJ J-6 for property tax data.

b Population data can be found in Exhibit NJ J-14.

R Revised

* Current data unavailable

**Harmony Township School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2019**

Exhibit J-12

<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			
Township of Harmony	\$ 4,275,000	100.000%	\$ 4,275,000
Other debt			
Warren County	2,630,000	4.947%	<u>130,110</u>
Subtotal, overlapping debt			4,405,110
Harmony Township School District Direct Debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 4,405,110</u></u>

Sources: Township Finance Officer, Warren County Finance Office and Utility Authorities

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 district. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

**Harmony Township School District
Legal Debt Margin Information,
Last Ten Fiscal Years**

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2019

	Equalized valuation basis
	2016 533,476,281
	2017 543,353,597
	2018 526,354,153
	[A] <u>\$ 1,603,184,031</u>
Average equalized valuation of taxable property	[A/3] \$ 534,394,677
Debt limit (3 % of average equalization value)	[B] 16,031,840
Net bonded school debt	[C] -
Legal debt margin	[B-C] <u>\$ 16,031,840</u>

	Fiscal Year									
	<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>
Debt limit	\$20,394,926	\$19,811,842	\$19,030,682	\$17,913,441	\$16,616,542	\$15,819,341	\$15,627,220	\$15,752,743	\$16,110,391	\$ 16,031,840
Total net debt applicable to limit	289,000	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$20,105,926</u>	<u>\$19,811,842</u>	<u>\$19,030,682</u>	<u>\$17,913,441</u>	<u>\$16,616,542</u>	<u>\$15,819,341</u>	<u>\$15,627,220</u>	<u>\$15,752,743</u>	<u>\$16,110,391</u>	<u>\$16,031,840</u>
Total net debt applicable to the limit as a percentage of debt limit	1.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

**Harmony Township School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population^a</u>	<u>Personal Income (thousands of dollars)^b</u>	<u>Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2010	2,810	\$ 124,345,310	\$44,251 R	5.5%
2011	2,623	\$ 120,046,841	\$45,767 R	5.0%
2012	2,611	\$ 122,779,664	\$47,024 R	4.9%
2013	2,593	\$ 123,136,384	\$47,488 R	6.8%
2014	2,547	\$ 124,935,444	\$49,052 R	5.9%
2015	2,533	\$ 128,797,984	\$50,848 R	4.9%
2016	2,522	\$ 129,746,812	\$51,446 R	4.4%
2017	2,502	\$ 133,934,562	\$53,531 R	3.6%
2018	2,493	\$ 133,452,783	\$53,531 *	3.5%
2019	2,486	\$ 133,078,066	\$53,531 *	*

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

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

P =Projected

R =Revised

* Current data unavailable

**Harmony Township School District
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years**

Exhibit J-16

<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	28.8	28.0	22.5	22.5	22.0	23.0	24.3	22.3	23.3	25.0
Special education	7.0	7.0	13.4	14.1	8.0	4.0	11.5	12.0	13.5	12.1
Support Services:										
Student & instruction related services	9.0	4.0	4.0	5.1	2.0	1.0	3.1	4.4	4.4	4.4
General administrative services	2.0	1.5	1.0	1.5	2.0	2.0	1.5	1.5	1.5	1.5
School administrative services	2.0	2.0	2.5	2.0	3.0	1.0	1.0	1.0	1.0	1.0
Business administrative services	1.0	0.0	1.0	1.0	1.0	1.0	0.5	0.5	0.5	0.5
Plant operations and maintenance	3.0	3.0	2.0	3.0	2.0	2.0	3.0	3.0	3.0	3.0
Total	<u>52.8</u>	<u>45.5</u>	<u>46.4</u>	<u>49.2</u>	<u>40.0</u>	<u>34.0</u>	<u>44.9</u>	<u>44.7</u>	<u>47.2</u>	<u>47.5</u>

Source: District Personnel Records

**Harmony Township School District
Operating Statistics
Last Ten Fiscal Years**

Exhibit J-17

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					
2010	298	\$6,673,759	22,395	#DIV/0!	31	1:9.6		297.5	284.2	-5.91%	95.53%
2011	293	\$6,544,965	22,338	-0.26%	28	1:10.5		293.5	280.3	-1.34%	95.50%
2012	283	\$6,441,939	22,763	1.90%	26	1:10.9		283.6	272.6	-3.37%	96.12%
2013	269	\$6,700,094	24,907	9.42%	27	1:10		262.6	260.4	-7.40%	99.16%
2014	265	\$6,700,094	25,283	1.51%	27	1:8.3		264.1	253.4	0.59%	95.94%
2015	253	\$6,417,106	25,364	0.32%	27	1:9.4		250.2	237.9	-5.29%	95.10%
2016	252	\$6,772,036	26,873	5.95%	29	1:8.7		252.0	239.2	0.73%	94.94%
2017	247	\$7,071,000	28,628	6.53%	29	1:8.5		246.7	234.5	-2.11%	95.07%
2018	253	\$7,196,508	28,445	-0.64%	31	1:8.2		251.7	238.9	2.04%	94.92%
2019	243	\$7,353,365	30,261	6.38%	31	1:7.8		240.5	228.5	-4.45%	95.01%

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

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4
- 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).

**Harmony Township School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<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>
<u>District Building</u>										
<u>Elementary</u>										
Elementary (1956)										
Square Feet	44,298	44,298	44,298	44,298	44,298	44,298	44,298	44,298	44,298	44,298
Capacity (students)	435	435	435	435	435	435	435	435	435	435
Enrollment	298	293	283	269	265	253	252	247	253	243

Number of Schools at June 30, 2019

Source: District records, ASSA

Elementary = 1

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the results of renovations and/or additions. Enrollment is based on the annual October district count.

HARMONY TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Ten Fiscal Years Ending June 30, 2019

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</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>	<u>Total</u>
Harmony School	N/A	\$ 102,463	\$ 116,720	\$ 116,497	\$ 146,517	\$ 131,161	\$ 106,511	\$ 124,683	\$ 231,329	\$ 204,711	\$ 292,237	\$ 1,572,829
Total School Facilities		102,463	116,720	116,497	146,517	131,161	106,511	124,683	231,329	204,711	292,237	1,572,829
Other Facilities												
Grand Total		\$ 102,463	\$ 116,720	\$ 116,497	\$ 146,517	\$ 131,161	\$ 106,511	\$ 124,683	\$ 231,329	\$ 204,711	\$ 292,237	\$ 1,572,829

HARMONY TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE

JUNE 30, 2019

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
SCHOOL PACKAGE POLICY - NJSBAIG		
Property-Blanket Building and Contents-Blanket	\$500,000,000	\$1,000
Comprehensive General Liability	11,000,000	
Comprehensive Automobile Liability	11,000,000	
Comprehensive Crime Coverage	100,000	1,000
Worker's Compensation (NJSBAIG)	5,000,000	
Electronic Data Processing	250,000	1,000
SCHOOL BOARD LEGAL LIABILITY - NJSBAIG		
Directors and Officers Policy	11,000,000	5,000
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND - Ohio Casualty		
Treasurer	170,000	
Business Administrator	35,000	

SOURCE: District Records

Single Audit Section



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Anthony Ardito, CPA, RMA, CMFO, PSA
 Douglas R. Williams, CPA, RMA, PSA

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

Independent Auditor's Report

Honorable President and
 Members of the Board of Education
 Harmony Township School District
 County of Warren
 Phillipsburg, New Jersey 08865

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Harmony Township School District Board of Education in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Harmony Township School District Board of Education's basic financial statements, and have issued our report thereon dated November 8, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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** or audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Purpose of this Report

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

ARDITO & Co., LLP

ARDITO & CO., LLP
November 8, 2019

Anthony Ardito

Licensed Public School Accountant No.2369



ARDITO & Co., LLP

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 Douglas R. Williams, CPA, RMA, PSA

Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB circulars 15-08

Independent Auditor's Report

Honorable President and
 Members of the Board of Education
 Harmony Township School District
 County of Warren
 Phillipsburg, New Jersey 08865

Report on Compliance for Each Major State Program

We have audited the Harmony Township School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB circulars 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2019. The Harmony Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's 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 as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circulars 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.

-Continued-

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

Report on Internal Control Over Compliance

Management of the Harmony Township School District Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 New Jersey OMB Circulars 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 Harmony Township School District Board of Education's internal control over compliance.

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

-Continued-

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 New Jersey OMB circulars 15-08, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

Ardito & Co., LLP

ARDITO & CO., LLP
November 8, 2019

Anthony Ardito

Licensed Public School Accountant No.2369

HARMONY TOWNSHIP SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2019

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2018	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2019			MEMO			
									(ACCTS. RECEIV.)	DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.		
State Department of Education													*		
General Fund:													*		
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	\$ 146,873			\$ 146,873	\$ (146,873)						\$	12,352	\$ 146,873
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	228,888			228,888	(228,888)						*	19,249	228,888
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	31,434			31,434	(31,434)						*	2,644	31,434
Non-Public Transportation Aid	19-100-034-5120-068	7/1/18-6/30/19	1,831				(1,831)		\$ (1,831)				*		1,831
Non-Public Transportation Aid	18-100-034-5120-068	7/1/17-6/30/18	2,408	\$ (2,408)		2,408	-						*		2,408
TPAF Pension	19-495-034-5094-002	7/1/18-6/30/19	409,929			409,929	(409,929)						*		409,929
TPAF Pension PMR	19-495-034-5094-001	7/1/18-6/30/19	185,943			185,943	(185,943)						*		185,943
TPAF Pension LTD Ins	19-495-034-5094-004	7/1/18-6/30/19	732			732	(732)						*		732
Reimbursed TPAF Soc.Secur.Contrib.	19-495-034-5094-003	7/1/18-6/30/19	162,251	(285)		154,227	(162,251)				(8,309)		*		162,251
Total General Fund				(2,693)		1,160,434	(1,167,881)				(10,140)		*	34,245	1,170,289
State Department of Agriculture:													*		
Enterprise Fund:													*		
Nat.School Lunch Prog.(State Share)	19-100-010-3350-023	7/1/18-6/30/19	914			876	(914)				(38)		*		914
Nat.School Lunch Prog.(State Share)	18-100-010-3350-023	7/1/17-6/30/18	924	(39)		39							*		-
Total Enterprise Fund				(39)		915	(914)				(38)		*		914
Total State Financial Assistance				\$ (2,732)		\$ 1,161,349	\$ (1,168,795)				\$ (10,178)		*	\$ 34,245	\$ 1,171,203
							Less: On-behalf TPAF Pension Amounts	596,604							
							Total State Expenditures Subject to Major Program Determination	\$ (572,191)							

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2019

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE 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 state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$4,471) for the general fund and (\$4,220) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
 JUNE 30, 2019

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 1,163,410	\$ 1,163,410
Special Revenue Fund	\$ 158,378	-	158,378
Food Service Fund	<u>23,964</u>	<u>914</u>	<u>24,878</u>
Total Financial Assistance	<u>\$ 182,342</u>	<u>\$ 1,164,324</u>	<u>\$ 1,346,666</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2019. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2019.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? ___ Yes No

2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes None Reported

Noncompliance material to financial statements noted? ___ Yes No

Federal Awards

N/A

Internal control over major programs:

1) Material weakness(es) identified? ___ Yes ___ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ None

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of ? ___ Yes ___ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A		

Dollar threshold used to distinguish between Type A and Type B programs: N/A

Auditee qualified as low-risk auditee? ___ yes ___ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Financial Assistance Section

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

Auditee qualified as low-risk auditee? __yes_x_no

Internal Control over major programs:
1) Material weakness(es) identified? __yes_x_no

2) Were significant deficiencies identified that were not considered to be material weaknesses? __yes_x_none

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

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular letter 15-08 as applicable? __yes_x_no

Identification of major programs:

State Grant/Project Number(s)

Name of State Program

19-495-034-5120-089

Special Education Aid (State Aid Cluster)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section II-Financial Statement Findings

N/A

There were no matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with *Government Auditing Standards*.

Section III - State Financial Assistance Findings and Questioned Costs

N/A

This section identifies audit findings required to be reported by NJOMB Circular Letter 15-08, as applicable. There were no state financial assistance findings or questioned costs that are required to be reported in accordance with NJOMB Circular 15-08.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. There were no prior year recommendations.