

**UNION TOWNSHIP
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2019

**Responsibility of the Management of
Union Township School District
Hunterdon County, New Jersey**



**UNION TOWNSHIP
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

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UNION TOWNSHIP SCHOOLS

Nicholas A. Diaz, Superintendent

Union Township Elementary School
149 Perryville Road, Hampton, NJ 08827

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www.uniontwpschool.org · #TigerPride #TheU

December 12, 2019

Honorable President and
Members of the Board of Education
Union Township School District, Hunterdon County
149 Perryville Road
Hampton, NJ 08827

Dear Board Members and Constituents of Union Township:

The comprehensive annual financial report of the Union Township School District (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 discourse 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 the transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to the single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations, findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

Union Township District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the District are included in this report.

The District provides a full range of educational services appropriate to the regular education grade levels of K-8 and additional services for Pre-School Special Needs children aged 3-5. The following table shows the student enrollment and percentage change for the past ten fiscal years.

School Year	Student Enrollment	Percent Change
2018 - 2019	432	-6.5
2017 - 2018	462	+2.6
2016 - 2017	450	-.7
2015 - 2016	453	-8.2
2014 - 2015	495	+.4
2013 - 2014	493	+3.7
2012 - 2013	475	-3.7
2011 - 2012	493	-4.6
2010 - 2011	517	-2.3
2009 - 2010	529	-8.5

2) ECONOMIC CONDITION AND OUTLOOK

Twenty five percent of the land in Union Township is state owned. The state-owned land includes Spruce Run Recreation Area and the Clinton Hunting and Fishing Grounds. It also includes the Edna Mahan Correctional Facility and part of the Hunterdon Developmental Center. The correctional facility produces no strain on the school budget.

Single family residential housing remains the most common type of new development, there are few new homes being constructed in the district. A large international corporation, the township’s largest taxpayer has corporate offices within the township. A private recycling operation also operates a facility within the township. Tax ratable increase is mainly dependent upon homes. The increase in business within the township is minimal.

3) MAJOR INITIATIVES

The District continues to work hard to expand its continuum of services despite the budgeting limitations imposed by legislation. The major facility issues facing the district is the maintenance and necessary upgrades at the Middle School. These include the outdoor facilities project, roof, and the gymnasium. The District should also consider facilities initiatives at both buildings to increase energy efficiency. The major educational initiatives are related to the five year strategic plan themes for Vision 2023. These three themes are: *College or Career Readiness, The School Experience, and School Facilities*. The District will support these themes by allocating funds to achieve the goals and objectives determined by the stakeholders. Technology will support the District’s initiative to promote student innovation and collaboration. Technology devices to support these goals include Chromebooks, iPads, 3D printers, etc.

4) INTERNAL ACCOUNTING CONTROLS

Management of the District is responsible for establishing and maintaining the 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 statement in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that:

1. The cost of a control should not exceed the benefits likely to be derived;
2. The valuation of costs and benefits requires estimates and judgments by management.

Whereas the District receives limited but important federal and state financial assistance, it is responsible for ensuring that the internal control structure is subject to periodic evaluation by the district's management.

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

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 Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project length budgets are approved for the capital improvements accounted for the capital projects fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at the end of the fiscal year are recorded as reservations of fund balance and are subsequently added to the following year's budget.

6) ACCOUNTING SYSTEM AND REPORTS

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board. The accounting system of the District is organized on the basis of funds and account groups. These funds and the account groups are explained in "Notes to the Financial Statements," Note 1.

7) CASH MANAGEMENT

The investment policy of the District is guided by statute as detailed in "Notes to the Financial Statements," Note 1. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories, protected from loss under the provision of the Governmental Unit Deposit Protection Act (GUDPA). This was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the act.

8) RISK MANAGEMENT

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

9) OTHER INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of BKC, CPAs, PC was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular Letter 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.

10) ACKNOWLEDGMENTS

I would like to express appreciation to the members of the Union Township Board of Education for their concern and work 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 the financial operation. I would also like to commend and thank the business office. Their hard work and dedication has greatly contributed to the financial state of the District.

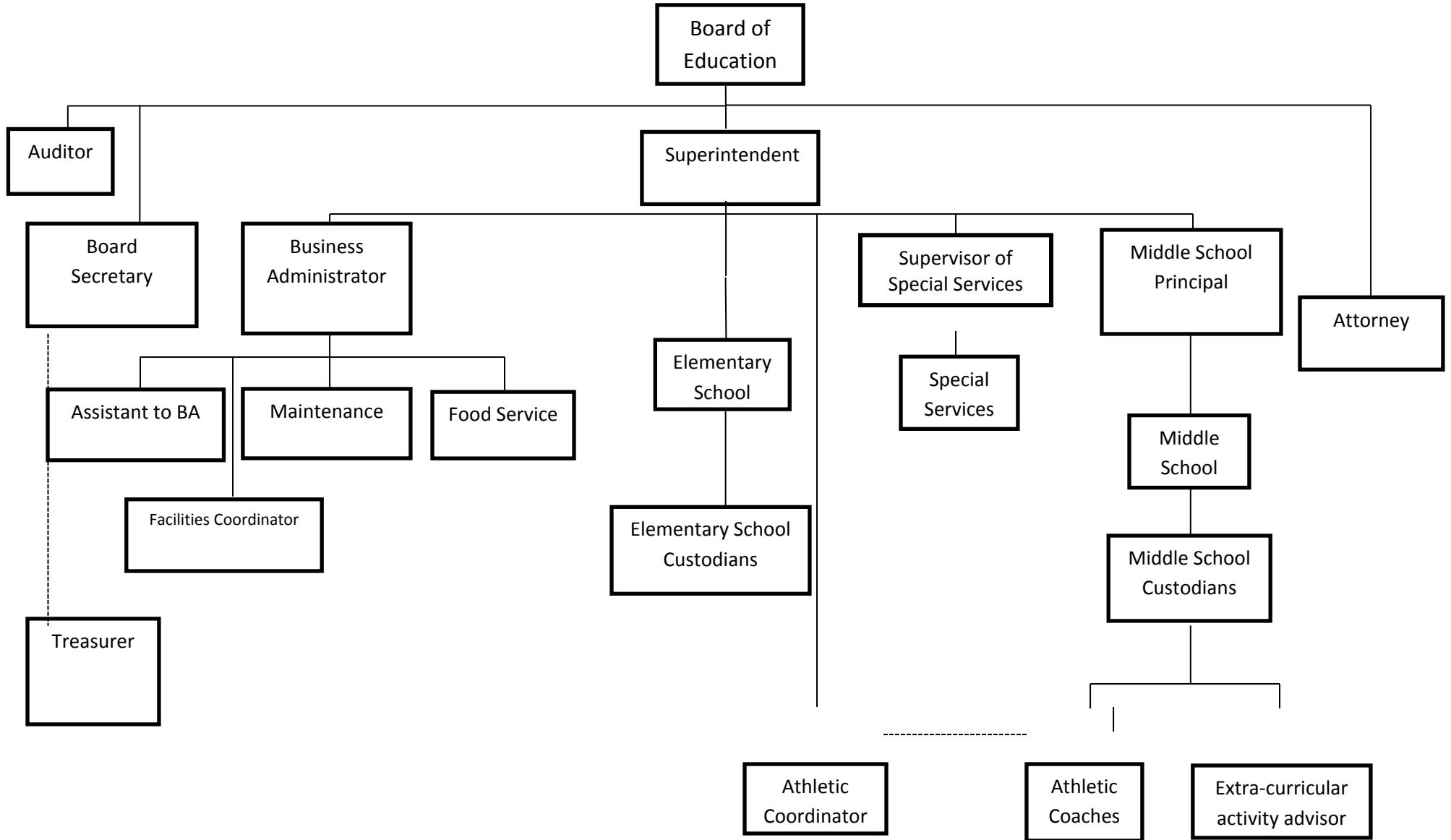
Yours in Education,



Nicholas A. Diaz, Superintendent

Union Township School District

Organization Chart



UNION TOWNSHIP SCHOOL DISTRICT
Roster of Officials
June 30, 2019

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
Lou Palma	President	2020
Jennifer Sigler	Vice-President	2019
Michael Fariello		2019
Gary Minsavage		2019
Amelia Lamonde		2020
James Teipel		2020
Marcello DaSilva		2021
Julie Korson		2021
Jeff Monsell		2021
 <u>Other Officials</u>		
Nicholas Diaz	Chief School Administrator	
Joyce Goode	Board Secretary/School Business Administrator	
Paula Hatch	Treasurer	

UNION TOWNSHIP SCHOOL DISTRICT
Consultants & Advisors
June 30, 2019

AUDIT FIRM

BKC, CPAs, P.C.
114 Broad Street
Flemington, NJ 08822

ATTORNEY

Schenck, Price, Smith & King

ARCHITECT

Fraytak Veisz Hopkins Duthie

OFFICIAL DEPOSITRY

Investors Bank



Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Union Township School District
County of Hunterdon, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Union Township School District, (the District) in the County of Hunterdon, the State of New Jersey, 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 do to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Union Township School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedules Related to Accounting and Reporting for Pensions, and Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits listed 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 an opinion on the financial statements that collectively comprise the District's Basic Financial Statements. The introduction section, combining and individual non-major fund financial statements, long term debt statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and schedule of state awards required by New Jersey Department of the Treasury OMB 15-08 is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relates 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 non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

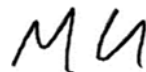
The introduction and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report December 12, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



BKC, CPAs, PC



Michael A. Holk, CPA, PSA
NO. 20CS00265600

December 12, 2019
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

UNION TOWNSHIP PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The discussion and analysis of Union Township Public 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 \$95,031 which represents a 1.49 percent increase from 2018.
- General revenues accounted for \$13,398,529 in revenue or 95.95 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$565,712 or 4.05 percent to total revenues of \$13,964,241.
- Total assets of governmental activities decreased by \$435,583 as cash and cash equivalents decreased by \$166,427, receivables and other assets decreased by \$18,654 and capital assets decreased by \$250,502.
- The School District had \$13,869,210 in expenses; only \$565,712 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$13,398,529 were adequate to provide for these programs.
- Among major funds, the general fund had \$10,608,044 in revenues, \$10,834,190 in expenditures, and \$100,000 in other financing uses. The general fund's balance decreased \$326,146 from fiscal year 2018.

Using this Generally Accepted Accounting Principles 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 Union Township Public 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.

UNION TOWNSHIP PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

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 Union Township Public School District, the general fund is by far the most significant fund.

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 fiscal year 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 the changes in net position. 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. Financial 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 reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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, capital projects fund and debt service fund.

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.

UNION TOWNSHIP PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

These funds measure and report the “operating results” by measuring cash on hand and other assets that can be easily 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

Table 1 provides a summary of the District's net position at June 30, 2019 with comparisons to June 30, 2018.

Table 1
Net Position

	06/30/19	06/30/18	Variance	
			Dollars	%
Assets				
Current & Other Assets	\$ 3,433,973	\$ 3,619,986	\$ (186,013)	-5.14%
Capital Assets	16,455,238	16,706,466	(251,228)	-1.50%
Total Assets	<u>19,889,211</u>	<u>20,326,452</u>	<u>(437,241)</u>	<u>-2.15%</u>
Deferred Pension Activity	664,082	956,038	(291,956)	-30.54%
Deferred Amount on Refunding	145,083	156,243	(11,160)	-7.14%
Total Deferred Outflow of Resources	<u>809,165</u>	<u>1,112,281</u>	<u>(303,116)</u>	<u>-27.25%</u>
Liabilities				
Long-Term Liabilities	12,959,490	14,164,112	(1,204,622)	-8.50%
Other Liabilities	350,757	219,650	131,107	59.69%
Total Liabilities	<u>13,310,247</u>	<u>14,383,762</u>	<u>(1,073,515)</u>	<u>-7.46%</u>
Deferred Pension Activity	920,759	682,632	238,127	34.88%
Total Deferred Inflow of Resources	<u>920,759</u>	<u>682,632</u>	<u>238,127</u>	<u>34.88%</u>
Net Position				
Net Investment in Capital Assets	6,555,238	6,256,466	298,772	4.78%
Restricted	2,075,828	1,956,818	119,010	6.08%
Unrestricted	(2,163,696)	(1,840,945)	(322,751)	17.53%
Total Net Position	<u>\$ 6,467,370</u>	<u>\$ 6,372,339</u>	<u>\$ 95,031</u>	<u>1.49%</u>

Total assets for district-wide purposes decreased \$437,241. Cash and cash equivalents decreased by \$168,346; receivables and other assets decreased by \$17,667 and capital assets decreased by \$251,228. Unrestricted net position decreased by \$322,751 and represents the part of net position that can be used

UNION TOWNSHIP PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

to finance day to day activities without constraints, established by grants or legal requirements of the School District.

The negative balance in unrestricted net position is the result of reporting required by GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

Table 2 provides a summary of the School District's changes in net position for the fiscal year ended June 30, 2019 with comparisons to the fiscal year ended June 30, 2018.

Table 2
Changes in Net Position

	Fiscal Year Ending		Variance	
	06/30/19	06/30/18	Dollars	%
Revenues				
Program Revenues				
Charges for Services	\$ 303,691	\$ 326,153	\$ (22,462)	-6.89%
Operating Grants	262,021	182,597	79,424	43.50%
General Revenues				
Property Taxes	9,171,446	8,715,718	455,728	5.23%
Unrestricted Grants	4,150,412	4,688,705	(538,293)	-11.48%
Other	76,671	51,915	24,756	47.69%
Total Revenues	<u>13,964,241</u>	<u>13,965,088</u>	<u>(847)</u>	-0.01%
Expenses				
Instruction				
Regular	5,130,049	5,667,409	(537,360)	-9.48%
Special	2,195,217	2,251,725	(56,508)	-2.51%
Other	568,900	462,196	106,704	23.09%
Support Services				
Tuition	335,463	410,297	(74,834)	-18.24%
Student & Instructional Staff	2,147,503	1,940,579	206,924	10.66%
General & Business Administration	963,351	947,118	16,233	1.71%
School Administration	364,857	369,795	(4,938)	-1.34%
Maintenance	1,118,714	1,117,581	1,133	0.10%
Transportation	533,144	490,138	43,006	8.77%
Special Schools	25,653	-	25,653	*
Food Service	130,018	141,317	(11,299)	-8.00%
Interest on Long-Term Debt	356,341	374,867	(18,526)	-4.94%
Total Expenses	<u>13,869,210</u>	<u>14,173,022</u>	<u>(303,812)</u>	-2.14%
Increase (Decrease) in Net Position	<u>\$ 95,031</u>	<u>\$ (207,934)</u>	<u>\$ 302,965</u>	145.70%

* = undefined

UNION TOWNSHIP PUBLIC 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 66.29 percent of revenues for governmental activities for the Union Township School District for Fiscal Year 2019.

Instruction comprises 56.92 percent of district expenses. Support services expenses make up 40.51 percent of the expenses. Interest on long-term debt makes up 2.57 percent 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 provides a summary of the School District's cost of governmental services for the fiscal year ended June 30, 2019 with comparisons to the fiscal year ended June 30, 2018.

Table 3
Cost of Governmental Services

	Total Cost of Services		Net Cost of Services	
	06/30/19	06/30/18	06/30/19	06/30/18
Instruction	\$ 7,894,166	\$ 8,381,330	\$ 7,549,050	\$ 8,120,710
Support Services				
Tuition	335,463	410,297	269,111	317,415
Student & Instructional Staff	2,147,503	1,940,579	2,134,487	1,926,862
General & Business Administration	963,351	947,118	963,351	947,118
School Administration	364,857	369,795	364,857	369,795
Plant Operations & Maintenance	1,118,714	1,117,581	1,105,429	1,115,866
Pupil Transportation	533,144	490,138	533,144	490,138
Special Schools	25,653	-	25,653	-
Food Service	130,018	141,317	2,075	1,501
Interest on Long-Term Debt	356,341	374,867	356,341	374,867
Total Expenses	<u>\$ 13,869,210</u>	<u>\$ 14,173,022</u>	<u>\$ 13,303,498</u>	<u>\$ 13,664,272</u>

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

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.

UNION TOWNSHIP PUBLIC 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.

Extracurricular activities include expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

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

The dependence upon tax revenues is apparent. For all activities tax revenue support is 65.68 percent. The community, as a whole, is the primary support for the Union Township School District.

The School District's Funds

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,796,297, expenditures of \$12,022,443, and other financing use of \$100,000. The net negative change in fund balance for the year of \$326,146 occurred in the general fund.

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 Fiscal Year 2019, the School District amended its general fund budget as needed. The School District uses program-based budgeting and the budgeting systems are designed to lightly control total program budgets but provide flexibility for program management.

For the general fund, budget basis revenue was \$9,225,664 which was \$157,977 above original budgeted estimates of \$9,067,687. This difference was due primarily to unbudgeted state aid realized of \$97,303.

The general fund revenues of the School District were less than expenditures and other financing uses by \$319,910.

UNION TOWNSHIP PUBLIC 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 \$16,455,238 invested in land, buildings, furniture and equipment, and construction in progress.

Table 4 provides a summary of the School District's capital assets net of depreciation at June 30, 2019 with comparisons to June 30, 2018.

Table 4
Capital Assets at Year-end
(Net of Depreciation)

	06/30/19	06/30/18	Variance	
			Dollars	%
Land	\$ 189,696	\$ 189,696	\$ -	0.00%
Construction in Progress	338,687	-	338,687	*
Land Improvements	145,123	156,118	(10,995)	-7.04%
Buildings & Improvements	15,446,820	16,061,495	(614,675)	-3.83%
Vehicles	36,352	3,524	32,828	931.56%
Equipment	298,560	295,633	2,927	0.99%
Total	\$ 16,455,238	\$ 16,706,466	\$ (251,228)	-1.50%

* = Undefined

Overall capital assets decreased \$251,228 from Fiscal year 2018 to Fiscal Year 2019. Increases in capital assets (primarily buildings and improvements, machinery and equipment) were offset by depreciation expenses for the year. Major capital asset additions in fiscal year 2019 included playground improvements.

Debt Administration

At June 30, 2019, the School District had \$12,959,490 in long-term liabilities. This amount is detailed in Table 5.

At June 30, 2018, the School District's overall legal debt limit was \$24,853,672 and the legal debt margin was \$14,953,672

UNION TOWNSHIP PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Table 5 provides a summary of the School District's outstanding long-term liabilities at June 30, 2019 with comparisons to June 30, 2018.

Table 5
Long-Term Liabilities at Year-End

	06/30/19	06/30/18	Variance	
			Dollars	%
General Obligation Bonds	\$ 9,900,000	\$ 10,450,000	\$ (550,000)	-5.26%
Net Pension Liability	1,934,691	2,474,404	(539,713)	-21.81%
Unamortized Bond Premium	993,335	1,071,913	(78,578)	-7.33%
Compensated Absences	131,464	167,795	(36,331)	-21.65%
	<u>\$ 12,959,490</u>	<u>\$ 14,164,112</u>	<u>\$ (1,204,622)</u>	<u>-8.50%</u>

For the Future

The Union Township Public School District is presently in a good financial condition with funds in capital reserve, maintenance reserve, and emergency reserve accounts. A constant concern with future finances is the 2% cap on the tax levy and continual flat state aid.

Union Township is primarily a residential community with very few ratables which places the tax burden on residential homeowners. During the 2019-20 school year, the District plans to replace a large section of the Middle School roof; install security film on the windows at both the Middle and Elementary Schools; make energy upgrades to the lighting and HVAC systems in both schools; in addition to maintaining all other building functions.

The Union Township School District commits itself to financial excellence every year and 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 challenges 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 any questions about this report or need additional information, contact Patricia Martucci, Union Township Board of Education, 149 Perryville Rd., Hampton, NJ 08827.

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.

UNION TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 852,061	\$ 14,448	\$ 866,509
Due from other funds	-	22,421	22,421
Receivables, net	468,422	616	469,038
Inventory	-	3,719	3,719
Restricted assets			
Capital reserve account - cash	1,107,286	-	1,107,286
Maintenance reserve account - cash	715,000	-	715,000
Emergency reserve account - cash	250,000	-	250,000
Capital assets, net			
Land and construction in progress	528,383	-	528,383
Other capital assets, net of depreciation	15,920,997	5,858	15,926,855
Total assets	19,842,149	47,062	19,889,211
Deferred outflows of resources			
Deferred amount on pension activity	664,082	-	664,082
Deferred amount on refunding bond issue	145,083	-	145,083
Total deferred outflows of resources	809,165	-	809,165
Liabilities			
Due to other funds, net	88,840	-	88,840
Accounts payable	51,324	1,807	53,131
Accrued interest	180,916	-	180,916
Unearned revenue	22,318	4,078	26,396
Other current liabilities	1,474	-	1,474
Long-term liabilities			
Due within one year	658,578	-	658,578
Due beyond one year	12,300,912	-	12,300,912
Total liabilities	13,304,362	5,885	13,310,247
Deferred inflows of resources			
Deferred amount on pension liability	920,759	-	920,759
Net position			
Net investment in capital assets	6,549,380	5,858	6,555,238
Restricted for			
Capital reserve fund	1,107,286	-	1,107,286
Maintenance reserve fund	715,000	-	715,000
Emergency reserve fund	250,000	-	250,000
Debt service	3,542	-	3,542
Unrestricted	(2,199,015)	35,319	(2,163,696)
Total net position	\$ 6,426,193	\$ 41,177	\$ 6,467,370

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 3,020,476	\$ 2,109,573	\$ 61,600	\$ 102,429	\$ -	\$ (4,966,020)	\$ -	\$ (4,966,020)
Special education	1,315,623	879,594	-	7,025	-	(2,188,192)	-	(2,188,192)
Other special instruction	108,967	43,898	-	43,706	-	(109,159)	-	(109,159)
Other instruction	174,551	241,484	130,356	-	-	(285,679)	-	(285,679)
Support services								
Tuition	335,463	-	-	66,352	-	(269,111)	-	(269,111)
Students and instruction related services	1,357,986	789,517	-	13,016	-	(2,134,487)	-	(2,134,487)
General and business administration services	676,151	287,200	-	-	-	(963,351)	-	(963,351)
School administration services	237,831	127,026	-	-	-	(364,857)	-	(364,857)
Plant operations and maintenance	1,009,210	109,504	13,285	-	-	(1,105,429)	-	(1,105,429)
Pupil transportation	515,521	17,623	-	-	-	(533,144)	-	(533,144)
Special schools	25,653	-	-	-	-	(25,653)	-	(25,653)
Interest on long-term debt	356,341	-	-	-	-	(356,341)	-	(356,341)
Total governmental activities	<u>9,133,773</u>	<u>4,605,419</u>	<u>205,241</u>	<u>232,528</u>	<u>-</u>	<u>(13,301,423)</u>	<u>-</u>	<u>(13,301,423)</u>
Business-type activities								
Food service	130,018	-	98,450	29,493	-	-	(2,075)	(2,075)
Total business-type activities	<u>130,018</u>	<u>-</u>	<u>98,450</u>	<u>29,493</u>	<u>-</u>	<u>-</u>	<u>(2,075)</u>	<u>(2,075)</u>
Total primary government	<u>\$ 9,263,791</u>	<u>\$ 4,605,419</u>	<u>\$ 303,691</u>	<u>\$ 262,021</u>	<u>\$ -</u>	<u>(13,301,423)</u>	<u>(2,075)</u>	<u>(13,303,498)</u>
General revenues, special items and transfers								
Property taxes levied for general purposes						8,215,721	-	8,215,721
Property taxes levied for debt service						955,725	-	955,725
Federal and state aid not restricted						4,150,412	-	4,150,412
Investment earnings						50,539	292	50,831
Miscellaneous income						25,840	-	25,840
Total general revenues and special items						<u>13,398,237</u>	<u>292</u>	<u>13,398,529</u>
Change in net position						96,814	(1,783)	95,031
Net position - beginning						6,329,379	42,960	6,372,339
Net position - ending						<u>\$ 6,426,193</u>	<u>\$ 41,177</u>	<u>\$ 6,467,370</u>

See accompanying notes to financial statements.

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.

UNION TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 848,519	\$ -	\$ -	\$ 3,542	\$ 852,061
Due from other funds	339,220	-	-	-	339,220
Receivables from other governments					
State	116,507	-	259,662	-	376,169
Federal	-	88,737	-	-	88,737
Local	-	726	-	-	726
Other accounts receivable	2,790	-	-	-	2,790
Restricted cash and equivalents	2,072,286	-	-	-	2,072,286
Total assets	\$ 3,379,322	\$ 89,463	\$ 259,662	\$ 3,542	\$ 3,731,989
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ 110,996	\$ 57,402	\$ 259,662	\$ -	\$ 428,060
Accounts payable	34,581	16,743	-	-	51,324
Unearned revenue	7,000	15,318	-	-	22,318
Other current liabilities	1,474	-	-	-	1,474
Total liabilities	154,051	89,463	259,662	-	503,176

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet (continued)
June 30, 2019

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances (cont'd)					
Fund balances					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures	\$ 276,440	\$ -	\$ -	\$ -	\$ 276,440
Excess surplus	197,437	-	-	-	197,437
Capital reserve account	1,107,286	-	-	-	1,107,286
Maintenance reserve account	715,000	-	-	-	715,000
Emergency reserve account	250,000	-	-	-	250,000
Committed fund balance					
Year-end encumbrances	91,863	-	-	-	91,863
Assigned fund balance					
Designated for subsequent year's expenditures	301,127	-	-	3,541	304,668
Debt service fund balance	-	-	-	1	1
Unassigned fund balance	286,118	-	-	-	286,118
Total fund balances	3,225,271	-	-	3,542	3,228,813
Total liabilities and fund balances	\$ 3,379,322	\$ 89,463	\$ 259,662	\$ 3,542	

Amounts reported for governmental activities in the
Statement of Net Position (A-1) are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$25,650,052 and the accumulated depreciation is \$9,200,672.	16,449,380
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.	(111,594)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(12,959,490)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(180,916)
Total net position of governmental activities	\$ 6,426,193

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 8,215,721	\$ -	\$ -	\$ 955,725	\$ 9,171,446
Tuition - individuals	61,600	-	-	-	61,600
Interest income	50,539	-	-	-	50,539
Before and after school child care service fees	130,356	-	-	-	130,356
Rents and royalties	13,285	-	-	-	13,285
Miscellaneous	25,840	5,909	-	-	31,749
Total local sources	<u>8,497,341</u>	<u>5,909</u>	<u>-</u>	<u>955,725</u>	<u>9,458,975</u>
State sources	2,110,703	-	-	-	2,110,703
Federal sources	-	226,619	-	-	226,619
Total revenues	<u>10,608,044</u>	<u>232,528</u>	<u>-</u>	<u>955,725</u>	<u>11,796,297</u>
Expenditures					
Current					
Instructional					
Regular instruction	2,971,899	48,577	-	-	3,020,476
Special education instruction	1,308,598	7,025	-	-	1,315,623
Other special instruction	65,261	43,706	-	-	108,967
Other instruction	174,551	-	-	-	174,551
Support service and undistributed costs					
Tuition	269,111	66,352	-	-	335,463
Student and instruction related services	1,344,970	13,016	-	-	1,357,986
General and business administrative services	676,151	-	-	-	676,151
School administrative services	237,831	-	-	-	237,831
Plant operations and maintenance	1,009,210	-	-	-	1,009,210
Pupil transportation	515,521	-	-	-	515,521
Unallocated benefits	1,827,016	-	-	-	1,827,016

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
For the Fiscal Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 380,301	\$ 53,852	\$ -	\$ -	\$ 434,153
Special schools	25,653	-	-	-	25,653
Debt service					
Principal	-	-	-	550,000	550,000
Interest and other charges	-	-	-	405,725	405,725
NJ SDA debt service assessment	28,117	-	-	-	28,117
Total expenditures	<u>10,834,190</u>	<u>232,528</u>	<u>-</u>	<u>955,725</u>	<u>12,022,443</u>
Excess (deficiency) of revenues					
Over (under) expenditures	<u>(226,146)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(226,146)</u>
Other financing sources (uses)					
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balance	(326,146)	-	-	-	(326,146)
Fund balances, July 1	<u>3,551,417</u>	<u>-</u>	<u>-</u>	<u>3,542</u>	<u>3,554,959</u>
Fund balances, June 30	<u>\$ 3,225,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,542</u>	<u>\$ 3,228,813</u>

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Total net changes in fund balances - Governmental fund (from B-2) \$ (326,146)

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 expenses.

This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$ 434,153	
Depreciation expense	<u>(684,655)</u>	(250,502)

Repayment of bond principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and are not reported in the Statement of Activities:

Bond principal payments	550,000
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Governmental funds report the effect of bond issue premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Amortization of bond premium	78,578
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Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

9,630

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities (continued)
For the Fiscal Year Ended June 30, 2019

In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.	\$ 10,083
In the Statement of Activities, deferred outflows for refunding bond costs are amortized to current year expenses over the amortization period.	(11,160)
In the Statement of Activities, compensated absences and early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.	<u>36,331</u>
Change in net position of governmental activities	<u><u>\$ 96,814</u></u>

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Fund Net Position
June 30, 2019

	Food Service Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 14,448
Due from other funds	22,421
Receivables from other governments	
State	51
Federal	565
Inventory	3,719
Total current assets	41,204
Noncurrent assets	
Capital assets	49,379
Less: accumulated depreciation	43,521
Total noncurrent assets	5,858
Total assets	47,062
Liabilities	
Current liabilities	
Accounts payable	1,807
Unearned revenues - commodities	1,315
Unearned revenues - prepaid sales	2,763
Total liabilities	5,885
Net position	
Net investment in capital assets	5,858
Unrestricted	35,319
Total net position	\$ 41,177

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2019

	<u>Food Service Fund</u>
Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 81,043
Daily sales - non-reimbursable programs	<u>17,407</u>
Miscellaneous	<u>98,450</u>
Total operating revenues	
 Operating expenses	
Cost of sales - reimbursable programs	47,329
Cost of sales - non-reimbursable programs	11,720
Commodity food costs	10,276
Salaries	34,537
Employee benefits	4,745
Purchased professional/technical services	2,404
Purchased property services	4,848
Other purchased services	
Insurance	4,098
Management fee	6,661
General supplies	957
Depreciation	726
Miscellaneous	1,717
Total operating expenses	<u>130,018</u>
 Operating income (loss)	 <u>(31,568)</u>
 Non-operating revenues (expenses)	
State sources	
State school lunch program	1,547
Federal sources	
National school lunch program	
Cash assistance	17,670
Non cash assistance (commodities)	10,276
Interest earned on investments	292
Total non-operating revenues (expenses)	<u>29,785</u>
 Change in net position	 (1,783)
 Net position, beginning	 <u>42,960</u>
 Net position, ending	 <u>\$ 41,177</u>

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

	Food Service Fund
Cash flows from operating activities	
Receipts from customers (net)	\$ 98,102
Payments to Food Service Management Company	(113,542)
Payments to vendors (net)	(5,122)
Net cash provided by (used for) operating activities	(20,562)
Cash flows from non-capital financing activities	
State sources	1,558
Federal sources	17,749
General fund interfund activity	(956)
Net cash provided by (used for) non-capital financing activities	18,351
Cash flows from investing activities	
Interest earned on investments	292
Net cash provided by (used for) investing activities	292
Net increase (decrease) in cash and cash equivalents	(1,919)
Cash and cash equivalents, beginning	16,367
Cash and cash equivalents, ending	\$ 14,448
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (31,568)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	726
Federal food donation program	10,276
(Increase) decrease in inventory	(121)
Increase (decrease) in accounts payable	154
Increase (decrease) in unearned revenues	(29)
Net cash provided by (used for) operating activities	\$ (20,562)

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2019

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
Assets			
Cash and cash equivalents	\$ 79,654	\$ 15,342	\$ 37,075
Due from other funds	87,990	633	-
Total assets	\$ 167,644	\$ 15,975	\$ 37,075
Liabilities			
Accounts payable	\$ 861	\$ -	\$ -
Due to other funds	-	-	22,204
Due to student groups	-	15,975	-
Payroll deductions and withholdings	-	-	14,871
Total liabilities	861	\$ 15,975	\$ 37,075
Net position			
Held in trust for unemployment claims and other purposes	\$ 166,783		

See accompanying notes to financial statements.

UNION TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2019

	Unemployment Compensation Fund
Additions	
Employee contributions	\$ 9,458
Operating transfer in	100,000
Investment earnings - interest	973
Total additions	110,431
Deductions	
Unemployment claims	861
Change in net position	109,570
Net position, beginning of the year	57,213
Net position, end of the year	\$ 166,783

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

The financial statements of the Union Township School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local 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 accounting policies of the District are described below.

The basic financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's over-all financial position and results of operations.

Basic financial statements prepared using full-accrual accounting for all of the District's activities.

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, 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 District had an approximate enrollment at June 30, 2019 of 439 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:

1. The organization is legally separate (can sue or be sued in their own name).
2. The District holds the corporate powers of the organization.
3. The District appoints a voting majority of the organization's Board.
4. The District is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit/burden on the District.
6. There is a fiscal dependency by the organization on the District.

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

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The District has elected to treat all of its governmental funds as major funds and they are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and postemployment healthcare benefits, are recorded only when payment is due.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, 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 moneys under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, and unrestricted state aids.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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

The District reports the following major governmental funds:

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

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.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Special Revenue Fund - The District accounts for the proceeds of specific revenue sources 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 in the special revenue fund.

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.

Additionally, the District reports the following fund types:

Proprietary Fund types

Proprietary Fund - The focus of proprietary fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the District.

Enterprise Fund - The enterprise fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's enterprise fund is comprised of the food service fund.

All proprietary funds are accounted for on a current financial resource's measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
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Fiduciary Fund types

Trust and Agency Funds - This fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the trust and agency funds of the District.

Unemployment Compensation Trust Fund - This fund is used to account for the portion of employee deductions for unemployment compensation required to be deposited and accumulated for future unemployment claims under the Benefit Reimbursement Method.

Student Activities Agency Fund - This fund is used to account for funds derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

Payroll Agency Fund - This fund accounts for the withholding and remittance of employee salary deductions.

D. Budgets/budgetary control

Annual appropriated budgets are prepared in the Spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and, if necessary, are voted upon at the annual school election in November. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line-item accounts within each fund. Line-item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board Resolution.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the 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.

E. Encumbrances

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

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

F. Tuition receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

G. Tuition payable

Tuition charges for the Fiscal Year 2018-2019 are based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term interfund receivable/payables

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

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

Inventories and prepaid items, which benefit future periods, 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. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the school district until the commodities are used. Prepaid items in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2019.

J. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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.

All reported capital assets, except for land and construction in progress, of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements & portable classroom	20 - 40
Land improvements	20
Furniture	20
Musical instruments	10
Athletic equipment	10
Maintenance equipment	15
Audio visual equipment	10
Office equipment	5 - 10
Computer equipment	5 - 10
Vehicles	5

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences

The District accounts for compensated absences (e.g., unused vacation and sick leave) as directed by Governmental Accounting Standards Board Statement Number 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which a payment is probable. Salary related payments for the employer's share of Social Security and Medicare taxes are included.

For the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, in the fund financial statements, all of the compensated absences are considered long-term and therefore are not a fund liability. This represents a reconciling item between the fund and government-wide presentations.

L. Unearned revenue

Unearned revenue in the general fund and special revenue fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the special revenue fund. Unearned revenue in the enterprise fund includes United States government commodity inventories at year-end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the food service fund. Prepaid lunch debit card revenue balances at year-end are also included in unearned revenue.

M. Long-term obligations

In the government-wide financial statements, and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Net position

Net position represents the difference between the sum of assets and deferred outflows of resources, and the sum of liabilities and deferred inflows of resources. In the government-wide financial statements, net position is classified into the following three components:

- Net investment in capital assets - This component represents capital assets, less accumulated depreciation and net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.
- Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

O. Fund balances - governmental funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Non-Spendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the general fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

When an expenditure is incurred for purposes which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balance are available, then the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

P. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Q. Allocation of indirect expenses

Certain expenses, which have not been charged to a specific function in the District's fund financial statements, have been allocated to the functions for the government-wide statements. Employee benefits, on-behalf TPAF Pension contributions, reimbursed TPAF Social Security contributions and compensated absences accruals have been allocated based on salaries by function. Depreciation expense which was not specifically identified by function has been allocated based on the current year expenses by function.

R. Deferred outflows and inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has two items that qualify for reporting in this category, which are deferred amount on pension activity and deferred amount on refunding bond issue. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amount on pension liability.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 2 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the municipality, the municipality's local school districts and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4 et. seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

School taxes are guaranteed as to amount of collection by the municipality, the collection agency, and are transmitted to the school district in accordance with the Schedule of Tax Installments as certified by the school district's Board of Education on an annual basis.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits and investments

Cash, cash equivalents and investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash and cash equivalents regardless of the date of maturity. As of June 30, 2019, the District had no investments.

New Jersey Governmental Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Governmental Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of Governmental Units. The statute requires that no Governmental Unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and saving banks the deposits of which are federally insured.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk. New Jersey statutes require that cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee's salary withholdings, or funds that may pass to the District relative to the happening of a future condition.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits and investments (continued)

As of June 30, 2019, the District's bank balances of \$3,260,479 were exposed to custodial credit risk as follows:

Insured by the FDIC	\$ 250,000
Insured by GUDPA	3,010,479
Total	\$ 3,260,479

Deposits at June 30, 2019 appear in the financial statements as summarized below:

Cash		\$ 3,070,866
Unrestricted cash		
Governmental funds, Balance Sheet	B-1	\$ 852,061
Enterprise funds, Statement of Net Position	B-4	14,448
Fiduciary funds, Statement of Net Position	B-7	132,071
Restricted cash		
Governmental funds, Balance Sheet	B-1	2,072,286
Total cash		\$ 3,070,866

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

Capital asset activity for the Fiscal year ended June 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 189,696	\$ -	\$ -	\$ 189,696
Construction in progress	-	338,687	-	338,687
Total	<u>189,696</u>	<u>338,687</u>	<u>-</u>	<u>528,383</u>
Capital assets, being depreciated				
Land improvements	222,656	-	-	222,656
Building & improvements	23,749,377	-	-	23,749,377
Vehicles	58,717	40,392	-	99,109
Furniture & equipment	1,019,447	55,074	23,994	1,050,527
Total	<u>25,050,197</u>	<u>95,466</u>	<u>23,994</u>	<u>25,121,669</u>
Accumulated depreciation				
Land improvements	66,538	10,995	-	77,533
Building & improvements	7,687,882	614,675	-	8,302,557
Vehicles	55,193	7,564	-	62,757
Furniture & equipment	730,398	51,421	23,994	757,825
Total	<u>8,540,011</u>	<u>684,655</u>	<u>23,994</u>	<u>9,200,672</u>
Total capital assets, being depreciated, net	<u>16,510,186</u>	<u>(589,189)</u>	<u>-</u>	<u>15,920,997</u>
Governmental activities capital assets, net	<u>\$ 16,699,882</u>	<u>\$ (250,502)</u>	<u>\$ -</u>	<u>\$ 16,449,380</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 49,379	\$ -	\$ -	\$ 49,379
Less: accumulated depreciation	42,795	726	-	43,521
Business type activities - capital assets, net	<u>\$ 6,584</u>	<u>\$ (726)</u>	<u>\$ -</u>	<u>\$ 5,858</u>

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

Depreciation expense was charged to governmental functions in the current year as follows:

Instruction			
Regular		\$	298,027
Special education			126,975
Other special instruction			10,517
Co-curricular activities			17,626
Support services			
Student & instruction			131,064
General & business administration			65,258
School administration			23,293
Plant & maintenance			11,895
Total depreciation expense, governmental activities		<u>\$</u>	<u>684,655</u>

Note 5 - Long-term debt

Long-term liability activity for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds payable	\$ 10,450,000	\$ -	\$ 550,000	\$ 9,900,000	\$ 580,000
Unamortized bond premium	1,071,913	-	78,578	993,335	78,578
PERS net pension liability	2,474,404	-	539,713	1,934,691	-
Compensated absences payable	167,795	-	36,331	131,464	-
Total governmental activities long-term liabilities	<u>\$ 14,164,112</u>	<u>\$ -</u>	<u>\$ 1,204,622</u>	<u>\$ 12,959,490</u>	<u>\$ 658,578</u>

Payments on the general obligation bonds are made in the debt service fund from property taxes and state aid. The compensated absences liability is paid in the current expenditures budget of the District's general fund and the other long-term debts are amortized over a determined period.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2019 including interest payments are listed as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 580,000	\$ 383,125	\$ 963,125
2021	585,000	361,275	946,275
2022	605,000	341,725	946,725
2023	620,000	321,525	941,525
2024	650,000	296,700	946,700
2025 - 2029	3,685,000	1,022,000	4,707,000
2030 - 2034	3,175,000	229,906	3,404,906
Total	<u>\$ 9,900,000</u>	<u>\$ 2,956,256</u>	<u>\$ 12,856,256</u>

General Obligation Bonds - General obligation school building bonds payable at June 30, 2018, with their outstanding balances are comprised of the following individual issues:

\$3,105,000 - 2016 refunding school bonds, interest at 2.00% to 3.00%, due in annual installments beginning July 15, 2016 to July 15, 2030.	\$ 2,285,000
\$7,725,000 - 2017 refunding school bonds, interest at 2.00% to 5.00%, due in annual installments beginning July 15, 2017 to July 15, 2032.	<u>7,615,000</u>
Totals	<u>\$ 9,900,000</u>

The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2019 is \$24,853,672. General obligation debt at June 30, 2019 is \$9,900,000, resulting in a legal debt margin of \$14,953,672.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

Operating leases

At June 30, 2019, the District had operating lease agreements in effect for copy machines. The present value of the future minimum rental payments under the operating lease agreements are as follows:

<u>Fiscal Year Ended June 30,</u>	
2020	\$ 12,084
2021	12,084
2022	12,084
2023	2,014
Total minimum lease payments	<u>\$ 38,266</u>

Note 6 - Pension plans

Description of systems

Substantially all of the Board's employees participate in one of the following defined benefit public employee retirement systems which have been established by state statute: The Teachers' Pension and Annuity Fund (TPAF), Public Employees' Retirement System (PERS) and the Defined Contribution Retirement Program (DCRP). The PERS and TPAF systems are sponsored and administered by the State of New Jersey. The DCRP system is administered by Prudential Financial for the Division of Pensions and Benefits. The TPAF retirement system is considered a multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers.

A. Public employees' retirement system (PERS)

Plan description

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

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 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of PERS.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)
A. Public employees' retirement systems (PERS) (continued)
Plan description (continued)

The following represents the membership tiers for PERS:

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

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

Allocation methodology and reconciliation to financial statements

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the state and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2018 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2018.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Allocation methodology and reconciliation to financial statements (continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the State fiscal year ended June 30, 2018. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal Year 2018, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15-years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

The District's contractually required contribution rate for the year ended June 30, 2019 was 12.20% of the District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

The contribution rate was 7.20% effective July 1, 2016 and increased annually on July 1st until reaching 7.50% of base salary effective July 1, 2018. The District contributed \$97,737 for the year ending June 30, 2019.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of measurement date June 30, 2018:

Total pension liability	\$ 4,169,326
Plan fiduciary net position	2,234,635
Net pension liability	\$ 1,934,691

Plan fiduciary net position as a percentage of the total pension liability	53.60%
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The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation rate	2.25%
Salary increases (based on age)	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Investment rate of return	7.00%

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

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information (continued)

Components of net pension liability (continued)

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

Long-term expected rate of return

In accordance with state statute, the long-term expected rate of return on plan investments (7.00% 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 PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Risk Mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/Venture capital	8.25%	13.08%

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Discount rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the rate in the most recent state fiscal year. The state employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plans 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 collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2018 measurement date, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

District's Proportionate Share of the Net Pension Liability

At current discount rate (5.66%)	\$ 1,934,691
At a 1% lower rate (4.66%)	2,432,650
At a 1% higher rate (6.66%)	1,516,934

Collective deferred outflows of resources and deferred inflows of resources

At the June 30, 2018 measurement date, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,895	\$ 9,976
Changes of assumptions	318,805	618,611
Net difference between projected and actual earnings on pension plan investments	-	18,147
Changes in proportion and differences between District contributions and proportionate share of contributions	210,645	274,025
District contributions subsequent to the measurement date	97,737	-
Total	<u>\$ 664,082</u>	<u>\$ 920,759</u>

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The amount 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 ended June 30, 2019, the plan measurement date is June 30, 2018) of \$97,737 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the Fiscal year ended June 30, 2018 measurement date:

	<u>Beginning Balance</u>	<u>Net Change in Activity</u>	<u>Ending Balance</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 58,264	\$ (21,369)	\$ 36,895
Changes of assumptions	498,507	(179,702)	318,805
Differences between projected and actual investment earnings on pension plan investments	16,849	(16,849)	-
Deferred inflows of resources			
Differences between expected and actual experience	-	(9,976)	(9,976)
Changes of assumptions	(496,679)	(121,932)	(618,611)
Differences between projected and actual investment earnings on pension plan investments	-	(18,147)	(18,147)
Net of deferred outflows	<u>\$ 76,941</u>	<u>\$ (367,975)</u>	<u>\$ (291,034)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from District contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

State Fiscal Year Ended June 30

2019	\$ 13,428
2020	(18,591)
2021	(133,312)
2022	(115,557)
2023	(37,002)
Total	<u>\$ (291,034)</u>

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Pension expense

For the fiscal year ended June 30, 2019, the District recognized net pension expense of \$89,635, which represents the District's proportionate share of allocable plan pension expense of \$107,250, less the net amortization of deferred amounts from changes in proportion of \$18,350, plus other adjustments to the net pension liability of \$735. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ended June 30, 2019 measurement date are as follows:

Service cost	\$	91,322
Interest on total pension liability		219,541
Member contributions		(52,440)
Administrative expense		1,453
Expected investment return net of investment expense		(137,836)
Pension expense related to specific liabilities of individual employers		(807)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		14,809
Amortization of expected versus actual experience		(17,051)
Amortization of projected versus actual investment earnings on pension plan investments		(11,741)
Pension expense	\$	107,250

B. Teachers' pension and annuity fund (TPAF)

Plan description

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

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.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)
B. Teachers' pension and annuity fund (TPAF) (continued)
Plan description (continued)

The following represents the membership Tiers for TPAF:

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

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

Contributions

The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the State Fiscal Year 2018, the State's pension contribution was less than the actuarial determined amount.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

B. Teachers' pension and annuity fund (TPAF) (continued)

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the state fiscal year ended June 30, 2018, the State of New Jersey contributed \$539,622 to the TPAF for normal pension benefits on behalf of the District.

The contribution rate was 7.20% effective July 1, 2016 and increased annually on July 1st until reaching 7.50% of base salary effective July 1, 2018.

Collective net pension liability and actuarial information

Components of net pension liability

For purposes of reporting required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District's proportionate share of allocable net pension liability, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for Fiscal year ended June 30, 2018 measurement date is as follows:

State's proportionate share of net pension liability	\$ 22,709,997
District's proportionate share of net pension liability	-
Employer pension expense and related revenue	1,323,913
Non-employer contribution	539,622
Allocable proportionate percentage	.0356975218%

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

B. Teachers' pension and annuity fund (TPAF) (continued)

Collective net pension liability and actuarial information (continued)

Components of net pension liability (continued)

The components of the contractually required contribution, which exclude amounts related to specific liabilities of individual employers, for the District for the year ended June 30, 2018 measurement date are as follows:

Service cost	\$ 793,497
Interest on total pension liability	1,373,209
Member contributions	(288,616)
Administrative expense	4,706
Expected investment return net of investment expense	(546,753)
Pension expense related to specific liabilities of individual employers	(123)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	70,324
Amortization of expected versus actual experience	(35,047)
Amortization of projected versus actual investment earnings on pension plan investments	(47,284)
Pension expense	<u>\$ 1,323,913</u>

As detailed earlier, the District was not required to report a liability for its proportionate share of net pension expense for TPAF due to a special funding situation. The State's proportionate share of the net pension liability for TPAF as of June 30, 2018 measurement date is as follows:

Total pension liability	\$ 30,893,010
Plan fiduciary net position	<u>8,183,013</u>
Net pension liability	<u>\$ 22,709,997</u>

Plan fiduciary net position as a percentage of the total pension liability 26.49%

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

Inflation rate	2.25%
Salary increases	
2011 - 2026	1.55 - 4.55%
Thereafter	2.00 - 5.45%
Investment rate of return	7.00%

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

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher’s pension and annuity fund (TPAF) (continued)

Collective net pension liability and actuarial information (continued)

Components of net pension liability (continued)

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

Long-term expected rate of return

In accordance with state statute, the long-term expected rate of return on plan investments (7.00% 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 measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/Venture capital	8.25%	13.08%

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher’s pension and annuity fund (TPAF) (continued)

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 rate in the most recent state fiscal year. The State contributed 50% of the actuarially determined contributions. Based on those assumptions, the plans 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 collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2018 measurement date, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

District’s Proportionate Share of the Net Pension Liability

At current discount rate (4.86%)	\$ 22,709,997
At a 1% lower rate (3.86%)	26,842,785
At a 1% higher rate (5.86%)	19,284,016

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,400 in 2019) but who earn salary of at least \$5,000 annually are eligible to participate. The Program Administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: www.prudential.com/njdcrp.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

C. Defined contribution retirement program (continued)

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District's net contribution to the DCRP for fiscal year ended 2019 was \$6,712.

D. Other pension plan information

During the year ended June 30, 2019, the State of New Jersey contributed \$342,022 to the TPAF for postretirement medical benefits, \$15,460 for non-contributory insurance premiums, \$638 for long-term disability insurance, and \$738,560 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$282,990 during the year ended June 30, 2019 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB Statement No. 68.

Note 7 - Postretirement benefits

The State provides postretirement 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 postretirement 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.

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.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

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 GASB Statement No. 75.

Total OPEB liability

The State, a non-employer 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 District's proportionate share percentage determined under Paragraphs 193 and 203 through 205 of GASB Statement No. 75 is zero percent. Accordingly, the District 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 District. Note that actual numbers will be published in the NJ State CAFR at <https://www.nj.gov/treasury/omb/cafr.shtml>.

Under a special funding situation, the State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Therefore, the following OPEB liability note information is reported at the State's level and is not accrued by the District.

For purposes of reporting required GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District's proportionate share of allocable OPEB liability and employer OPEB expense and related revenue as of June 30, 2018 measurement date is as follows:

State's proportionate share of the OPEB liability	\$ 46,110,832,982
District's proportionate share of the State's OPEB liability	17,897,426
Employer OPEB expense and related revenue	715,796
Allocable proportionate percentage	0.0388139291%

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)
Changes in the total OPEB liability

	<u>Total OPEB Liability</u>
Total OPEB liability at June 30, 2017	\$ 20,767,732
Service cost	657,009
Interest cost	758,808
Change of benefit terms	-
Differences between expected and actual experiences	(1,770,273)
Changes of assumptions	(2,053,819)
Member contributions	16,540
Gross benefit payments	(478,571)
Total OPEB liability at June 30, 2018	<u>\$ 17,897,426</u>

There were no changes of the benefit terms from June 30, 2017 to June 30, 2018.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

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

Inflation rate 2.50%

	TPAF	PERS
Salary increases	(based on years of service)	(based on age)
Through 2026	1.55% - 4.55%	2.15% - 4.15%
Thereafter	2.00% - 5.45%	3.15% - 5.15%

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.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

Changes in the total OPEB liability (continued)

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, 2011 June 30, 2014, and July 1, 2010 June 30, 2013 for TPAF, PERS and PFRS, respectively.

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

Health care trend assumptions

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

Discount rate

The discount rate for June 30, 2018 was 3.87%. 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.

Sensitivity of the total OPEB liability to changes in the discount rates

The following presents the total non-employer OPEB liability as of June 30, 2018 measurement date, using the District's allocable proportionate percentage, calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

Total OPEB Liability (school retirees)

At current discount rate (3.87%)	\$ 17,897,426
At a 1% lower rate (2.87%)	21,158,401
At a 1% higher rate (4.87%)	15,305,288

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total non-employer OPEB liability, as well as what the total non-employer 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:

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates (continued)

Total OPEB Liability (school retirees)

Healthcare cost trend rate	\$	17,897,426
At a 1% lower rate (1% decrease)		14,793,265
At a 1% higher rate (1% increase)		22,003,798

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$715,796 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 GASB Statement No. 75 and in which there is a special funding situation.

In accordance with GASB Statement No. 75, the District's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

Note 8 - Deferred compensation

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

- AXA Equitable
- Lincoln Financial Group

Note 9 - Interfund receivable and payables

The composition of interfund balances as of June 30, 2019 is as follows:

Fund	Receivable Fund	Payable Fund
General fund	\$ 339,220	\$ 110,996
Special revenue fund	-	57,402
Capital projects fund	-	259,662
Food service enterprise fund	22,421	-
Student activities fund	633	-
Unemployment compensation fund	87,990	-
Payroll agency fund	-	22,204
Total	\$ 450,264	\$ 450,264

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 9 - Interfund receivable and payables (continued)

The balance due from the payroll agency fund to the general fund represents an imprest balance of \$2,000, a \$5,500 loan and various other activities totaling \$14,656 that have not been transferred to the general fund. The balance due from the capital projects fund to the general fund represents a loan from the general fund of \$259,662 due to cash flow issues related to the delayed receipt of NJ SDA Aid. The general fund has an interfund receivable for \$57,402 due from the special revenue fund for a loan as a result of cash flow issues relating to the delayed receipt of grant revenues.

The general fund had an interfund payable to the food service enterprise fund for \$22,421, representing subsidy aid that was received in the general fund but not disbursed to the food service fund. The net balance of \$87,942 due from the general fund to the unemployment fund is made up of \$100,000 payable from the general fund and the balance due from the unemployment compensation fund to the general fund of \$12,058 represents payments made in the general fund on behalf of the unemployment compensation fund. The balance due from the payroll agency fund to the unemployment compensation fund of \$48 represents employee withholdings not yet transferred at year-end. The student activities fund had an interfund receivable of \$633 from the general fund representing receipts incorrectly deposited into the general fund.

Note 10 - Inventory

Inventory in the food service fund as of June 30, 2019 consisted of the following:

Food	\$ 2,751
Supplies	968
Total	\$ 3,719

Note 11 - Contingent liabilities

Grantor agencies

Receipts and/or receivables from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

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, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete Schedule of Insurance Coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its NJ Unemployment Compensation Insurance under the Benefit Reimbursement Method. Under this plan, the District is required to reimburse the NJ 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, and interest earnings, employee contributions, reimbursements to the state for benefits paid and the ending balance of the District's unemployment trust fund for the current and previous two years:

Fiscal Year	District Contribution	Interest Earnings	Employee Deposits	Amount Reimbursed	Ending Balance
2018 - 2019	\$ 100,000	\$ 973	\$ 9,458	\$ (861)	\$ 166,783
2017 - 2018	-	743	9,101	(6,956)	57,213
2016 - 2017	-	289	8,284	(1,258)	54,325

Note 13 - Legal reserve accounts

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

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long-Range Facilities Plan (LRFP) and updated annually in the Quality Single Accountability Continuum (QSAC). Upon submission of the LRFP to the Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. 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:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 13 - Legal reserve accounts (continued)

Districts are allowed as per N.J.S.A. 18A:7F-41(a) and 41(b) to deposit to the legal reserves by Board Resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this state statute, the District deposited \$350,000 to their capital reserve account and \$171,481 to their maintenance reserve account by Board resolution in June 2019.

The following schedule is a summarization of the legal reserve accounts for the current fiscal year:

Reserve Type	Beginning Balance	District Contribution	Interest Earnings	Withdrawals Net of Return	Ending Balance
Capital	\$ 1,159,757	\$ 350,000	\$ 19,131	\$ (421,602)	\$ 1,107,286
Maintenance	543,519	171,481	-	-	715,000
Emergency	250,000	-	-	-	250,000
Total	<u>\$ 1,953,276</u>	<u>\$ 521,481</u>	<u>\$ 19,131</u>	<u>\$ (421,602)</u>	<u>\$ 2,072,286</u>

The amount in the capital reserve account as of June 30, 2019 did not exceed the LRF balance of local support costs of uncompleted capital projects.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 14 - Fund balance

As described in Note 1 (O) fund balance may be restricted, committed or assigned. An analysis of the general fund balance on June 30, 2019 is as follows:

Restricted

Excess surplus - Designated for subsequent year's expenditures - Represents amount in excess of allowable percentage appropriated in the succeeding year's budget to reduce tax requirements.	\$ 276,440
Excess surplus - Represents amount in excess of allowable percentage. In accordance with state statute, the excess surplus is designated for utilization in succeeding year's budgets.	197,437
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	1,107,286
Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A. 18A:76-9).	715,000
Emergency reserve account - Represents funds restricted to finance unanticipated general fund expenditures required for a thorough and efficient education.	250,000

Committed

Year-end encumbrance - Represents fund balance assigned for purchase orders that have been issued but goods or services were not received as of June 30.	91,863
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Assigned

Designated for subsequent year's expenditures - Represents amount appropriated in the succeeding year's budget to reduce tax requirements.	301,127
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Unassigned

Undesignated - Represents fund balance which has not been restricted or designated.	347,303
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Total fund balance - Budgetary basis (Exhibit C-1)	3,286,456
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Last state aid payments not recognized on GAAP basis	(61,185)
Total fund balance - GAAP basis (Exhibit B-1)	\$ 3,225,271

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve general fund, fund balance at the fiscal year-end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2019 is \$197,437.

Note 16 - Recent accounting pronouncements not yet effective

The following is of recent accounting pronouncements which are not yet effective as of the date of this report:

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 *Leases*. This statement, which is effective for reporting periods beginning after December 15, 2019, is not expected to have a material impact on the District's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement, which is effective for reporting periods beginning after December 15, 2018, is not expected to have a material impact on the District's financial reporting.

Note 17 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2019 of (\$2,199,015) on Schedule A-1 Statement of Net Position. The deficit balance is not a negative reflection on the District's financial condition but is the result of reporting required by GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

Note 18 - Subsequent events

The District has evaluated subsequent events through December 12, 2019, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Revenue					
Local sources					
Local tax levy	\$ 8,215,721	\$ -	\$ 8,215,721	\$ 8,215,721	\$ -
Tuition from individuals	40,000	-	40,000	61,600	21,600
Rents and royalties	-	-	-	13,285	13,285
Private contributions	2,000	-	2,000	10,700	8,700
Unrestricted miscellaneous revenues	170,000	-	170,000	167,958	(2,042)
Interest earned on capital reserve funds	-	-	-	19,131	19,131
Total	8,427,721	-	8,427,721	8,488,395	60,674
State sources					
Categorical transportation aid	233,413	-	233,413	233,413	-
Extraordinary aid	-	-	-	88,603	88,603
Categorical special education aid	355,273	-	355,273	355,273	-
Categorical security aid	36,554	-	36,554	36,554	-
Adjustment aid	14,726	-	14,726	14,726	-
Other state aid	-	-	-	8,700	8,700
TPAF Pension (on-behalf)	-	-	-	754,020	754,020
TPAF Social Security (reimbursed)	-	-	-	282,990	282,990
TPAF Postretirement benefits	-	-	-	342,022	342,022
TPAF Long-term disability insurance	-	-	-	638	638
Total	639,966	-	639,966	2,116,939	1,476,973
Total revenues	\$ 9,067,687	\$ -	\$ 9,067,687	\$ 10,605,334	\$ 1,537,647
Expenditures					
Current					
Instruction - regular program					
Salaries of teachers					
Kindergarten	\$ 124,663	\$ 22,186	\$ 146,849	\$ 138,448	\$ 8,401
Grades 1-5	1,335,225	-	1,335,225	1,146,729	188,496
Grades 6-8	1,071,714	-	1,071,714	992,741	78,973
Home instruction					
Salaries of teacher	20,000	1,190	21,190	2,145	19,045
Regular programs - undistributed instruction					
Other salaries for instruction	-	2,177	2,177	2,177	-
Purchased professional - educational services	2,000	(173)	1,827	-	1,827
Purchased technical services	23,600	-	23,600	22,080	1,520
Other purchased services	35,000	(15,635)	19,365	1,500	17,865
General supplies	154,107	5,690	159,797	155,174	4,623
Textbooks	15,000	(466)	14,534	8,979	5,555
Other objects	7,000	3,949	10,949	508	10,441
Total	2,788,309	18,918	2,807,227	2,470,481	336,746

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Special education					
Learning and/or language disabilities					
Salaries of teachers	\$ 187,563	\$ 1,483	\$ 189,046	\$ 189,046	\$ -
Other salaries for instruction	51,697	2,799	54,496	54,496	-
General supplies	1,000	15	1,015	1,015	-
Total	<u>240,260</u>	<u>4,297</u>	<u>244,557</u>	<u>244,557</u>	<u>-</u>
Resource room/resource center					
Salaries of teachers	573,658	(1,718)	571,940	571,571	369
Other salaries for instruction	107,149	19,562	126,711	126,711	-
General supplies	-	462	462	462	-
Total	<u>680,807</u>	<u>18,306</u>	<u>699,113</u>	<u>698,744</u>	<u>369</u>
Preschool disabilities - part-time					
Salaries of teachers	49,553	760	50,313	49,931	382
Other salaries for instruction	53,408	2,921	56,329	45,434	10,895
Unused vacation payment to terminated/retired staff	1,200	(1,200)	-	-	-
General supplies	-	1,088	1,088	1,088	-
Total	<u>104,161</u>	<u>3,569</u>	<u>107,730</u>	<u>96,453</u>	<u>11,277</u>
Total special education	<u>1,025,228</u>	<u>26,172</u>	<u>1,051,400</u>	<u>1,039,754</u>	<u>11,646</u>
Basic skills/remedial					
Salaries of teachers	41,471	-	41,471	39,989	1,482
General supplies	800	-	800	791	9
Total	<u>42,271</u>	<u>-</u>	<u>42,271</u>	<u>40,780</u>	<u>1,491</u>
Bilingual education - instruction					
Salaries of teachers	30,000	-	30,000	22,559	7,441
General supplies	500	-	500	378	122
Total	<u>30,500</u>	<u>-</u>	<u>30,500</u>	<u>22,937</u>	<u>7,563</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	30,874	8,196	39,070	39,070	-
Supplies and materials	1,000	11	1,011	1,011	-
Total	<u>31,874</u>	<u>8,207</u>	<u>40,081</u>	<u>40,081</u>	<u>-</u>
School-sponsored athletics - instruction					
Salaries	35,711	(2,559)	33,152	33,152	-
Purchased services	8,000	(3,620)	4,380	4,380	-
Supplies and materials	4,000	(59)	3,941	3,941	-
Total	<u>47,711</u>	<u>(6,238)</u>	<u>41,473</u>	<u>41,473</u>	<u>-</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Before/after school programs - instruction					
Salaries of teachers	\$ -	\$ 561	\$ 561	\$ 561	\$ -
Other salaries of instruction	93,796	(561)	93,235	87,540	5,695
Supplies and materials	4,800	-	4,800	4,546	254
Total	98,596	-	98,596	92,647	5,949
Summer school - instruction					
Salaries of teachers	8,840	(1,968)	6,872	-	6,872
Other salaries of instruction	3,895	(914)	2,981	-	2,981
General supplies	300	-	300	18	282
Total	13,035	(2,882)	10,153	18	10,135
Total instruction regular	\$ 4,077,524	\$ 44,177	\$ 4,121,701	\$ 3,748,171	\$ 373,530
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - special	\$ 319,990	\$ (100,597)	\$ 219,393	\$ 185,005	\$ 34,388
Tuition to priv. school for the disabled w/i state	71,201	14,839	86,040	84,106	1,934
Total	391,191	(85,758)	305,433	269,111	36,322
Undistributed expenditures - health services					
Salaries	152,238	174	152,412	152,412	-
Purchased professional and technical services	2,500	-	2,500	2,250	250
Other purchased services	750	64	814	336	478
Supplies and materials	4,449	(410)	4,039	3,176	863
Other objects	225	172	397	397	-
Total	160,162	-	160,162	158,571	1,591
Undistributed expenditures - speech, ot, pt & related services					
Salaries	105,468	(17,928)	87,540	56,671	30,869
Purchased professional - educational services	175,000	32,543	207,543	207,543	-
Supplies and materials	4,000	532	4,532	4,223	309
Other objects	800	-	800	-	800
Total	285,268	15,147	300,415	268,437	31,978
Undistributed expenditures - guidance					
Salaries of other professional staff	99,224	-	99,224	98,200	1,024
Other purchased professional & technical services	800	-	800	-	800
Other purchased services	400	-	400	189	211
Supplies and materials	800	-	800	680	120
Total	101,224	-	101,224	99,069	2,155

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Undistributed expenditures - child study teams					
Salaries of other professional staff	\$ 274,329	\$ 10,631	\$ 284,960	\$ 284,921	\$ 39
Salaries of secretarial and clerical assistants	41,000	(1,100)	39,900	39,900	-
Other purchased professional & technical services	17,000	(10,834)	6,166	6,166	-
Other purchased services	1,100	1,402	2,502	2,502	-
Miscellaneous purchased service	8,500	-	8,500	8,500	-
Supplies and materials	7,000	983	7,983	7,983	-
Other objects	2,500	428	2,928	2,928	-
Total	<u>351,429</u>	<u>1,510</u>	<u>352,939</u>	<u>352,900</u>	<u>39</u>
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	26,500	(6,420)	20,080	-	20,080
Salaries of other professional staff	23,050	41,150	64,200	64,200	-
Salaries of secretarial & clerical assist	20,800	-	20,800	-	20,800
Purchased professional - educational services	8,698	(8,698)	-	-	-
Other purchased services	4,000	(1,544)	2,456	2,456	-
Total	<u>83,048</u>	<u>24,488</u>	<u>107,536</u>	<u>66,656</u>	<u>40,880</u>
Undistributed expenditures - edu. media service/sch. library					
Salaries	55,000	-	55,000	53,421	1,579
Salaries of technology coordinators	61,500	-	61,500	60,600	900
Purchased professional and technical services	44,059	(3,639)	40,420	31,521	8,899
Other purchased services	8,000	(772)	7,228	711	6,517
Supplies and materials	104,354	4,049	108,403	107,182	1,221
Other objects	1,361	(861)	500	500	-
Total	<u>274,274</u>	<u>(1,223)</u>	<u>273,051</u>	<u>253,935</u>	<u>19,116</u>
Undistributed expenditures - instructional staff training services					
Purchased professional - educational services	2,000	(20)	1,980	1,550	430
Other purchased professional & technical services	1,000	-	1,000	-	1,000
Other purchased services	750	20	770	770	-
Total	<u>3,750</u>	<u>-</u>	<u>3,750</u>	<u>2,320</u>	<u>1,430</u>
Undistributed expenditures - support service - general admin.					
Salaries	220,853	(3,111)	217,742	217,742	-
Legal services	22,000	7,113	29,113	29,113	-
Audit fees	20,000	-	20,000	20,000	-
Architectural/engineering services	15,000	1,440	16,440	16,440	-
Other purchased professional services	6,000	(6,000)	-	-	-
Communications/telephone	35,805	17,092	52,897	52,897	-
BOE other purchased services	4,000	(955)	3,045	3,045	-
Misc purch services	28,000	(9,632)	18,368	18,368	-
General supplies	3,000	188	3,188	3,188	-
BOE in-house training/meeting supplies	900	(37)	863	863	-
Miscellaneous expenditures	10,500	1,718	12,218	12,218	-
BOE membership dues and fees	4,500	(3,700)	800	800	-
Total	<u>370,558</u>	<u>4,116</u>	<u>374,674</u>	<u>374,674</u>	<u>-</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Undistributed expenditures - support service - school admin.					
Salaries of principals/assistant principals	\$ 142,020	\$ (3,672)	\$ 138,348	\$ 138,348	\$ -
Salaries of secretarial and clerical assistants	41,205	201	41,406	41,406	-
Unused vacation payment to terminated/retired staff	-	5,453	5,453	5,453	-
Purchased professional and technical services	6,100	-	6,100	6,100	-
Other purchased services	3,500	-	3,500	684	2,816
Supplies and materials	2,750	-	2,750	2,528	222
Other objects	5,000	18	5,018	3,430	1,588
Total	200,575	2,000	202,575	197,949	4,626
Undistributed expenditures - central services					
Salaries	174,113	48,608	222,721	211,581	11,140
Purchased professional services	6,500	1,293	7,793	7,793	-
Purchased technical services	9,000	7,429	16,429	16,429	-
Miscellaneous purchased services	1,500	185	1,685	1,685	-
Supplies and materials	3,255	(622)	2,633	2,633	-
Other objects	2,500	881	3,381	3,381	-
Total	196,868	57,774	254,642	243,502	11,140
Undistributed expenditures - required maint. for school facilities					
Salaries	61,500	300	61,800	61,800	-
Cleaning, repair, and maintenance services	438,444	(42,666)	395,778	167,107	228,671
Lead testing in water	2,520	-	2,520	-	2,520
General supplies	17,000	-	17,000	7,500	9,500
Other objects	2,000	1,000	3,000	2,995	5
Total	521,464	(41,366)	480,098	239,402	240,696
Undistributed expenditures - custodial services					
Salaries	279,975	3,754	283,729	274,479	9,250
Purchased professional and technical services	76,600	(2,474)	74,126	57,436	16,690
Cleaning, repair, and maintenance service	25,000	(360)	24,640	15,510	9,130
Other purchased property services	500	-	500	-	500
Insurance	67,877	(3,893)	63,984	62,725	1,259
Miscellaneous purchased services	1,000	-	1,000	715	285
General supplies	47,000	-	47,000	30,922	16,078
Energy (natural gas)	106,950	(4,500)	102,450	68,797	33,653
Energy (electricity)	122,500	4,500	127,000	127,000	-
Energy (gasoline)	3,000	-	3,000	1,906	1,094
Other objects	400	55	455	455	-
Total	730,802	(2,918)	727,884	639,945	87,939
Undistributed expenditures - care and upkeep of grounds					
Purchased professional and technical services	6,500	-	6,500	3,829	2,671
Cleaning, repair, and maintenance service	7,164	-	7,164	-	7,164
General supplies	5,000	-	5,000	201	4,799
Total	18,664	-	18,664	4,030	14,634
Undistributed expenditures - security					
Other objects	95,653	(52,897)	42,756	-	42,756
Total	95,653	(52,897)	42,756	-	42,756

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Undistributed expenditures - student transportation service					
Management fee - esc & ctsa trans. program	\$ 12,000	\$ (12,000)	\$ -	\$ -	\$ -
Contract serv-aid in lieu pymts - non-public schools	8,000	13,387	21,387	21,387	-
Contract serv-aid in lieu pymts-choice school students	4,500	(1,500)	3,000	3,000	-
Contract serv (oth. than between home & school) - vend	9,000	990	9,990	9,990	-
Contract serv (between home & school) - joint agreements	315,533	3,971	319,504	319,504	-
Contract serv (reg. students) - escs & ctsas	27,500	(27,500)	-	-	-
Contract serv (spl. ed. students) - escs & ctsas	111,546	50,094	161,640	161,640	-
Total	<u>488,079</u>	<u>27,442</u>	<u>515,521</u>	<u>515,521</u>	<u>-</u>
Allocated benefits - employee benefits					
Regular programs - instruction					
Health benefits	552,328	(49,122)	503,206	501,418	1,788
Total	<u>552,328</u>	<u>(49,122)</u>	<u>503,206</u>	<u>501,418</u>	<u>1,788</u>
Special programs - instruction					
Health benefits	263,873	6,515	270,388	270,388	-
Total	<u>263,873</u>	<u>6,515</u>	<u>270,388</u>	<u>270,388</u>	<u>-</u>
Other instructional programs - instruction					
Health benefits	-	332	332	332	-
Total	<u>-</u>	<u>332</u>	<u>332</u>	<u>332</u>	<u>-</u>
Health services					
Health benefits	16,254	(1,937)	14,317	14,317	-
Total	<u>16,254</u>	<u>(1,937)</u>	<u>14,317</u>	<u>14,317</u>	<u>-</u>
Other support services - speech/ot/pt & related services					
Health benefits	26,151	(8,744)	17,407	17,407	-
Total	<u>26,151</u>	<u>(8,744)</u>	<u>17,407</u>	<u>17,407</u>	<u>-</u>
Other support services - guidance					
Health benefits	41,121	(4,073)	37,048	37,048	-
Total	<u>41,121</u>	<u>(4,073)</u>	<u>37,048</u>	<u>37,048</u>	<u>-</u>
Other support services - child study teams					
Health benefits	56,252	(27,167)	29,085	29,085	-
Total	<u>56,252</u>	<u>(27,167)</u>	<u>29,085</u>	<u>29,085</u>	<u>-</u>
Improvement of instruction services					
Tuition reimbursement	-	1,477	1,477	1,477	-
Total	<u>-</u>	<u>1,477</u>	<u>1,477</u>	<u>1,477</u>	<u>-</u>
Educational media services - sch. library					
Health benefits	24,470	19,278	43,748	43,748	-
Total	<u>24,470</u>	<u>19,278</u>	<u>43,748</u>	<u>43,748</u>	<u>-</u>
Support services - general administration					
Health benefits	46,728	(27,696)	19,032	19,032	-
Tuition reimbursement	5,000	2,032	7,032	7,032	-
Total	<u>51,728</u>	<u>(25,664)</u>	<u>26,064</u>	<u>26,064</u>	<u>-</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Support services - school administration					
Health benefits	\$ 28,924	\$ 6,348	\$ 35,272	\$ 35,272	\$ -
Tuition reimbursement	5,000	-	5,000	4,610	390
Total	<u>33,924</u>	<u>6,348</u>	<u>40,272</u>	<u>39,882</u>	<u>390</u>
Support services - central services					
Health benefits	1,173	30,738	31,911	31,911	-
Tuition reimbursement	5,000	(5,000)	-	-	-
Total	<u>6,173</u>	<u>25,738</u>	<u>31,911</u>	<u>31,911</u>	<u>-</u>
Required maintenance for school facilities					
Health benefits	25,089	(940)	24,149	24,149	-
Total	<u>25,089</u>	<u>(940)</u>	<u>24,149</u>	<u>24,149</u>	<u>-</u>
Custodial services					
Health benefits	104,356	(2,672)	101,684	101,684	-
Total	<u>104,356</u>	<u>(2,672)</u>	<u>101,684</u>	<u>101,684</u>	<u>-</u>
Total allocated benefits - employees	<u>\$ 1,201,719</u>	<u>\$ (60,631)</u>	<u>\$ 1,141,088</u>	<u>\$ 1,138,910</u>	<u>\$ 2,178</u>
Unallocated benefits - employee benefits					
Social Security contributions	\$ 115,000	\$ 15,247	\$ 130,247	\$ 130,247	\$ -
Other retirement contributions - PERS	105,586	(7,248)	98,338	98,338	-
Other retirement contributions - regular	5,208	156	5,364	5,364	-
Workmen's compensation	44,374	3,893	48,267	48,267	-
Health benefits	144,064	(130,260)	13,804	13,804	-
Tuition reimbursement	17,000	(337)	16,663	16,663	-
Other employee benefits	92,395	17,753	110,148	110,148	-
Unused sick payment to terminated/retired staff	-	24,515	24,515	24,515	-
Total	<u>523,627</u>	<u>(76,281)</u>	<u>447,346</u>	<u>447,346</u>	<u>-</u>
On-behalf TPAF Pension contribution	-	-	-	754,020	(754,020)
On-behalf TPAF Postretirement medical benefits	-	-	-	342,022	(342,022)
On-behalf TPAF Long-term disability insurance	-	-	-	638	(638)
Reimbursed TPAF Social Security contribution	-	-	-	282,990	(282,990)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,379,670</u>	<u>(1,379,670)</u>
Total undistributed expenditures	<u>\$ 5,998,355</u>	<u>\$ (188,597)</u>	<u>\$ 5,809,758</u>	<u>\$ 6,651,948</u>	<u>\$ (842,190)</u>
Total current	<u>\$ 10,075,879</u>	<u>\$ (144,420)</u>	<u>\$ 9,931,459</u>	<u>\$ 10,400,119</u>	<u>\$ (468,660)</u>
Capital outlay					
Equipment					
Undistributed					
Undistributed expenditures - instruction	\$ -	\$ 1,222	\$ 1,222	\$ 1,222	\$ -
Undistributed expenditures - req. maint. for school facilities	-	40,392	40,392	40,392	-
Total equipment	<u>-</u>	<u>41,614</u>	<u>41,614</u>	<u>41,614</u>	<u>-</u>
Facilities acquisition and construction service					
Architectural/engineering services	146,600	-	146,600	42,603	103,997
Construction services	703,400	-	703,400	287,138	416,262
Assessment for debt service on SDA funding	28,117	-	28,117	28,117	-
Total facilities acquisition and construction service	<u>878,117</u>	<u>-</u>	<u>878,117</u>	<u>357,858</u>	<u>520,259</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Total capital outlay	\$ 878,117	\$ 41,614	\$ 919,731	\$ 399,472	\$ 520,259
Special schools					
Summer school - instruction					
Salaries of teachers	\$ 12,911	\$ 6,204	\$ 19,115	\$ 19,115	\$ -
Other salaries for instruction	4,436	2,102	6,538	6,538	-
Total	17,347	8,306	25,653	25,653	-
Total special schools	\$ 17,347	\$ 8,306	\$ 25,653	\$ 25,653	\$ -
Total expenditures	\$ 10,971,343	\$ (94,500)	\$ 10,876,843	\$ 10,825,244	\$ 51,599
Excess (deficiency) of revenues over (under) expenditures	\$ (1,903,656)	\$ 94,500	\$ (1,809,156)	\$ (219,910)	\$ 1,589,246
Other financing sources (uses)					
Operating transfer out					
Transfer to fiduciary fund - board contribution	(5,500)	(94,500)	(100,000)	(100,000)	-
Total other financing sources (uses)	(5,500)	(94,500)	(100,000)	(100,000)	-
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	(1,909,156)	-	(1,909,156)	(319,910)	1,589,246
Fund balances, July 1	3,606,366	-	3,606,366	3,606,366	-
Fund balances, June 30	\$ 1,697,210	\$ -	\$ 1,697,210	\$ 3,286,456	\$ 1,589,246

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (24,456)	\$ -	\$ (24,456)	\$ (24,456)	\$ -
Increase in capital reserve	-	350,000	350,000	350,000	-
Interest deposit to capital reserve	-	-	-	19,131	19,131
Withdrawal from capital reserve	(850,000)	-	(850,000)	(421,602)	428,398
Increase in maintenance reserve	-	171,481	171,481	171,481	-
Budgeted fund balance	(1,034,700)	(521,481)	(1,556,181)	(414,464)	1,141,717
Total	<u>\$ (1,909,156)</u>	<u>\$ -</u>	<u>\$ (1,909,156)</u>	<u>\$ (319,910)</u>	<u>\$ 1,589,246</u>
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 276,440	
Excess surplus - current year				197,437	
Capital reserve				1,107,286	
Emergency reserve				250,000	
Maintenance reserve				715,000	
Committed fund balance					
Year-end encumbrances				91,863	
Assigned fund balance					
Designated for subsequent year's expenditures				301,127	
Unassigned fund balance				<u>347,303</u>	
Fund balance per budgetary basis				3,286,456	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(61,185)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 3,225,271</u>	

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	Unaudited		Actual	Variance Final to Actual
	Original Budget	Budget Transfers		
Revenues				
Local sources	\$ 15,227	\$ -	\$ 15,227	\$ 5,909
Federal sources	260,635	-	260,635	226,619
Total revenues	<u>\$ 275,862</u>	<u>\$ -</u>	<u>\$ 275,862</u>	<u>\$ 232,528</u>
Expenditures				
Instruction				
Salaries	\$ 43,760	\$ -	\$ 43,760	\$ 40,590
General supplies	115,293	(53,852)	61,441	51,693
Other objects	-	7,025	7,025	7,025
Totals	<u>159,053</u>	<u>(46,827)</u>	<u>112,226</u>	<u>99,308</u>
Support services				
Tuition	103,793	(7,025)	96,768	66,352
Purchased professional and technical services	10,627	-	10,627	10,627
General supplies	2,389	-	2,389	2,389
Total	<u>116,809</u>	<u>(7,025)</u>	<u>109,784</u>	<u>79,368</u>
Capital outlay				
Instructional equipment	-	53,852	53,852	53,852
Total expenditures	<u>\$ 275,862</u>	<u>\$ -</u>	<u>\$ 275,862</u>	<u>\$ 232,528</u>
Total expenditures	<u>\$ 275,862</u>	<u>\$ -</u>	<u>\$ 275,862</u>	<u>\$ 43,334</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part II
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2019

Explanation of Differences Between Budgetary Inflows and
Outflows and GAAP Revenues and Expenditures

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 10,605,334	\$ 232,528
Donations of capital assets are not recognized for budgetary purposes but treated as revenues and additional expenditures for GAAP purposes	8,946	
Differences - Budget to GAAP		
The last state aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)		
State aid receivable prior year	54,949	-
State aid receivable current year	(61,185)	-
Total revenues (GAAP basis)	<u>\$ 10,608,044</u>	<u>\$ 232,528</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 10,825,244	\$ 232,528
Donations of capital assets are not recognized for budgetary purposes but treated as revenues and additional expenditures for GAAP purposes	8,946	-
Total expenditures (GAAP basis)	<u>\$ 10,834,190</u>	<u>\$ 232,528</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**SCHEDULES RELATED TO ACCOUNTING
AND REPORTING FOR PENSIONS (GASB 68) (UNAUDITED)**

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset) - percentage	N/A	0.0098260000%	0.0106296117%	0.0094218084%	0.0103440398%	0.0095938120%	0.0105404300%	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	\$ -	\$ 1,934,691	\$ 2,474,404	\$ 2,790,469	\$ 2,322,030	\$ 1,796,224	\$ 2,014,486	N/A	N/A	N/A
District's covered employee payroll	800,916	725,948	628,284	697,072	734,312	702,442	652,482	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	266.51%	393.84%	400.31%	316.22%	255.71%	308.74%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A

N/A - Information Is Not Available

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of District's Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 97,737	\$ 98,472	\$ 83,702	\$ 88,931	\$ 79,090	\$ 79,420	\$ 77,802	\$ 108,036	\$ 102,924	\$ 64,646
Contributions in relation to the contractually required contribution	(97,737)	(98,472)	(83,702)	(88,931)	(79,090)	(79,420)	(77,802)	(108,036)	(102,924)	(64,646)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 800,916	\$ 725,948	\$ 628,284	\$ 697,072	\$ 734,312	\$ 702,442	\$ 652,482	\$ 717,286	\$ 646,817	\$ 812,383
Contributions as a percentage of covered employee payroll	12.20%	13.56%	13.32%	12.76%	10.77%	11.31%	11.92%	15.06%	15.91%	7.96%

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ -	22,709,997	24,638,317	28,246,858	23,239,500	20,016,894	18,139,162	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ 22,709,997</u>	<u>\$ 24,638,317</u>	<u>\$ 28,246,858</u>	<u>\$ 23,239,500</u>	<u>\$ 20,016,894</u>	<u>\$ 18,139,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 3,892,776	\$ 4,003,983	\$ 3,670,358	\$ 3,770,449	\$ 3,870,801	\$ 3,705,859	\$ 3,670,869	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	26.49%	25.41%	28.71%	28.71%	33.64%	33.76%	N/A	N/A	N/A

N/A - Information Is Not Available

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of District's Contributions - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 754,020	\$ 538,456	\$ 411,032	\$ 287,486	\$ 198,786	\$ 158,438	\$ 231,914	\$ 120,177	\$ 11,927	\$ 12,421
Contributions in relation to the contractually required contribution	<u>(754,020)</u>	<u>(538,456)</u>	<u>(411,032)</u>	<u>(287,486)</u>	<u>(198,786)</u>	<u>(158,438)</u>	<u>(231,914)</u>	<u>(120,177)</u>	<u>(11,927)</u>	<u>(12,421)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 3,892,776	\$ 4,003,983	\$ 3,670,358	\$ 3,770,449	\$ 3,870,801	\$ 3,705,859	\$ 3,670,869	\$ 3,638,228	\$ 3,464,639	\$ 3,908,966
Contributions as a percentage of covered employee payroll	19.37%	13.45%	11.20%	7.62%	5.14%	4.28%	6.32%	3.30%	0.34%	0.32%

See independent auditors' report.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR
OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (GASB 75) (UNAUDITED)**

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Other
Postemployment Employee Benefits Liability
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportionate share of the other postemployment employee benefits liability (asset) - percentage	N/A	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the other postemployment employee benefits liability (asset) - value	N/A	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the other postemployment employee benefits liability (asset) associated with the District	N/A	17,897,426	20,767,732	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>\$ -</u>	<u>\$ 17,897,426</u>	<u>\$ 20,767,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	N/A	\$ 4,729,931	\$ 4,298,642	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Information Is Not Available

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part III
(Unaudited)
June 30, 2019

- Note 1 - Special funding situation - TPAF and other postretirement benefits
The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense and other post-retirement benefits (OPEB) expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability and OPEB liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund and for OPEB allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF
The discount rate was 4.25% in State Fiscal Year 2017 and 4.86% in State Fiscal Year 2018. The inflation rate was 2.25% for State Fiscal Years 2017 and 2.25% in State Fiscal Year 2018.
- Note 3 - Changes in assumptions - PERS
The discount rate was 5.00% in State Fiscal Year 2017 and 5.66% in State Fiscal Year 2018. The inflation rate was 2.25% for State Fiscal Year 2017 and 2.25% for State Fiscal Year 2018.
- Note 4 - Changes in assumptions - other postretirement employee benefits
The other postretirement employee benefits discount rate increased from 3.58% in State Fiscal Year 2017 to 3.87% in State Fiscal Year 2018. The inflation rate was 2.50% for State Fiscal Year 2017 and 2018.
- Note 5 - Changes in healthcare trend assumptions - other postretirement employee benefits
For Pre-Medicare Preferred Provider Organization (PPO) and Health Maintenance Organization (HMO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.
- Note 6 - Changes in benefit term assumptions - other postretirement employee benefits
There were no changes of the benefit terms from June 30, 2017 to June 30, 2018.

SPECIAL REVENUE FUND

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

UNION TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures -
Budgetary Basis
For the Fiscal Year Ended June 30, 2019

	ESSA Title IA	ESSA Title IIA	ESSA Title IV	REAP	IDEA Basic	Local Grants	Total
Revenues							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,909	\$ 5,909
Federal sources	43,706	10,627	12,389	86,520	73,377	-	226,619
Total revenues	<u>\$ 43,706</u>	<u>\$ 10,627</u>	<u>\$ 12,389</u>	<u>\$ 86,520</u>	<u>\$ 73,377</u>	<u>\$ 5,909</u>	<u>\$ 232,528</u>
Expenditures							
Instruction							
Salaries	\$ 39,105	\$ -	\$ -	\$ 1,485	\$ -	\$ -	\$ 40,590
General supplies	4,601	-	10,000	31,183	-	5,909	51,693
Other objects	-	-	-	-	7,025	-	7,025
Total	<u>43,706</u>	<u>-</u>	<u>10,000</u>	<u>32,668</u>	<u>7,025</u>	<u>5,909</u>	<u>99,308</u>
Support services							
Tuition	-	-	-	-	66,352	-	66,352
Purchased professional and technical services	-	10,627	-	-	-	-	10,627
General supplies	-	-	2,389	-	-	-	2,389
Total	<u>-</u>	<u>10,627</u>	<u>2,389</u>	<u>-</u>	<u>66,352</u>	<u>-</u>	<u>79,368</u>
Capital outlay							
Instructional equipment	-	-	-	53,852	-	-	53,852
Total expenditures	<u>\$ 43,706</u>	<u>\$ 10,627</u>	<u>\$ 12,389</u>	<u>\$ 86,520</u>	<u>\$ 73,377</u>	<u>\$ 5,909</u>	<u>\$ 232,528</u>

See independent auditors' report.

CAPITAL PROJECTS FUND

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.

(NOT APPLICABLE TO THIS REPORT)

PROPRIETARY FUND

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.

See Statements B-4, B-5, and B-6.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for funds received by the school district as an agent for individuals, private organizations, other government and/or other funds.

UNION TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Fund Net Position
June 30, 2019

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 79,654	\$ 15,342	\$ 37,075	\$ 132,071
Due from other funds	87,990	633	-	88,623
Total assets	\$ 167,644	\$ 15,975	\$ 37,075	\$ 220,694
Liabilities				
Accounts payable	\$ 861	\$ -	\$ -	\$ 861
Due to other funds	-	-	22,204	22,204
Due to students groups	-	15,975	-	15,975
Payroll deductions and withholdings	-	-	14,871	14,871
Total liabilities	861	15,975	37,075	53,911
Net position				
Held in trust for unemployment claims and other purposes	\$ 166,783	\$ -	\$ -	\$ 166,783

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2019

	Unemployment Compensation Fund
Additions	
Employee contributions	\$ 9,458
Operating transfer in	100,000
Investment earnings - interest	973
Total additions	110,431
Deductions	
Unemployment claims	861
Change in net position	109,570
Net position - beginning of the year	57,213
Net position - end of the year	\$ 166,783

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2019

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19
Assets				
Cash and cash equivalents	\$ 19,704	\$ 26,986	\$ 31,348	\$ 15,342
Due from other funds	633	-	-	633
Total assets	<u>\$ 20,337</u>	<u>\$ 26,986</u>	<u>\$ 31,348</u>	<u>\$ 15,975</u>
Liabilities				
Due to student groups	\$ 20,337	\$ 26,986	\$ 31,348	\$ 15,975
Total liabilities	<u>\$ 20,337</u>	<u>\$ 26,986</u>	<u>\$ 31,348</u>	<u>\$ 15,975</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
Payroll Agency Fund Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2019

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19
Assets				
Cash and cash equivalents	\$ 38,870	\$ 5,996,597	\$ 5,998,392	\$ 37,075
Total assets	\$ 38,870	\$ 5,996,597	\$ 5,998,392	\$ 37,075
Liabilities				
Due to other funds	\$ 22,069	\$ 11,724	\$ 11,589	\$ 22,204
Payroll deductions and withholdings	16,801	2,409,422	2,411,352	14,871
Net payroll	-	3,575,451	3,575,451	-
Total liabilities	\$ 38,870	\$ 5,996,597	\$ 5,998,392	\$ 37,075

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

The long-term debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding, obligations under capital leases, and early retirement program.

UNION TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2019

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/18	Issued	Retired	Balance 06/30/19
			Date	Amount					
Refunding of 2007 series refunding bond issue	05/03/17	\$ 7,725,000	07/15/20	\$ 440,000	2.00%	\$ 7,615,000	\$ -	\$ -	\$ 7,615,000
			07/15/21	455,000	4.00%	-	-	-	-
			07/15/22	470,000	3.43%	-	-	-	-
			07/15/23	495,000	4.00%	-	-	-	-
			07/15/24	520,000	5.00%	-	-	-	-
			07/15/25	550,000	5.00%	-	-	-	-
			07/15/26	580,000	5.00%	-	-	-	-
			07/15/27	610,000	5.00%	-	-	-	-
			07/15/28	640,000	5.00%	-	-	-	-
			07/15/29	670,000	5.00%	-	-	-	-
			07/15/30	700,000	4.00%	-	-	-	-
			07/15/31	730,000	3.75%	-	-	-	-
			07/15/32	755,000	3.75%	-	-	-	-

See independent auditor's report.

UNION TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds (continued)
For the Fiscal Year Ended June 30, 2019

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/18	Issued	Retired	Balance 06/30/19
			Date	Amount					
Refunding of series 2002 & 2005									
for new elementary school	01/27/16	\$ 3,105,000	07/15/19	\$ 580,000	2.000%	\$ 2,835,000	\$ -	\$ 550,000	\$ 2,285,000
			07/15/20	145,000	2.000%	-	-	-	-
			07/15/21	150,000	2.000%	-	-	-	-
			07/15/22	150,000	2.000%	-	-	-	-
			07/15/23	155,000	2.000%	-	-	-	-
			07/15/24	155,000	2.000%	-	-	-	-
			07/15/25	155,000	2.125%	-	-	-	-
			07/15/26	160,000	2.125%	-	-	-	-
			07/15/27	160,000	3.000%	-	-	-	-
			07/15/28	155,000	3.000%	-	-	-	-
			07/15/29	160,000	3.000%	-	-	-	-
			07/15/30	160,000	3.000%	-	-	-	-
						<u>\$ 10,450,000</u>	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ 9,900,000</u>

See independent auditor's report.

UNION TOWNSHIP SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	Original Budget	Unaudited Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources					
Local tax levy	\$ 955,725	\$ -	\$ 955,725	\$ 955,725	\$ -
Total revenues	<u>955,725</u>	<u>-</u>	<u>955,725</u>	<u>955,725</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	550,000	-	550,000	550,000	-
Interest	405,725	-	405,725	405,725	-
Total expenditures	<u>955,725</u>	<u>-</u>	<u>955,725</u>	<u>955,725</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
Fund balance, July 1	3,542	-	3,542	3,542	-
Fund balance, June 30	<u>\$ 3,542</u>	<u>\$ -</u>	<u>\$ 3,542</u>	<u>\$ 3,542</u>	<u>\$ -</u>

See independent auditors' report.

STATISTICAL SECTION

UNION TOWNSHIP SCHOOL DISTRICT
Statistical Section J Series

CONTENTS	PAGE
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	J-14 to J-15
OPERATING INFORMATION	
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.	J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules are derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.

UNION TOWNSHIP SCHOOL DISTRICT
Net Position by Component
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Government activities										
Net investment in capital assets	\$ 4,090,453	\$ 4,172,228	\$ 4,018,600	\$ 4,017,778	\$ 3,976,657	\$ 4,675,761	\$ 5,474,720	\$ 6,259,431	\$ 6,249,882	\$ 6,549,380
Restricted	841,123	1,958,627	2,992,139	3,431,663	3,889,746	3,514,670	2,957,192	2,458,045	1,956,818	2,075,828
Unrestricted	278,896	83,405	(39,529)	(17,216)	(1,952,064)	(2,063,435)	(2,004,874)	(2,180,508)	(1,877,321)	(2,199,015)
Total governmental activities	<u>\$ 5,210,472</u>	<u>\$ 6,214,260</u>	<u>\$ 6,971,210</u>	<u>\$ 7,432,225</u>	<u>\$ 5,914,339</u>	<u>\$ 6,126,996</u>	<u>\$ 6,427,038</u>	<u>\$ 6,536,968</u>	<u>\$ 6,329,379</u>	<u>\$ 6,426,193</u>
Business-type activities										
Net investment in capital assets	\$ 9,312	\$ 8,387	\$ 6,661	\$ 5,180	\$ 3,840	\$ 2,710	\$ 1,875	\$ 7,394	\$ 6,584	\$ 5,858
Unrestricted	22,073	25,268	31,257	33,999	36,628	47,892	60,175	35,911	36,376	35,319
Total business-type activities	<u>\$ 31,385</u>	<u>\$ 33,655</u>	<u>\$ 37,918</u>	<u>\$ 39,179</u>	<u>\$ 40,468</u>	<u>\$ 50,602</u>	<u>\$ 62,050</u>	<u>\$ 43,305</u>	<u>\$ 42,960</u>	<u>\$ 41,177</u>
District-wide										
Net investment in capital assets	\$ 4,099,765	\$ 4,180,615	\$ 4,025,261	\$ 4,022,958	\$ 3,980,497	\$ 4,678,471	\$ 5,476,595	\$ 6,266,825	\$ 6,256,466	\$ 6,555,238
Restricted	841,123	1,958,627	2,992,139	3,431,663	3,889,746	3,514,670	2,957,192	2,458,045	1,956,818	2,075,828
Unrestricted	300,969	108,673	(8,272)	16,783	(1,915,436)	(2,015,543)	(1,944,699)	(2,144,597)	(1,840,945)	(2,163,696)
Total district-wide	<u>\$ 5,241,857</u>	<u>\$ 6,247,915</u>	<u>\$ 7,009,128</u>	<u>\$ 7,471,404</u>	<u>\$ 5,954,807</u>	<u>\$ 6,177,598</u>	<u>\$ 6,489,088</u>	<u>\$ 6,580,273</u>	<u>\$ 6,372,339</u>	<u>\$ 6,467,370</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Changes in Net Position
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
Instruction										
Regular	\$ 3,706,061	\$ 3,627,140	\$ 3,576,815	\$ 3,537,318	\$ 3,681,727	\$ 4,511,551	\$ 4,723,401	\$ 5,067,528	\$ 5,667,409	\$ 5,130,049
Special education	1,339,516	1,245,094	1,228,166	1,314,341	1,469,613	1,704,837	1,978,393	2,256,707	2,251,725	2,195,217
Other special education	58,685	81,132	105,320	53,194	51,227	79,159	69,768	139,843	197,239	152,865
Other instruction	232,929	235,532	233,877	239,822	237,072	278,470	295,713	289,013	264,957	416,035
Support services										
Tuition	448,670	449,813	438,775	330,590	234,322	369,987	299,932	462,871	410,297	335,463
Student and instruction related services	1,203,134	1,078,483	1,350,952	1,438,279	1,341,813	1,480,058	1,501,595	1,442,376	1,940,579	2,147,503
General and business administrative services	771,964	746,647	988,032	694,273	679,859	814,440	861,935	897,907	947,118	963,351
School administration	309,074	281,698	261,970	260,203	244,152	276,016	295,439	341,954	369,795	364,857
Plant operations and maintenance	946,477	963,026	1,000,227	981,392	1,109,528	1,031,921	933,558	917,918	1,117,581	1,118,714
Pupil transportation	653,496	531,342	544,943	584,371	481,271	494,475	480,243	511,823	490,138	533,144
Special schools	-	-	-	-	-	-	-	-	-	25,653
Interest on long-term debt	647,346	658,800	625,779	613,821	592,783	570,833	525,845	381,419	374,867	356,341
Total governmental activities expenses	<u>10,317,352</u>	<u>9,898,707</u>	<u>10,354,856</u>	<u>10,047,604</u>	<u>10,123,367</u>	<u>11,611,747</u>	<u>11,965,822</u>	<u>12,709,359</u>	<u>14,031,705</u>	<u>13,739,192</u>
Business-type activities										
Food services	148,157	138,119	143,232	125,898	132,256	132,079	130,867	165,476	141,317	130,018
Total business-type activities	<u>148,157</u>	<u>138,119</u>	<u>143,232</u>	<u>125,898</u>	<u>132,256</u>	<u>132,079</u>	<u>130,867</u>	<u>165,476</u>	<u>141,317</u>	<u>130,018</u>
Total district expenses	<u>\$ 10,465,509</u>	<u>\$ 10,036,826</u>	<u>\$ 10,498,088</u>	<u>\$ 10,173,502</u>	<u>\$ 10,255,623</u>	<u>\$ 11,743,826</u>	<u>\$ 12,096,689</u>	<u>\$ 12,874,835</u>	<u>\$ 14,173,022</u>	<u>\$ 13,869,210</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Program revenues										
Governmental activities										
Charges for services										
Regular instruction	\$ -	\$ 14,000	\$ 25,200	\$ 36,191	\$ 34,320	\$ 34,500	\$ 42,930	\$ 34,517	\$ 70,490	\$ 61,600
Other instruction	146,267	164,609	169,985	155,587	159,557	160,096	169,099	177,187	145,960	130,356
General and business administrative services	-	\$350	400	-	-	-	-	-	-	-
Plant operations and maintenance	\$2,303	3,597	-	-	7,255	6,463	7,495	4,140	1,715	13,285
Pupil transportation	-	-	4,805	11,042	-	-	-	-	-	-
Operating grants and contributions	262,508	182,601	207,347	170,829	146,061	98,557	257,205	168,555	150,769	232,528
Capital grants and contributions	-	79,534	-	-	-	255,728	3,935	-	-	-
Total governmental activities program revenues	<u>411,078</u>	<u>444,691</u>	<u>407,737</u>	<u>373,649</u>	<u>347,193</u>	<u>555,344</u>	<u>480,664</u>	<u>384,399</u>	<u>368,934</u>	<u>437,769</u>
Business-type activities										
Charges for services										
Food service	120,979	110,423	110,199	102,822	106,177	112,476	109,795	112,843	107,988	98,450
Operating grants and contributions	26,758	29,932	37,296	24,208	27,218	29,574	32,377	33,531	31,828	29,493
Total business-type activities program revenues	<u>147,737</u>	<u>140,355</u>	<u>147,495</u>	<u>127,030</u>	<u>133,395</u>	<u>142,050</u>	<u>142,172</u>	<u>146,374</u>	<u>139,816</u>	<u>127,943</u>
Total district-program revenues	<u>\$ 558,815</u>	<u>\$ 585,046</u>	<u>\$ 555,232</u>	<u>\$ 500,679</u>	<u>\$ 480,588</u>	<u>\$ 697,394</u>	<u>\$ 622,836</u>	<u>\$ 530,773</u>	<u>\$ 508,750</u>	<u>\$ 565,712</u>
Net (expense) revenues										
Governmental activities	\$ (9,906,274)	\$ (9,454,016)	\$ (9,947,119)	\$ (9,673,955)	\$ (9,776,174)	\$ (11,056,403)	\$ (11,485,158)	\$ (12,324,960)	\$ (13,662,771)	\$ (13,301,423)
Business-type activities	(420)	2,236	4,263	1,132	1,139	9,971	11,305	(19,102)	(1,501)	(2,075)
Total district-wide net expenses	<u>\$ (9,906,694)</u>	<u>\$ (9,451,780)</u>	<u>\$ (9,942,856)</u>	<u>\$ (9,672,823)</u>	<u>\$ (9,775,035)</u>	<u>\$ (11,046,432)</u>	<u>\$ (11,473,853)</u>	<u>\$ (12,344,062)</u>	<u>\$ (13,664,272)</u>	<u>\$ (13,303,498)</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General revenues and other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 8,187,711	\$ 8,335,214	\$ 8,335,219	\$ 7,765,843	\$ 7,665,205	\$ 7,665,205	\$ 7,741,857	\$ 7,896,694	\$ 8,054,628	\$ 8,215,721
Taxes levied for debt service	1,078,863	1,099,829	1,019,250	909,944	1,039,326	1,042,794	1,035,349	619,902	661,090	955,725
Unrestricted grants and contributions	1,348,153	1,010,625	1,287,322	1,402,489	1,311,013	2,506,015	2,949,847	3,823,868	4,688,705	4,150,412
Investment earnings	5,284	4,138	26,847	17,073	17,327	16,754	14,616	20,632	44,841	50,539
Miscellaneous income	39,066	33,067	35,431	41,985	14,983	38,292	43,531	73,794	5,918	25,840
Special item-payment to refunding bond agent	-	-	-	-	145,500	-	-	-	-	-
Special item - loss on sale of capital assets	-	(23,069)	-	(2,364)	-	-	-	-	-	-
Transfers in (out)	(103,457)	(2,000)	-	-	-	-	-	-	-	-
Total governmental activities	10,555,620	10,457,804	10,704,069	10,134,970	10,193,354	11,269,060	11,785,200	12,434,890	13,455,182	13,398,237
Business-type activities										
Investment earnings	65	34	-	129	150	163	243	357	534	292
Miscellaneous income	-	-	-	-	-	-	-	-	622	-
Total business-type activities	65	34	-	129	150	163	243	357	1,156	292
Total district-wide	\$ 10,555,685	\$ 10,457,838	\$ 10,704,069	\$ 10,135,099	\$ 10,193,504	\$ 11,269,223	\$ 11,785,443	\$ 12,435,247	\$ 13,456,338	\$ 13,398,529
Change in net position										
Governmental activities	\$ 649,346	\$ 1,003,788	\$ 756,950	\$ 461,015	\$ 417,180	\$ 212,657	\$ 300,042	\$ 109,930	\$ (207,589)	\$ 96,814
Business-type activities	(355)	2,270	4,263	1,261	1,289	10,134	11,448	(18,745)	(345)	(1,783)
Total district	\$ 648,991	\$ 1,006,058	\$ 761,213	\$ 462,276	\$ 418,469	\$ 222,791	\$ 311,490	\$ 91,185	\$ (207,934)	\$ 95,031

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Restricted	\$ 838,661	\$ 1,788,258	\$ 2,821,770	\$ 3,396,996	\$ 3,496,871	\$ 3,500,385	\$ 2,949,202	\$ 3,286,269	\$ 2,947,931	\$ 2,546,163
Committed	244,432	78,528	180,194	96,597	123,043	3,094	143,340	33,658	24,457	91,863
Assigned	-	-	-	95,822	75,856	65,545	92,892	38,677	316,485	301,127
Unassigned	271,721	270,318	292,830	277,265	262,418	262,326	237,872	297,306	262,544	286,118
Total general fund	<u>\$ 1,354,814</u>	<u>\$ 2,137,104</u>	<u>\$ 3,294,794</u>	<u>\$ 3,866,680</u>	<u>\$ 3,958,188</u>	<u>\$ 3,831,350</u>	<u>\$ 3,423,306</u>	<u>\$ 3,655,910</u>	<u>\$ 3,551,417</u>	<u>\$ 3,225,271</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 9,312	\$ 40,369	\$ 40,369	\$ 34,667	\$ 392,874	\$ 9,284	\$ -	\$ -	\$ -	\$ -
Assigned, reported in										
Debt service fund	825	130,000	130,000	-	1	5,001	7,001	2,002	3,542	3,542
Total all other governmental funds	<u>\$ 10,137</u>	<u>\$ 170,369</u>	<u>\$ 170,369</u>	<u>\$ 34,667</u>	<u>\$ 392,875</u>	<u>\$ 14,285</u>	<u>\$ 7,001</u>	<u>\$ 2,002</u>	<u>\$ 3,542</u>	<u>\$ 3,542</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Tax levy	\$ 9,266,574	\$ 9,435,043	\$ 9,354,469	\$ 8,675,787	\$ 8,704,531	\$ 8,707,999	\$ 8,777,206	\$ 8,516,596	\$ 8,715,718	\$ 9,171,446
Tuition charges	-	14,000	25,200	33,600	34,320	34,500	42,930	34,517	70,490	61,600
Interest earnings	5,284	4,138	26,847	17,073	17,327	16,754	14,616	20,632	44,841	50,539
Before/After school child care service fees	146,267	164,609	169,985	155,587	159,557	160,096	169,099	177,187	145,960	130,356
Miscellaneous	38,184	162,949	36,770	50,282	20,658	40,675	41,878	59,004	9,592	45,034
State sources	1,307,979	1,010,625	1,259,057	1,402,489	1,311,013	1,428,919	1,530,866	1,701,510	1,825,414	2,110,703
State sources - capital projects	-	79,534	-	-	-	255,727	3,935	-	-	-
Federal sources	300,887	182,118	235,398	170,735	143,561	98,557	253,698	167,829	148,810	226,619
Total revenues	11,065,175	11,053,016	11,107,726	10,505,553	10,390,967	10,743,227	10,834,228	10,677,275	10,960,825	11,796,297
Expenditures										
Instruction										
Regular instruction	2,559,376	2,422,697	2,278,533	2,231,357	2,404,009	2,550,128	2,447,086	2,366,832	2,537,558	2,470,481
Special education instruction	843,614	769,073	752,085	801,133	895,219	925,663	1,024,839	1,040,519	1,028,866	1,039,754
Other special instruction	46,388	62,946	80,395	39,903	39,148	39,148	40,520	38,311	42,234	63,717
School sponsored/other instructional	173,140	168,660	167,730	177,829	172,918	194,890	191,543	189,556	171,416	174,219
Support services										
Tuition	338,319	343,428	332,493	223,510	137,768	305,265	150,123	363,980	317,415	269,111
Student and inst related services	862,244	761,639	952,686	997,920	952,260	967,229	906,917	793,706	1,047,134	1,201,888
General administration	423,783	386,198	360,650	344,975	327,719	358,693	341,766	381,562	334,030	374,674
School administration services	221,011	182,384	174,374	171,269	167,694	164,864	165,978	167,333	188,893	197,949
Central services	179,628	176,745	174,870	187,411	199,762	202,888	172,124	213,551	235,939	243,502
Administrative information technology	-	-	207	-	3,451	-	-	-	-	-
Plant operations and maintenance	838,824	827,624	835,840	816,587	912,328	813,459	712,286	740,964	836,747	883,377
Pupil transportation	651,897	530,243	544,643	584,371	481,271	494,475	480,243	511,823	490,138	515,521
Employee benefits	1,226,506	1,280,758	1,381,396	1,346,120	1,386,279	1,429,197	1,447,001	1,309,905	1,449,296	1,586,256
On-behalf TPAF Pension and Social Security contribution	535,034	518,948	632,365	762,874	687,615	793,268	923,635	1,026,845	1,174,476	1,379,670
Capital outlay	9,349	140,231	35,186	139,518	74,522	205,703	924,823	123,604	21,200	380,301
Special schools	-	-	-	-	-	-	-	-	-	25,653
Special revenue funds	262,508	182,601	207,347	170,829	146,061	98,557	257,205	168,555	150,769	232,528
Capital projects	5,300	203,077	-	5,702	31,285	639,317	85,445	113,842	-	-
Debt service										
Principal	441,000	482,000	405,000	445,000	465,000	485,000	505,000	550,000	680,000	550,000
Interest and other charges	656,775	669,242	634,236	623,061	602,442	580,911	558,467	462,624	357,667	433,842
Total expenditures	10,274,696	10,108,494	9,950,036	10,069,369	10,086,751	11,248,655	11,335,001	10,563,512	11,063,778	12,022,443

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances - Governmental Funds (continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Excess (deficiency) of revenues over (under) expenditures	\$ 790,479	\$ 944,522	\$ 1,157,690	\$ 436,184	\$ 304,216	\$ (505,428)	\$ (500,773)	\$ 113,763	\$ (102,953)	\$ (226,146)
Other financing sources (uses)										
Proceeds from refunding bond issue	-	-	-	-	-	-	3,105,000	7,725,000	-	-
Payment to refunding bond escrow agent	-	-	-	-	-	-	(3,147,418)	(8,661,966)	-	-
Premium (discount) on bond issue	-	-	-	-	-	-	127,863	1,050,808	-	-
Insurance claim proceeds for chiller damage	-	-	-	-	145,500	-	-	-	-	-
Transfers in (out)	(103,457)	(2,000)	-	-	-	-	-	-	-	(100,000)
Total other financing sources (uses)	(103,457)	(2,000)	-	-	145,500	-	85,445	113,842	-	(100,000)
Net change in fund balances	<u>\$ 687,022</u>	<u>\$ 942,522</u>	<u>\$ 1,157,690</u>	<u>\$ 436,184</u>	<u>\$ 449,716</u>	<u>\$ (505,428)</u>	<u>\$ (415,328)</u>	<u>\$ 227,605</u>	<u>\$ (102,953)</u>	<u>\$ (326,146)</u>
Debt service as a percentage of non-capital expenditures	11.98%	13.36%	11.71%	12.06%	11.98%	11.42%	11.48%	10.87%	10.37%	9.23%

Source: District Records

NOTE: Non-capital expenditures are total expenditures less capital outlay.

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
General Fund - Other Local Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Interest income	\$ 5,014	\$ 4,126	\$ 26,847	\$ 26,847	\$ 17,327	\$ 16,754	\$ 14,616	\$ 20,632	\$ 44,841	\$ 50,539
Tuition	-	14,000	25,200	25,200	34,320	34,500	42,930	34,517	70,490	61,600
Prior year accounts payable canceled	1,356	302	522	2,420	-	14	1,690	5,665	1,114	-
Insurance rebates	-	7,938	-	-	-	-	-	-	-	-
Bid spec fees	-	350	400	-	-	-	-	-	-	-
Prior year refund	8,668	-	-	-	-	1,360	18,201	2,158	-	808
Rentals	1,403	3,129	4,805	11,042	7,255	6,463	7,990	4,140	1,715	13,285
Miscellaneous other	349	342	3,561	1,988	860	1,462	2,771	346	91	5,386
Sale of surplus assets	-	-	-	-	-	2,400	-	-	-	-
Sale of property	-	130,000	-	-	-	-	-	-	-	-
Donations/Contributions	2,500	3,000	6,453	7,100	3,600	88	1,701	4,000	4,713	19,646
Textbook sales	495	271	245	42	132	-	-	-	-	-
Miscellaneous account balances canceled	193	-	49	2,155	-	-	-	9,340	-	-
E-rate rebates	8,854	15,284	20,452	24,941	5,311	15,817	2,400	17,939	-	-
Before and after school child care service fees	146,267	164,609	169,985	169,985	159,557	160,096	169,099	177,187	145,960	130,356
FEMA storm reimbursement	-	-	-	-	-	-	-	11,490	-	-
Copier lease buy out	9,321	-	-	-	-	-	-	-	-	-
Miscellaneous grants/awards	2,503	-	-	500	1,000	12,300	1,000	3,200	-	-
Outstanding checks voided	747	1,850	69	-	-	771	617	-	-	-
Annual totals	\$ 187,670	\$ 345,201	\$ 258,588	\$ 272,220	\$ 229,362	\$ 252,025	\$ 263,015	\$ 290,614	\$ 268,924	\$ 281,620

Source: District Records

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Vacant land	\$ 14,951,504	\$ 14,685,104	\$ 14,061,208	\$ 13,500,308	\$ 15,073,108	\$ 16,553,308	\$ 16,134,508	\$ 13,952,608	\$ 12,018,208	\$ 11,730,700
Residential	534,714,400	529,159,100	528,658,100	526,448,800	522,049,700	524,247,100	525,993,900	528,600,700	528,912,900	529,490,600
Farm regular	32,635,000	34,593,000	35,197,800	35,317,200	37,591,100	36,133,300	36,774,000	37,425,800	37,524,100	37,573,000
Q farm	1,077,841	1,114,981	1,116,136	1,119,036	1,082,411	1,072,111	1,031,611	1,036,261	1,040,029	1,045,475
Commercial	92,890,900	88,414,100	89,743,200	89,705,600	88,792,500	104,475,132	107,510,532	113,430,532	113,430,532	114,132,832
Industrial	14,192,100	10,386,700	10,386,700	10,386,700	10,386,700	10,386,700	10,386,700	4,498,800	4,498,800	4,498,800
Apartment	230,900	230,900	230,900	230,900	230,900	230,900	230,900	230,900	230,900	230,900
Total assessed value	690,692,645	678,583,885	679,394,044	676,708,544	675,206,419	693,098,551	698,062,151	699,175,601	697,655,469	698,702,307
Public utilities (a)	6,213,177	6,624,752	6,624,752	6,744,963	4,909,700	97	95	95	-	-
Net valuation taxable	\$ 696,905,822	\$ 685,208,637	\$ 686,018,796	\$ 683,453,507	\$ 680,116,119	\$ 693,098,648	\$ 698,062,246	\$ 699,175,696	\$ 697,655,469	\$ 698,702,307
Estimated actual county equalized value	\$ 930,199,976	\$ 879,826,191	\$ 851,139,945	\$ 819,980,212	\$ 782,462,171	\$ 801,919,065	\$ 809,910,948	\$ 809,699,596	\$ 817,788,617	\$ 858,673,107
Percentage of net valuation to estimated actual equalized value	74.92%	77.88%	80.60%	83.35%	86.92%	86.43%	86.19%	86.35%	85.31%	81.37%
Total direct school tax rate (b)	\$ 1.35	\$ 1.37	\$ 1.26	\$ 1.27	\$ 1.28	\$ 1.27	\$ 1.22	\$ 1.25	\$ 1.32	\$ 1.34

Source: 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 the County Board of Taxation requests Treasury to order a reassessment.

- (a) Taxable value of machinery, implements and equipment of telephone and messenger system companies
(b) Tax rates are per \$100

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per \$100 of Assessed Value)

Assessment Year	School District Direct Rate				Regional School Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate	Municipality		County		
2010	\$ 1.19	\$ 0.16	\$ 1.35	\$ 0.75	\$ 0.21	\$ 0.46	\$ 2.77	
2011	1.22	0.15	1.37	0.74	0.22	0.44	2.77	
2012	1.13	0.13	1.26	0.74	0.23	0.44	2.67	
2013	1.12	0.15	1.27	0.75	0.22	0.44	2.68	
2014	1.13	0.15	1.28	0.70	0.25	0.42	2.65	
2015	1.12	0.15	1.27	0.67	0.26	0.44	2.64	
2016	1.13	0.09	1.22	0.68	0.33	0.43	2.66	
2017	1.16	0.09	1.25	0.68	0.29	0.43	2.65	
2018	1.18	0.14	1.32	0.68	0.30	0.44	2.74	
2019	1.20	0.14	1.34	0.74	0.32	0.46	2.86	

Sources: Municipal Tax Collector

NOTE: N.J.S.A. 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 pre-budget by more than the spending growth limitation calculated as follows: the pre-budget 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.

See independent auditors' report.

**UNION TOWNSHIP SCHOOL DISTRICT
Principal Property Taxpayers
Current Year and Nine Years Ago**

	2019			2010		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
	Energy (NJ)	\$ 31,240,250	1	4.47%	\$ 31,240,250	1
Transcontinental Gas Pipeline Company	15,682,632	2	2.24%	4,909,700	4	0.70%
Crown Perryville LLC	15,000,000	3	2.15%	19,000,000	2	2.73%
Kramer Electronic Holdings LLC	5,750,000	4	0.82%	-		-
FW LLC/FW Realty	5,341,950	5	0.76%	3,484,750	8	0.50%
County Arch Care Center	4,690,800	6	0.67%	4,618,500	5	0.66%
Amsdell Storage Ventures XXXVII LLC	3,642,400	7	0.52%	-		-
Evergreen Associates	3,464,965	8	0.50%	4,099,100	7	0.59%
Pilot Trvl Cntrs, Property Tax Dept.	2,681,800	9	0.38%	-		-
Grand Farmhouse Property LLC	2,475,400	10	0.35%	-		-
INO Therapeutics Inc	-		-	8,610,000	3	1.24%
Fallone at Union LLC	-		-	4,304,600	6	0.62%
Clinton Block LLC	-		-	3,445,400	9	0.49%
FDRA LLC	-		-	2,513,000	10	0.36%
	<u>\$ 89,970,197</u>		<u>12.88%</u>	<u>\$ 86,225,300</u>		<u>12.37%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

Year Ending June 30,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2010	\$ 9,266,574	\$ 9,266,574	100.00%
2011	9,435,043	9,435,043	100.00%
2012	9,354,469	9,354,469	100.00%
2013	8,675,787	8,675,787	100.00%
2014	8,704,531	8,704,531	100.00%
2015	8,707,999	8,707,999	100.00%
2016	8,777,206	8,777,206	100.00%
2017	8,516,596	8,516,596	100.00%
2018	8,715,718	8,715,718	100.00%
2019	9,171,446	9,171,446	100.00%

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

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

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Governmental Activities				Business-Type Activities		Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2010	\$ 15,222,000	\$ -	\$ 4,937	\$ -	\$ -	\$ 15,226,937	3.56%	\$ 2,454	
2011	14,740,000	-	-	-	-	14,740,000	3.57%	2,503	
2012	14,335,000	-	-	-	-	14,335,000	3.41%	2,449	
2013	13,890,000	-	-	-	-	13,890,000	3.19%	2,396	
2014	13,425,000	-	-	-	-	13,425,000	3.10%	2,320	
2015	12,940,000	-	-	-	-	12,940,000	2.88%	2,261	
2016	12,455,000	-	-	-	-	12,455,000	2.72%	2,201	
2017	11,905,000	-	-	-	-	11,905,000	2.57%	2,137	
2018	10,450,000	-	-	-	-	10,450,000	2.18%	1,890	
2019	9,900,000	-	-	-	-	9,900,000	N/A	1,792	

NOTES: (1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.

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

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ending June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions			
2010	\$ 15,222,000	\$ -	\$ 15,222,000	2.18%	\$ 2,454
2011	14,740,000	-	14,740,000	2.15%	2,503
2012	14,335,000	-	14,335,000	2.09%	2,449
2013	13,890,000	-	13,890,000	2.03%	2,396
2014	13,425,000	-	13,425,000	1.97%	2,320
2015	12,940,000	-	12,940,000	1.87%	2,261
2016	12,455,000	-	12,455,000	1.78%	2,201
2017	11,130,000	-	11,130,000	1.59%	1,998
2018	10,450,000	-	10,450,000	1.50%	1,953
2019	9,900,000	-	9,900,000	1.50%	1,792

NOTES: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

- (a) See Exhibit J-6 for property tax data.
- (b) Population data can be found in Exhibit J-14.

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2018

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Municipality	\$ 3,409,051	100.00%	\$ 3,409,051
Regional High School	9,205,000	10.05%	924,717
County general obligation debt	83,452,933	3.86%	<u>3,218,593</u>
Subtotal, overlapping debt			7,552,361
School district direct debt			<u>9,900,000</u>
Total direct and overlapping debt			<u><u>\$ 17,452,361</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the county Board of Taxation. Debt outstanding data provided by each Governmental Unit.

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 municipality. 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.

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2019

	Equalized Valuation Basis
	2018 \$ 857,386,591
	2017 819,570,509
	2016 808,410,134
	\$2,485,367,234
Average equalized valuation of taxable property	\$ 828,455,745
Debt limit (3.0% of average equalization value)	\$ 24,853,672
Total net debt applicable to limit	9,900,000
Legal debt margin	\$ 14,953,672

	Fiscal Year				
	2015	2016	2017	2018	2019
Debt limit	\$ 23,748,693	\$ 23,639,114	\$ 23,937,797	\$ 24,321,326	\$ 24,853,672
Total net debt applicable	12,940,000	12,435,000	11,130,000	10,450,000	9,900,000
Legal debt margin	\$ 10,808,693	\$ 11,204,114	\$ 12,807,797	\$ 13,871,326	\$ 14,953,672
Total net debt applicable to the limit as a percentage of debt limit	54.49%	52.60%	46.50%	42.97%	39.83%

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt limit	\$ 28,625,717	\$ 27,897,391	\$ 26,504,317	\$ 25,438,931	\$ 24,355,671
Total net debt applicable	15,222,000	14,740,000	14,335,000	13,890,000	13,425,000
Legal debt margin	\$ 13,403,717	\$ 13,157,391	\$ 12,169,317	\$ 11,548,931	\$ 10,930,671
Total net debt applicable to the limit as a percentage of debt limit	53.18%	52.84%	54.09%	54.60%	55.12%

Source: Equalized valuation bases were obtained from the annual report of the State of New Jersey Department of Treasury, Division of Taxation.

(a) Limit Set by N.J.S.A. 18A:24-19

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2010	5,889	\$ 412,336,002	\$ 70,018	7.2%
2011	5,854	420,908,454	71,901	7.0%
2012	5,797	435,685,129	75,157	7.2%
2013	5,787	433,562,040	74,920	6.0%
2014	5,723	448,906,397	78,439	4.5%
2015	5,658	457,319,166	80,827	4.5%
2016	5,571	463,401,351	83,181	3.8%
2017	5,350	463,251,150	86,589	3.7%
2018	5,525	N/A	N/A	3.5%
2019	N/A	N/A	N/A	N/A

Sources:

- (a) Population information provided by the NJ Dept of Labor and Workforce Development.
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (c) Per capita personal income by county estimated based upon the 2010 census published by the U.S. Bureau of Economic Analysis.
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce Development.

See independent auditors' report.

**UNION TOWNSHIP SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago**

2019

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2010

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function/Program										
Instruction										
Regular	39.0	38.5	34.5	35.3	37.0	35.0	35.0	38.0	31.0	36.0
Special education	7.0	16.5	16.0	15.5	16.5	19.2	20.0	20.0	21.0	24.8
Other instruction	2	1	2	1	1	-	-	-	-	-
Support services										
Student and instruction related services	13	9	8	10	9	8	8	8	5	4
General administration	2	2	2	2	2	2	2	2	4	4
School administration services	2	2	2	1	2	2	2	2	4	5
Other administration services	2	2	3	2	-	-	-	-	-	-
Central services	3	3	3	2	3	3	3	3	3	2
Plant operations and maintenance	7	8	7	7	8	8	6	8	7	7
Before & after care	7	4	3	2	3	3	3	6	7	5
Total	<u>82.5</u>	<u>84.5</u>	<u>79.9</u>	<u>77.9</u>	<u>80.4</u>	<u>80.2</u>	<u>78.2</u>	<u>87.0</u>	<u>82.0</u>	<u>87.8</u>

Source: District Personnel Records

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	June 30 Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff (b)	Teacher Ratio	Average Daily Enrollment (ADE) (c)	Average Daily Attendance (ADA) (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2010	535	\$ 9,162,272	\$ 17,126	5.22%	46	1 to 11.63	533.3	511.4	-3.81%	95.89%
2011	516	8,613,944	16,694	-2.52%	46	1 to 11.34	514.4	493.5	-3.54%	95.94%
2012	493	8,875,614	18,003	7.84%	43	1 to 11.41	526.5	506.7	2.35%	96.24%
2013	495	8,856,088	17,891	-0.62%	41	1 to 12.07	447.5	427.9	-15.00%	95.62%
2014	493	8,913,502	18,080	1.06%	43	1 to 11.46	495.3	478.7	10.69%	96.64%
2015	495	9,337,724	18,864	4.34%	44	1 to 11.25	471.0	452.9	-4.91%	96.16%
2016	449	9,261,266	20,626	9.34%	45	1 to 9.98	452.7	436.1	-3.89%	96.33%
2017	436	9,313,442	21,361	3.56%	48	1 to 9.08	449.6	431.0	-0.68%	95.86%
2018	449	10,004,911	22,283	4.32%	45	1 to 9.98	456.3	435.4	1.49%	95.42%
2019	439	10,658,300	24,279	8.96%	51	1 to 8.65	437.1	418.7	-4.22%	95.80%

Source: District Records

- (a) Operating expenditures equal total expenditures less debt service and capital outlay.
- (b) Teaching staff includes only full-time equivalents or certificated staff.
- (c) Average Daily Enrollment and Average Daily Attendance are obtained from the School Register Summary.

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Middle School (1954)										
Square feet	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Capacity (students)	550	550	550	550	550	550	550	550	550	550
Enrollment	242	333	243	251	249	240	234	230	231	231
Elementary School (2007)										
Square feet	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Capacity (students)	500	500	500	500	500	500	500	500	500	500
Enrollment	282	187	250	244	249	255	215	208	235	206
Number of schools at June 30, 2019										
Elementary & Middle =		2								

Source: District Facilities Office

N/A = Not Available

NOTE: Year of original construction is shown in parentheses. Increase in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October District count.

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Required Maintenance Expenditures by School Facility
Last Ten Fiscal Years

Undistributed Expenditures - Required Maintenance for School Facilities

<u>Fiscal Year Ending</u>	<u>School Facilities*</u>		<u>Total</u>
	<u>Elementary School</u>	<u>Middle School</u>	
2010	\$ 39,175	\$ 58,709	\$ 97,884
2011	19,390	70,875	90,265
2012	92,881	159,680	252,561
2013	59,456	137,332	196,788
2014	30,944	110,352	141,296
2015	113,054	69,906	182,960
2016	82,329	51,878	134,207
2017	62,279	66,591	128,870
2018	71,955	81,427	153,382
2019	126,504	137,047	263,551
Total school facilities	<u>\$ 697,967</u>	<u>\$ 943,797</u>	<u>\$ 1,641,764</u>

Source: District Records

Note: School Facilities As Defined Under E.F.C.F.A.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Insurance Schedule
June 30, 2019
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Commercial Package Policy - NJ Schools		
Insurance Group		
Property - Building Blanket and Contents (Fund Limit)	\$ 500,000,000	\$ 2,500
General Liability	6,000,000	-
Equipment Breakdown	100,000,000	2,500
Crime Public Employee Dishonesty	250,000	1,000
Auto Liability	6,000,000	-
Auto Physical Damage	Actual Cash Value	1,000
School Board Legal Liability - NJ Schools Insurance Group		
Errors and Omissions	6,000,000	5,000
Workers Compensation - NJ Schools Insurance Group		
Per accident per employee	2,000,000	-
Per disease per employee	2,000,000	-
Disease Policy Limit	2,000,000	-
Public Employees' Faithful Performance - NJ Schools		
Insurance Group		
Treasurer of School Monies	185,000	1,000
School Board Secretary	180,000	1,000
Student Accident Insurance - BMI benefits through Berkeley/United States Fire Insurance Co.		
Policy Limit	1,000,000	Full Excess
Pollution Policy - NJ Schools Insurance Group		
through Ironshore Specialty Insurance Company		
Claim Limit	1,000,000	250,000

Source: District Records

See independent auditors' report.

SINGLE AUDIT SECTION



Certified Public Accountants, PC
www.bkc-cpa.com

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

Honorable President and Members
Members of the Board of
Education Union Township School District
County of Hunterdon, New Jersey

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, and the aggregate remaining fund information of the Union Township School District, County of Hunterdon, the State of New Jersey, (the District), 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, and have issued our report thereon dated December 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Union Township School 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency as finding number 2019-001 and 2019-002.

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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Response to Findings

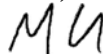
Union Township School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BKC, CPAs, PC



Michael Holk, CPA,

PSA NO.

20CS00265600

December 12, 2019
Flemington, New Jersey



**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the
New Jersey OMB Circular Letter 15-08**

Honorable President and
Members of the Board of Education
Union Township School District
County of Hunterdon, New Jersey

Report on Compliance for Each Major State Program

We have audited the Union Township School District's, (the District), compliance with the types of compliance requirements described in the New Jersey OMB Circular 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 District'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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08. Those standards, and the OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08 and which is described in the accompanying schedule of findings and questioned costs as findings number 2019-01. Our opinion on each major state program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as finding number 2019-001 which we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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 Circular 15-08. Accordingly, this report is not suitable for any other purpose.



BKC, CPAs, PC



Michael A. Holk, CPA, PSA
NO. 20CS00265600

December 12, 2019
Flemington, New Jersey

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards, Schedule A
For the Fiscal Year Ended June 30, 2019

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/18	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment	Repayment of Prior Year Balance	Balance June 30, 2019		
					From	To							Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education passed through State Department of Education Special revenue fund															
ESSA Title I A	84.010A	S010S180030	ESSA-5270-19	\$ 46,878	07/01/18	06/30/19	\$ -	\$ -	\$ -	\$ 43,659	\$ -	\$ -	\$ (43,659)	\$ -	\$ -
ESSA Title I A	84.010A	S010S170030	ESSA-5270-18	44,265	07/01/17	06/30/18	-	(47)	-	-	-	-	(47)	-	-
ESSA Title I A carryover	84.010A	S010S170030	ESSA-5270-18	44,265	07/01/17	06/30/18	-	47	-	47	-	-	-	-	-
ESSA Title II A	84.367A	S367A180029	ESSA-5270-19	7,073	07/01/18	06/30/19	-	-	-	7,073	-	-	(7,073)	-	-
ESSA Title II A	84.367A	S367A170029	ESSA-5270-18	7,653	07/01/17	06/30/18	-	(3,554)	-	-	-	-	(3,554)	-	-
ESSA Title II A carryover	84.367A	S367A170029	ESSA-5270-18	7,653	07/01/17	06/30/18	-	3,554	-	3,554	-	-	-	-	-
ESSA Title IV	84.424A	S424A180031	ESSA-5270-19	10,000	07/01/18	06/30/19	-	-	-	10,000	-	-	(10,000)	-	-
ESSA Title IV	84.424A	S424A170031	ESSA-5270-18	10,000	07/01/17	06/30/18	-	(2,389)	-	-	-	-	(2,389)	-	-
ESSA Title IV carryover	84.424A	S424A170031	ESSA-5270-18	10,000	07/01/17	06/30/18	-	2,389	-	2,389	-	-	-	-	-
Rural education achievement program	84.358A	S358A182630	806461943	86,520	07/01/18	06/30/19	-	-	86,449	86,520	-	-	(71)	-	-
IDEA Basic	84.027	H027A180100	IDEA-5270-19	93,369	07/01/18	06/30/19	-	-	51,433	66,352	-	-	(14,919)	-	-
IDEA Basic	84.027	H027A170100	IDEA-5270-18	96,636	07/01/17	06/30/18	-	(7,025)	-	-	-	-	(7,025)	-	-
IDEA Basic carryover	84.027	H027A170100	IDEA-5270-18	96,636	07/01/17	06/30/18	-	7,025	-	7,025	-	-	-	-	-
IDEA Preschool	84.173	H173S180114	IDEA-5270-19	3,399	07/01/18	06/30/19	-	-	-	-	-	-	-	-	-
Total special revenue fund							<u>-</u>	<u>-</u>	<u>137,882</u>	<u>226,619</u>	<u>-</u>	<u>-</u>	<u>(88,737)</u>	<u>-</u>	<u>-</u>
U.S. Department of Agriculture passed through State Department of Agriculture Enterprise fund															
Child nutrition center															
National school lunch program non-cash assistance (commodities)	10.555	181NJ304N1099	N/A	12,772	10/01/17	09/30/18	996	-	-	996	-	-	-	-	-
National school lunch program non-cash assistance (commodities)	10.555	191NJ304N1099	N/A	10,595	10/01/18	09/30/19	-	-	10,595	9,280	-	-	-	1,315	-
National school lunch program cash assistance	10.555	181NJ304N1099	N/A	17,529	10/01/17	09/30/18	(644)	-	644	-	-	-	-	-	-
National school lunch program cash assistance	10.555	191NJ304N1099	N/A	17,670	10/01/18	09/30/19	-	-	17,105	17,670	-	-	(565)	-	-
Total enterprise fund							<u>352</u>	<u>-</u>	<u>28,344</u>	<u>27,946</u>	<u>-</u>	<u>-</u>	<u>(565)</u>	<u>1,315</u>	<u>-</u>
Total Federal financial assistance							<u>\$ 352</u>	<u>\$ -</u>	<u>\$ 166,226</u>	<u>\$ 254,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (89,302)</u>	<u>\$ 1,315</u>	<u>\$ -</u>

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2019

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2018			Balance June 30, 2019			Memo					
					From	To	Deferred Rev. (Accts. Rec)	Due to Grantor	Cash Received	Budgetary Expenditure	Adjustments	Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education																
General fund																
Special education categorical aid	19-495-034-5120-089	\$ 355,273	07/01/18	06/30/19	\$ -	\$ -	\$ 321,307	\$ 355,273	\$ -	\$ -	\$ -	\$ -	\$ 33,966	\$ 355,273		
Security aid	19-495-034-5120-084	36,554	07/01/18	06/30/19	-	-	33,059	36,554	-	-	-	-	3,495	36,554		
Transportation aid	19-495-034-5120-014	233,413	07/01/18	06/30/19	-	-	211,097	233,413	-	-	-	-	22,316	233,413		
Adjustment aid	19-495-034-5120-085	14,726	07/01/18	06/30/19	-	-	13,318	14,726	-	-	-	-	1,408	14,726		
Extraordinary aid	18-495-034-5120-044	61,693	07/01/17	06/30/18	(61,693)	-	61,693	-	-	-	-	-	-	61,693		
Extraordinary aid	19-495-034-5120-044	88,603	07/01/18	06/30/19	-	-	-	88,603	-	(88,603)	-	-	-	88,603		
Non-public transportation aid	18-495-034-5120-014	5,800	07/01/17	06/30/18	(5,800)	-	5,800	-	-	-	-	-	-	5,800		
Non-public transportation aid	19-495-034-5120-014	8,700	07/01/18	06/30/19	-	-	-	8,700	-	(8,700)	-	-	-	8,700		
On-behalf TPAF Pension contribution - postretirement medical	19-495-034-5094-001	342,022	07/01/18	06/30/19	-	-	342,022	342,022	-	-	-	-	-	342,022		
On-behalf TPAF Pension contribution - non-contributory insurance	19-495-034-5094-004	15,460	07/01/18	06/30/19	-	-	15,460	15,460	-	-	-	-	-	15,460		
On-behalf TPAF Pension contribution - long-term disability insurance	19-495-034-5094-004	638	07/01/18	06/30/19	-	-	638	638	-	-	-	-	-	638		
On-behalf TPAF Pension contribution - teachers' pension & annuity fund	19-495-034-5094-002	738,560	07/01/18	06/30/19	-	-	738,560	738,560	-	-	-	-	-	738,560		
Reimbursed TPAF Social Security contribution	18-495-034-5094-003	287,663	07/01/17	06/30/18	(28,639)	-	28,639	-	-	-	-	-	-	287,663		
Reimbursed TPAF Social Security contribution	19-495-034-5094-003	282,990	07/01/18	06/30/19	-	-	263,786	282,990	-	(19,204)	-	-	-	282,990		
Total general fund					<u>(96,132)</u>	<u>-</u>	<u>2,035,379</u>	<u>2,116,939</u>	<u>-</u>	<u>(116,507)</u>	<u>-</u>	<u>-</u>	<u>61,185</u>	<u>2,472,095</u>		
NJ School Development Authority																
Capital projects fund																
Middle school HVAC/Security upgrades	5270-050-14-1001	212,049		Unavailable	(212,049)	-	-	-	-	(212,049)	-	-	-	212,049		
Elementary school security upgrades	5270-060-14-2002	47,613		Unavailable	(47,613)	-	-	-	-	(47,613)	-	-	-	47,613		
Total capital projects fund					<u>(259,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(259,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,662</u>		
State Department of Agriculture																
Enterprise fund																
State school lunch program	18-100-010-3350-023	1,659	07/01/17	06/30/18	(62)	-	62	-	-	-	-	-	-	1,659		
State school lunch program	19-100-010-3350-023	1,547	07/01/18	06/30/19	-	-	1,496	1,547	-	(51)	-	-	-	1,547		
Total enterprise fund					<u>(62)</u>	<u>-</u>	<u>1,558</u>	<u>1,547</u>	<u>-</u>	<u>(51)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,206</u>		
Total State financial assistance					<u>\$ (355,856)</u>	<u>\$ -</u>	<u>\$ 2,036,937</u>	<u>2,118,486</u>	<u>\$ -</u>	<u>\$ (376,220)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,185</u>	<u>\$ 2,734,963</u>		
Less: On-behalf TPAF Pension system contributions								(1,096,680)								
Total for state financial assistance - major program determination								<u>\$ 1,021,806</u>								

See independent auditors' report.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2019

Note 1 - General

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal awards and state financial assistance programs of the Union Township School District. The District is defined in Note 1 (A) to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

Note 2 - Basis of accounting

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 (C) and 1 (D) to the District's basic financial statements.

Note 3 - Relationship of financial statements

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules 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 one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$6,236) for the general fund and \$0 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.

UNION TOWNSHIP SCHOOL DISTRICT
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2019

Note 3 - Relationship of financial statements (continued)

Financial assistance revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Local	Federal	State	Total
General fund	\$ -	\$ -	\$ 2,110,703	\$ 2,110,703
Special revenue fund	5,909	226,619	-	232,528
Food service fund	-	27,946	1,547	29,493
Total awards and financial assistance	\$ 5,909	\$ 254,565	\$ 2,112,250	\$ 2,372,724

Note 4 - Relationship to federal and state financial reports

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

Note 5 - Other

Revenues and expenditures reported under the USDA Commodities Program represent 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 contribution represents the amount reimbursed by the state for the employer's share of Social Security Contributions for TPAF members for the year ended June 30, 2019

Note 6 - Indirect costs

The District has elected not to utilize the 10% de minimis indirect cost rate.

UNION TOWNSHIP SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

- 1. Were material weakness(es) identified? Yes No
- 2. Were significant deficiencies identified? Yes None reported

Noncompliance material to basic financial statements noted? Yes No

Federal Awards Not Applicable

Internal Control Over Major Programs:

- 1. Were material weakness(es) identified? Yes No
- 2. Were significant deficiencies identified? Yes None reported

What was the type of auditor's report issued on compliance for major programs? _____

Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section .516(a)? Yes No

Identification of Major Programs:

CFDA Number(s)	FEIN Number(s)	Name of Federal Program or Cluster
<u>Not Applicable</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

What was the dollar threshold used to distinguish between Type A and Type B programs? _____

Did the auditee qualify as a low-risk auditee? Yes No

**UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2019**

Section I - Summary of Auditor's Results (continued)

State Awards

What was the dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Did the auditee qualify as a low-risk auditee? Yes No

Internal Control Over Major Programs:

1. Were material weakness(es) identified? Yes No
2. Were there significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

What was the type of auditor's report issued on compliance for major programs? Unmodified

Were any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08 as applicable? Yes No

Identification of Major Programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
	<u>State Aid Public Cluster:</u>
<u>19-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>19-495-034-5120-078</u>	<u>Adjustment Aid</u>
<u>19-495-034-5120-084</u>	<u>Security Aid</u>
<u>19-495-034-5094-003</u>	<u>Reimbursed TPAF Social Security Contribution</u>

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Sections II and III
For the Fiscal Year Ended June 30, 2019

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Finding 2019-001

Criteria

The District must submit all required documentation to the NJ Schools Development Authority (SDA) to facilitate the collection of State Aid funding for their completed facility projects in the capital projects fund.

Condition

The District has not received NJ SDA funding for two completed facility projects.

Context

The first project is a HVAC and security upgrade project at the Middle School with an SDA Award amount of \$212,049. The second is a security upgrade project at the Elementary School with an SDA Award amount of \$47,613. The Grant Award date for both projects was January 6, 2014 and both projects were completed as of June 30, 2015.

Cause

Unknown

Effect

By not collecting the SDA Award funding, the District had to take an interfund loan from the general fund to complete the project. Also, as more time elapses, there is an increased risk that the District will be unable to obtain the required documentation required by NJ SDA in order to collect the funds.

Recommendation

The District should take measures to collect the NJ Schools Development Authority Award Funds receivable for two completed facility projects in the capital projects fund.

Views of Responsible Officials and Planned Corrective Action (unaudited)

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Sections II and III
For the Fiscal Year Ended June 30, 2019

Section II - Financial Statement Findings (continued)

Finding 2019-002

Criteria

Continuous efforts must be made to ensure that the records and processes for all record keeping be maintained and performed in a complete and accurate manner.

Condition

The District's records were not accurate in some instances.

Context

Record keeping was not maintained and performed in an accurate manner.

Cause

Unknown

Effect

Records were not accurate.

Recommendation

The District must make continuous efforts to ensure that the records and processes for all record keeping be maintained and performed in a complete and accurate manner.

Views of Responsible Officials and Planned Corrective Action (unaudited)

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Sections II and III (continued)
For the Fiscal Year Ended June 30, 2019

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

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

Federal Awards

There were no findings or questioned costs for the year ended June 30, 2019.

State Financial Assistance

Finding 2019-001

Information on the State Program

N.J. School Development Authority:

Middle school HVAC/Security upgrades
Elementary school security upgrades

Project Number 5270-050-14-1001
Project Number 5270-060-14-2002

Criteria

The District must submit all required documentation to the NJ Schools Development Authority (SDA) to facilitate the collection of State Aid Funding for their completed facility projects in the capital projects fund.

Condition

The District has not received NJ SDA funding for two completed facility projects.

Questioned Costs

None

Context

The first project is a HVAC and security upgrade project at the Middle School with an SDA Award amount of \$212,049. The second is a security upgrade project at the Elementary School with an SDA Award amount of \$47,613. The Grant Award date for both projects was January 6, 2014 and both projects were completed as of June 30, 2015.

Cause

Unknown

UNION TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Sections II and III
For the Fiscal Year Ended June 30, 2019

Section III - State Financial Assistance Findings and Questioned Costs (continued)
Finding 2019-001 (continued)

Effect

By not collecting the SDA Award funding, the District had to take an interfund loan from the general fund to complete the project. Also, as more time elapses, there is an increased risk that the District will be unable to obtain the required documentation required by NJ SDA in order to collect the funds.

Recommendation

The District should take measures to collect the NJ Schools Development Authority award funds receivable for two completed facility projects in the capital projects fund.

Views of Responsible Officials and Planned Corrective Action (unaudited)

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**UNION TOWNSHIP SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2019**

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with Government Auditing Standards, Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey OMB Circular 15-08.

Financial Statement Findings

Finding 2018-001

Condition

The District has not received NJ SDA funding for two completed facility projects.

Current Status

The condition has not been corrected and is included as finding number 2019-001.

Finding 2018-001

Information on the State Program:

*Middle school HVAC/Security upgrades
Elementary school security upgrades*

*Project Number 5270-050-14-1001
Project Number 5270-060-14-2002*

Condition

The District has not received NJ SDA funding for two completed facility projects.

Current Status

The condition has not been corrected and is included as finding number 2019-001.