

**SCHOOL DISTRICT
OF
HOPATCONG BOROUGH**

**Hopatcong Borough School District
Hopatcong, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020**

**Comprehensive Annual
Financial Report**

of the

Hopatcong Borough School District

Hopatcong, New Jersey

For the Fiscal Year Ended June 30, 2020

Prepared by

**Hopatcong Borough School District
Board of Education**

HOPATCONG BOROUGH SCHOOL DISTRICT
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**INTRODUCTORY SECTION
(UNAUDITED)**



Hopatcong Board of Education

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

Learning Today

Leading Tomorrow

January 12, 2020

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

Dear Board Members:

The comprehensive annual financial report of the Hopatcong Borough School District (the "District") for the fiscal year ended June 30, 2020, 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 (the "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 basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart, a roster of officials and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

The Hopatcong Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Hopatcong Borough Board of Education and all its schools constitute the District's reporting entity.

The Honorable President and Members of
the Board of Education
Hopatcong Borough School District
January 12, 2020
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1) REPORTING ENTITY AND ITS SERVICES (Cont'd):

The District provides a full range of educational services appropriate to grade levels K through 12 for the students residing in Hopatcong Borough, and 9 through 12 for students residing in Hopatcong Borough. These include regular, vocational as well as special education for handicapped youngsters.

2) ECONOMIC CONDITION AND OUTLOOK:

During the 2019-2020 school year the district began to utilize the proceeds of the Cell Tower sale to start new initiatives in the district. The decline in enrollment has appeared to level off, however the district will continue to lose state aid over the next several years. The district is looking to liquidate the closed Hudson Maxim School. The tax levy for 2019-2020 remained the same, as the previous years.

3) MAJOR INITIATIVES:

The District has begun a 5-year curriculum revision plan, with an early focus on English Language Arts. There is also a focus on Career and Technical education with three programs approved in cosmetology, child care and broadcast journalism.

The District has also continued to work on facilities with projects either completed or planned for the middle school air conditioning, science labs at the high school, and culinary room updates, as well as the fitness center and research development center at the high school.

4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

5) BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2020.

6) ACCOUNTING SYSTEM AND REPORTS:

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

7) CASH MANAGEMENT:

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

8) RISK MANAGEMENT:

The Board carries various forms of insurance, including, but not limited to, general liability, 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 Nisivoccia LLP, CPAs, was selected by the Board of Education at its last organization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State*

The Honorable President and Members of
the Board of Education
Hopatcong Borough School District
January 12, 2020
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Grants and State Aid. The auditors report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

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

Sincerely,



Arthur DiBenedetto
Superintendent of Schools



Business Administrator

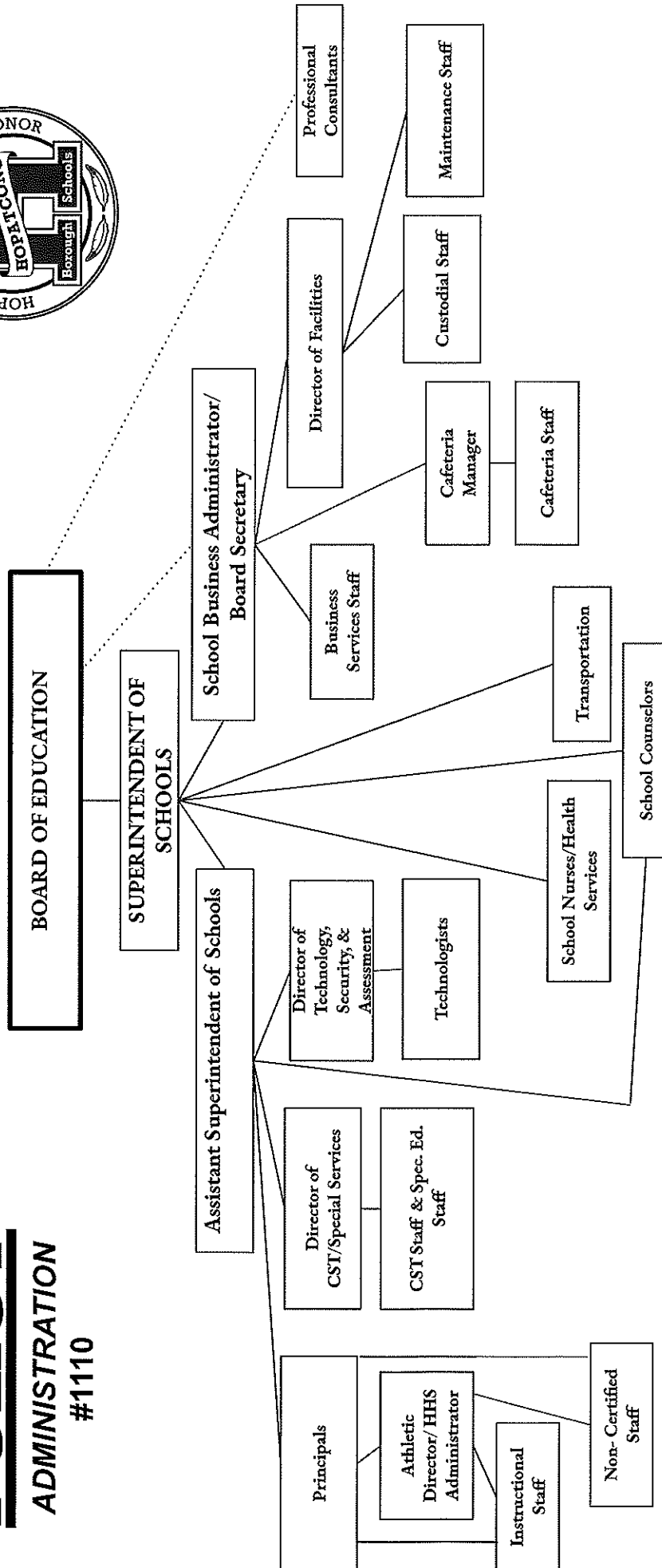
POLICY

ADMINISTRATION

#1110

1110 ORGANIZATIONAL CHART

HOPATCONG BOROUGH SCHOOL DISTRICT



**HOPATCONG BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2020**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Alexander McLean, President	2022
Scott Francis, Vice President	2020
Nicole Falconi-Shubert	2022
Warren Gallagher	2022
Erin Jacobus	2020
Michelle Perrotti	2021
Dr. Sarah Schindelar	2020
Candice Smith	2021
Carol Trumpore	2021

Other Officers

Arthur DiBenedetto, Superintendent of Schools
Joseph Piccirillo, Assistant Superintendent of Schools
Carolyn B. Joseph, School Business Administrator/Board Secretary

HOPATCONG BOROUGH SCHOOL DISTRICT
Consultants and Advisors

Attorneys

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

Audit Firm

Nisivoccia LLP CPAs
Mount Arlington Corporate Center
200 Valley Road Suite 300
Mount Arlington, NJ 07856

Official Depositories

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

Valley National Bank
7 Woodport Road
Sparta, NJ 07871

Santander Bank
110 River Styx Road
Hopatcong, NJ 07843

Wells Fargo
ITC Crossing South
50 International Drive South
Flanders, NJ 07836

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hopatcong Borough School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

The Honorable President and Members
of the Board of Education
Hopatcong Borough School District
Page 3

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
January 12, 2021

NISIVOCCIA LLP

Raymond A. Sarinelli

Raymond A. Sarinelli
Licensed Public School Accountant #2549
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Hopatcong Borough School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**

This section of Hopatcong Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

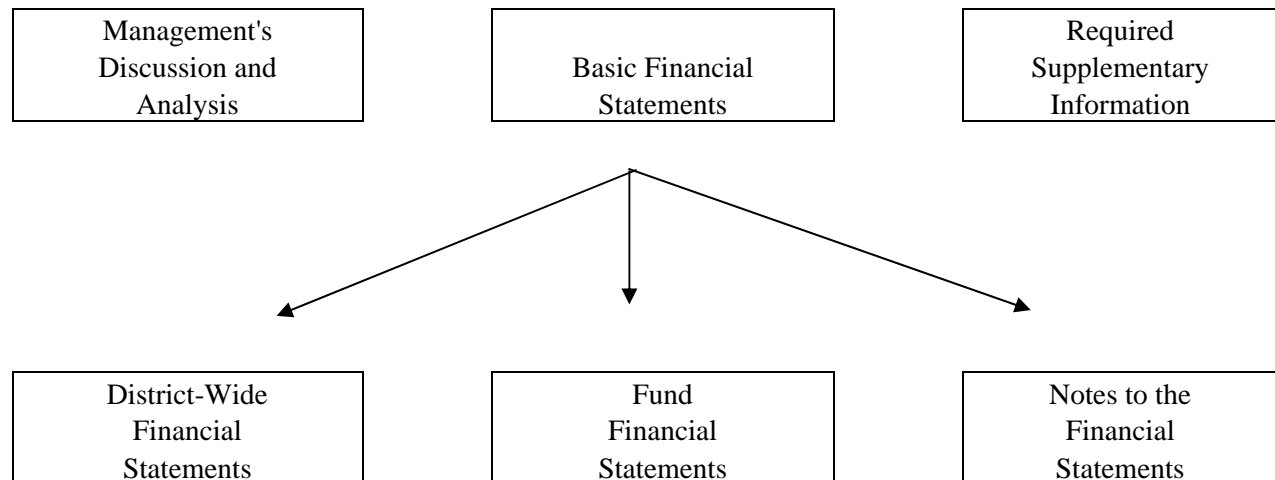
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the fiscal year.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of the Board of Education of Hopatcong School District**



**Hopatcong Borough School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**

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

Figure A-2

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

Hopatcong Borough School District Management's Discussion and Analysis Fiscal Year Ended June 30, 2020

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at fiscal year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for other programs and activities. The District currently does not maintain any internal service funds.

**Hopatcong Borough School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

Provide additional information essential to a full understanding of the district-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The Statement of Net Position provides one perspective of the District as a whole. Figure A-3 provides a summary of the District's net position as of June 30, 2020 and 2019. The District's net position from governmental activities increased \$1,318,478 and net position from business-type activities increased \$28,243. Net investment in capital assets decreased \$264,218, restricted net position decreased \$149,126, and unrestricted net position increased \$1,760,065 primarily due to a reduction in the net pension liability.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
Assets:							
Current and Other Assets	\$ 5,514,256	\$ 4,322,694	\$ 6,911,834	\$ 5,949,450	\$ 12,426,090	\$ 10,272,144	
Capital Assets, Net	3,887,785	4,271,560	168,191	136,277	4,055,976	4,407,837	
Total Assets	9,402,041	8,594,254	7,080,025	6,085,727	16,482,066	14,679,981	12.28%
Deferred Outflows of Resources	2,309,689	3,321,639			2,309,689	3,321,639	-30.47%
Liabilities:							
Other Liabilities	707,888	1,065,581	5,550,012	4,647,733	6,257,900	5,713,314	
Long-Term Liabilities	10,395,248	11,513,280	166,648	102,872	10,561,896	11,616,152	
Total Liabilities	11,103,136	12,578,861	5,716,660	4,750,605	16,819,796	17,329,466	-2.94%
Deferred Inflows of Resources	4,100,581	4,147,497			4,100,581	4,147,497	-1.13%
Net Position:							
Net Investment in Capital Assets	3,887,785	4,207,079	168,191	113,115	4,055,976	4,320,194	
Restricted	3,699,567	3,848,693			3,699,567	3,848,693	
Unrestricted/(Deficit)	(11,079,339)	(12,866,237)	1,195,174	1,222,007	(9,884,165)	(11,644,230)	
Total Net Position/(Deficit)	\$ (3,491,987)	\$ (4,810,465)	\$ 1,363,365	\$ 1,335,122	\$ (2,128,622)	\$ (3,475,343)	38.75%

**Hopatcong Borough School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**

Financial Analysis of the District as a Whole

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
Revenue:							
Program Revenue:							
Charges for Services			\$ 36,509,424	\$ 38,607,575	\$ 36,509,424	\$ 38,607,575	
Grants and Contributions:							
Operating	\$ 11,083,132	13,005,683	247,359	257,834	11,330,491	13,263,517	
General Revenue:							
Property Taxes	24,147,386	24,147,386			24,147,386	24,147,386	
Federal and State Aid							
Not Restricted	7,799,987	9,463,311			7,799,987	9,463,311	
Other	1,475,772	655,933	33,534	373,895	1,509,306	1,029,828	
Total Revenue	44,506,277	47,272,313	36,790,317	39,239,304	81,296,594	86,511,617	-6.03%
Expenses:							
Instruction	25,375,582	26,452,661			25,375,582	26,452,661	
Pupil and Instruction Services	7,140,724	8,444,605			7,140,724	8,444,605	
Administrative and Business	3,831,656	4,221,202			3,831,656	4,221,202	
Maintenance and Operations	3,970,241	4,668,821			3,970,241	4,668,821	
Transportation	2,023,260	2,411,332			2,023,260	2,411,332	
Other	846,336	829,061	36,762,074	39,164,903	37,608,410	39,993,964	
Total Expenses	43,187,799	47,027,682	36,762,074	39,164,903	79,949,873	86,192,585	-7.24%
Change in Net Position	\$ 1,318,478	\$ 244,631	\$ 28,243	\$ 74,401	\$ 1,346,721	\$ 319,032	322.13%

Governmental Activities

While the financial position of the District increased 38.75% overall and the District maintained existing programs, the provision of a multitude of special programs/services for disabled pupils places a great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health.

State aid has either remained relatively flat or been reduced over the past few years so the burden of funding education in the District has fallen on local property taxes. Therefore, it is crucial that the District examine its expenses carefully, since any proposed increase to the School District budget will be funded entirely through property taxes. Careful management of expenses remains essential for the District to sustain its financial health.

**Hopatcong Borough School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**

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

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

	Total Cost of Services		Net Cost of Services	
	2019/20	2018/19	2019/20	2018/19
Instruction	\$ 25,375,582	\$ 26,452,661	\$ 17,286,036	\$ 16,974,280
Pupil and Instruction Services	7,140,724	8,444,605	5,656,856	6,633,739
Administrative and Business	3,831,656	4,221,202	2,997,830	3,203,627
Maintenance and Operations	3,970,241	4,668,821	3,970,241	4,668,821
Transportation	2,023,260	2,411,332	1,347,368	1,712,471
Other	846,336	829,061	846,336	829,061
	\$ 43,187,799	\$ 47,027,682	\$ 32,104,667	\$ 34,021,999

Business-Type Activities

Net position from the District's business-type activities increased by \$28,243 (Refer to Figure A-4). Factors contributing to these results included:

- The District continues to look at the Transportation Services Fund, to improve reporting and position.
- The District seen a reduction in food service expenses to being closed from March – June due to COVID-19.

Financial Analysis of the District's Funds

The loss of state aid has continued to put a strain on the district's budget; however, its financial position increased in 2020 due to the shutdown caused by the COVID-19 pandemic. The District continues to find ways to cut costs, while also finding new streams of revenue.

These factors are likely to continue for the near future. To maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

Over the course of the fiscal year, the District revised the annual operating budget several times due to:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- The need to update various types of equipment at the elementary schools.

**Hopatcong Borough School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**

Capital Asset and Long-Term Liabilities

**Figure A-6
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	Land	\$ 359,763	\$ 359,763			\$ 359,763	\$ 359,763
Land Improvements	296,264	344,597			296,264	344,597	
Buildings and Building Improvements	2,656,154	2,977,146			2,656,154	2,977,146	
Machinery and Equipment	575,604	590,054	\$ 168,191	\$ 136,277	743,795	726,331	
Total Capital Assets (Net of Depreciation)	\$ 3,887,785	\$ 4,271,560	\$ 168,191	\$ 136,277	\$ 4,055,976	\$ 4,407,837	-7.98%

Long-term Liabilities

The District is currently free of long term bonds, and continues to make scheduled payments on its capital leases.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	
	Net Pension Liability	\$ 9,708,994	\$ 10,797,469			\$ 9,708,994	\$ 10,797,469
Capital Leases		64,481	\$ 62,531	\$ 23,162	62,531	87,643	
Compensated Absences	686,254	651,330	104,117	79,710	790,371	731,040	
Total Long Term Liabilities	\$ 10,395,248	\$ 11,513,280	\$ 166,648	\$ 102,872	\$ 10,561,896	\$ 11,616,152	-9.08%

Factors Bearing on the District's Future Revenue/Expenses

The Board and the administration have had discussions on how existing circumstances could affect the future financial health of the School District. The following examples may have an impact and affect the financial operation in the future:

- The current economic crisis in our state has generated concern in the educational community for public school funding.
- Governor Murphy has signed legislation to modify current school funding law for which the District continues to see reductions in state aid funding.

Currently, the District is in good financial condition. Everyone associated with the Hopatcong Board of Education is grateful for the community support. Many factors were considered by the District's administration during the process of developing the fiscal year 2019-2020 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs.

**Hopatcong Borough School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020**

Contracting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hopatcong Borough Board of Education Office located at 2 Windsor Ave, PO Box 1029 Hopatcong, NJ 07843.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,402,280	\$ 1,941,540	\$ 5,343,820
Interfund Receivables	264,000		264,000
Internal Balances	2,000	(2,000)	
Receivables from Federal Government	3,189	19,950	23,139
Receivables from State Government	245,013	206	245,219
Receivables from Other Governments		4,933,471	4,933,471
Other Receivables	21,410		21,410
Inventory		18,667	18,667
Restricted Cash and Cash Equivalents:			
Capital Reserve Account	1,500,328		1,500,328
Maintenance Reserve Account	76,036		76,036
Capital Assets, Net:			
Sites (Land)	359,763		359,763
Depreciable Land Improvements, Buildings and Building Improvements and Machinery and Equipment	3,528,022	168,191	3,696,213
Total Assets	<u>9,402,041</u>	<u>7,080,025</u>	<u>16,482,066</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	1,775,075		1,775,075
District Contribution Subsequent to the Measurement Date - Pensions	534,614		534,614
Total Deferred Outflows of Resources	<u>2,309,689</u>		<u>2,309,689</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable- Vendors	97,274	5,403,268	5,500,542
Payable to State Government	536,028		536,028
Unearned Revenue	74,586	146,744	221,330
Noncurrent Liabilities:			
Due Within One Year	15,000	9,746	24,746
Due Beyond One Year	10,380,248	156,902	10,537,150
Total Liabilities	<u>11,103,136</u>	<u>5,716,660</u>	<u>16,819,796</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	4,100,581		4,100,581
Total Deferred Inflows of Resources	<u>4,100,581</u>		<u>4,100,581</u>
NET POSITION			
Net Investment in Capital Assets	3,887,785	168,191	4,055,976
Restricted for:			
Capital Projects	1,500,328		1,500,328
Maintenance Reserve Account	76,036		76,036
Excess Surplus	2,123,203		2,123,203
Unrestricted/(Deficit)	(11,079,339)	1,195,174	(9,884,165)
Total Net Position/(Deficit)	<u>\$ (3,491,987)</u>	<u>\$ 1,363,365</u>	<u>\$ (2,128,622)</u>

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

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 17,467,553		\$ 4,357,926		\$ (13,109,627)		\$ (13,109,627)
Special Education	6,826,477		3,671,532		(3,154,945)		(3,154,945)
Other Special Instruction	320,184				(320,184)		(320,184)
Other Instruction	761,368		60,088		(701,280)		(701,280)
Support Services:							
Tuition	1,303,437				(1,303,437)		(1,303,437)
Student & Instruction Related Services	5,837,287		1,483,868		(4,353,419)		(4,353,419)
General Administrative Services	793,001		121,465		(671,536)		(671,536)
School Administrative Services	2,302,399		538,817		(1,763,582)		(1,763,582)
Central Services	736,143		173,544		(562,599)		(562,599)
Administration Information Technology	113				(113)		(113)
Plant Operations and Maintenance	3,970,241				(3,970,241)		(3,970,241)
Pupil Transportation	2,023,260		675,892		(1,347,368)		(1,347,368)
Transfer to Charter Schools	278,635				(278,635)		(278,635)
Capital Outlay	1,113				(1,113)		(1,113)
Unallocated Depreciation	566,588				(566,588)		(566,588)
Total Governmental Activities	43,187,799		11,083,132		(32,104,667)		(32,104,667)

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food Service	\$ 481,039	\$ 249,670	\$ 247,359		\$ 15,990	\$ 15,990	\$ 15,990
Day Plus	1,000				(1,000)	(1,000)	(1,000)
Transportation	36,280,035	36,259,754			(20,281)	(20,281)	(20,281)
Total Business-Type Activities	36,762,074	36,509,424	247,359		(5,291)	(5,291)	(5,291)
Total Primary Government	\$ 79,949,873	\$ 36,509,424	\$ 11,330,491	\$ -0-	\$ (32,104,667)	(5,291)	(32,109,958)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					24,147,386		24,147,386
State Aid Not Restricted					7,799,987		7,799,987
Interest and Miscellaneous Income					1,475,772	33,534	1,509,306
Total General Revenues					33,423,145	33,534	33,456,679
Change in Net Position					1,318,478	28,243	1,346,721
Net Position/(Deficit) - Beginning					(4,810,465)	1,335,122	(3,475,343)
Net Position/(Deficit) - Ending					\$ (3,491,987)	\$ 1,363,365	\$ (2,128,622)

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

FUND FINANCIAL STATEMENTS

HOPATCONG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 3,330,883	\$ 71,397	\$ 3,402,280
Interfund Receivable	266,000		266,000
Receivables from Federal Government		3,189	3,189
Receivables from State Government	245,013		245,013
Other Receivables	21,410		21,410
Restricted Cash and Cash Equivalents	1,576,364		1,576,364
Total Assets	\$ 5,439,670	\$ 74,586	\$ 5,514,256
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	97,274		97,274
Payable to State Government	1,414		1,414
Unearned Revenue		74,586	74,586
Total Liabilities	98,688	74,586	173,274
Fund Balances:			
Restricted:			
Excess Surplus - 2021-2022	1,050,000		1,050,000
Excess Surplus - 2020-2021	1,073,203		1,073,203
Capital Reserve Account	1,500,328		1,500,328
Maintenance Reserve Account	76,036		76,036
Assigned:			
Encumbrances	726,955		726,955
Designated for Subsequent Year's Expenditures	914,460		914,460
Total Fund Balances	5,340,982		5,340,982
Total Liabilities and Fund Balances	\$ 5,439,670	\$ 74,586	\$ 5,514,256
Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are Different Because:			
Funds Balances - Governmental Funds (Above)			\$ 5,340,982
Capital Assets Used in Governmental Activities are not Financial Resources and therefore the Funds.			3,887,785
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not reported in the Governmental Funds.			(9,708,994)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.			
Deferred Outflows			1,775,075
Deferred Inflows			(4,100,581)
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.			(686,254)
Net Position of Governmental Activities			\$ (3,491,987)

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

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local Sources:			
Local Tax Levy	\$ 24,147,386		\$ 24,147,386
Rents and Royalties	200,000		200,000
Miscellaneous	1,275,772		1,275,772
Total - Local Sources	25,623,158		25,623,158
State Sources	15,672,505		15,672,505
Federal Sources	30,401	\$ 809,228	839,629
Total Revenues	41,326,064	809,228	42,135,292
EXPENDITURES			
Current:			
Regular Instruction	10,203,044	247,976	10,451,020
Special Education Instruction	3,596,486	561,252	4,157,738
Other Special Instruction	217,775		217,775
Other Instruction	760,820		760,820
Support Services and Undistributed Costs:			
Tuition	1,303,437		1,303,437
Student & Instruction Related Services	3,083,636		3,083,636
General Administrative Services	562,009		562,009
School Administrative Services	1,281,110		1,281,110
Central Services	440,369		440,369
Administration Information Technology	113		113
Plant Operations and Maintenance	3,241,441		3,241,441
Pupil Transportation	2,006,658		2,006,658
Unallocated Benefits	12,555,674		12,555,674
Capital Outlay	208,320		208,320
Transfer of Funds to Charter School	278,635		278,635
Total Expenditures	39,739,527	809,228	40,548,755
Excess of Revenues Over Expenditures	1,586,537		1,586,537
Fund Balance — July 1	3,754,445		3,754,445
Fund Balance — June 30	\$ 5,340,982	\$ -0-	\$ 5,340,982

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

HOPATCONG BOROUGH 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, 2020

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 1,586,537

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

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

	Depreciation Expense	\$ (590,982)	
	Capital outlays	<u>207,207</u>	(383,775)

Repayment of capital lease principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

64,481

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

Changes in Net Pension Liability	1,088,475	
Change in Deferred Outflows	(1,049,232)	
Change in Deferred Inflows	46,916	

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid).

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

(34,924)

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

\$ 1,318,478

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

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Fund</u>	<u>Non-Major Funds</u>	<u>Total Enterprise Funds</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,806,314	\$ 135,226	\$ 1,941,540
Intergovernmental Accounts Receivable:			
Federal		19,950	19,950
State		206	206
Other	4,933,471		4,933,471
Inventories		18,667	18,667
Total Current Assets	<u>6,739,785</u>	<u>174,049</u>	<u>6,913,834</u>
Non-Current Assets:			
Capital Assets	804,019	404,129	1,208,148
Less: Accumulated Depreciation	<u>(673,299)</u>	<u>(366,658)</u>	<u>(1,039,957)</u>
Total Non-Current Assets	<u>130,720</u>	<u>37,471</u>	<u>168,191</u>
Total Assets	<u>6,870,505</u>	<u>211,520</u>	<u>7,082,025</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	5,381,138	22,130	5,403,268
Interfund Payable		2,000	2,000
Unearned Revenue- Prepaid	134,000	11,938	145,938
Unearned Revenue- Donated Commodities		806	806
Total Current Liabilities	<u>5,515,138</u>	<u>36,874</u>	<u>5,552,012</u>
Long-Term Liabilities:			
Due Within One Year	9,746		9,746
Due Beyond One Year	156,902		156,902
Total Long-Term Liabilities	<u>166,648</u>		<u>166,648</u>
Total Liabilities	<u>5,681,786</u>	<u>36,874</u>	<u>5,718,660</u>
NET POSITION			
Investment in Capital Assets	130,720	37,471	168,191
Unrestricted	<u>1,057,999</u>	<u>137,175</u>	<u>1,195,174</u>
Total Net Position	<u>\$ 1,188,719</u>	<u>\$ 174,646</u>	<u>\$ 1,363,365</u>

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

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds		
	Major Fund	Non-Major Funds	Total Enterprise
Operating Revenue:			
Charges for Services:			
Daily Sales - Reimbursable Programs		\$ 146,069	\$ 146,069
Daily Sales - Non-Reimbursable Programs		103,601	103,601
Transportation Fees	\$ 36,259,754		36,259,754
Miscellaneous Revenue	7,972	142	8,114
Total Operating Revenue	36,267,726	249,812	36,517,538
Operating Expenses:			
Cost of Sales - Reimbursable Programs		154,310	154,310
Cost of Sales - Non-Reimbursable Programs		101,176	101,176
Salaries, Benefits & Payroll Taxes	1,825,714	184,519	2,010,233
Contracted Services	34,025,004		34,025,004
Depreciation Expense	35,220	6,651	41,871
Management Fee		26,775	26,775
Facilities Rent	200,000		200,000
Maintenance and Repair/Fuel	121,713		121,713
Interest Expense on Capital Leases	21,569		21,569
Miscellaneous Expenses	50,815	8,608	59,423
Total Operating Expenses	36,280,035	482,039	36,762,074
Operating Income/(Loss)	(12,309)	(232,227)	(244,536)
Non-Operating Revenue:			
Federal Sources:			
School Breakfast Program		136,011	136,011
COVID19 - Seamless Summer Option			
- Breakfast Program		23,061	23,061
National School Lunch Program		17,845	17,845
COVID19 - Seamless Summer Option			
- Lunch Program		51,723	51,723
Food Distribution Program		13,445	13,445
State Sources:			
School Lunch Program		4,456	4,456
COVID19 - Seamless Summer Option		818	818
Local Sources:			
Interest Revenue	21,987	3,433	25,420
Total Non-Operating Revenue	21,987	250,792	272,779
Change in Net Position	9,678	18,565	28,243
Net Position - Beginning of Year	1,179,041	156,081	1,335,122
Net Position - End of Year	\$ 1,188,719	\$ 174,646	\$ 1,363,365

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

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds		
	Major Fund	Non-Major Funds	Total Enterprise
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 36,772,461	\$ 249,718	\$ 37,022,179
Payments to Employees	(1,802,873)	(192,519)	(1,995,392)
Payments to Food Service Vendor		(281,424)	(281,424)
Payments to Board of Education	(66,000)		(66,000)
Payments to Suppliers	(33,452,236)	(6,514)	(33,458,750)
Net Cash Provided by/(Used for) Operating Activities	1,451,352	(230,739)	1,220,613
Cash Flows from Investing Activities:			
Interest Revenue	21,987	3,433	25,420
Net Cash Provided by Investing Activities	21,987	3,433	25,420
Cash Flows from Noncapital Financing Activities:			
State Sources		6,506	6,506
Federal Sources		255,510	255,510
Net Cash Provided by/(Used for) Noncapital Financing Activities		262,016	262,016
Cash Flows from Capital and Related Financing Activities:			
Capital Lease Principal Payment	(34,416)		(34,416)
Net Cash Used for Noncapital Financing Activities	(34,416)		(34,416)
Net Increase/(Decrease) in Cash and Cash Equivalents	1,438,923	34,710	1,473,633
Cash and Cash Equivalents, July 1	367,391	99,710	467,101
Cash and Cash Equivalents, June 30	\$ 1,806,314	\$ 134,420	\$ 1,940,734
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (12,309)	\$ (232,227)	\$ (244,536)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Depreciation	35,220	6,651	41,871
Food Distribution Program		13,445	13,445
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	504,735		504,735
(Increase)/Decrease in Inventory		(13,216)	(13,216)
Increase/(Decrease) in Unearned Revenue	134,000	11,730	145,730
Increase/(Decrease) in Long-Term Liabilities	24,407		24,407
Increase/(Decrease) in Accounts Payable	766,865	(11,122)	755,743
Increase/(Decrease) in Interfunds Payable	(1,566)	(6,000)	(7,566)
Net Cash Provided by/(Used for) Operating Activities	\$ 1,451,352	\$ (230,739)	\$ 1,220,613

Non-Cash Investing, Capital and Financing Activities:

The District received USDA donated commodities valued at \$40,462 and used \$41,403 of those commodities during the fiscal year.

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

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2020

	Agency	Unemployment Compensation Trust	Flexible Spending Account Trust	Private Purpose Scholarship Trust
ASSETS:				
Cash and Cash Equivalents	\$ 663,351	\$ 128,452	\$ 5,241	\$ 32,366
Total Assets	663,351	128,452	5,241	32,366
LIABILITIES:				
Interfund Payable:				
General Fund	264,000			
Payroll Deductions and Withholdings	281,399			
Due to Student Groups	117,952			
Total Liabilities	663,351			
NET POSITION:				
Held in Trust for:				
Unemployment Claims		128,452		
Flexible Spending Claims			5,241	
Restricted for Scholarships				32,366
Total Net Position	\$ -0-	\$ 128,452	\$ 5,241	\$ 32,366

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

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Unemployment Compensation Trust	Flexible Spending Account Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions:			
Plan Member	\$ 33,761	\$ 33,670	
Other			\$ 2,000
Total Contributions	33,761	33,670	2,000
Investment Earnings:			
Interest	1,343		390
Net Investment Earnings	1,343		390
Total Additions	35,104	33,670	2,390
DEDUCTIONS:			
Unemployment Compensation Claims	21,918		
Flexible Spending Claims		28,759	
Scholarships Awarded			8,550
Total Deductions	21,918	28,759	8,550
Change in Net Position	13,186	4,911	(6,160)
Net Position - Beginning of the Year	115,266	330	38,526
Net Position - End of the Year	\$ 128,452	\$ 5,241	\$ 32,366

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary funds:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting:

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

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

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budget for the fiscal year ended June 30, 2020 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2 (m) 1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the fiscal year).

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 41,217,435	\$ 824,126
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognized Encumbrances as Expenditures and Revenue while the GAAP Basis does not:		
Current Year Encumbrances		(14,898)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	1,069,926	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(961,297)	
Total Revenues as Reported on the Statement of Revenues,		
Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 41,326,064	\$ 809,228

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 39,739,527	\$ 824,126
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes:		
Current Year Encumbrances		(14,898)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 39,739,527	\$ 809,228

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash, cash in banks and short-term investments with original maturities of three months or less. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

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

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2020.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

K. Capital Assets:

During the fiscal year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost, including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment. The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	40 years
Land Improvements	20 years
Machinery and Equipment	10 to 15 years

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year; therefore, there are no accrued salaries and wages as of June 30, 2020.

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent fiscal years.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

N. Compensated Absences: (Cont'd)

Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$5,340,982 General Fund fund balance at June 30, 2020, \$1,500,328 is restricted in the capital reserve account, \$76,036 is restricted in the maintenance reserve, \$1,050,000 is restricted for excess surplus 2021-2022, and \$1,073,203 for excess surplus 2020-2021. There is assigned fund balance for year-end encumbrances of \$726,955 and assigned fund balance designated for subsequent year's expenditures of \$914,460, which is \$135,133 less on a GAAP Basis due to the final state aid payments which are not recognized until the fiscal year ended June 30, 2021. Lastly, there is \$-0- of unassigned fund balance which is \$826,164 less on a GAAP basis than the calculated maximum unassigned fund balance (budgetary basis) due to the final two state aid payments which are not recognized until the fiscal year ended June 30, 2021.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent fiscal year's budget. The District has excess surplus at June 30, 2020 as noted above.

The District's unassigned fund balance, and amount designated for subsequent years' expenditures in the General Fund is less on a GAAP basis than the budgetary basis by \$961,297 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event one or more state school aid payments are not made until the following school budget year, districts must record the June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the fiscal year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Q. Deficit Net Position/Fund Balance:

The District has a deficit in unrestricted net position of \$11,079,339 and a \$3,491,987 deficit in total net position in governmental activities, which is primarily due to compensated absences payable, and liabilities and deferred inflows and outflows related to pensions. These deficits do not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, capital reserve and maintenance reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2020.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for fiscal year-end encumbrances and amounts designated for subsequent year's' expenditures in the General Fund at June 30, 2020.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

S. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had a deferred outflow of resources at June 30, 2020 related to pensions.

The District had a deferred inflow related to pensions at June 30, 2020.

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

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

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

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

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

Credit Risk – The Board limits its investments to those authorized in its formal cash management plan which are those permitted under state statute as detailed below.

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

Deposits:

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

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

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

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

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

Investments:

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Investments: (Cont'd)

- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or

- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2020, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents		Total
		Capital	Maintenance	
Checking Accounts	\$ 6,173,230	\$ 1,500,328	\$ 76,036	\$ 7,749,594
	\$ 6,173,230	\$ 1,500,328	\$ 76,036	\$ 7,749,594

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Investments: (Cont'd)

During the period ended June 30, 2020, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents and investments, at June 30, 2020, was \$7,749,594 and the bank balance was \$10,340,178.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance, July 1, 2019	\$ 1,611,382
Interest Earned	500
Withdrawals by Board Resolution	<u>(111,554)</u>
Ending Balance, June 30, 2020	<u><u>\$ 1,500,328</u></u>

The June 30, 2020 capital reserve account balance does not exceed the local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP"). The withdrawals from the capital reserve account were for use in facilities projects, consistent with the District's LRFP.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by the District. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the District by transferring unassigned general fund balance or by transferring excess unassigned general fund balance that is anticipated to be deposited during the current fiscal year in the advertised recapitulation of balances of the subsequent fiscal year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the fiscal year by Board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any fiscal year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at fiscal year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current fiscal year of the District's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent fiscal year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance, July 1, 2019	\$ 174,229
Interest Earned	400
Increased by Board Resolution	63,407
Withdrawals by Budget	<u>(162,000)</u>
Ending Balance, June 30, 2020	<u><u>\$ 76,036</u></u>

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2020 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 359,763			\$ 359,763
Total Capital Assets Not Being Depreciated	<u>359,763</u>			<u>359,763</u>
Capital Assets Being Depreciated:				
Land Improvements	2,206,862			2,206,862
Buildings and Building Improvements	18,435,046			18,435,046
Machinery and Equipment	5,225,195	\$ 207,207		5,432,402
Total Capital Assets Being Depreciated	<u>25,867,103</u>	<u>207,207</u>		<u>26,074,310</u>
Governmental Activities Capital Assets	<u>26,226,866</u>	<u>207,207</u>		<u>26,434,073</u>
Less Accumulated Depreciation for:				
Land Improvements	(1,862,265)	(48,333)		(1,910,598)
Buildings and Building Improvements	(15,457,900)	(320,992)		(15,778,892)
Machinery and Equipment	(4,635,141)	(221,657)		(4,856,798)
	<u>(21,955,306)</u>	<u>(590,982)</u>		<u>(22,546,288)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,271,560</u>	<u>\$ (383,775)</u>	<u>\$ - 0 -</u>	<u>\$ 3,887,785</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 1,134,363	\$ 73,785		\$ 1,208,148
Less Accumulated Depreciation	<u>(998,086)</u>	<u>(41,871)</u>		<u>(1,039,957)</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 136,277</u>	<u>\$ 31,914</u>	<u>\$ -0-</u>	<u>\$ 168,191</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 303
Special Education	1,093
School Sponsored	548
Plant Operations and Maintenance	22,150
School Administration	300
Unallocated	<u>566,588</u>
	<u>\$ 590,982</u>

NOTE 7. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ending June 30, 2020, the District transferred \$91,795 to the capital outlay accounts for equipment, which did not require County Superintendent approval. The District also transferred \$118,344 to the capital outlay accounts for facilities acquisition and construction costs, which required County Superintendent approval.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2020, the following changes occurred in liabilities reported in the District-wide financial statements:

	Balance 6/30/19	Added	Retired	Balance 6/30/20
Governmental Activities:				
Capital Leases Payable	\$ 64,481		\$ 64,481	
Net Pension Liability	10,797,469		1,088,475	\$ 9,708,994
Compensated Absences Payable	651,330	\$ 34,924		686,254
Total Governmental Activities	\$ 11,513,280	\$ 34,924	\$ 1,152,956	\$ 10,395,248
Business-Type Activities:				
Capital Leases Payable	\$ 23,162	\$ 73,785	\$ 34,416	\$ 62,531
Compensated Absences Payable	79,710	24,407		104,117
Total Business-Type Activities	\$ 102,872	\$ 98,192	\$ 34,416	\$ 166,648

A. Bonds Payable:

As of June 30, 2020, the Board had no bonds payable.

B. Bonds Authorized But Not Issued:

As of June 30, 2020, the Board had no bonds authorized but not issued.

C. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities which will be liquidated by the General Fund. The current portion of this liability is \$15,000 and the long-term liability balance is \$671,254.

The liability for compensated absences of the proprietary fund types is recorded in the current and long-term liabilities which will be liquidated by the Transportation Fund. The current portion of this liability is -\$0- and the long-term liability balance is \$104,117.

D. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2020 is \$-0- and the long-term portion is \$9,708,994. See Note 9 for further information on the PERS.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

E. Capital Leases Payable:

The District is leasing buses, transportation vehicles, and various equipment under capital leases. The capital leases are for terms of four to thirteen years. The District has entered into capital leases totaling \$200,053, of which \$137,522 has been liquidated. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2020.

Year	Amount
2021	\$ 11,422
2022	11,422
2023	11,422
2024	11,422
2025	11,422
Thereafter (2026)	11,422
	68,532
Less: Amount representing interest	(6,001)
Present value net minimum lease payments	\$ 62,531

The current portion of Capital Leases payable at June 30, 2020 is \$9,746, the long-term portion payable is \$52,785. Capital leases will be liquidated through the Transportation Enterprise Fund.

NOTE 9. PENSION PLANS

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

A. Public Employees' Retirement System (PERS):

Plan Description

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

Benefits Provided

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$526,207 for 2020.

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

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

At June 30, 2020, the District's liability was \$9,708,994 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the District's proportion was 0.0539%, which was a decrease of 0.001% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized actual pension expense in the amount of \$437,973. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 25,659	
	2015	5.72	158,655	
	2016	5.57	785,165	
	2017	5.48		\$ (1,393,761)
	2018	5.63		(1,126,286)
	2019	5.21		(849,912)
			<u>969,479</u>	<u>(3,369,959)</u>
Changes in Proportion	2014	6.44		(6,642)
	2015	5.72	30,452	
	2016	5.57		(89,961)
	2017	5.48		(263,034)
	2018	5.63	600,879	
	2019	5.21		(174,835)
			<u>631,331</u>	<u>(534,472)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5.00		179,201
	2017	5.00		(215,053)
	2018	5.00		(149,586)
	2019	5.00		32,178
				<u>(153,260)</u>
Difference Between Expected and Actual Experience	2015	5.72	44,019	
	2016	5.57	23,828	
	2017	5.48	41,450	
	2018	5.63		(42,890)
	2019	5.21	64,968	
			<u>174,264</u>	<u>(42,890)</u>
District Contribution Subsequent to the Measurement Date	2019	1.00	<u>534,614</u>	
			<u>\$ 2,309,689</u>	<u>\$ (4,100,582)</u>

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (280,351)
2021	(909,454)
2022	(812,090)
2023	(381,318)
2024	(39,153)
	\$ (2,422,366)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 100% of actuarially determined contributions for the local employers.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate (Cont'd)

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2019 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
District's proportionate share of the Net Pension Liability	\$ 12,349,355	\$ 9,708,994	\$ 7,608,573

Pension Plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service. 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.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

The following represents the membership tiers for TPAF:

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

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 2020, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District.

This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2020, the State of New Jersey contributed \$3,265,792 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$5,410,407.

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2020, the State's proportionate share of the net pension liability associated with the District was \$91,728,750. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the District's proportion was 0.14946%, which was a decrease of 0.00001% from its proportion measured as of June 30, 2018.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>91,728,750</u>
Total	<u><u>\$ 91,728,750</u></u>

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the District in the amount of \$5,410,407 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2020 financial statements.

	<u>Year of</u>	<u>Amortization</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Deferral</u>	<u>Period</u>	<u>Outflows of</u>	<u>Inflows of</u>
		<u>in Years</u>	<u>Resources</u>	<u>Resources</u>
Changes in Assumptions	2014	8.5	\$ 768,874,621	
	2015	8.3	2,351,172,865	
	2016	8.3	5,609,216,856	
	2017	8.3		\$ 8,483,527,374
	2018	8.29		5,172,258,445
	2019	8.04		<u>3,507,345,617</u>
			<u>8,729,264,342</u>	<u>17,163,131,436</u>
Difference Between Expected and Actual Experience	2014	8.5		7,323,009
	2015	8.3	145,211,243	
	2016	8.3		69,755,412
	2017	8.3	150,939,884	
	2018	8.29	907,352,137	
	2019	8.04		<u>136,265,890</u>
			<u>1,203,503,264</u>	<u>213,344,311</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5		(431,855,192)
	2017	5		452,016,524
	2018	5		288,091,115
	2019	5		<u>(144,882,771)</u>
				<u>163,369,676</u>
			<u>\$ 9,932,767,606</u>	<u>\$ 17,539,845,423</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (272,405,510)
2021	(704,260,700)
2022	(630,562,767)
2023	(1,216,378,743)
2024	(2,381,316,232)
Thereafter	(2,402,153,865)
	\$ (7,607,077,817)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55 – 4.45% based on years of service
Thereafter	2.75 – 5.65% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 70% of the actuarially determined contributions for the State. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2054, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2019 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
Total Net Pension Liability	\$ 108,168,499	\$ 91,728,750	\$ 78,088,950

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP):

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

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

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

For DCRP, the District recognized pension expense of \$44,331 for the fiscal year ended June 30, 2020. Employee contributions to DCRP amounted to \$41,424 for the year ended June 30, 2020.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to employees through the State of New Jersey Health Benefits Plan.

New Jersey Unemployment Compensation Insurance

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

The following is a summary of District contributions, employee contributions, interest earnings, reimbursements to the State for benefits paid and the ending balance of the District’s expendable trust fund for the current and previous two fiscal years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019-2020	\$ -0-	\$ 1,343	\$ 33,761	\$ 21,918	\$ 128,452
2018-2019	-0-	2,847	32,362	95,322	115,266
2017-2018	-0-	3,125	33,492	21,609	175,379

Property and Liability Insurance

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report. The Board is a member of the School Alliance Insurance Fund ("SAIF") and School Excess Liability Joint Insurance Fund (SEL). The SAIF provides its members with Workers' Compensation, Comprehensive General Liability and Automobile Liability, Property, Boiler and Machinery, and School Board Legal Liability Insurance. The SEL provides its members with excess liability coverage. The SAIF and SEL are risk-sharing funds that are both insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the SAIF are elected.

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

Selected, summarized financial information for SAIF as of June 30, 2020 is as follows:

Total Assets	<u>\$ 51,526,293</u>
Net Position	<u>\$ 20,539,909</u>
Total Revenue	<u>\$ 43,264,716</u>
Total Expenses	<u>\$ 41,642,794</u>
Change in Net Position	<u>\$ 1,621,922</u>
Member Dividends	<u>\$ -0-</u>

Selected, summarized financial information for SEL as of June 30, 2020 is as follows:

Total Assets	<u>\$ 24,132,996</u>
Net Position	<u>\$ 5,852,578</u>
Total Revenue	<u>\$ 18,631,981</u>
Total Expenses	<u>\$ 18,903,727</u>
Change in Net Position	<u>\$ (271,746)</u>
Member Dividends	<u>\$ -0-</u>

Financial statements for SAIF and SEL are available at the Executive Director's Office:

School Alliance Insurance Fund
51 Everett Drive
West Windsor, NJ 08550
(609)-275-1155

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The Board is periodically involved in lawsuits arising in the normal course of business, including claims regarding special education, disputes over contract awards and performance, and employment matters. The Board does not believe that the ultimate outcome of these cases will have a material negative effect on the District's financial position.

Grant Programs

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 11. COMMITMENTS AND CONTINGENCIES (Cont'd)

Encumbrances

At June 30, 2020, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds.

Governmental Funds		
General Fund	Special Revenue	Total Governmental Funds
\$ 726,955	\$ 81,321	\$ 808,276

On the District's Governmental Funds Balance Sheet as of June 30, 2020, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$14,898 less than the actual year-end encumbrances on a budgetary basis. Encumbrances are not recognized on a GAAP basis and are reflected as either a reduction in grants receivables or an increase in unearned revenue.

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances existed at June 30, 2020:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 266,000	
Proprietary Funds - Food Service Fund		\$ 2,000
Fiduciary Funds - Payroll Agency		264,000
	\$ 266,000	\$ 266,000

The general fund interfund receivable consists of monies loaned to the Proprietary Funds (Food Service Fund) for expenses paid on behalf of the Food Service fund and not turned over at year end and monies due from the Payroll Agency Fund for excess funds transferred and not turned over at year end.

NOTE 13. 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 fiscal years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Lincoln Investment	AXA-Equitable
MetLife	Hartford
Prudential	Security Benefit

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 14. TAX CALENDAR

Property taxes are levied by the District’s constituent municipalities as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes.

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

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

NOTE 15. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2020:

	<u>Governmental Funds</u>	<u>Contribution Subsequent to the Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Transportation Services</u>	<u>Other Proprietary Funds</u>	<u>Business-Type Activities Total Proprietary Funds</u>
	<u>General Fund</u>					
Vendors	\$ 97,274		\$ 97,274	\$ 5,381,138	\$ 22,130	\$ 5,403,268
State of NJ		\$ 534,614	534,614			
	<u>\$ 97,274</u>	<u>\$ 534,614</u>	<u>\$ 631,888</u>	<u>\$ 5,381,138</u>	<u>\$ 22,130</u>	<u>\$ 5,403,268</u>

NOTE 16. ECONOMIC DEPENDENCY

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

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
General Information about the OPEB Plan

Plan Description and Benefits Provided

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
General Information about the OPEB Plan (Cont'd)

Plan Description and Benefits Provided (Cont'd)

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

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

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

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

Employees Covered by Benefit Terms

At June 30, 2018, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	148,051
Active Plan Members	<u>216,892</u>
Total	<u><u>364,943</u></u>

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 which was rolled forward to June 30, 2018.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
General Information about the OPEB Plan (Cont'd)

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%		
		TPAF/ABP	PERS
Salary Increases: Through 2026		1.55 - 3.05% based on years of service	2.00 - 6.00% based on years of service
Thereafter		1.55 - 3.05% based on years of service	3.00 - 7.00% based on years of service

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018 and July 1, 2014 – June 30, 2018 for TPAF and PERS, respectively.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
General Information about the OPEB Plan (Cont'd)

Discount Rate

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the State's Proportionate Share of the Total OPEB Liability Associated with the District

	Total OPEB Liability
Balance at June 30, 2018	\$ 82,220,722
Changes for Year:	
Service Cost	2,475,051
Interest on the Total OPEB Liability	3,236,565
Changes of Assumptions	1,074,989
Differences between Expected and Actual Experience	(14,761,630)
Gross Benefit Payments by the State	(2,213,197)
Contributions from Members	65,605
Net Changes	(10,122,617)
Balance at June 30, 2019	\$ 72,098,105

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2019, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	At 1% Decrease (2.50%)	At Discount Rate (3.50%)	At 1% Increase (4.50%)
Total OPEB Liability Attributable to the District	\$ 85,176,353	\$ 72,098,105	\$ 61,709,462

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
General Information about the OPEB Plan (Cont'd)

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2019, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 59,405,625	\$ 72,098,105	\$ 88,900,342

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

For the fiscal year ended June 30, 2020 the District recognized OPEB expense of \$1,061,867 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2019 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

	Year of Deferral	Original Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ 8,393,677
Changes in Assumptions	2018	9.51		7,219,698
Changes in Assumptions	2019	9.29	\$ 959,274	
			959,274	15,613,376
Differences Between Expected and Actual Experience	2018	9.51		6,824,862
	2019	9.29		11,290,709
				18,115,571
Changes in Proportion	N/A	N/A		3,214,214
			\$ 959,274	\$ 36,943,161

N/A - Not Available

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 17. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
General Information about the OPEB Plan (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (4,399,804)
2021	(4,399,804)
2022	(4,399,804)
2023	(4,399,804)
2024	(4,399,804)
Thereafter	(10,770,652)
	\$ (32,769,673)

NOTE 18. SUBSEQUENT EVENT

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the District’s normal financial operations. Though the impact on the District’s operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund other than state aid and the local tax levy. Also, there have been additional operating expenses in the General Fund not planned for or expected at the time of the adoption of the District’s 2020-21 budget related to COVID-19.

Additionally, the District’s cash flow in the Governmental Funds may be affected by the timing of the collection of the District’s tax levy as well as certain State aid payments.

The Food Service Enterprise Fund has been impacted by COVID-19 for the fiscal year ending June 30, 2021 as the number of students in the building has been reduced, resulting in fewer meals claimed for federal and state reimbursements and no daily sales revenue.

The Transportation Enterprise Fund has been impacted by COVID-19 for the fiscal year ending June 30, 2021 as a result of the increase in supplies for sanitizing and providing personal protective equipment which were unanticipated expenses. Additionally, the Transportation Enterprise Funds revenues were effected due to renegotiated contracts for the final three months of the year due to the shutdown caused by the pandemic. The District has, and will continue, to pursue all collections outstanding from this time period.

**SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION**

HOPATCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.0537229195%	0.0549795876%	0.0533726502%	0.0507067631%	0.0548387109%	0.0538835274%
District's proportionate share of the net pension liability	\$ 10,058,400	\$ 12,341,816	\$ 15,807,448	\$ 11,803,724	\$ 10,797,469	\$ 9,708,994
District's covered employee payroll	\$ 3,721,026	\$ 3,764,850	\$ 3,474,446	\$ 3,492,518	\$ 3,764,391	\$ 3,567,909
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	270.31%	327.82%	454.96%	337.97%	286.83%	272.12%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%

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

HOPATCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 442,884	\$ 472,677	\$ 474,155	\$ 469,744	\$ 547,976	\$ 526,207
Contributions in relation to the contractually required contribution	(442,884)	(472,677)	(474,155)	(469,744)	(547,976)	(526,207)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 3,764,850	\$ 3,474,446	\$ 3,492,518	\$ 3,764,391	\$ 3,567,909	\$ 3,464,448
Contributions as a percentage of covered employee payroll	11.76%	13.60%	13.58%	12.48%	15.36%	15.19%

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

HOPATCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
State's proportion of the net pension liability attributable to the District	0.1546227721%	0.1527785573%	0.1521054124%	0.1451724499%	0.1494743712%	0.1494660900%
State's proportionate share of the net pension liability attributable to the District	\$ 82,640,839	\$ 96,562,596	\$ 119,655,811	\$ 97,880,493	\$ 95,092,379	\$ 91,728,750
District's covered employee payroll	\$ 15,003,720	\$ 14,979,215	\$ 14,642,439	\$ 15,168,019	\$ 15,787,577	\$ 15,268,967
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	550.80%	644.64%	817.18%	645.31%	602.32%	600.75%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%	26.95%

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

HOPATCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 4,446,853	\$ 5,896,016	\$ 8,990,469	\$ 6,780,665	\$ 5,543,553	\$ 5,410,407
Contributions in relation to the contractually required contribution	(770,540)	(1,160,030)	(1,575,809)	(2,201,230)	(2,939,636)	(3,265,792)
Contribution deficiency/(excess)	\$ 3,676,313	\$ 4,735,986	\$ 7,414,660	\$ 4,579,435	\$ 2,603,917	\$ 2,144,615
District's covered employee payroll	\$ 14,979,215	\$ 14,642,439	\$ 15,168,019	\$ 15,787,577	\$ 15,268,967	\$ 14,878,907
Contributions as a percentage of covered employee payroll	29.69%	7.92%	10.39%	13.94%	19.25%	21.95%

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

HOPATCONG BOROUGH SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS

	Fiscal Years Ending		
	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service Cost	\$ 3,283,111	\$ 2,768,213	\$ 2,475,051
Interest Cost	2,980,189	3,417,673	3,236,565
Difference Between Expected and Actual Experience		(6,156,835)	(14,761,630)
Changes in Assumptions	(12,385,662)	(9,435,239)	1,074,989
Member Contributions	59,012	75,985	65,605
Gross Benefit Payments	(1,602,619)	(2,198,553)	(2,213,197)
Net Change in Total OPEB Liability	(7,665,969)	(11,528,756)	(10,122,617)
Total OPEB Liability - Beginning	101,415,447	93,749,478	82,220,722
Total OPEB Liability - Ending	\$ 93,749,478	\$ 82,220,722	\$ 72,098,105
State's Covered Employee Payroll *	\$ 18,660,537	\$ 19,551,968	\$ 18,836,876
Total OPEB Liability as a Percentage of Covered Employee Payroll	0%	421%	383%

* - Covered payroll for the fiscal years ending June 30, 2017, 2018 and 2019 are based on the payroll on the June 30, 2016, 2017 and 2018 census data.

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%.

The inflation rate was 2.25% as of June 30, 2018. As of June 30, 2019, the inflation rate was as follows – Price – 2.75% and Wage – 3.25%. The salary increases as of June 30, 2018 were as follows: Through 2026 – 1.65% - 4.15% based on age and Thereafter – 2.65% - 5.15% based on age. The salary increases as of June 30, 2019 are as follows: Through 2026 – 2.00% - 6.00% based on years of service and Thereafter – 3.00% - 7.00% based on years of service.

The July 1, 2017 actuarial valuation utilized the following mortality rate assumptions:

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

The July 1, 2018 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Changes of Actuarial Assumptions

The discount rate changed from 4.86% as of June 30, 2018 to 5.60% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%. The inflation rate as of June 30, 2018 was 2.25%. The inflation rate as of June 30, 2019 was as follows: Price – 2.75% and Wage – 3.25%.

The salary increases in the July 1, 2018 valuation were as follows: Through 2026 - 1.55 – 4.45% based on years of service and thereafter - 2.75 – 5.65% based on years of service. The salary increases in the July 1, 2017 valuation were as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

The mortality rates utilized in the July 1, 2018 valuation were as follows: Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Changes of Actuarial Assumptions (Cont'd)

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

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

The mortality rates in the valuation as of June 30, 2019 were based on the following:

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

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

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

The health care trend rates in the valuation as of June 30, 2019 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

BUDGETARY COMPARISON SCHEDULES

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 24,147,386		\$ 24,147,386	\$ 24,147,386	
Rents and Royalties	200,000		200,000	200,000	
Adult Education Assessment Testing Center Fees		\$ 50,000	50,000	30,000	\$ (20,000)
Interest Earned on Maintenance Reserve	400		400	400	
Interest Earned on Capital Reserve Funds	500		500	500	
Miscellaneous	1,022,714	(50,000)	972,714	1,244,872	272,158
Total - Local Sources	25,371,000		25,371,000	25,623,158	252,158
State Sources:					
Special Education Categorical Aid	1,307,036		1,307,036	1,307,036	
Security Aid	232,284		232,284	232,284	
Categorical Transportation Aid	668,951		668,951	668,951	
Extraordinary Aid	100,000		100,000	238,053	138,053
Equalization Aid	5,217,357		5,217,357	5,217,357	
Adjustment Aid	2,211,260		2,211,260	2,211,260	
Nonpublic School Transportation Costs				6,960	6,960
On-Behalf TPAF Post Retirement Contributions (Nonbudgeted)				1,233,265	1,233,265
On-Behalf TPAF Pension Contributions (Nonbudgeted)				3,265,792	3,265,792
On-Behalf TPAF Non-Contributory Insurance (Nonbudgeted)				58,536	58,536
On-Behalf TPAF Long-Term Disability Insurance (Nonbudgeted)				1,241	1,241
Reimbursed TPAF Social Security Contributions (Nonbudgeted)				1,123,141	1,123,141
Total State Sources	9,736,888		9,736,888	15,563,876	5,826,988
Federal Sources:					
Medicaid Reimbursement	54,813		54,813	30,401	(24,412)
Total Federal Sources	54,813		54,813	30,401	(24,412)
TOTAL REVENUES	35,162,701		35,162,701	41,217,435	6,054,734

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 381,512	\$ 56,652	\$ 438,164	\$ 434,962	\$ 3,202
Grades 1-5 - Salaries of Teachers	3,514,128	10,000	3,524,128	3,518,553	5,575
Grades 6-8 - Salaries of Teachers	2,196,576	330,245	2,526,821	2,517,876	8,945
Grades 9-12 - Salaries of Teachers	2,557,225	(326,694)	2,230,531	2,230,531	
Regular Programs - Home Instruction:					
Salaries of Teachers	3,000	3,274	6,274	6,274	
Purchased Professional - Educational Services	603,065	(603,065)			
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	160,089	(57,084)	103,005	103,005	
Purchased Prof.-Ed. Services	812,683	860,201	860,201	754,193	106,008
Other Purchased Services (400-500 series)	417,494	(639,824)	172,859	123,294	49,565
General Supplies	125,343	342,395	759,889	442,923	316,966
Textbooks	11,300	86,052	211,395	70,541	140,854
Other Objects		1,948	13,248	892	12,356
Total Regular Programs - Instruction	10,782,415	64,100	10,846,515	10,203,044	643,471
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	623,886	316,978	940,864	940,864	
Other Salaries for Instruction	232,474	(43,384)	189,090	189,089	1
General Supplies	18,000	(7,861)	10,139	3,655	6,484
Other Objects	3,100	2,500	5,600	4,619	981
Total Learning and/or Language Disabilities	877,460	268,233	1,145,693	1,138,227	7,466
Multiple Disabilities:					
Salaries of Teachers	204,001	(56,955)	147,046	147,036	10
Other Salaries for Instruction	126,878	62,995	189,873	189,873	
General Supplies	5,000	(1,516)	3,484	685	2,799
Other Objects	1,300	216	1,516	1,300	216
Total Multiple Disabilities	337,179	4,740	341,919	338,894	3,025

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction: (Cont'd)					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 1,759,215	\$ (158,327)	\$ 1,600,888	\$ 1,600,887	\$ 1
Other Salaries for Instruction	160,750	92,544	253,294	253,294	
General Supplies	5,600	(3,600)	2,000		2,000
Other Objects	2,000	(802)	1,198	1,198	
Total Resource Room/Resource Center	1,927,565	(70,185)	1,857,380	1,855,379	2,001
Preschool Disabilities - Part-Time					
Other Salaries for Instruction	13,773	900	14,673	14,673	
Total Preschool Disabilities - Part-Time:	13,773	900	14,673	14,673	
Preschool Disabilities - Full-Time					
Salaries of Teachers	174,623	2,120	176,743	176,743	
Other Salaries for Instruction	53,707	16,915	70,622	70,622	
General Supplies	2,000		2,000	1,948	52
Total Preschool Disabilities - Full Time:	230,330	19,035	249,365	249,313	52
Total Special Education Instruction	3,386,307	222,723	3,609,030	3,596,486	12,544
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	53,979	94,681	148,660	148,660	
Total Basic Skills/Remedial - Instruction	53,979	94,681	148,660	148,660	
Bilingual Education - Instruction:					
Salaries of Teachers	64,933	1,767	66,700	66,700	
General Supplies	400	2,550	2,950	2,415	535
Textbooks	250	(250)			
Other Objects	500	(500)			
Total Bilingual Education - Instruction	66,083	3,567	69,650	69,115	535

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 179,170	\$ (2,479)	\$ 176,691	\$ 175,625	\$ 1,066
Purchased Services (300-500 series)		1,516	1,516	1,016	500
Supplies and Materials		160	160	160	
Other Objects	2,000	(115)	1,885	1,002	883
Total School-Sponsored Cocurricular Activities - Instruction	181,170	(918)	180,252	177,803	2,449
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	452,024	10,454	462,478	462,477	1
Purchased Services (300-500 series)	49,983	(8,549)	41,434	29,804	11,630
Supplies and Materials	66,485	20,000	86,485	58,247	28,238
Other Objects	18,800		18,800	13,631	5,169
Transfers to Cover Deficit (Agency Funds)	36,386	(6,386)	30,000	18,858	11,142
Total School-Sponsored Cocurricular Athletics - Instruction	623,678	15,519	639,197	583,017	56,180
Total Instruction	15,093,632	399,672	15,493,304	14,778,125	715,179
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	675,331	163,638	838,969	718,920	120,049
Tuition to County Vocational Schools - Regular	122,485	17,713	140,198	132,398	7,800
Tuition to Private Schools for the Disabled - Within the State	976,141	(304,031)	672,110	452,119	219,991
Total Undistributed Expenditures - Instruction	1,773,957	(122,680)	1,651,277	1,303,437	347,840
Attendance and Social Work Services:					
Salaries	18,705	3,183	21,888	21,888	
Total Attendance and Social Work Services	18,705	3,183	21,888	21,888	
Health Services:					
Salaries	348,661	(84,313)	264,348	264,347	1
Purchased Professional and Technical Services	29,500	5,400	34,900	26,813	8,087
Supplies and Materials	6,300	436	6,736	2,884	3,852
Other Objects	750	39	789	394	395
Total Health Services	385,211	(78,438)	306,773	294,438	12,335

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Speech, OT, PT and Related Services:					
Salaries	\$ 409,188	\$ (67,630)	\$ 341,558	\$ 341,558	
Purchased Professional - Educational Services	107,900	80,880	188,780	137,601	\$ 51,179
Supplies and Materials	4,680		4,680	2,470	2,210
Other Objects	500		500		500
Total Speech, OT, PT and Related Services	522,268	13,250	535,518	481,629	53,889
Guidance:					
Salaries of Other Professional Staff	544,270	18,179	562,449	562,449	
Salaries of Secretarial and Clerical Assistants	37,580	(259)	37,321	37,321	
Other Purchased Prof. and Tech. Services	8,800	1,255	10,055	10,055	
Other Purchased Services (400-500 series)	3,000		3,000	225	2,775
Supplies and Materials	7,370	200	7,570	1,602	5,968
Other Objects	14,700		14,700	2,514	12,186
Total Guidance	615,720	19,375	635,095	614,166	20,929
Undistributed Expenditures:					
Child Study Teams:					
Salaries of Other Professional Staff	999,990	10,700	1,010,690	1,010,690	
Salaries of Secretarial and Clerical Assistants	92,942	(547)	92,395	92,395	
Other Salaries	30,000	(1,461)	28,539	28,539	
Other Purchased Prof. and Tech. Services	10,196	5,161	15,357	14,777	580
Other Purchased Services (400-500 series)	13,040	(4,400)	8,640	912	7,728
Supplies and Materials	6,500	2,022	8,522	7,277	1,245
Other Objects	1,000	298	1,298	1,298	
Total Child Study Teams	1,153,668	11,773	1,165,441	1,155,888	9,553
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	8,000	132,043	140,043	140,043	
Salaries of Secretarial and Clerical Assistants		25,394	25,394	25,394	
Salaries of Facilitators, Math & Literacy Coaches	49,955	(22,042)	27,913	27,913	

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Improvement of Instructional Services (Cont'd)					
Other Purchased Services (400-500 series)	\$ 13,625	\$ (10,108)	\$ 3,517		\$ 3,517
Supplies and Materials	500		500		500
Other Objects	33,000		33,000	26,003	6,997
Total Improvement of Instructional Services	<u>105,080</u>	<u>125,287</u>	<u>230,367</u>	<u>219,353</u>	<u>11,014</u>
Educational Media Services/School Library:					
Salaries	58,266	(15,262)	43,004	43,001	3
Salaries of Technology Coordinators	214,184	629	214,813	214,813	
Other Purchased Services (400-500 series)	-	1,090	1,090	1,090	
Supplies and Materials	6,500	25,807	32,307	3,388	28,919
Other Objects	2,160		2,160	2,160	
Total Educational Media Services/School Library	<u>281,110</u>	<u>12,264</u>	<u>293,374</u>	<u>264,452</u>	<u>28,922</u>
Instructional Staff Training Services:					
Purchased Professional - Educational Services	62,000		62,000	31,368	30,632
Other Purchased Services (400-500 series)	7,000		7,000	454	6,546
Supplies and Materials	1,000		1,000		1,000
Other Objects	2,500		2,500		2,500
Total Instructional Staff Training Services	<u>72,500</u>		<u>72,500</u>	<u>31,822</u>	<u>40,678</u>
Undistributed Expenditures:					
Support Services - General Administration:					
Salaries	280,822	(70,258)	210,564	210,564	
Legal Services	95,000	24,433	119,433	119,433	
Audit Fees	60,000		60,000	60,000	
Other Purchased Professional Services	7,500	(500)	7,000	4,669	2,331
Communications/Telephone	122,130	(33,328)	88,802	85,556	3,246
BOE Other Purchased Services	5,800	1,800	7,600	5,907	1,693
Miscellaneous Purchased Services (400-500 series)	8,000	50,784	58,784	54,290	4,494
General Supplies	3,500	(300)	3,200	1,293	1,907
BOE In-House Training/Meeting Supplies	700		700		700
Miscellaneous Expenditures	3,000		3,000	2,792	208
BOE Membership Dues and Fees	17,600		17,600	17,505	95
Total Support Services - General Administration	<u>604,052</u>	<u>(27,369)</u>	<u>576,683</u>	<u>562,009</u>	<u>14,674</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 1,043,915	\$ 2,675	\$ 1,046,590	\$ 1,046,590	
Salaries of Secretarial and Clerical Assistants	222,742	626	223,368	223,368	
Unused Vacation Payment to Terminated/Retired Staff		89	89	89	
Other Purchased Services (400-500 series)	1,950	5,822	7,772	5,732	\$ 2,040
Supplies and Materials	3,100		3,100	97	3,003
Other Objects	6,010	(460)	5,550	5,234	316
Total Support Services - School Administration	1,277,717	8,752	1,286,469	1,281,110	5,359
Central Services:					
Salaries	395,082	(47,725)	347,357	346,291	1,066
Purchased Professional Services	26,314	(1,028)	25,286	25,286	
Purchased Technical Services		63,390	63,390	63,323	67
Miscellaneous Purchased Services (400-500 series)	1,000	(618)	382	147	235
Supplies and Materials	5,000	1,163	6,163	5,322	841
Miscellaneous Expenditures	1,000	(1,000)			
Total Central Services	428,396	14,182	442,578	440,369	2,209
Administration Information Technology:					
Supplies and Materials	2,000		2,000	113	1,887
Total Administration Information Technology	2,000		2,000	113	1,887
Required Maintenance for School Facilities:					
Salaries	293,675	7,508	301,183	301,183	
Cleaning, Repair and Maintenance Services	479,790	25,975	505,765	389,648	116,117
General Supplies	192,000	1,404	193,404	181,037	12,367
Other Objects	27,593	(19,538)	8,055	7,855	200
Total Required Maintenance for School Facilities	993,058	15,349	1,008,407	879,723	128,684

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Custodial Services:					
Salaries	\$ 938,546	\$ 368	\$ 938,914	\$ 938,914	
Purchased Professional and Technical Services	22,500	(506)	21,994	2,544	\$ 19,450.00
Cleaning, Repair and Maintenance Services	110,654	(12,100)	98,554	83,934	14,620
Lease Purchase Payments- Energy Savings	66,518	7	66,525	66,525	
Other Purchased Property Services	60,000	(5,833)	54,167	29,075	25,092
Insurance	288,400	(43,732)	244,668	244,668	
General Supplies	80,000	70,183	150,183	126,142	24,041
Energy (Oil)	293,000	(76,251)	216,749	170,817	45,932
Energy (Electricity)	204,250	90,610	294,860	277,706	17,154
Other Objects	400		400	400	
Total Custodial Services	<u>2,064,268</u>	<u>22,746</u>	<u>2,087,014</u>	<u>1,940,325</u>	<u>146,689</u>
Care & Upkeep of Grounds:					
Salaries	146,061	(13,501)	132,560	132,560	
Purchased Professional and Technical Services	131,225	(65,857)	65,368	54,655	10,713
General Supplies	61,000	7,000	68,000	60,246	7,754
Other Objects	200		200	200	
Total Care & Upkeep of Grounds	<u>338,486</u>	<u>(72,358)</u>	<u>266,128</u>	<u>247,461</u>	<u>18,667</u>
Security:					
Salaries	57,835	(5,880)	51,955	51,955	
Purchased Professional and Technical Services	202,172	(85,000)	117,172	100,414	16,758
Cleaning, Repair and Maintenance Services	21,500	899	22,399	17,899	4,500
General Supplies	12,500	(899)	11,601	2,982	8,619
Other Objects	1,785		1,785	682	1,103
Total Security	<u>295,792</u>	<u>(90,880)</u>	<u>204,912</u>	<u>173,932</u>	<u>30,980</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	\$ 32,695	\$ (2,001)	\$ 30,694	\$ 30,694	
Cleaning, Repair and Maintenance Services	3,500		3,500	1,528	\$ 1,972
Rental Payments - School Buses	2,500	(1,000)	1,500		1,500
Lease Purchase Payments- School Buses		14,775	14,775	14,775	
Contracted Services:					
Between Home and School - Vendors	773,155		773,155	653,682	119,473
Other Than Between Home and School - Vendors	154,493	(74,091)	80,402	37,883	42,519
ESC's and CTSA's - Regular	302,309		302,309	293,331	8,978
ESC's and CTSA's - Special	654,000	260,571	914,571	900,547	14,024
Aid in Lieu - Nonpublic Students	60,386	(1,200)	59,186	52,987	6,199
Aid in Lieu - Choice School	12,700	4,872	17,572	16,514	1,058
Misc. Purchased Services - Transportation	13,000	(10,000)	3,000		3,000
General Supplies	7,000		7,000	4,717	2,283
Transportation Supplies	10,000	(6,250)	3,750		3,750
Other Objects	250		250		250
Total Student Transportation Services	2,025,988	185,676	2,211,664	2,006,658	205,006
Undistributed Expenditures:					
Unallocated Benefits:					
Social Security Contributions	450,000		450,000	446,120	3,880
Other Retirement Contributions - PERS	541,305	(4,331)	536,974	526,207	10,767
Other Retirement Contributions - Regular	30,000	14,331	44,331	44,331	
Unemployment Compensation	50,000	(30,000)	20,000		20,000
Workmen's Compensation	350,830	(39,442)	311,388	304,888	6,500
Health Benefits	6,162,930	(442,091)	5,720,839	5,167,970	552,869
Tuition Reimbursement	73,000	4,936	77,936	28,788	49,148
Other Employee Benefits	430,500	(64,278)	366,222	355,395	10,827
Total Unallocated Benefits	8,088,565	(560,875)	7,527,690	6,873,699	653,991

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
On-Behalf Contributions (Nonbudgeted):					
On-Behalf TPAF Post Retirement Contributions				\$ 1,233,265	\$ (1,233,265)
On-Behalf TPAF Pension Contributions				3,265,792	(3,265,792)
On-Behalf TPAF Non-Contributory Insurance				58,536	(58,536)
On-Behalf TPAF Long-Term Disability Insurance				1,241	(1,241)
Reimbursed TPAF Social Security Contributions				1,123,141	(1,123,141)
Total On-Behalf Contributions				5,681,975	(5,681,975)
Total Personal Services - Employee Benefits	\$ 8,088,565	\$ (560,875)	\$ 7,527,690	12,555,674	(5,027,984)
Total Undistributed Expenses	21,046,541	(520,763)	20,525,778	24,474,447	(3,948,669)
TOTAL GENERAL CURRENT EXPENSE	36,140,173	(121,091)	36,019,082	39,252,572	(3,233,490)
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
Instruction		68,983	68,983	53,627	15,356
Required Maintenance for School Facilities		14,065	14,065	14,065	
Care and Upkeep of Grounds		8,747	8,747	8,747	
Student Transportation - Non Instruction	12,763		12,763	12,763	
Total Equipment	12,763	91,795	104,558	89,202	15,356
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services		118,344	118,344	118,004	340
Assessment for Debt Service on SDA Funding	1,114		1,114	1,114	
Total Facilities Acquisition and Construction Services	1,114	118,344	119,458	119,118	340
TOTAL CAPITAL OUTLAY	13,877	210,139	224,016	208,320	15,696
Transfer to Charter School	256,147	22,506	278,653	278,655	18
TOTAL EXPENDITURES	36,410,197	111,554	36,521,751	39,739,527	(3,217,776)

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess/(Deficiency) of Revenues					
Over/(Under) Expenditures	\$ (1,247,496)	\$ (111,554)	\$ (1,359,050)	\$ 1,477,908	\$ 2,836,958
Fund Balance, July 1	4,824,371		4,824,371	4,824,371	
Fund Balance, June 30	\$ 3,576,875	\$ (111,554)	\$ 3,465,321	\$ 6,302,279	\$ 2,836,958
Recapitulation:					
Restricted Fund Balance:					
Excess Surplus	\$ 1,050,000				
Excess Surplus - Designated for Subsequent Year's Expenditures	1,073,203				
Capital Reserve	1,500,328				
Maintenance Reserve	76,036				
Assigned Fund Balance:					
Year-End Encumbrances				726,955	
Designated for Subsequent Year's Expenditures				1,049,593	
Unassigned Fund Balance				826,164	
Fund Balance per Governmental Funds (Budgetary)				6,302,279	
Reconciliation to Governmental Funds Statement (GAAP):					
June State Aid Payments not Recognized on GAAP Basis				(961,297)	
Fund Balance per Governmental Funds (GAAP)				\$ 5,340,982	

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	\$ 838,212		\$ 838,212	\$ 824,126	\$ 14,086
Total Revenues	838,212		838,212	824,126	14,086
EXPENDITURES:					
Instruction:					
Salaries of Teachers	184,235	\$ (8,937)	175,298	175,298	
Purchased Professional/Technical Services	1,680		1,680	920	760
Tuition	570,746		570,746	570,746	
General Supplies	10,000		10,000	2,530	7,470
Total Instruction	766,661	(8,937)	757,724	749,494	8,230
Support Services:					
Salaries		3,500	3,500	685	2,815
Personal Services - Employee Benefits	52,418	8,937	61,355	61,355	
Purchased Professional/Technical Services	3,500	(859)	2,641		2,641
Other Purchased Services	2,641	10,351	12,992	12,592	400
Travel					
Supplies and Materials	12,992	(12,992)			
Other Objects					
Total Support Services	71,551	8,937	80,488	74,632	5,856
Total Expenditures	838,212		838,212	824,126	14,086
Excess of Revenues Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

HOPATCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 41,217,435	\$ 824,126
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognized Encumbrances as Expenditures and Revenue while the GAAP Basis does not:		
Current Year Encumbrances		(14,898)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	1,069,926	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(961,297)</u>	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 <u><u>\$ 41,326,064</u></u>	 <u><u>\$ 809,228</u></u>
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 39,739,527	\$ 824,126
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes:		
Current Year Encumbrances		<u>(14,898)</u>
 Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u><u>\$ 39,739,527</u></u>	 <u><u>\$ 809,228</u></u>

HOPATCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue. The budget was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

HOPATCONG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Elementary and Secondary Education Act							Totals
	Title I	Title IIA	Title III	Title III- Immigrant	Title IV	Part B	Preschool	
REVENUE:								
Federal Sources	\$ 202,184	\$ 34,469	\$ 3,214	\$ 921	\$ 12,592	\$ 550,464	\$ 20,282	824,126
Total Revenue	202,184	34,469	3,214		12,592	550,464	20,282	824,126
EXPENDITURES:								
Instruction:								
Salaries of Teachers	149,766	25,532		920				175,298
Purchased Professional/Technical Services						550,464	20,282	570,746
Tuition								2,530
General Supplies			2,530					
Total Instruction	149,766	25,532	2,530	920		550,464	20,282	749,494
Support Services:								
Salaries of Other Professional Staff			684	1				685
Personal Services - Employee Benefits	52,418	8,937			12,592			61,355
Other Purchased Services								12,592
Total Support Services	52,418	8,937	684	1	12,592			74,632
Total Expenditures	\$ 202,184	\$ 34,469	\$ 3,214	\$ 921	\$ 12,592	\$ 550,464	\$ 20,282	\$ 824,126

**CAPITAL PROJECTS FUND
(NOT APPLICABLE)**

PROPRIETARY FUNDS

HOPATCONG BOROUGH SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020

	Business-Type Activities:			Total
	Enterprise Funds			
	Major Fund	Non-Major Funds		
Transportation Services	Food Service Program	Day Plus		
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 1,806,314	\$ 60,955	\$ 74,271	\$ 1,941,540
Intergovernmental Accounts Receivable:				
Federal		19,950		19,950
State		206		206
Other	4,933,471			4,933,471
Inventories		18,667		18,667
Total Current Assets	<u>6,739,785</u>	<u>99,778</u>	<u>74,271</u>	<u>6,913,834</u>
Capital Assets:				
Machinery and Equipment	804,019	404,129		1,208,148
Less: Accumulated Depreciation	<u>(673,299)</u>	<u>(366,658)</u>		<u>(1,039,957)</u>
Total Capital Assets	<u>130,720</u>	<u>37,471</u>		<u>168,191</u>
Total Assets	<u>6,870,505</u>	<u>137,249</u>	<u>74,271</u>	<u>7,082,025</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	5,381,138	22,130		5,403,268
Interfund Payable		2,000		2,000
Unearned Revenue- Prepaid	134,000	11,938		145,938
Unearned Revenue- Donated Commodities		806		806
Total Current Liabilities	<u>5,515,138</u>	<u>36,874</u>		<u>5,552,012</u>
Long-Term Liabilities:				
Due Within One Year	9,746			9,746
Due Beyond One Year	156,902			156,902
Total Current Liabilities	<u>166,648</u>			<u>166,648</u>
Total Liabilities	<u>5,681,786</u>	<u>36,874</u>		<u>5,718,660</u>
NET POSITION:				
Net Investment in Capital Assets	130,720	37,471		168,191
Unrestricted	<u>1,057,999</u>	<u>62,904</u>	<u>74,271</u>	<u>1,195,174</u>
Total Net Position	<u>\$ 1,188,719</u>	<u>\$ 100,375</u>	<u>\$ 74,271</u>	<u>\$ 1,363,365</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities:			Total
	Enterprise Funds			
	Major Fund	Non-Major Funds		
Transportation Services	Food Service Program	Day Plus		
Operating Revenue:				
Charges for Services:				
Reimbursable Programs		\$ 146,069		\$ 146,069
Non-Reimbursable Programs		103,601		103,601
Transportation Fees	\$ 36,259,754			36,259,754
Miscellaneous Revenue	7,972	48	\$ 94	8,114
Total Operating Revenue	36,267,726	249,718	94	36,517,538
Operating Expenses:				
Cost of Sales - Reimbursable Programs		154,310		154,310
Cost of Sales - Non Reimbursable Programs		101,176		101,176
Salaries, Benefits & Payroll Taxes	1,825,714	184,519		2,010,233
Contracted Services	34,025,004			34,025,004
Depreciation	35,220	6,651		41,871
Management Fee		26,775		26,775
Facilities Rent	200,000			200,000
Maintenance and Repairs/Fuel	121,713			121,713
Interest Expense on Capital Leases	21,569			21,569
Miscellaneous Expenses	50,815	7,608	1,000	59,423
Total Operating Expenses	36,280,035	481,039	1,000	36,762,074
Operating Income/(Loss)	(12,309)	(231,321)	(906)	(244,536)
Non-Operating Revenue:				
Federal Sources:				
School Breakfast Program		136,011		136,011
COVID19 - Seamless Summer Option				
- Breakfast Program		23,061		23,061
National School Lunch Program		17,845		17,845
COVID19 - Seamless Summer Option				
- Lunch Program		51,723		51,723
Food Distribution Program		13,445		13,445
State Sources:				
School Lunch Program		4,456		4,456
COVID19 - Seamless Summer Option		818		818
Local Sources:				
Interest Revenue	21,987	1,058	2,375	25,420
Total Non-Operating Revenue	21,987	248,417	2,375	272,779
Change in Net Position	9,678	17,096	1,469	28,243
Net Position - Beginning of Year	1,179,041	83,279	72,802	1,335,122
Net Position - End of Year	\$ 1,188,719	\$ 100,375	\$ 74,271	\$ 1,363,365

HOPATCONG BOROUGH SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities: Enterprise Funds			
	Major Fund	Non-Major Funds		
	Transportation Services	Food Service Program	Day Plus	Total
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 36,772,461	\$ 249,718		\$ 37,022,179
Payments to Employees	(1,802,873)	(184,519)	\$ (8,000)	(1,995,392)
Payments to Food Service Vendor		(281,424)		(281,424)
Payment to Board of Education	(66,000)			(66,000)
Payments to Suppliers	(33,452,236)	(5,608)	(906)	(33,458,750)
Net Cash Provided by/(Used for) Operating Activities	1,451,352	(221,833)	(8,906)	1,220,613
Cash Flows from Investing Activities:				
Interest Revenue	21,987	1,058	2,375	25,420
Net Cash Provided by Investing Activities	21,987	1,058	2,375	25,420
Cash Flows from Noncapital Financing Activities:				
State Sources		6,506		6,506
Federal Sources		255,510		255,510
Net Cash Provided by Noncapital Financing Activities		262,016		262,016
Cash Flows from Capital and Related Financing Activities:				
Capital Lease Principal Payment	(34,416)			(34,416)
Net Cash Used for Noncapital Financing Activities	(34,416)			(34,416)
Net Increase/(Decrease) in Cash and Cash Equivalents	1,438,923	41,241	(6,531)	1,473,633
Cash and Cash Equivalents, July 1	367,391	18,908	80,802	467,101
Cash and Cash Equivalents, June 30	\$ 1,806,314	\$ 60,149	\$ 74,271	\$ 1,940,734
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:				
Operating Income/(Loss)	\$ (12,309)	\$ (231,321)	\$ (906)	\$ (244,536)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:				
Depreciation	35,220	6,651		41,871
Food Distribution Program		13,445		13,445
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	504,735			504,735
(Increase)/Decrease in Inventory		(13,216)		(13,216)
Increase/(Decrease) in Unearned Revenue	134,000	11,730		145,730
Increase/(Decrease) in Long-Term Liabilities	24,407			24,407
Increase/(Decrease) in Accounts Payable	766,865	(11,122)		755,743
Increase/(Decrease) in Interfunds Payable	(1,566)	2,000	(8,000)	(7,566)
Net Cash Provided by/(Used for) Operating Activities	\$ 1,451,352	\$ (212,711)	\$ (8,906)	\$ 1,220,613

Non-Cash Investing, Capital and Financing Activities:

The District received USDA donated commodities valued at \$14,043 and used \$13,445 of those commodities during the fiscal year.

FIDUCIARY FUNDS

HOPATCONG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>	<u>Total</u>
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 663,351	\$ 128,452	\$ 32,366	\$ 5,241	\$ 829,410
Total Assets	<u>663,351</u>	<u>128,452</u>	<u>32,366</u>	<u>5,241</u>	<u>829,410</u>
<u>LIABILITIES:</u>					
Payroll Deductions and Withholdings Due to Student Groups	281,399				281,399
Interfund Payable- General Fund	117,952				117,952
	264,000				264,000
Total Liabilities	<u>663,351</u>				<u>663,351</u>
<u>NET POSITION:</u>					
Held in Trust for:					
Unemployment Claims		128,452			128,452
Flexible Spending Claims Restricted for Scholarships			32,366	5,241	32,366
Total Net Position	<u>\$ -0-</u>	<u>\$ 128,452</u>	<u>\$ 32,366</u>	<u>\$ 5,241</u>	<u>\$ 166,059</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust	Totals
ADDITIONS:				
Contributions:				
Plan Member	\$ 33,761	\$ 33,670		\$ 67,431
Other			\$ 2,000	2,000
Total Contributions	<u>33,761</u>	<u>33,670</u>	<u>2,000</u>	<u>69,431</u>
Investment Earnings:				
Interest	<u>1,343</u>		<u>390</u>	<u>1,733</u>
Net Investment Earnings	<u>1,343</u>		<u>390</u>	<u>1,733</u>
Total Additions	<u>35,104</u>	<u>33,670</u>	<u>2,390</u>	<u>71,164</u>
DEDUCTIONS:				
Unemployment Compensation Claims	21,918			21,918
Flexible Spending Claims		28,759		28,759
Scholarships Awarded			<u>8,550</u>	<u>8,550</u>
Total Deductions	<u>21,918</u>	<u>28,759</u>	<u>8,550</u>	<u>59,227</u>
Change in Net Position	13,186	4,911	(6,160)	11,937
Net Position - Beginning of the Year	<u>115,266</u>	<u>330</u>	<u>38,526</u>	<u>154,122</u>
Net Position - End of the Year	<u>\$ 128,452</u>	<u>\$ 5,241</u>	<u>32,366</u>	<u>\$ 166,059</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 101,934	\$ 182,458	\$ 166,440	\$ 117,952
Total Assets	<u>\$ 101,934</u>	<u>\$ 182,458</u>	<u>\$ 166,440</u>	<u>\$ 117,952</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 100,367	\$ 182,458	\$ 164,873	\$ 117,952
Interfund Payable- General Fund	<u>1,567</u>	<u> </u>	<u>1,567</u>	<u> </u>
Total Liabilities	<u>\$ 101,934</u>	<u>\$ 182,458</u>	<u>\$ 166,440</u>	<u>\$ 117,952</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2019</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2020</u>
Elementary Schools:				
Tulsa Trail	\$ 5,294	\$ 3,342	\$ 3,904	\$ 4,732
Durban Avenue	4,761	6,397	5,440	5,718
Middle School (Gr 4-5)	7,294	3,781	3,553	7,522
Middle School (Gr 6-7)	13,288	6,004	12,683	6,609
Senior High School	62,906	90,125	73,048	79,983
Athletic Account	6,824	63,278	57,430	12,672
Student Projects Account		9,531	8,815	716
Total	<u>\$ 100,367</u>	<u>\$ 182,458</u>	<u>\$ 164,873</u>	<u>\$ 117,952</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 41,593	\$ 25,153,738	\$ 24,649,932	\$ 545,399
Total Assets	<u>\$ 41,593</u>	<u>\$ 25,153,738</u>	<u>\$ 24,649,932</u>	<u>\$ 545,399</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 41,593	\$ 24,889,738	\$ 24,649,932	\$ 281,399
Iterfund Payable - General Fund		264,000		264,000
Total Liabilities	<u>\$ 41,593</u>	<u>\$ 25,153,738</u>	<u>\$ 24,649,932</u>	<u>\$ 545,399</u>

LONG-TERM DEBT

HOPATCONG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

NOT APPLICABLE

HOPATCONG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Item	Interest Rate	Original Issue	Balance July 1, 2019	Issued	Retired/ Matured	Balance June 30, 2020
Governmental Activities:						
Energy Saving Equipment	3.170%	1,058,403	\$ 64,481		64,481	
Total Governmental Activities			64,481		64,481	
Business-Type Activities:						
2 School Buses	2.230%	102,043	16,837		16,837	
Dodge Caravan	4.690%	24,225	6,325		6,325	
2021 Chevy Mid Bus	2.680%	73,785		\$ 73,785	11,254	\$ 62,531
Total Business-Type Activities			23,162	73,785	34,416	62,531
			\$ 87,643	\$ 147,570	\$ 98,897	\$ 62,531

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOT APPLICABLE

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

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

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

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities:										
Net Investment in Capital Assets	\$ 6,962,957	\$ 7,198,903	\$ 6,969,390	\$ 5,095,319	\$ 4,727,555	\$ 4,675,357	\$ 5,059,104	\$ 4,610,433	\$ 4,207,079	\$ 3,887,785
Restricted	550,000	781,541	1,281,541	1,306,641	1,606,741	1,925,591	1,419,546	1,626,583	3,848,693	3,699,567
Unrestricted/(Deficit)	(24,983)	(365,159)	(324,461)	(10,138,146)	(8,375,312)	(9,438,339)	(10,573,090)	(11,292,112)	(12,866,237)	(11,079,339)
Total Governmental Activities Net Position/(Deficit)	\$ 7,487,974	\$ 7,615,285	\$ 7,926,470	\$ (3,736,186)	\$ (2,041,016)	\$ (2,837,391)	\$ (4,094,440)	\$ (5,055,096)	\$ (4,810,465)	\$ (3,491,987)
Business-type Activities:										
Net Investment in Capital Assets	\$ 275,892	\$ 234,946	\$ 174,825	\$ 223,680	\$ 130,130	\$ 160,791	\$ 122,762	\$ 157,867	\$ 113,115	\$ 168,191
Unrestricted	1,326,802	1,279,016	1,462,755	1,584,764	1,696,485	1,623,550	1,217,141	1,102,854	1,222,007	1,195,174
Total Business-Type Activities Net Position	\$ 1,602,694	\$ 1,513,962	\$ 1,637,580	\$ 1,808,444	\$ 1,826,615	\$ 1,784,341	\$ 1,339,903	\$ 1,260,721	\$ 1,335,122	\$ 1,363,365
District-wide:										
Net Investment in Capital Assets	\$ 7,238,849	\$ 7,433,849	\$ 7,144,215	\$ 5,318,999	\$ 4,857,685	\$ 4,836,148	\$ 5,181,866	\$ 4,768,300	\$ 4,320,194	\$ 4,055,976
Restricted	550,000	781,541	1,281,541	1,306,641	1,606,741	1,925,591	1,419,546	1,626,583	3,848,693	3,699,567
Unrestricted/(Deficit)	1,301,819	913,857	1,138,294	(8,553,382)	(6,678,827)	(7,814,789)	(9,355,949)	(10,189,258)	(11,644,230)	(9,884,165)
Total District Net Position/(Deficit)	\$ 9,090,668	\$ 9,129,247	\$ 9,564,050	\$ (1,927,742)	\$ (214,401)	\$ (1,053,050)	\$ (2,754,537)	\$ (3,794,375)	\$ (3,475,343)	\$ (2,128,622)

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities:										
Instruction:										
Regular	\$ 12,345,351	\$ 13,412,642	\$ 13,071,673	\$ 13,761,723	\$ 16,206,563	\$ 18,788,436	\$ 20,247,169	\$ 20,458,975	\$ 18,442,071	\$ 17,467,553
Special Education	6,013,061	6,431,473	6,701,360	7,814,101	7,678,460	8,218,599	8,519,456	8,588,419	6,988,663	6,826,477
Other Special Instruction	332,974	356,389	357,159	637,136	659,314	696,128	648,626	683,573	250,852	320,184
Other Instruction	518,569	519,255	574,548	624,175	828,497	1,192,189	1,189,812	1,229,445	771,075	761,368
Support Services:										
Tuition	1,311,153	1,832,766	1,597,291						1,652,923	1,303,437
Student & Instruction Related Services	5,074,553	5,037,583	4,648,101	4,881,753	5,857,003	6,268,661	7,174,032	7,823,172	6,791,682	5,837,287
General Administrative Services	767,632	733,565	815,909	792,286	1,013,778	911,246	938,879	997,236	858,578	793,001
School Administrative Services	2,275,692	2,310,205	2,636,127	2,746,791	2,439,729	2,728,876	3,662,376	3,176,037	2,599,848	2,302,399
Central Services	788,688	882,332	908,391	963,976	1,024,495	986,165	615,669	686,874	762,567	736,143
Administration Information Technology									209	113
Plant Operations and Maintenance	3,847,245	4,737,246	4,616,222	4,353,475	4,333,282	4,494,623	4,435,140	4,845,938	4,668,821	3,970,241
Pupil Transportation	1,970,453	2,034,204	2,144,137	2,028,486	1,930,920	2,074,842	2,127,073	2,097,472	2,411,332	2,023,260
Charter Schools	253,373	245,349	370,039						261,359	278,635
Interest on Long-term Debt	22,310	15,410	8,510	18,320	13,793	12,976	9,946	6,823		
Capital Outlay									1,114	1,113
Unallocated Depreciation	456,042	426,919	326,203						566,588	566,588
Total Governmental Activities Expenses	35,977,096	38,975,338	38,775,670	38,622,222	41,985,834	46,372,741	49,568,178	50,593,964	47,027,682	43,187,799
Business-type Activities:										
Food Service	661,809	663,523	660,736	692,094	645,457	606,766	620,852	620,991	592,505	481,039
Transportation Services	21,227,427	21,317,987	20,980,079	23,212,039	24,575,426	27,666,306	33,533,400	38,774,080	38,464,385	36,280,035
Day Plus Services	208,514	197,966	103,146	129,729	211,586	243,476	322,875	339,110	108,013	1,000
Total Business-type Activities Expenses	22,097,750	22,179,476	21,743,961	24,033,862	25,432,469	28,516,548	34,477,127	39,734,181	39,164,903	36,762,074

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Total District Expenses	\$ 58,074,846	\$ 61,154,814	\$ 60,519,631	\$ 62,656,084	\$ 67,418,303	\$ 74,889,289	\$ 84,045,305	\$ 90,328,145	\$ 86,192,585	\$ 79,949,873
Program Revenues										
Governmental Activities:										
Charges for Services:				17,610	1,300	4,895		137,000		
Operating Grants and Contributions	5,238,968	5,342,559	6,090,704	5,754,539	10,004,225	11,672,241	14,670,986	15,718,936	13,005,683	11,083,132
Capital Grants and Contributions						22,575				
Total Governmental Activities Program Revenues	5,238,968	5,342,559	6,090,704	5,772,149	10,005,525	11,677,136	14,693,561	15,855,936	13,005,683	11,083,132
Program Revenues										
Business-Type Activities:										
Charges for Services:										
Food Service	443,416	409,700	359,216	339,865	405,177	367,438	371,412	368,764	364,379	249,670
Transportation Services	21,369,571	21,272,405	21,203,087	23,477,114	24,351,710	27,571,151	33,199,026	38,450,073	38,243,196	36,259,754
Preschool					8,600					
Day Plus Services	211,312	187,717	163,898	137,308	212,217	249,252	254,498	347,995	257,834	247,359
Operating Grants and Contributions	222,904	220,715	208,101	168,110	214,563	251,942	247,228	257,257		
Total Business-Type Activities Revenues	22,247,203	22,090,537	21,934,302	24,122,397	25,192,267	28,439,803	34,072,164	39,424,089	38,865,409	36,756,783
Total District Program Revenues	27,486,171	27,433,096	28,025,006	29,894,546	35,197,792	40,116,939	48,765,725	55,280,025	51,871,092	47,839,915
Net (Expense)/Revenue										
Governmental Activities	(30,738,128)	(33,632,779)	(32,684,966)	(32,850,073)	(31,980,309)	(34,695,605)	(34,874,617)	(34,738,028)	(34,021,999)	(32,104,667)
Business-Type Activities	149,453	(88,939)	190,341	88,535	(240,202)	(76,745)	(404,963)	(310,092)	(299,494)	(5,291)
Total District-Wide Net (Expense)/Revenue	(30,588,675)	(33,721,718)	(32,494,625)	(32,761,538)	(32,220,511)	(34,772,350)	(35,279,580)	(35,048,120)	(34,321,493)	(32,109,958)

HOPATCONG BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 22,023,170	\$ 22,023,170	\$ 22,964,246	\$ 23,423,531	\$ 24,149,801	\$ 24,391,299	\$ 24,391,299	\$ 24,147,386	\$ 24,147,386	\$ 24,147,386
Taxes Levied for Debt Service	122,780	122,780	113,011	97,755						
State Aid for Debt Service				40,350						
Federal and State Aid Not Restricted	9,951,658	9,951,658	9,725,611	9,322,282	9,378,596	9,380,401	9,395,716	9,405,588	9,463,311	7,799,987
Investment Earnings	20,389	20,389	21,270	9,803	9,751	8,442	15,966			
Miscellaneous Income	251,188	251,188	172,014	188,685	395,183	161,096	249,684	224,398	655,933	1,475,772
Transfers				(257,852)	8,605					
Total Governmental Activities	32,369,185	32,369,185	32,996,152	33,082,406	33,675,479	33,949,843	34,052,665	33,777,372	34,266,630	33,423,145
Business-Type Activities:										
Investment Earnings	377	377	181	193	521	659	540	230,910	398,793	33,534
Miscellaneous			(66,904)						(24,898)	
Adjustment to Capital Assets, Net										
Transfers					257,852	(8,605)				
Total Business-Type Activities	377	377	(66,723)	193	258,373	(7,946)	540	230,910	373,895	33,534
Total District-Wide	32,369,185	32,369,562	32,929,429	33,082,599	33,933,852	33,941,897	34,053,205	34,008,282	34,640,525	33,456,679
Change in Net Position										
Governmental Activities	1,631,057	(1,263,594)	311,186	232,333	1,695,170	(745,762)	(821,952)	(960,656)	244,631	1,318,478
Business-Type Activities	149,453	(88,562)	123,618	88,728	18,171	(84,691)	(404,423)	(79,182)	74,401	28,243
Total District	\$ 1,780,510	\$ (1,352,156)	\$ 434,804	\$ 321,061	\$ 1,713,341	\$ (830,453)	\$ (1,226,375)	\$ (1,039,838)	\$ 319,032	\$ 1,346,721

Source: School District Financial Reports.

HOPATCONG BOROUGH SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Nonspendable				\$ 8,927	\$ 25,855	\$ 105,627	\$ 18,196			
Restricted	\$ 550,000	\$ 781,541	\$ 1,281,541	1,908,565	2,907,183	3,814,240	3,435,454	\$ 3,419,622	\$ 3,848,693	\$ 3,699,567
Assigned	1,226,164	794,835	764,413	561,649	1,696,061	599,021	630,871	184,544		1,641,415
Unassigned/(Deficit)				(410,669)	(560,156)	(488,557)	(500,759)	(449,993)	(94,248)	
Total General Fund	\$ 1,776,164	\$ 1,576,376	\$ 2,045,954	\$ 2,068,472	\$ 4,068,943	\$ 4,030,331	\$ 3,583,762	\$ 3,154,173	\$ 3,754,445	\$ 5,340,982
All Other Governmental Funds:										
Restricted										
Total All Other Governmental Funds	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Governmental Funds:										
Restricted	\$ 550,000	\$ 781,541	\$ 1,281,541	\$ 1,917,492	\$ 2,933,038	\$ 3,919,867	\$ 3,453,650	\$ 3,419,622	\$ 3,848,693	\$ 3,699,567
Assigned	1,226,164	794,835	764,413	561,649	1,696,061	599,021	630,871	184,544		1,641,415
Unassigned/(Deficit)				(410,669)	(560,156)	(488,557)	(500,759)	(449,993)	(94,248)	
Total Governmental Funds	\$ 1,776,164	\$ 1,576,376	\$ 2,045,954	\$ 2,068,472	\$ 4,068,943	\$ 4,030,331	\$ 3,583,762	\$ 3,154,173	\$ 3,754,445	\$ 5,340,982

Source: School District Financial Reports.

HOPATCONG BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Tax Levy	\$ 22,145,950	\$ 22,631,863	\$ 23,077,257	\$ 23,521,286	\$ 24,149,801	\$ 24,391,299	\$ 24,391,299	\$ 24,147,386	\$ 24,147,386	\$ 24,147,386
Tuition Charges				17,610	1,300	4,895				
Interest Earned on Investments	20,389	21,270	12,474	9,803	9,751	8,442	15,966	900	290,000	200,000
Rents and Royalties									366,933	1,275,772
Miscellaneous	251,188	247,904	180,809	189,184	396,183	161,096	250,359	362,798	17,196,052	15,672,505
State Sources	14,009,998	14,802,974	14,673,594	14,183,400	14,779,327	15,432,968	15,631,664	16,399,686	957,737	839,629
Federal Sources	1,180,628	1,398,638	1,142,721	933,272	981,618	941,473	1,099,373			
Total Revenues	37,608,153	39,102,649	39,086,855	38,854,555	40,317,980	40,940,173	41,388,661	41,868,507	42,872,887	42,135,292
Expenditures										
Instruction:										
Regular Instruction	8,790,339	9,824,074	8,846,597	13,624,450	14,021,137	15,775,805	15,651,821	16,276,784	10,524,419	10,451,020
Special Education Instruction	4,379,149	4,522,562	4,726,267	7,744,199	6,897,746	7,139,528	6,999,890	7,185,498	3,953,200	4,157,738
Other Special Instruction	239,532	240,552	239,851	639,980	588,927	599,110	528,958	567,971	134,364	217,775
Other Instruction	404,540	384,256	432,160	611,526	826,207	1,136,255	1,075,967	1,097,868	770,527	760,820
Support Services:										
Tuition	1,311,153	1,832,766	1,597,291						1,652,923	1,303,437
Student & Instruction Related Services	3,613,294	3,374,611	3,252,799	4,829,037	5,232,667	5,393,596	5,818,367	6,433,090	3,699,699	3,083,636
General Administrative Services	688,728	648,931	695,581	787,351	1,003,845	879,633	875,717	935,798	608,660	562,009
School Administrative Services	1,498,210	1,509,412	1,726,807	2,714,682	2,109,125	2,244,565	2,785,193	2,494,819	1,445,392	1,281,110
Central Services	543,165	621,463	621,197	953,484	1,004,074	920,438	536,994	594,715	426,132	440,369
Administration Information Technology									209	113
Plant Operations and Maintenance	3,174,440	4,107,147	4,073,712	4,329,678	4,283,935	4,328,837	4,099,085	4,477,982	3,614,780	3,241,441
Pupil Transportation	1,852,861	1,912,262	2,017,522	2,025,907	1,925,556	2,060,157	2,110,917	2,086,154	2,391,698	2,006,658
Unallocated Benefits	8,454,685	8,995,995	9,459,123						12,449,131	12,555,674

HOPATCONG BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenditures										
Charter Schools	\$ 253,373	\$ 245,349	\$ 370,039						261,359	278,635
Debt Service:										
Principal	150,000	150,000	150,000	\$ 212,495	\$ 99,956	\$ 100,152	\$ 103,187	\$ 79,069		
Interest and Other Charges	23,460	16,560	9,660	19,355	13,793	12,976	9,946	6,823		
Capital Outlay	482,564	916,987	398,181	339,893	145,845	396,338	1,239,188	61,525	340,122	208,320
Total Expenditures	35,859,493	39,302,927	38,616,787	38,832,037	38,152,813	40,987,390	41,835,230	42,298,096	42,272,615	40,548,755
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,748,660	(200,278)	470,068	22,518	2,165,167	(47,217)	(446,569)	(429,589)	600,272	1,586,537
Other Financing Sources (Uses)										
Capital Leases					93,156					
Transfers In						8,605				
Transfers Out					(257,852)					
Total Other Financing Sources (Uses)	-0-	-0-	-0-	-0-	(164,696)	8,605	-0-	-0-	-0-	-0-
Net Change in Fund Balances	\$ 1,748,660	\$ (200,278)	\$ 470,068	\$ 22,518	\$ 2,000,471	\$ (38,612)	\$ (446,569)	\$ (429,589)	\$ 600,272	\$ 1,586,537
Debt Service as a Percentage of Noncapital Expenditures	0.49%	0.43%	0.42%	0.60%	0.30%	0.28%	0.27%	0.20%	0.00%	0.00%

Source: School District Financial Reports.

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

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Prior Year Appropriation Refunds/Donations	Special/ Community Projects	Sale of Asset	Rentals - Use of Facilities	Prior Year Accounts Payable Cancelled	Miscellaneous	Total
2011	\$ 20,389		\$ 36,045	\$ 70,000		\$ 77,825	\$ 10,792	\$ 56,526	\$ 271,577
2012	21,270		62,210	70,000		79,255	11,050	25,389	269,174
2013	12,474		28,049			82,112		70,648	193,283
2014	9,803	\$ 17,610	43,284			88,211	12,133	45,057	216,098
2015	9,751	1,300				92,400		302,783	406,234
2016	8,442	4,895						161,096	174,433
2017	15,966							249,684	265,650
2018	900					137,000	7,606	215,892	361,398
2019	900					290,000		365,033	655,933
2020	900				\$ 900,000	200,000		374,872	1,475,772

Source: School District Financial Reports.

HOPATCONG BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land		Residential	Farm		Commercial	Industrial	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
	Land	Land		Regular	Qualified								
2010	\$ 40,926,100	\$ 1,914,150,400	\$ 2,980,800	\$ 249,500	\$ 88,509,500	\$ 486,800	\$ 2,047,303,100	\$ 1,896,190,997	\$ 2,047,303,100	\$ 100,050,600	\$ 1,000	\$ 1,896,190,997	
2011	38,205,400	1,907,643,400	3,344,700	255,800	87,506,900	486,800	2,037,443,000	1,845,166,470	2,037,443,000	102,205,800	1.050	1,845,166,470	
2012	37,531,500	1,875,303,700	3,320,700	255,800	79,589,300	421,100	1,996,422,100	1,748,802,573	1,996,422,100	102,385,600	1.100	1,748,802,573	
2013 *	20,393,000	1,305,041,400	2,561,100	277,300	71,189,800	345,500	1,399,808,100	1,650,911,782	1,399,808,100	74,886,300	1.664	1,650,911,782	
2014	18,550,400	1,302,275,200	3,012,800	281,700	72,203,200	345,500	1,396,668,800	1,601,317,129	1,396,668,800	76,555,200	1.706	1,601,317,129	
2015	18,332,200	1,302,892,800	3,012,800	250,300	76,078,400	345,500	1,400,912,000	1,606,957,427	1,400,912,000	76,713,800	1.733	1,606,957,427	
2016	15,936,800	1,302,854,200	3,012,800	250,300	76,113,100	345,500	1,398,512,700	1,636,821,275	1,398,512,700	77,352,800	1.744	1,636,821,275	
2017	17,897,600	1,303,433,800	2,561,100	239,200	75,447,300	345,500	1,399,924,500	1,577,240,720	1,399,924,500	77,927,400	1.734	1,577,240,720	
2018	17,541,100	1,305,511,600	2,561,100	600,900	75,719,200	345,500	1,402,279,400	1,572,256,246	1,402,279,400	77,523,100	1.722	1,572,256,246	
2019	14,967,900	1,319,446,500	2,372,600	239,600	74,680,400	345,500	1,412,052,500	1,634,281,858	1,412,052,500	79,157,300	1.710	1,634,281,858	

* - Revaluation Year

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs when ordered by the County Board of Taxation.

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

b Tax rates are per \$ 100 of assessed value.

Source: Municipal Tax Assessor

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

Year Ended December 31,	Hopatcong Borough School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Hopatcong	Sussex County	
2010	\$ 0.990	\$ 0.010	\$ 1.000	\$ 0.520	\$ 0.360	\$ 1.880
2011	1.040	0.010	1.050	0.560	0.370	1.980
2012	1.090	0.010	1.100	0.580	0.390	2.070
2013	* 1.654	0.010	1.664	0.885	0.547	3.096
2014	1.696	0.010	1.706	0.908	0.618	3.232
2015	1.733		1.733	0.917	0.593	3.243
2016	1.744		1.744	0.926	0.648	3.318
2017	1.734		1.734	0.933	0.644	3.311
2018	1.722		1.722	0.941	0.652	3.315
2019	1.710		1.710	0.942	0.671	3.323

* - Revaluation Year

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

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

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

Source: Municipal Tax Collector and School Business Administrator

HOPATCONG BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2020		2011	
	Taxpayer	Taxable Assessed Value	Taxpayer	Taxable Assessed Value
				% of Total District Net Assessed Value
Weldon Quarry Corporation		\$ 15,005,200		1.07%
PSE&G		6,297,600		0.45%
Heller Property Partners, LP		4,255,600		0.30%
IAT Reinsurance Company		4,161,100		0.30%
Federal National Mortgage Assoc.		3,227,200		0.23%
Durling Realty, LLC		2,615,500		0.19%
RPC Andover		2,491,500		0.18%
BJ Propertiuues		2,377,300		0.17%
Riverstyx Properties, LLC		1,900,000		0.14%
Sheldon H Pressler Rev Trust		1,825,100		0.13%
Total		\$ 44,156,100		3.15%

INFORMATION NOT AVAILABLE

Source: Municipal Tax Assessor

HOPATCONG BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy</u> ^a		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2011	\$ 22,145,950	\$ 22,145,950	100.00%	- 0 -
2012	22,631,863	22,631,863	100.00%	- 0 -
2013	23,077,257	23,077,257	100.00%	- 0 -
2014	23,521,286	23,521,286	100.00%	- 0 -
2015	24,149,801	24,149,801	100.00%	- 0 -
2016	24,391,299	24,391,299	100.00%	- 0 -
2017	24,391,299	24,391,299	100.00%	- 0 -
2018	24,147,386	24,147,386	100.00%	- 0 -
2019	24,147,386	24,147,386	100.00%	- 0 -
2020	24,147,386	24,147,386	100.00%	- 0 -

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

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

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		<u>Business-Type</u>	Total District	Percentage of Personal Income ^a	Per Capita ^a
	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Capital Leases</u>			
2011	\$ 435,000	\$ 835,852	\$ 10,892	\$ 1,281,744	0.17%	\$ 85
2012	285,000	602,612		887,612	0.12%	60
2013	135,000	512,610	16,494	664,104	0.09%	45
2014		435,115	13,482	448,597	0.06%	31
2015		428,315	112,083	540,398	0.07%	37
2016		328,163	88,044	416,207	0.05%	29
2017		224,976	74,611	299,587	0.04%	21
2018		145,907	45,179	191,086	0.02%	13
2019		64,481	23,162	87,643	0.01%	6
2020			62,531	62,531	0.01%	4

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

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

Source: School District Financial Reports

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation ^a Taxable	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2011	\$ 435,000	\$ -0-	\$ 435,000	0.021%	\$ 29
2012	285,000	- 0 -	285,000	0.014%	19
2013	135,000	- 0 -	135,000	0.007%	9
2014	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2015	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2016	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2017	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2018	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2019	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2020	- 0 -	- 0 -	- 0 -	0.000%	- 0 -

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

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

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

Source: School District Financial Reports

HOPATCONG BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2019
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Net Overlapping Debt of School District			
Borough of Hopatcong	\$ 5,702,330	100.00%	\$ 5,702,330
County of Sussex General Obligation Debt	102,675,174	9.04%	<u>9,285,327</u>
Subtotal, Overlapping Debt			14,987,657
Hopatcong Borough School District Direct Debt			<u>- 0 -</u>
Total Direct And Overlapping Debt			<u>\$ 14,987,657</u>

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

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION,
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2020

	Equalized valuation basis
2019	\$ 1,673,047,986
2018	1,622,257,520
2017	1,568,894,430
	<u>\$ 4,864,199,936</u>
	<u>\$ 1,621,399,979</u>

Average Equalized Valuation of Taxable Property

Debt Limit (4% of average equalization value)	a \$ 64,855,999
Net Bonded School Debt	- 0 -
Legal Debt Margin	<u>\$ 64,855,999</u>

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$ 74,693,436	\$ 72,275,667	\$ 71,061,741	\$ 68,365,919	\$ 65,932,970	\$ 65,214,745	\$ 64,201,277	\$ 63,768,974	\$ 63,547,382	\$ 64,855,999
Total Net Debt Applicable to Limit	<u>435,000</u>	<u>285,000</u>	<u>135,000</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Legal Debt Margin	<u>\$ 74,258,436</u>	<u>\$ 71,990,667</u>	<u>\$ 70,926,741</u>	<u>\$ 68,365,919</u>	<u>\$ 65,932,970</u>	<u>\$ 65,214,745</u>	<u>\$ 64,201,277</u>	<u>\$ 63,768,974</u>	<u>\$ 63,547,382</u>	<u>\$ 64,855,999</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.58%	0.39%	0.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Year</u>	<u>Population ^a</u>	<u>Borough Personal Income ^b</u>	<u>Sussex County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2011	15,046	\$ 738,653,278	\$ 49,093	12.1%
2012	14,907	757,931,508	50,844	11.8%
2013	14,755	759,233,280	51,456	11.7%
2014	14,623	786,980,614	53,818	9.4%
2015	14,425	803,140,725	55,677	6.6%
2016	14,316	814,780,824	56,914	5.6%
2017	14,245	836,423,665	58,717	4.9%
2018	14,197	876,764,129	61,757	4.2%
2019	14,186	876,084,802 ***	61,757 *	3.6%
2020	14,186 **	876,084,802 ***	61,757 *	N/A

* - Latest Sussex County per capita personal income available (2018) was used for calculation purposes.

** - Latest population data available (2019) was used for calculation purposes.

*** - Latest available population data (2019) and latest available Sussex County per capita personal income (2018) was used for calculation purposes

N/A - Information Unavailable

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 municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

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

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

Employer	2019	
	Employees	Percentage of Total Employment
Selective Insurance Group Inc.	1,000-4,999	1.40%-7.00%
Crystal Springs Resort	1,000-4,999	1.40%-7.00%
Newton Medical Center	500-999	0.70%-1.40%
Sussex County Offices	500-999	0.70%-1.40%
Thorlabs	500-999	0.70%-1.40%
Mountain Creek Resort	500-999	0.70%-1.40%
Shop Rite	250-499	0.35%-0.70%
Sussex County Community College	250-499	0.35%-0.70%
United Methodist Community Bristol Glen	250-499	0.35%-0.70%
Andover Subacute & Rehab Center	100-249	0.14%-0.35%
Total	<u>4,850-15,740</u>	<u>4.07%-12.91%</u>

Employer	2009	
	Employees	Percentage of Total Employment
Crystal Springs Golf and Spa Resort	2,000	2.61%
Newton Memorial Hospital	1,490	1.94%
Selective Insurance	900	1.17%
County of Sussex	830	1.08%
Mountain Creek/Intrawest	800	1.04%
Ames Rubber Corp.	697	0.91%
Shop Rite (Ronetco Supermarkets, Inc.)	445	0.58%
Andover Sub Acute & Rehab Center	412	0.54%
Sussex County Community College	300	0.39%
Newton Memorial Hospital	300	0.39%
Total	<u>8,174</u>	<u>10.66%</u>

Source: County of Sussex

HOPATCONG BOROUGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Instruction										
Regular	157	152	152	161	173	174	183	179	167	163
Support Services:										
Instructional Support Staff	40	34	41	37	41	41	74	71	93	91
School Administrative Services	13	13	17	13	14	15	15	11	11	11
General and Business Administrative Services	7	7	12.5	10	10	10	26	26	28	27
Plant Operations and Maintenance	27	27	26.5	27	26	27	26	25	32	32
Total	244	233	249	248	264	267	324	312	331	324

Source: District Personnel Records

HOPATCONG BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS,
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2011	2,110	\$ 35,203,469	\$ 16,684	-0.52%	197	1:21	1:17	1:17	2,110	1,985	-3.87%	94.08%
2012	2,021	38,219,380	18,911	13.35%	186	1:22	1:18	1:18	2,021	1,903	-4.22%	94.16%
2013	1,886	38,058,946	20,180	6.71%	193	1:08	1:09	1:10	1,886	1,790	-6.68%	94.91%
2014	1,818	38,260,294	21,045	4.29%	198	1:21	1:18	1:19	1,818	1,721	-3.61%	94.66%
2015	1,742	37,893,219	21,753	3.36%	186	1:20	1:17	1:18	1,672	1,581	-8.03%	94.56%
2016	1,588	40,477,924	25,490	17.18%	186	1:20	1:17	1:18	1,600	1,517	-4.31%	94.81%
2017	1,608	40,482,909	25,176	-1.23%	184	1:20	1:17	1:18	1,568	1,482	-2.00%	94.52%
2018	1,592	42,150,679	26,477	5.17%	179	1:20	1:17	1:18	1,548	1,474	-1.28%	95.22%
2019	1,590	41,932,493	26,373	-0.39%	167	1:20	1:17	1:18	1,587	1,496	2.52%	94.27%
2020	1,543	40,340,435	26,144	-0.87%	163	1:20	1:17	1:18	1,495	1,408	-5.80%	94.18%

Note: District Records

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

Source: Hopatcong Borough School District records

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

<u>District Building</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Durban Avenue School</u>										
Square Feet	55,065	55,065	55,065	55,065	55,065	55,065	55,065	55,065	55,065	55,065
Capacity (students)	487	487	487	487	487	487	487	487	487	487
Enrollment	312	303	174	257	257	214	253	254	254	255
<u>Hudson Maxim School **</u>										
Square Feet	33,660	33,660	33,660	33,660	33,660	33,660	33,660	33,660	33,660	33,660
Capacity (students)	490	490	490	490	490	490	490	490	490	490
Enrollment	267	283	288	274	274	257	274	270	268	-0-
<u>Tulsa Trail School</u>										
Square Feet	32,184	32,184	32,184	32,184	32,184	32,184	32,184	32,184	32,184	32,184
Capacity (students)	500	500	500	500	500	500	500	500	500	500
Enrollment	300	279	253	252	252	231	259	263	263	260
<u>Middle School</u>										
Square Feet	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Capacity (students)	791	791	791	791	791	791	791	791	791	791
Enrollment	518	483	449	398	398	294	345	349	349	349
<u>High School</u>										
Square Feet	196,855	196,855	196,855	196,855	196,855	196,855	196,855	196,855	196,855	196,855
Capacity (students)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Enrollment	713	673	622	574	574	592	477	456	456	460

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

<u>District Building</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Other</u>										
<u>Administration Building</u> Square Feet	12,735	12,735	12,735	12,735	12,735	12,735	12,735	12,735	12,735	12,735
<u>Field House</u> Square Feet	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840
<u>Maintenance Sheds</u> Square Feet	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
<u>Garage</u> Square Feet	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
<u>Storage Building</u> Square Feet	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Number of Schools at June 30, 2020

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

** - In January 2019, Hudson Maxim School was closed by the District.

Source: Hopatcong Borough School District Facilities Office

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED

<u>School/Building</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
High School	\$ 345,823	\$ 832,018	\$ 650,711	\$ 474,901	\$ 353,020	\$ 617,966	\$ 450,724	\$ 441,971	\$ 527,653	\$ 441,920
Durban Avenue School	96,735	232,735	182,019	132,841	98,747	172,858	126,077	123,628	147,595	123,613
Middle School	149,323	359,257	280,970	205,058	152,430	266,830	194,617	190,837	227,833	190,815
Hudson Maxim School**	59,132	142,266	111,264	81,203	60,362	105,664	77,068	75,571	90,221	-0-
Tulsa Trail School	56,539	136,027	106,385	77,642	57,715	101,031	73,688	72,257	86,265	72,249
Administration Building	22,372	53,825	42,096	30,722	22,837	39,976	29,157	28,591	34,134	28,588
Field House	6,746	16,230	12,693	9,264	6,886	12,054	8,792	8,621	10,292	8,620
Maintenance Sheds	7,027	16,906	13,222	9,650	7,173	12,556	9,158	8,980	10,721	8,979
Garage	2,108	5,072	3,967	2,895	2,152	3,767	2,748	2,694	3,216	2,694
Storage Building	1,757	4,227	3,306	2,412	1,793	3,139	2,289	2,245	2,681	2,245
Grand Total	\$ 747,562	\$ 1,798,563	\$ 1,406,633	\$ 1,026,588	\$ 763,115	\$ 1,335,841	\$ 974,318	\$ 955,395	\$ 1,140,611	\$ 879,723

** - In January 2019, Hudson Maxim School was closed by the District.

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

Source: Hopatcong Borough School District records

HOPATCONG BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2020
UNAUDITED

	<u>Coverage</u>		<u>Deductible</u>
School Package Policy - School Alliance	\$ 500,000,000	Occurrence	
Insurance Fund:			
Building & Personal Property			\$ 2,500
Inland Marine - Auto Physical Damage			1,000
General Liability including Auto, Employee Benefits	5,000,000		
Each Occurance			
General Aggregate	Agreed upon based on membership		
Product Completed Ops			
Personal Injury			
Fire Damage	2,500,000		
Medical Expenses	10,000		
(Excluding Students Taking Part in Athletics)			
Automobile Coverage			
Combined Single Limit			
Hired/Non Owned			
Security Guard Liability	Excluded		
Environmental Impairment Liability	1,000,000/25,000,000	Fund Aggregate	10,000
	First party Fungi & Legionella		100,000
Crime Coverage	50,000	Inside/Outside	1,000
Blanket Dishonesty Bond	500,000		1,000
Boiler & Machinery	100,000,000		2,500
Excess Liability (AL/GL)	5,000,000		
School Board Legal Liability (SLPL)	5,000,000		10,000
Cyber Liability	2,000,000	per Occurrence/ Aggregate	10,000
Workers' Compensation:	Statutory		
Employer's Liability	5,000,000		
Supplemental Indemnity	Statutory		
Bond for Business Administrator	300,000	Selective Insurance	
Bond for Treasurer of School Monies	300,000	Selective Insurance	
Student Accident	None Provided by District		

Source: Hopatcong Borough School District records.

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hopatcong Borough School District, in the County of Sussex (the "Board") as of, and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 12, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did identify any deficiencies that we consider to be a significant deficiency in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be significant deficiencies, described in the accompanying Schedule of Findings and Questioned Costs as Findings 2020-001 and 2020-002.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-001.

The District's Responses to the Findings

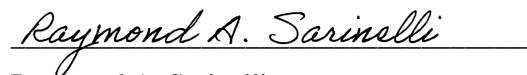
The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

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

Mount Arlington, New Jersey
January 12, 2021

NISIVOCCIA LLP



Raymond A. Sarinelli
Licensed Public School Accountant #2549
Certified Public Accountant



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Hopatcong Borough School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2020. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2020.

Report on Internal Control Over Compliance

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

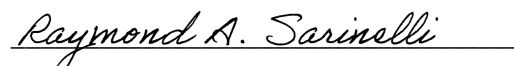
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Mount Arlington, New Jersey
January 12, 2021

NISIVOCCIA LLP


Raymond A. Sarinelli
Licensed Public School Accountant #2549
Certified Public Accountant

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2019		Balance at June 30, 2020		MEMO	
				Budgetary Accounts Receivable	Due to Grantor	GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education									
General Fund:									
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	\$ 5,217,357	\$ (520,295)	\$	\$ 520,295	\$	\$	\$ 5,217,357
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	1,307,036	(130,343)		130,343			1,307,036
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	232,284	(23,164)		23,164			232,284
Adjustment Aid	19-495-034-5120-085	7/1/18-6/30/19	3,303,260	(329,414)		329,414			3,303,260
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	668,951	(66,710)		66,710			668,951
Extraordinary Special Education Costs	19-495-034-5120-044	7/1/18-6/30/19	228,774	(228,744)		228,744			228,774
Nonpublic Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	30,211	(30,211)		30,211			30,211
Reimbursed TPAF Social Security Contributions	19-495-034-5095-003	7/1/18-6/30/19	1,064,297	(52,121)		52,121			1,064,297
Equalization Aid	20-495-034-5120-078	7/1/19-6/30/20	5,217,357			4,696,916	\$ (52,121,357)	\$ (520,441)	5,217,357
Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	1,307,036			1,176,657	(1,307,036)	(130,379)	1,307,036
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	232,284			209,113	(232,284)	(23,171)	232,284
Adjustment Aid	20-495-034-5120-085	7/1/19-6/30/20	2,211,260			1,990,683	(2,211,260)	(220,577)	2,211,260
Transportation Aid	20-495-034-5120-014	7/1/19-6/30/20	668,951			602,222	(668,951)	(66,729)	668,951
Extraordinary Special Education Costs	20-100-034-5120-473	7/1/19-6/30/20	238,053				(238,053)	(238,053)	238,053
Nonpublic Transportation Aid	20-495-034-5120-014	7/1/19-6/30/20	6,960				(6,960)	(6,960)	6,960
Reimbursed TPAF Social Security Contributions	20-495-034-5095-003	7/1/19-6/30/20	1,123,141			1,124,555	(1,123,141)		1,123,141
On-Behalf TPAF Post Retirement Contribution	20-495-034-5094-001	7/1/19-6/30/20	1,233,265			1,233,265			1,233,265
On-Behalf TPAF Pension Contribution	20-495-034-5094-002	7/1/19-6/30/20	3,265,792			3,265,792			3,265,792
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19-6/30/20	58,536			58,536			58,536
On-Behalf TPAF Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	1,241			1,241			1,241
Total General Fund/State Aid				(1,381,002)		15,729,982	(15,563,876)	(1,206,310)	28,234,243
Enterprise Fund									
State School Lunch Program	20-100-010-3350-023	7/1/19-6/30/20	4,456			4,456			4,456
COVID19 - Seamless Summer Option	20-100-010-3350-023	3/18/20 - 6/30/20	818			612		(206)	818
State School Lunch Program	19-100-010-3350-023	7/1/18-6/30/19	6,591	(1,438)		1,438			6,591
Total Enterprise Fund				(1,438)		6,506	(5,274)	(206)	11,865
Total State Awards Subject to Single Audit Determination				\$ (1,382,440)	\$ -0-	\$ 15,746,488	\$ (15,569,150)	\$ (1,206,516)	\$ 28,246,108
Less: State Awards Not Subject to Single Audit Major Program Determination									
On-Behalf TPAF Contributions:									
On-Behalf TPAF Post Retirement Contributions	20-495-034-5094-003	7/1/19-6/30/20	1,233,265				(1,233,265)		
On-Behalf TPAF Pension Contributions	20-495-034-5094-001	7/1/19-6/30/20	3,265,792				(3,265,792)		
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-002	7/1/19-6/30/20	58,536				(58,536)		
On-Behalf TPAF Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	1,241				(1,241)		
Subtotal - On-Behalf TPAF Contributions							(4,558,834)		
Total State Awards Subject to Single Audit Major Program Determination									\$ (11,010,316)

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include federal and state awards activity of the Board of Education, Hopatcong Borough School District under programs of the federal and state governments for the fiscal year ended June 30, 2020. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the 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 these payments are not recognized until the subsequent budget year due to the state deferral and recording of the June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$108,629 for the general fund and (\$14,898) for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 30,401	\$ 15,672,505	\$ 15,702,906
Special Revenue Fund	809,228		809,228
Proprietary Fund	<u>242,085</u>	<u>5,274</u>	<u>247,359</u>
Total Financial Assistance	<u>\$ 1,081,714</u>	<u>\$ 15,677,779</u>	<u>\$ 16,759,493</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2020.

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- Significant deficiencies disclosed during the audit of the financial statements are reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. There were no material weaknesses.
- An instance of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, is disclosed during the audit.
- There were no material weaknesses in internal control over major federal and state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The Single Audit thresholds identified in the Uniform Guidance and New Jersey's OMB Circular 15-08 were \$750,000.
- The thresholds used for distinguishing between both federal and state Type A and Type B programs was \$750,000.
- The District was determined to be a "low-risk" auditee for federal and state programs.
- The District's programs tested as major federal and state programs for the current fiscal year consisted of the following:

	<u>C.F.D.A. Number/ State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Special Education Cluster:				
I.D.E.A. Part B,				
Basic Regular	84.027	7/1/19-9/30/20	\$ 550,464	\$ 550,464
Preschool	84.173	7/1/19-9/30/20	20,282	20,282
<u>State:</u>				
Equalization Aid	20-495-034-5120-078	7/1/19-6/30/20	5,217,357	5,217,357
Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	1,307,036	1,307,036
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	232,284	232,284
Adjustment Aid	20-495-034-5120-085	7/1/19-6/30/20	2,211,260	2,211,260
Reimbursed TPAF Social Security Contributions	20-495-034-5094-003	7/1/19-6/30/20	1,123,141	1,123,141

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

The audit disclosed the following significant deficiencies and material noncompliance required to be reported under Generally Accepted Government Auditing Standards.

Finding 2020-001: Bank Reconciliations – Internal Control and Material Noncompliance

Criteria:

The State of New Jersey Department of Education’s GAAP Technical Systems Manual requires that all bank accounts of a Board of Education must be reconciled on a monthly basis.

Condition and Context:

Our audit of the June 30, 2020 Treasurer’s report and related bank reconciliations revealed that there were reconciling items on the operating and payroll bank reconciliations that were not supported and were deemed to be invalid.

Effect:

The monthly Treasurer’s Reports and related bank reconciliations were not always accurate.

Cause

There were transfers to the payroll bank account from prior months, as well as unreconciled differences from prior months as well as void checks from prior months that were used to reconcile the operating and payroll June 30, 2020 bank reconciliations. These amounts were not supported by any documentation causing them to be deemed invalid.

Recommendation:

It is recommended that the bank reconciliations included in the Treasurer’s report be reviewed and that only reconciling items that can be properly supported and validated appear on the bank reconciliations.

Management’s Response:

Management will continue to review all bank reconciliations and clear the non-material unsupported or invalid reconciling items. Additionally, management will pursue all possible means of ensuring monthly bank reconciliations are properly recorded.

Finding 2020-002: Segregation of Duties of Payroll Function – Internal Control

Criteria:

The State of New Jersey Administrative Code 6A:23A-6.5 requires all school districts segregate the duties of all such processes among business office staff based on available school district resources, assessed vulnerability, and the associated cost-benefit.

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

Condition and Context:

Our audit revealed that there was not an adequate segregation of duties in the payroll function of the board's business office.

Effect:

Segregation of duties refers to separating those functions that place too much control over a transaction or class of transaction that would enable a person to perpetuate errors and prevent detection within a reasonable period of time.

Cause

The various functions related to the processing of payroll are concentrated under the oversight of the Payroll/Benefits Coordinator, with limited oversight review.

Recommendation:

It is recommended that District review its policies and procedures regarding the processing of payroll and ensure an adequate segregation of duties with respect to the payroll function. Further management will evaluate the segregation of duties annually.

Management's Response:

The District will review and update policies and procedures, as necessary to ensure there is an adequate segregation of duties. Further, management will evaluate the segregation of duties annually.

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

HOPATCONG BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Status of Prior Fiscal Year Findings:

Finding 2019-001:

Our audit of the June 30, 2019 Treasurer's report and related bank reconciliations revealed that there were reconciling items on the operating and payroll bank reconciliations that were not supported and were deemed to be invalid.

Current Status:

Corrective action has not been taken due to both turnover of personnel and the shutdown caused by the COVID-19 pandemic.

Management Response:

Management has continued to work at improving bank reconciliations and will explore all possible means of ensuring bank reconciliations are accurately recorded.