

**SCHOOL DISTRICT
OF
HOPATCONG BOROUGH**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010**

**Comprehensive Annual
Financial Report**

of the

Hopatcong Borough School District

Hopatcong, New Jersey

For the Fiscal Year Ended June 30, 2010

Prepared by

**Hopatcong Borough School District
Board of Education**

HOPATCONG BOROUGH SCHOOL DISTRICT
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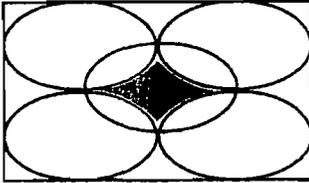
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INTRODUCTORY SECTION



*Parents
Teachers
Children
Community
Administrators*

Hopatcong Borough Schools

Dr. Charles Maranzano, Jr.
Superintendent of Schools

September 24, 2010

Theresa A. Sierchio
Business Administrator/Board Secretary

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, 2010, 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 and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected 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 the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels K through 12. These services include regular, vocational as well as special education for handicapped youngsters. The District completed the 2009-2010 fiscal year with an enrollment of 2,195 students, which is a decrease of 92 students from the previous year's enrollment.

The Honorable President and Members of
the Board of Education
Hopatcong Borough School District
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The following details the changes in student enrollment over the last several years:

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2009-2010	2,195	-4.02%
2008-2009	2,287	-6.00%
2007-2008	2,433	-2.21%
2006-2007	2,488	-2.28%
2005-2006	2,546	-2.94%
2004-2005	2,623	-1.80%
2003-2004	2,671	-1.00%
2002-2003	2,698	-1.93%
2001-2002	2,751	-0.83%

2) ECONOMIC CONDITION AND OUTLOOK: Bleak is the only word I can think of when it comes to our future economic outlook. After what occurred during the 2010/11 budgeting process this year, it seems as if that may only be the beginning of a continuing decline in adequate funding by the State of New Jersey. NJ Governor Christie assures us that there will be a 2% CAP imposed on all tax levies moving forward with only rare exceptions for increases in enrollment and health insurance increases. The same 2% CAP will be imposed at the municipal level as well which will exacerbate the community's ability to adequately support its public schools. A depleted capital budget wherein no monies have been provided for serious infrastructure problems will create another financial crisis as well as declining enrollment for the Board of Education. Insufficient commercial and industrial ratable taxpayers continue to place enormous pressure on residential taxpayers who currently pick up approximately 95% of every tax dollar.

3) MAJOR INITIATIVES: Unfortunately, due to the ever-decreasing availability of State funding and continued reduction in our overall budget, there are no new initiatives. As a result of the ongoing reduction in our budget and staffing, we will find it necessary to rely more on technical programs to deliver instructional programs and to perform some administrative functions and support staff functions. However, the Hopatcong School District will continue its initiative to provide a thorough and efficient education for all students. The District will continue to investigate and deliberate how the District could involve itself with a solar energy project that could potentially create a moderate revenue stream to assist with capital improvements and direct energy sources to offset budgetary energy costs.

The Honorable President and Members of
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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 are 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 major 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 the voters of the municipality. 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 and 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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2010.

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) DEBT ADMINISTRATION: At June 30, 2010, the District's outstanding debt issues consisted of \$585,000 of general obligation bonds.

8) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 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.

The Honorable President and Members of
the Board of Education
Hopatcong Borough School District
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September 24, 2010

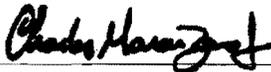
9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The business administrator oversees risk management for the District. A schedule of insurance coverage is found on J-20.

10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company 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 the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's 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.

11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Hopatcong Borough 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.

Respectfully submitted,



Dr. Charles Maranzano, Jr.
Superintendent



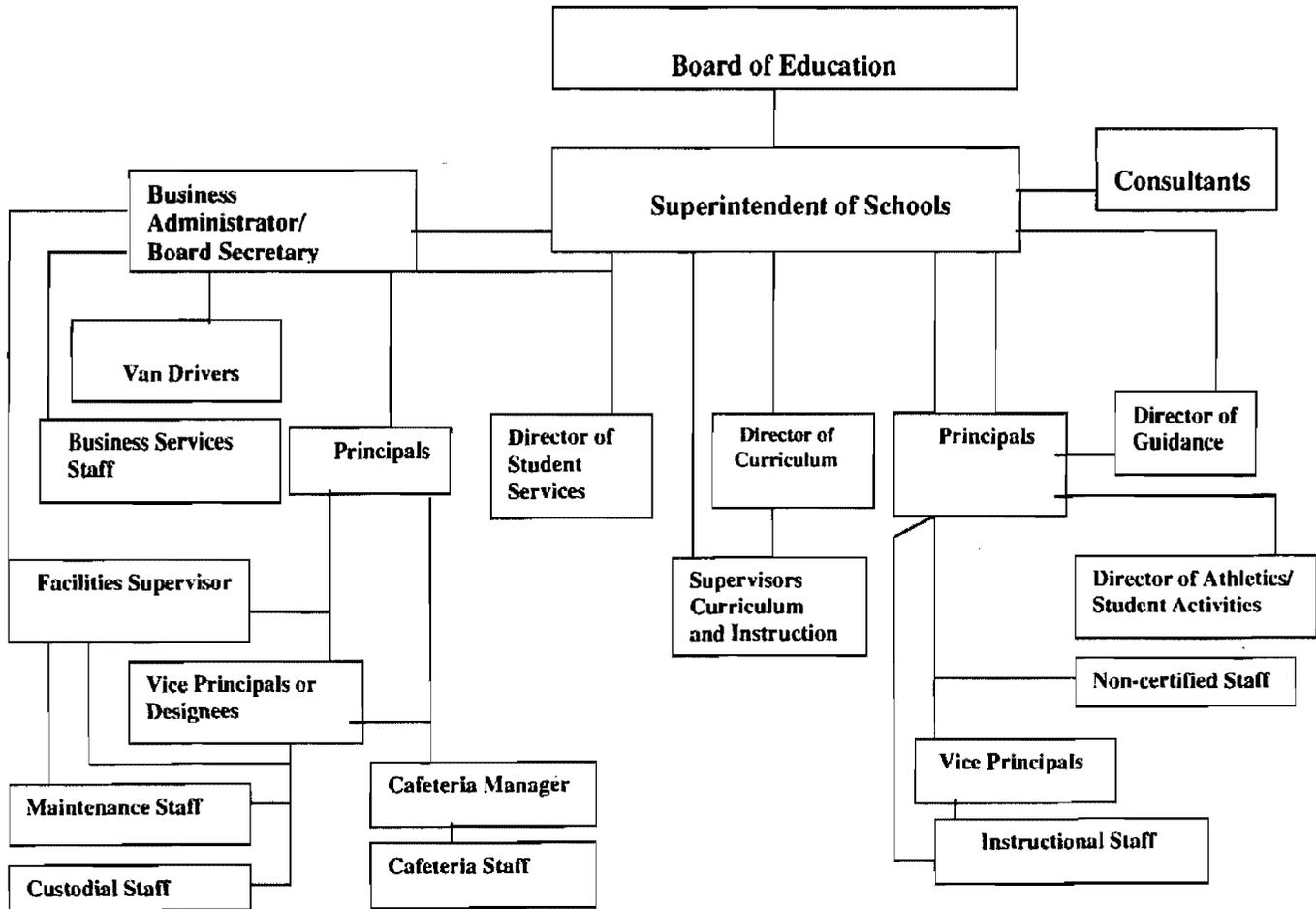
Theresa A. Sierchio
Business Administrator/Board Secretary

POLICY

BOARD OF EDUCATION HOPATCONG

ADMINISTRATION
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Organizational Chart

1110 ORGANIZATIONAL CHART HOPATCONG BOROUGH SCHOOL DISTRICT



**HOPATCONG BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2010**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Frank Farruggia, Jr., President	2013
Patricia LoBue, Vice-President	2011
Mary Louise Baker	2011
Dolores Krowl	2012
Cliff Lundin	2012
Susan Madar	2011
Joanne Passerini	2013
Michele Perrotti	2013
Joan Reilly	2012

Other Officers

Dr. Charles Maranzano, Jr., Superintendent
 Theresa A. Sierchio, Business Administrator/Board Secretary
 Kelleyanne M. McGann, Treasurer of School Monies

HOPATCONG BOROUGH SCHOOL DISTRICT
Consultants and Advisors

Attorneys

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40 Park Place, PO Box 99
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Robert M. Tosti
Law Offices of Brian M. Cige
7 East High Street
Somerville, NJ 08876

Audit Firm

Nisivoccia & Company LLP, CPAs
Mount Arlington Corporate Center
200 Valley Rd. Suite 300
Mount Arlington, NJ 07856
and
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Official Depositories

Skylands Community Bank
118 Lakeside Boulevard
Landing, NJ 07850

Valley National Bank
7 Woodport Road
Sparta, NJ 07871

Sovereign Bank
Hopatchung Road
Hopatcong, NJ 07843

Wachovia Bank
50 International Drive
Flanders, NJ 07836

PNC Bank
32 Route 206 North
Stanhope, NJ 07874

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road Suite 300
 Mount Arlington, NJ 07856
 Phone: 973-328-1825
 Fax: 973-328-0507

Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 Phone: 973-383-6699
 Fax: 973-383-6555

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 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 in the County of Sussex as of and for the fiscal year ended June 30, 2010 which collectively comprise the school District's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. 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 Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Hopatcong Borough School District in the County of Sussex as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

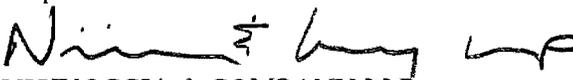
In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2010 on our consideration of the Board of Education of the Hopatcong Borough School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

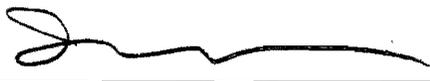
The Honorable President and Members
of the Board of Education
Hopatcong Borough School District
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The Management's Discussion and Analysis Section and Budgetary Comparison Information on schedules C-1 through C-3 and I-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Hopatcong Borough School District's basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

September 24, 2010
Mount Arlington, New Jersey


NISIVOCCIA & COMPANY LLP



David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis
For Fiscal Year Ended June 30, 2010
 (Unaudited)

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, 2010. 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.

Financial Highlights

- The Hopatcong School District continually is commended for spending 99.5% of its annual budget confirming that monies budgeted for are required to provide a quality educational program for its students, despite failing budgets 13 times within the past 17 years.
- Special education costs continue to represent more than 20% of the total budget. Despite the District's reduction of out-of-district placements by implementing programs "in district" for special education students, the State's inability to curtail private school tuitions continues to increase the district's expenditures well beyond reasonable costs, as well as DYFS placements and the ability for students to enroll into Charter Schools at any given time during the school year forcing the local school district to pay the students' tuition.
- Free and reduced lunches are on the rise from 19% in 2008/09 to close to 24% in 2010 which represents a view that the community is suffering from overall economic conditions. Additionally, the State of New Jersey has decided to withhold any contribution for breakfast for these students yet mandating that districts provide breakfast to those students if a district's free and reduced population is more than 20% with no revenue from the State.
- In February, 2010, the Governor announced that he was going to be withholding state aid to those districts with "excess surplus," as well as "reserve accounts." While Hopatcong has not enjoyed the luxury of excess surplus, the Governor proceeded to take \$113,837 of our State Aid labeling it as "Underbudgeted Surplus as of June 30, 2010." An attempt was made to also take our Capital Reserve funds in the amount of \$65,397, which was later aborted as we were already required to utilize those funds in December, 2009 to pay for the State's share of a grant which we were approved for and then rescinded by the State of New Jersey.

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 and transportation services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.
- *Notes to financial statements* provide additional information essential to a full understanding of district wide and fund financial statements.

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

Figure A-1
Organization of Hopatcong Borough School District's Financial Report

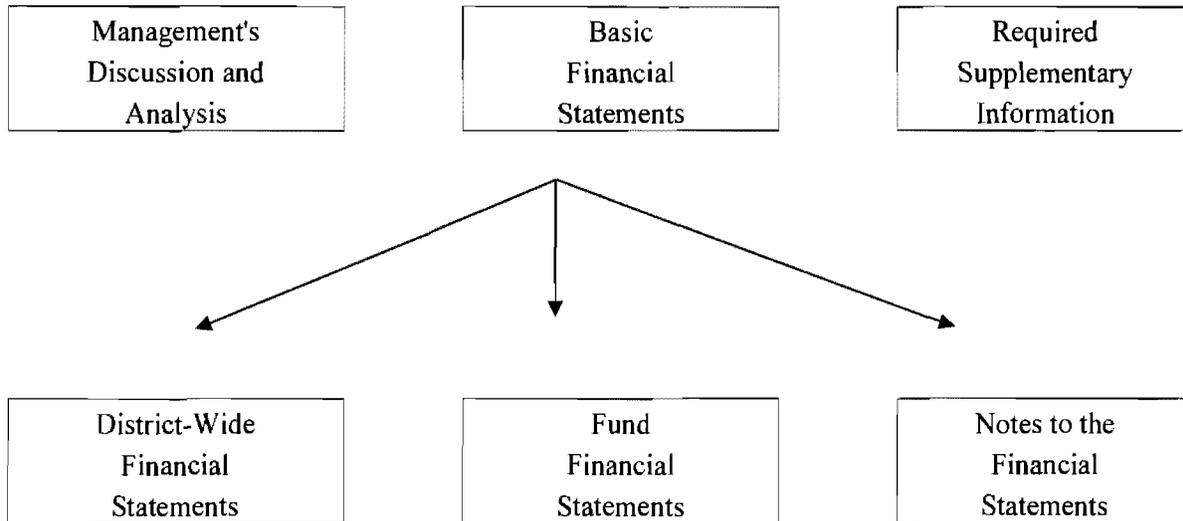


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services, day plus services and transportation	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 assets • 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 assets • Statement of revenue, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets 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 assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or *position*.

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food, day plus and transportation services 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 year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.
- *Notes to the Basic Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets increased by 12.53%. Net assets from governmental activities increased \$654,459. Net assets from business-type activities increased by \$159,588. Net assets invested in capital assets net of related debt increased \$354,845 and restricted net assets increased by \$111,447.

Figure A-3

Condensed Statement of Net Assets

	Government Activities		Business-Type Activities		Total School District		Percentage
	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	Change 2009/2010
Current and							
Other Assets	\$ 1,526,891	\$ 949,987	\$ 1,310,132	\$ 1,208,624	\$ 2,837,023	\$ 2,158,611	-23.91%
Capital Assets	8,588,790	8,673,218	258,725	367,222	8,847,515	9,040,440	2.18%
Total Assets	<u>10,115,681</u>	<u>9,623,205</u>	<u>1,568,857</u>	<u>1,575,846</u>	<u>11,684,538</u>	<u>11,199,051</u>	-4.15%
Long-Term Debt							
Outstanding	3,135,187	2,839,320	51,568	57,403	3,186,755	2,896,723	-9.10%
Other Liabilities	1,778,036	926,968	224,013	65,579	2,002,049	992,547	-50.42%
Total Liabilities	<u>4,913,223</u>	<u>3,766,288</u>	<u>275,581</u>	<u>122,982</u>	<u>5,188,804</u>	<u>3,889,270</u>	-25.04%
Net Assets'(Deficit):							
Invested in Capital							
Assets, Net of							
Related Debt	6,880,203	7,132,386	207,157	309,819	7,087,360	7,442,205	5.01%
Restricted	152,550	263,997			152,550	263,997	73.06%
Unrestricted	<u>(1,830,295)</u>	<u>(1,539,466)</u>	<u>1,086,119</u>	<u>1,143,045</u>	<u>(744,176)</u>	<u>(396,421)</u>	46.73%
Total Net Assets	<u>\$ 5,202,458</u>	<u>\$ 5,856,917</u>	<u>\$ 1,293,276</u>	<u>\$ 1,452,864</u>	<u>\$ 6,495,734</u>	<u>\$ 7,309,781</u>	12.53%

Changes in Net Assets. The District's combined net assets were \$7,309,781 on June 30, 2010, \$814,047 or a 12.53% increase from the year before. (See Figure A-3). Net assets invested in capital assets increased \$354,845 mainly as a result of capital additions of \$862,416 less depreciation of \$669,491 and decrease in net debt outstanding of \$150,000. Restricted net assets increased \$111,447 primarily due to reserve for encumbrances. Unrestricted net assets increased \$347,755.

Figure A-4

Changes in Net Assets from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	Change
Revenue:							
Program Revenue:							
Charges for Services	\$ 91,807		\$ 22,608,153	\$ 22,066,502	\$ 22,699,960	\$ 22,066,502	-2.79%
Operating Grants and Contributions	4,908,635	\$ 5,310,555	220,996	235,654	5,129,631	5,546,209	8.12%
Capital Grants and Contributions		93,690				93,690	100.00%
General Revenue:							
Property Taxes	20,005,858	20,827,218			20,005,858	20,827,218	4.11%
State Aid	10,876,951	11,448,087			10,876,951	11,448,087	5.25%
Other	260,333	269,061	717	497	261,050	269,558	3.26%
Total Revenue	36,143,584	37,948,611	22,829,866	22,302,653	58,973,450	60,251,264	2.17%
Expenses:							
Instruction	19,550,620	20,488,312			19,550,620	20,488,312	4.80%
Pupil and Instruction Service	6,225,898	6,527,586			6,225,898	6,527,586	4.85%
Administrative and Business	3,574,692	3,499,506			3,574,692	3,499,506	-2.10%
Maintenance and Operations	4,383,947	3,897,821			4,383,947	3,897,821	-11.09%
Transportation	2,128,095	2,133,535			2,128,095	2,133,535	0.26%
Other	630,185	747,392	22,806,773	22,143,065	23,436,958	22,890,457	-2.33%
Total Expenses	36,493,437	37,294,152	22,806,773	22,143,065	59,300,210	59,437,217	0.23%
Increase/(Decrease) in							

Revenue Sources. The District's total revenue for the 2009/2010 school year was \$60,251,264. (See Figure A-4). Property taxes, state formula aid and charges for services accounted for most of the District's revenue, with local taxes accounting for \$20,827,218 of the total, or 34.57 percent. (See Figure A-5). Another 28.36 percent came from state and federal aid for specific programs and contributions, 36.62 percent came from charges for services and the remainder from other miscellaneous sources. It is important to note that of the Categorical Grants amount of \$5,409,728, over \$1.1 million is included in funds that are not paid to the District, but are included in funding for Non-Contributory Insurance and Post Retirement Contributions that the State of New Jersey is paying on behalf of the District. Hopatcong Borough School District primarily conducts its operations from the revenue it receives from its local taxpayers and state aid.

Figure A-5**Sources of Revenue for Fiscal Year 2010**

	<u>Amount</u>	<u>Percentage</u>
Sources of Income:		
State Formula Aid	\$ 11,678,258	19.38%
Property Taxes	20,827,218	34.57%
Federal and State Categorical Grants	5,409,728	8.98%
Charges for Services	22,066,502	36.62%
Other	269,558	0.45%
	<u>\$ 60,251,264</u>	<u>100.00%</u>

The total cost of all programs and services was \$59,437,217. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (78.16 percent) if you exclude expenses from business-type activities. (See Figure A-6). The District's administrative and business activities accounted for 5.89 percent of total costs.

Figure A-6**Expenses for Fiscal Year 2010**

	<u>Amount</u>	<u>Percentage</u>
Expense Category:		
Instruction	\$ 20,488,312	34.47%
Pupil and Instruction Services	6,527,586	10.98%
Administrative and Business	3,499,506	5.89%
Maintenance and Operations	3,897,821	6.56%
Transportation	2,133,535	3.59%
Other	22,890,457	38.51%
	<u>\$ 59,437,217</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District continues to deteriorate. Maintaining existing programs with the current enrollment, the provision of a multitude of special programs/services for disabled pupils, and the double digit increases in District health benefit costs place great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health.

It is crucial that the District examine its expenditures carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly. District resources are at their tightest level in a decade.

Figure A-7 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-7

Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008/2009	2009/2010	2008/2009	2009/2010
Instruction	\$ 19,550,620	\$ 20,488,312	\$ 16,178,193	\$ 16,928,062
Pupil and Instruction Services	6,225,898	6,527,586	5,529,467	5,784,981
Administrative and Business	3,574,692	3,499,506	3,290,321	3,229,764
Maintenance and Operations	4,383,947	3,897,821	4,223,585	3,641,483
Transportation	2,128,095	2,133,535	1,641,244	1,558,225
Other	630,185	747,392	630,185	747,392
	<u>\$ 36,493,437</u>	<u>\$ 37,294,152</u>	<u>\$ 31,492,995</u>	<u>\$ 31,889,907</u>

- The cost of all governmental activities this year was \$37.29 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$17.09 million).
- Most of the District's Governmental Activity costs (\$20.83 million), however, were financed by District taxpayers.
- The remainder of the funding came from tuition, miscellaneous revenue and investment earnings (\$.27 million).

Business-Type Activities

Net assets from the District's business-type activity increased by over \$159,000. (Refer to Figure A-4). The factors contributing to this result were:

- Food services expenses exceeded revenues by \$2,287.
- Transportation Services revenues exceeded expenses by \$195,861.
- Day Plus's Program expenses exceeded revenues by \$33,986.

Financial Analysis of the District's Funds

The District's financial status continues to deteriorate along with extremely difficult economic times. Expense accounts have relatively no contingencies. With a budget this tight, it is virtually impossible to build a sound surplus.

Difficult economic times have had a direct impact upon the District's revenue sources. The District has had a multi-year practice of utilizing funds from the unappropriated balance to reduce the tax levy. As overall revenue for the District diminishes, the amount of funds generated for this purpose likewise decreases. Ratables of the Municipality remain more or less stable, thus generating concern for the local tax levy in the future.

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments were for changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Asset and Debt Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change 2009/2010
	Government Activities		Business-Type Activities		Total School District		
	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	
Land	\$ 359,763	\$ 359,763			\$ 359,763	\$ 359,763	0.00%
Construction in Progress		109,432				109,432	100.00%
Site Improvements Buildings and Building Improvements	276,498	303,408			276,498	303,408	9.73%
Machinery and Equipment	6,011,285	5,734,981			6,011,285	5,734,981	-4.60%
	<u>1,941,244</u>	<u>2,165,634</u>	<u>\$ 258,725</u>	<u>\$ 367,222</u>	<u>2,199,969</u>	<u>2,532,856</u>	15.13%
Total Capital Assets, Net	<u>\$ 8,588,790</u>	<u>\$ 8,673,218</u>	<u>\$ 258,725</u>	<u>\$ 367,222</u>	<u>\$ 8,847,515</u>	<u>\$ 9,040,440</u>	<u>2.18%</u>

The District's overall capital assets increased \$192,925 from fiscal year 2009 to fiscal year 2010, which is due to new acquisitions of \$862,416 offset by depreciation expense of \$669,491 (see Note 6 to the basic financial statements).

Long-term Debt

At year-end, the District had \$585,000 in general obligation bonds – a reduction of \$150,000 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the basic financial statements.)

Figure A-9

	Outstanding Long-Term Debt		Percentage Change 2009/2010
	Total School District		
	2008/2009	2009/2010	
General Obligation Bonds (Financed with Property Taxes)	\$ 735,000	\$ 585,000	-20.41%
Capital Leases	1,025,155	1,013,235	-1.16%
Other Long-Term Liabilities	<u>1,426,600</u>	<u>1,298,488</u>	-8.98%
	<u>\$ 3,186,755</u>	<u>\$ 2,896,723</u>	<u>-9.10%</u>

Factors Bearing on the District's Future Revenue/Expense Changes

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

- * The District's ability to fund programs beyond those mandated by law is nonexistent. Yet, the State continues to mandate programs, technology upgrades, additional reporting requirements and additional training without comparable monies from the State to support these initiatives. This creates a need for funds to be diverted from educational programs, human resources, capital improvements and other areas to the detriment of the Hopatcong Educational Community.
- * The Governor's actions to reduce State Aid funding cost the Hopatcong School District \$1,700,962 which, combined with local cuts of \$730,000 as a result of yet another budget defeat, totaled \$2,430,962 in reduced funding for the 2010/11 school year. This underfunding resulted in the elimination of 28.5 staff positions in addition to the 17 positions the previous year. The erosion of the District's budget is clearly evident with the 2010/11 budget being \$539,196 less than the 2009/10 budget despite health insurance increases, fuel/energy costs, salary increases for the teaching association and other non-discretionary operational costs. Therefore, class sizes will increase, as well as workloads for custodians, secretaries and administrators.
- * The District has achieved a one year settlement with the secretarial association, bus drivers and a 2 year settlement with the Administrator's Association. All groups agreed to a pay freeze for the 2010/11 school year, as well as the Superintendent, Business Administrator and Confidential Staff. Negotiations are currently underway with the Support Personnel Association which includes the cafeteria employees, custodial/maintenance staff and aides. The Hopatcong Education Association [teaching staff] contract will expire on June 30, 2011.
- * Health insurance premiums continue to escalate annually and related problems parallel those that are being experienced on both the State and National levels. If increases continue unabated, it will "continue" to have significant negative impacts on our budgets. The Business Administrator, Confidential Staff and Custodial/Maintenance staff will be contributing 1.5% of their base salary in 2010/11. Discussions have been convened with the District's health insurance provider to look at avenues for these out of control health insurance increases and possible changes in plans to include a School Alliance Insurance Fund HIF.
- * A very weak tax base with respect to commercial and industrial ratable relief plays a heavy burden on the local taxpayers, as well as a poor economic recovery and difficult local economies. Increased costs nationwide make them extremely resistant to the support of school budgets. Continuing non-support of the school budgets and large reductions to our budget imposed by the Borough has resulted in the erosion of the educational programs and staff.
- * Energy costs across the board continue to escalate at a very rapid pace which continues to affect our ability to heat our schools and to provide fuel for our district owned buses, as well as other transportation contracts. An initiative has been pursued to look at the cost savings that could be derived from a form of solar energy.
- * The requirement for municipalities to adhere to a 2% CAP in their budgets for the first time ever, moving forward will continue to have a significant negative impact on our district.

- * Finally, since the June, 2003 final state aid payment was “taken” by the State, we have yet to be made “whole” from that impropriety. Not only do we continue to have the 19th payment withheld, but the State withheld both of the June payments once again this year, causing our district to spend a great deal of time and paperwork to borrow money that was owed to us. Additionally, due to the State’s fiscal irresponsibility in previous years in funding pensions, school districts and local taxpayers are compelled to make up for the pension losses. This has been a huge expense that we have been required to budget for since 2003. In addition to PERS, our district also is faced with the cost of increases in the number of staff receiving unemployment benefits. In 2009/10 we budgeted \$75,000 but were required to pay well in excess of that amount due to non-renewing 17 staff members for budgetary reasons. We anticipate a much larger amount in 2010/11 due to the 27+ staff let go for budgetary reasons, as well as the recent extension from 45 weeks to 99 weeks of unemployment benefits.

Contacting the District’s Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 518,580	\$ 195,578	\$ 714,158
Receivables:			
Other Governments	548,537	886,104	1,434,641
Inventory		9,812	9,812
Internal Balances	(117,130)	117,130	
Capital Assets, Net:			
Sites (Land) and Construction in Progress	469,195		469,195
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	8,204,023	367,222	8,571,245
Total Assets	<u>9,623,205</u>	<u>1,575,846</u>	<u>11,199,051</u>
LIABILITIES:			
Accrued Interest Payable	4,485		4,485
Accounts Payable - Vendors	280,364	65,579	345,943
Loan Payable - Due to State of N.J.	641,173		641,173
Deferred Revenue	946		946
Noncurrent Liabilities:			
Due Within One Year	495,694	46,512	542,206
Due Beyond one Year	2,343,626	10,891	2,354,517
Total Liabilities	<u>3,766,288</u>	<u>122,982</u>	<u>3,889,270</u>
NET ASSETS/(DEFICIT):			
Invested in Capital Assets, Net of Related Debt	7,132,386	309,819	7,442,205
Restricted for:			
Other Purposes	263,997		263,997
Unrestricted	(1,539,466)	1,143,045	(396,421)
Total Net Assets	<u>\$ 5,856,917</u>	<u>\$ 1,452,864</u>	<u>\$ 7,309,781</u>

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

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 13,902,752		\$ 1,290,516		\$ (12,612,236)		\$ (12,612,236)
Special Education	5,718,904		2,208,997		(3,509,907)		(3,509,907)
Other Special Instruction	304,964		24,944		(280,020)		(280,020)
Other Instruction	561,692		35,793		(525,899)		(525,899)
Support Services:							
Tuition	1,230,195				(1,230,195)		(1,230,195)
Student & Instruction Related Services	5,297,391		742,605		(4,554,786)		(4,554,786)
General Administrative Services	789,890		39,759		(750,131)		(750,131)
School Administrative Services	2,029,131		174,210		(1,854,921)		(1,854,921)
Central Services	512,938		55,773		(457,165)		(457,165)
Administration Information Technology	167,547				(167,547)		(167,547)
Plant Operations and Maintenance	3,897,821		162,648	\$ 93,690	(3,641,483)		(3,641,483)
Pupil Transportation	2,133,535		575,310		(1,558,225)		(1,558,225)
Transfer to Charter Schools	262,288				(262,288)		(262,288)
Interest on Long-Term Debt	29,210				(29,210)		(29,210)
Unallocated Depreciation	455,894				(455,894)		(455,894)
Total Governmental Activities	37,294,152		5,310,555	93,690	(31,889,907)		(31,889,907)

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Enterprise Funds:							
Food Service	\$ 729,273	\$ 491,262	\$ 235,654		\$ (2,357)	\$ (2,357)	
Transportation Services	21,186,621	21,382,482			195,861	195,861	
Day Plus Services	227,171	192,758			(34,413)	(34,413)	
Total Business-Type Activities	22,143,065	22,066,502	235,654		159,091	159,091	
Total Primary Government	\$ 59,437,217	\$ 22,066,502	\$ 5,546,209	\$ 93,690	\$ (31,889,907)	\$ 159,091	\$ (31,730,816)
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 20,708,854	\$ 20,708,854	
Taxes Levied for Debt Service					118,364	118,364	
Federal and State Aid not Restricted					11,448,087	11,448,087	
Investment Earnings					22,975	\$ 497	23,472
Miscellaneous Income					246,086		246,086
Total General Revenue, Special Items, Extraordinary Items and Transfers					32,544,366	497	32,544,863
Change in Net Assets					654,459	159,588	814,047
Net Assets - Beginning					5,202,458	1,293,276	6,495,734
Net Assets - Ending					\$ 5,856,917	\$ 1,452,864	\$ 7,309,781

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

FUND FINANCIAL STATEMENTS

HOPATCONG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 518,580				\$ 518,580
Receivables:					
Other Governments	339,474	\$ 115,373	\$ 93,690		548,537
Interfund	153,347				153,347
Total Assets	<u>\$ 1,011,401</u>	<u>\$ 115,373</u>	<u>\$ 93,690</u>	<u>\$ -0-</u>	<u>\$ 1,220,464</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	\$ 250,147	\$ 30,217			\$ 280,364
Interfund Payable	117,130	84,210	69,137		270,477
Loan Payable to State Government	641,173				641,173
Deferred Revenue		946			946
Total Liabilities	<u>1,008,450</u>	<u>115,373</u>	<u>69,137</u>		<u>1,192,960</u>
Fund Balances:					
Reserved For:					
Encumbrances	239,444		24,553		263,997
Unreserved/(Deficit), Reported In:					
General Fund	(536,493)				(536,493)
General Fund - Designated for Subsequent Year's Expenditures	300,000				300,000
Total Fund Balances	<u>2,951</u>		<u>24,553</u>		<u>27,504</u>
Total Liabilities and Fund Balances	<u>\$ 1,011,401</u>	<u>\$ 115,373</u>	<u>\$ 93,690</u>	<u>\$ -0-</u>	<u>\$ 1,220,464</u>

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

Total Fund Balances	\$ 27,504
Capital assets used in <i>Governmental Activities</i> are not financial resources and therefore are not reported in the funds. The cost of the assets is \$24,169,253 and the accumulated depreciation is \$15,496,035.	8,673,218
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,839,320)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(4,485)
Net Assets of <i>Governmental Activities</i>	<u>\$ 5,856,917</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 20,708,854			\$ 118,364	\$ 20,827,218
Interest Earned on Investments	22,975				22,975
Miscellaneous	246,086				246,086
Total - Local Sources	20,977,915			118,364	21,096,279
State Sources	14,368,884		\$ 93,690	61,996	14,524,570
Federal Sources	1,107,449	\$ 1,220,313			2,327,762
Total Revenues	36,454,248	1,220,313	93,690	180,360	37,948,611
EXPENDITURES:					
Current:					
Regular Instruction	9,873,550	208,994			10,082,544
Special Education Instruction	3,553,843	671,269			4,225,112
Other Special Instruction	216,612				216,612
Other Instruction	436,132				436,132
Support Services and Undistributed Costs:					
Tuition	1,230,195				1,230,195
Student & Instruction Related Services	3,665,427	175,050			3,840,477
General Administrative Services	688,379				688,379
School Administrative Services	1,499,395				1,499,395
Central Services	360,077				360,077
Administration Information Technology	167,547				167,547
Plant Operations and Maintenance	3,212,019				3,212,019
Pupil Transportation	2,087,525				2,087,525
Unallocated Benefits	8,505,207				8,505,207

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Debt Service:					
Principal				\$ 150,000	\$ 150,000
Interest and Other Charges				30,360	30,360
Capital Outlay	\$ 446,004	\$ 165,000	\$ 209,672		820,676
Transfer to Charter Schools	262,288				262,288
Total Expenditures	<u>36,204,200</u>	<u>\$ 1,220,313</u>	<u>209,672</u>	<u>180,360</u>	<u>37,814,545</u>
Excess/(Deficiency) of Revenue over Expenditures	<u>250,048</u>		<u>(115,982)</u>		<u>134,066</u>
OTHER FINANCING SOURCES/(USES):					
Capital Leases (Non-Budgeted)	138,948				138,948
Transfers Out - Capital Projects Fund	(140,535)				(140,535)
Transfers In - General Fund			140,535		140,535
Total Other Financing Sources/(Uses)	<u>(1,587)</u>		<u>140,535</u>		<u>138,948</u>
Net Change in Fund Balances	248,461		24,553		273,014
Fund Balance—July 1	(245,510)				(245,510)
Fund Balance—June 30	<u>\$ 2,951</u>	<u>\$ -0-</u>	<u>\$ 24,553</u>	<u>\$ -0-</u>	<u>\$ 27,504</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$	273,014
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
	Depreciation expense	\$ (631,321)
	Capital outlays and adjustments	<u>715,749</u>
		84,428
<p>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 reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation. (+)</p>		
		128,112
<p>Repayment of bond principal and other long-term obligation liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+)</p>		
		150,000
<p>Capital leases entered into by the district is an other financing source in the governmental funds, however, the acquisition increases long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>		
		(138,948)
<p>Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+)</p>		
		156,703
<p>In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)</p>		
		<u>1,150</u>
Change in Net Assets of Governmental Activities	\$	<u><u>654,459</u></u>

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	Business-Type Activities:		
	Enterprise Funds		
	Transportation Services	Non-Major Programs	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 123,883	\$ 71,695	\$ 195,578
Accounts Receivable:			
Federal		13,399	13,399
State		875	875
Other Governments	871,830		871,830
Inventories		9,812	9,812
Interfund Receivable - General Fund		117,130	117,130
Total Current Assets	995,713	212,911	1,208,624
Non-Current Assets:			
Capital Assets	446,436	216,729	663,165
Less: Accumulated Depreciation	(81,650)	(214,293)	(295,943)
Total Non-Current Assets	364,786	2,436	367,222
Total Assets	1,360,499	215,347	1,575,846
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors	62,139	3,440	65,579
Leases Payable-Due Within One Year	46,512		46,512
Total Current Liabilities	108,651	3,440	112,091
Leases Payable:			
Due Beyond one Year	10,891		10,891
Total Liabilities	119,542	3,440	122,982
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	307,383	2,436	309,819
Unrestricted	933,574	209,471	1,143,045
Total Net Assets	\$ 1,240,957	\$ 211,907	\$ 1,452,864

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

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities:		
	Enterprise Funds		
	Transportation Services	Non-Major Programs	Total
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs		\$ 467,025	\$ 467,025
Daily Sales - Nonreimbursable Programs		20,287	20,287
Rebates		3,950	3,950
Transportation Revenue	\$ 21,382,482		21,382,482
Day Plus Fees		192,758	192,758
Total Operating Revenue	21,382,482	684,020	22,066,502
Operating Expenses:			
Cost of Sales		358,711	358,711
Salaries	730,874	492,463	1,223,337
Other Employee Benefits	170,374		170,374
Contracted Transportation Services	20,050,982		20,050,982
Other Purchased Services	138,866	7,428	146,294
Supplies and Materials	50,407	24,053	74,460
Miscellaneous	8,135	72,602	80,737
Depreciation	36,983	1,187	38,170
Total Operating Expenses	21,186,621	956,444	22,143,065
Operating Income/(Loss)	195,861	(272,424)	(76,563)
Non-Operating Revenue:			
Federal Sources:			
Nutrition Reimbursements:			
National School Lunch Program		179,554	179,554
School Breakfast Program		11,010	11,010
Total Nutrition Reimbursements		190,564	190,564
Food Distribution Program		32,688	32,688
State Sources:			
State School Lunch Program		11,025	11,025
State School Breakfast Program		1,377	1,377
Local Sources:			
Interest Income		497	497
Total Non-Operating Revenue		236,151	236,151
Change in Net Assets	195,861	(36,273)	159,588
Net Assets - Beginning of Year	1,045,096	248,180	1,293,276
Net Assets - End of Year	<u>\$ 1,240,957</u>	<u>\$ 211,907</u>	<u>\$ 1,452,864</u>

THE ACCOMPANYING NOTES TO 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, 2010

	Business-Type Activities:		
	Enterprise Funds		
	Transportation Services	Non-Major Programs	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 21,095,989	\$ 684,231	\$ 21,780,220
Payments to Employees	(901,248)	(492,463)	(1,393,711)
Payments to Suppliers	(20,410,264)	(428,431)	(20,838,695)
Net Cash Provided/(Used) by/(for) Operating Activities	(215,523)	(236,663)	(452,186)
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Reimbursements		200,882	200,882
Net Cash Provided by Noncapital Financing Activities		200,882	200,882
Cash Flows from Capital and Related Financing Activities:			
Capital Lease Payments	(51,647)		(51,647)
Purchase of Capital Assets	(89,185)		(89,185)
Net Cash Used for Capital and Related Financing Activities	(140,832)		(140,832)
Cash Flows from Investing Activities:			
Interest on Investments		497	497
Net Cash Provided by Investing Activities		497	497
Net (Decrease) in Cash and Cash Equivalents	(356,355)	(35,284)	(391,639)
Cash and Cash Equivalents, July 1	480,238	106,979	587,217
Cash and Cash Equivalents, June 30	\$ 123,883	\$ 71,695	\$ 195,578
Reconciliation of Operating Loss to Net Cash Provided/(Used) by/(for) Operating Activities:			
Operating Income/(Loss)	\$ 195,861	\$ (272,424)	\$ (76,563)
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided/(Used) by/(for) Operating Activities:			
Depreciation	36,983	1,187	38,170
Federal Food Distribution Program		32,688	32,688
Changes in Assets and Liabilities:			
(Increase) in Inventories		(1,765)	(1,765)
(Increase)/Decrease in Intergovernmental Accounts Receivable	(286,493)	211	(286,282)
Increase/(Decrease) in Accounts Payable	(161,874)	3,440	(158,434)
Net Cash Provided/(Used) by/(for) Operating Activities	\$ (215,523)	\$ (236,663)	\$ (452,186)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$32,688 for the fiscal year ended June 30, 2010.

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

<u>ASSETS:</u>	<u>Agency</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
Cash and Cash Equivalents	\$ 176,139	\$ 61,139	\$ 237,278
Total Assets	<u>176,139</u>	<u>61,139</u>	<u>237,278</u>
<u>LIABILITIES:</u>			
Due to Student Groups	156,076		156,076
Payroll Deductions and Withholdings	20,063		20,063
Total Liabilities	<u>176,139</u>		<u>176,139</u>
<u>NET ASSETS:</u>			
Reserved for Scholarships		61,139	61,139
Total Net Assets	<u>\$ -0-</u>	<u>\$ 61,139</u>	<u>\$ 61,139</u>

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

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:	
Donations	\$ 20,947
Investment Earnings:	
Interest	1,133
Total Additions	<u>22,080</u>
DEDUCTIONS:	
Scholarships Awarded	<u>29,397</u>
Total Deductions	<u>29,397</u>
Change in Net Assets	(7,317)
Net Assets - Beginning of the Year	<u>68,456</u>
Net Assets - End of the Year	<u><u>\$ 61,139</u></u>

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include elementary, middle and senior high schools located in the Borough of Hopatcong. 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 assets and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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 all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by the 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.

Special Revenue Fund: 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 to expenditures for specified purposes.

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

The District reports the following proprietary fund:

Enterprise (Food Service, Day Plus Service and Transportation) Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria, day plus and transportation operations. The food service fund, day plus service fund and transportation fund 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 students 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 include the Student Activities Fund, Payroll Agency Fund, Unemployment Compensation Insurance Trust Fund and Private Purpose Scholarship 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. Nonexchange 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 long-term debt and acquisitions under capital leases are reported as other financing sources.

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 assets 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.

Reports for the District's Enterprise Funds are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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, special revenue and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. 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 budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions or 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 June state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 36,473,329	\$ 1,204,155
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue whereas the GAAP Basis does not.		16,158
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	1,263,279	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(1,282,360)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 36,454,248</u>	<u>\$ 1,220,313</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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

Uses/Outflows of Resources:

Actual Amounts (Budgetary Basis) "Total Outflows" from the

Budgetary Comparison Schedule	\$ 36,204,200	\$ 1,204,155
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.		16,158

Total Expenditures as Reported on the Statement of Revenue,

Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 36,204,200	\$ 1,220,313
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E. Cash and Cash Equivalents and Investments:

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

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. 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 Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenue. 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 nonoperating revenue/expenses in the enterprise funds. 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 assets for amounts due between governmental and business-type activities, which are presented as internal balances.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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 reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as deferred 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 expenditures during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2010.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. 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:

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

K. Capital Assets: (Cont'd)

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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental funds upon acquisition. Fixed 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 assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable 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. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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, 2010.

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's various employee contracts/agreements. Upon termination, employees are paid for accrued vacation. These employee contracts/agreements permit employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the applicable District employee contract/agreement.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

N. Compensated Absences: (Cont'd)

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

O. Deferred Revenue:

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned.

P. Fund Balance Appropriated:

General Fund: Of the \$2,951 General Fund fund balance at June 30, 2010, \$239,444 is reserved for encumbrances. \$300,000 of unreserved fund balance will be included as anticipated revenue for the year ending June 30, 2011, and (\$536,493) is unreserved and undesignated, which is \$1,282,360 less than the calculated maximum unreserved fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ending June 30, 2011.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2010 of \$24,553 is reserved for encumbrances.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004.C73 (S1701), the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had no excess surplus.

Q. Deficit Fund Balances/Net Assets:

The District has a deficit fund balance of \$536,493 in the General Fund as of June 30, 2010 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the 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 year the State records the payable. The deficit in the General Fund balance is directly related to the timing difference of recording the June state aid payments. The excess surplus 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.

The \$1,539,466 deficit in unrestricted net assets for the governmental activities at June 30, 2010 resulted mainly from the accrual of \$1,298,488 for compensated absences payable. These deficits do not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

R. Net Assets

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

S. Fund Balance Reserves

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

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 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.

U. Operating Revenue and Expenses

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Funds. For the School District, this revenue is sales for food service, day plus fees and transportation fees. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Funds.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

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.

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned.

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

Credit Risk – The District limits its investments to those authorized in its formal cash management plan which are permitted under state statutes as detailed on the following pages.

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

Deposits:

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

Deposits: (Cont'd)

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

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

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

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

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, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (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 statute; and

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

Investments: (Cont'd)

- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2010, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Total
Savings and Checking Accounts	\$ 951,436	\$ 951,436

During the period ended June 30, 2010, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2010, was \$951,436 and the bank balance was \$3,398,048.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amount or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6:23A-5.1(d)7*, 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, 2009 to June 30, 2010 fiscal year is as follows:

Beginning balance, July 1, 2009	\$ 65,397
Withdrawals:	
Board resolution (12/21/09)	(65,397)
Ending balance, June 30, 2010	\$ -0-

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2010, the District transferred \$433,779 to the capital outlay accounts. The transfer was made for equipment and therefore did not require approval from the County Superintendent.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 359,763			\$ 359,763
Construction in Progress		\$ 109,432		109,432
Total Capital Assets Not Being Depreciated	<u>359,763</u>	<u>109,432</u>		<u>469,195</u>
Capital Assets Being Depreciated:				
Site Improvements	1,553,018	67,625		1,620,643
Buildings and Building Improvements	18,501,240	134,585		18,635,825
Machinery and Equipment	3,041,917	404,107	\$ 2,434	3,443,590
Total Capital Assets Being Depreciated	<u>23,096,175</u>	<u>606,317</u>	<u>2,434</u>	<u>23,700,058</u>
Governmental Activities Capital Assets	<u>23,455,938</u>	<u>715,749</u>	<u>2,434</u>	<u>24,169,253</u>
Less Accumulated Depreciation for:				
Site Improvements	(1,276,520)	(40,715)		(1,317,235)
Buildings and Building Improvements	(12,489,955)	(410,889)		(12,900,844)
Machinery and Equipment	(1,100,673)	(179,717)	(2,434)	(1,277,956)
	<u>(14,867,148)</u>	<u>(631,321)</u>	<u>(2,434)</u>	<u>(15,496,035)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 8,588,790</u>	<u>\$ 84,428</u>	<u>\$ -0-</u>	<u>\$ 8,673,218</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 529,493	\$ 146,667	\$ 12,995	\$ 663,165
Less Accumulated Depreciation	<u>(270,768)</u>	<u>(38,170)</u>	<u>(12,995)</u>	<u>(295,943)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 258,725</u>	<u>\$ 108,497</u>	<u>\$ -0-</u>	<u>\$ 367,222</u>

The District had an active construction project for univentilator upgrades at the Middle School totaling \$133,985 as of June 30, 2010. At year end, the District has \$24,553 in outstanding construction encumbrances.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows

Regular Instruction	\$ 19,344
Other Instruction	44,564
Student and Instruction Related Services	6,356
School Administrative Services	39,800
Central Services	2,135
Operations and Maintenance of Plant	36,600
Student Transportation	26,628
Unallocated	455,894
	<u>\$ 631,321</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2010, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Added</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2010</u>
Serial Bonds Payable	\$ 735,000		\$ 150,000	\$ 585,000
Compensated Absences Payable	1,426,600	\$ 92,418	220,530	1,298,488
Capital Leases Payable	1,025,155	196,430	208,350	1,013,235
	<u>\$ 3,186,755</u>	<u>\$ 288,848</u>	<u>\$ 578,880</u>	<u>\$ 2,896,723</u>

A. Bonds Payable:

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

<u>Serial Bonds</u>			
<u>Date of</u> <u>Issue</u>	<u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
11/01/1993	11/01/10-12	4.60%	\$ 450,000
	11/1/2013	4.60%	135,000
			<u>\$ 585,000</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 150,000	\$ 23,460	\$ 173,460
2012	150,000	16,560	166,560
2013	150,000	9,660	159,660
2014	135,000	3,105	138,105
	<u>\$ 585,000</u>	<u>\$ 52,785</u>	<u>\$ 637,785</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2010, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District has entered into capital leases for energy savings equipment, vehicles, phone system and buses totaling \$1,506,639. The capital leases are for terms of four to thirteen years in length. 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, 2010.

<u>Year</u>	<u>Amount</u>
2011	\$ 216,467
2012	179,286
2013	134,892
2014	132,516
2015	132,516
2016-2019	448,326
Total minimum lease payments	1,244,003
Less: Amount representing interest	(230,768)
Present value of net minimum lease payments	<u>\$ 1,013,235</u>

The current portion of capital leases at June 30, 2010 is \$166,691 and the long-term portion is \$846,544.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and the current portion of the compensated absences balance of the governmental funds is \$225,515 and is separated from the long-term liability balance of compensated absences of \$1,072,973.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

D. Compensated Absences: (Cont'd)

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2010, no liability existed for compensated absences in the Enterprise Funds.

The General Fund will be used to liquidate other long-term liabilities which include governmental Capital Leases Payable and Compensated Absences Payable. The Transportation Services Fund will be used to liquidate the business-type Capital Leases Payable.

NOTE 8. OPERATING LEASES

The District had commitments to lease autos, mail and copying equipment under operating leases which expire in 2015. Total operating lease payments made during the year ended June 30, 2010 were \$150,241.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 128,202
2012	6,921
2013	2,928
2014	2,928
2015	1,464
	<u>\$ 142,443</u>

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

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 each of the above systems. 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.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

Three-Year Trend for TPAF (Paid on-behalf of District)			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ -0-	100.00%	\$ -0-
2009	-0-	100.00%	-0-
2008	1,274,151	100.00%	1,274,151

During the fiscal year ended June 30, 2010, the State of New Jersey contributed \$-0- to the TPAF for normal pension benefits on behalf of the District.

Three-Year Trend for PERS			
Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 350,181	100.00%	\$ 350,181
2009	320,227	100.00%	320,227
2008	257,079	80.00%	205,663

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005-2008 are as follows:

- 20% for payments due in State fiscal year 2005
- Not more than 40% for payments due in State fiscal year 2006
- Not more than 60% for payments due in State fiscal year 2007
- Not more than 80% for payments due in State fiscal year 2008

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10. POST-RETIREMENT BENEFITS (Cont'd)

benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve of one-half of 1% of the active State payroll each year.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. In fiscal year 2009, the State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$1,106,919, \$1,086,873 and \$1,581,868 for 2010, 2009 and 2008, respectively.

NOTE 11. 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. The business administrator oversees risk management for the District. Health benefits are provided to the employees through Cigna.

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

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

The SAIF 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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Selected financial information for the SAIF as of June 30, 2009 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 33,659,794
Net Assets	\$ 14,417,326
Total Revenue	\$ 28,042,089
Total Expenses and Adjustments	\$ 25,015,943
Change in Net Assets	\$ 3,026,146
Net Assets Distribution to Participating Members	\$ 3,005,614

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

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

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009-2010	\$ 60,092	\$ 81,124	\$ -0-	\$ 141,216	\$ -0-
2008-2009	56,316	24,646	-0-	80,962	-0-
2007-2008	47,205	26,139	-0-	73,344	-0-

NOTE 12. 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.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 153,347	\$ 117,130
Special Revenue Fund		84,210
Capital Projects Fund		69,137
Enterprise Fund - Day Plus Service	117,130	
	<u>\$ 270,477</u>	<u>\$ 270,477</u>

The interfund between the General Fund and the Special Revenue and Capital Projects Funds represents cash advances to eliminate negative cash balances in the Special Revenue and Capital Projects Funds. The interfund between General Fund and the Day Plus Service Fund is a prior year interfund which has not been liquidated.

NOTE 14. DEFERRED COMPENSATION

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

- Lincoln Financial
- Equitable
- Lincoln National Life Insurance Co.

NOTE 15. TAX CALENDAR

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 16. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

The District is periodically involved in pending lawsuits. The District estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial statements of the District.

BUDGETARY COMPARISON SCHEDULES

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 20,708,854		\$ 20,708,854	\$ 20,708,854	
Interest Earned on Capital Reserve Funds	100		100		\$ (100)
Miscellaneous	150,000		150,000	269,061	119,061
Total - Local Sources	20,858,954		20,858,954	20,977,915	118,961
State Sources:					
Categorical Special Education Aid	1,087,165		1,087,165	1,087,165	
Equalization Aid	5,924,483	\$ (1,074,974)	4,849,509	4,849,509	
Categorical Security Aid	202,221		202,221	202,221	
Adjustment Aid	5,123,351		5,123,351	5,009,514	(113,837)
Categorical Transportation Aid	548,930		548,930	548,930	
Reimbursement of Extraordinary Costs				261,075	261,075
Reimbursement of Nonpublic Transportation Costs				17,353	17,353
TPAF Post Retirement Medical (Non-budgeted)				1,106,919	1,106,919
TPAF Non-Contributory Insurance (Non-budgeted)				58,937	58,937
Reimbursed TPAF Social Security Contributions (Non-budgeted)				1,246,342	1,246,342
Total State Sources	12,886,150	(1,074,974)	11,811,176	14,387,965	2,576,789
Federal Sources:					
ARRA Equalization Aid - Education Stabilization Fund (ESF)		1,034,911	1,034,911	1,034,911	
ARRA Equalization Aid - Government Service Fund (GSF)		40,063	40,063	40,063	
Medical Assistance Program	15,000		15,000	32,475	17,475
Total - Federal Sources	15,000	1,074,974	1,089,974	1,107,449	17,475
TOTAL REVENUES	33,760,104		33,760,104	36,473,329	2,713,225

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Preschool/Kindergarten	\$ 221,200	\$ (69,414)	\$ 151,786	\$ 151,786	
Grades 1-5	3,090,305	82,568	3,172,873	3,172,873	
Grades 6-8	2,372,197	117,289	2,489,486	2,489,486	
Grades 9-12	3,344,800	127,569	3,472,369	3,472,369	
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	20,000	(15,436)	4,564	728	\$ 3,836
General Supplies	550,000	(67,812)	482,188	462,036	20,152
Textbooks	100,000	(42,053)	57,947	57,947	
Other Objects	115,003	(35,681)	79,322	66,325	12,997
Total Regular Programs	<u>9,813,505</u>	<u>97,030</u>	<u>9,910,535</u>	<u>9,873,550</u>	<u>36,985</u>
Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers	1,542,044	(28,719)	1,513,325	1,513,325	
Other Salaries for Instruction	420,538	(98,249)	322,289	322,289	
General Supplies	15,000	(6,287)	8,713	8,713	
Textbooks	3,000	(548)	2,452	2,452	
Other Objects	3,000	(826)	2,174	2,174	
Total Learning and/or Language Disabilities	<u>1,983,582</u>	<u>(134,629)</u>	<u>1,848,953</u>	<u>1,848,953</u>	
Behavioral Disabilities					
Salaries of Teachers	180,470	(46,141)	134,329	134,329	
Other Salaries for Instruction	47,910	(7,672)	40,238	40,238	
General Supplies	1,000	(1,000)			
Textbooks	500	(441)	59	59	
Other Objects	300	(188)	112	112	
Total Behavioral Disabilities	<u>230,180</u>	<u>(55,442)</u>	<u>174,738</u>	<u>174,738</u>	

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Multiple Disabilities:					
Salaries of Teachers	\$ 281,630	\$ (14,186)	\$ 267,444	\$ 267,444	
Other Salaries for Instruction	140,252	87,379	227,631	227,631	
General Supplies	2,000	(1,432)	568	568	
Textbooks	200	(76)	124	124	
Other Objects	100	(100)			
Total Multiple Disabilities	<u>424,182</u>	<u>71,585</u>	<u>495,767</u>	<u>495,767</u>	
Resource Room/Resource Center:					
Salaries of Teachers	847,838	(176,323)	671,515	671,515	
Other Salaries for Instruction	96,277	23,118	119,395	119,395	
General Supplies	2,500	(2,500)			
Textbooks	1,500	(598)	902	902	
Other Objects	1,000	(1,000)			
Total Resource Room/Resource Center	<u>949,115</u>	<u>(157,303)</u>	<u>791,812</u>	<u>791,812</u>	
Preschool Disabilities - Part-Time:					
Salaries of Teachers	64,160	(241)	63,919	63,919	
Other Salaries for Instruction	13,548	(13,548)			
General Supplies	300	(145)	155	155	
Other Objects	100	(100)			
Total Preschool Disabilities - Part-Time	<u>78,108</u>	<u>(14,034)</u>	<u>64,074</u>	<u>64,074</u>	
Preschool Disabilities - Full-Time:					
Salaries of Teachers	83,630	(165)	83,465	83,465	
Other Salaries for Instruction	62,947	31,672	94,619	94,619	
General Supplies	1,000	(585)	415	415	
Other Objects	500	(500)			
Total Preschool Disabilities - Full-Time	<u>148,077</u>	<u>30,422</u>	<u>178,499</u>	<u>178,499</u>	
Total Special Education	<u>3,813,244</u>	<u>(259,401)</u>	<u>3,553,843</u>	<u>3,553,843</u>	

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 83,630	\$ (22,786)	\$ 60,844	\$ 60,844	
General Supplies	1,000		1,000	1,000	
Textbooks	500	(500)			
Other Objects	710	(296)	414	414	
Total Basic Skills/Remedial - Instruction	85,840	(23,582)	62,258	62,258	
Bilingual Education - Instruction:					
Salaries of Teachers	154,700	(1,360)	153,340	153,340	
General Supplies	800	(752)	48	48	
Textbooks	500		500	500	
Other Objects	1,500	(524)	976	466	\$ 510
Total Bilingual Education - Instruction	157,500	(2,636)	154,864	154,354	510
School Sponsored Cocurricular Activities - Instruction:					
Salaries	114,751	(31,886)	82,865	82,865	
Supplies and Materials	5,000	(272)	4,728	4,728	
Total School Sponsored Cocurricular Activities - Instruction	119,751	(32,158)	87,593	87,593	
School Sponsored Athletics - Instruction:					
Salaries	226,100	(12,777)	213,323	213,323	
Supplies and Materials	88,000	(8,935)	79,065	79,065	
Transfers to Cover Deficit (Agency Funds)	45,000		45,000	45,000	
Total School Sponsored Athletics - Instruction	359,100	(21,712)	337,388	337,388	
Other Instructional Programs - Instruction:					
Salaries	12,000	(849)	11,151	11,151	
Supplies and Materials	2,500	20,907	23,407		23,407
Other Objects	300	(300)			
Total Other Instructional Programs - Instruction	14,800	19,758	34,558	11,151	23,407
Total Instruction	14,363,740	(222,701)	14,141,039	14,080,137	60,902

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAS Within the State - Special	\$ 784,201	\$ (77,027)	\$ 707,174	\$ 702,262	\$ 4,912
Tuition to County Vocational School District - Regular	12,834	(1,567)	11,267	11,267	
Tuition to Private Schools for the Handicapped - Within State	453,874		453,874	445,276	8,598
Tuition to Private Schools for the Handicapped and Other LEA's - Special, Outside the State	128,920	(20,030)	108,890	58,890	50,000
Tuition - Other	2,000	10,500	12,500	12,500	
Total Instruction	<u>1,381,829</u>	<u>(88,124)</u>	<u>1,293,705</u>	<u>1,230,195</u>	<u>63,510</u>
Attendance and Social Work Services:					
Salaries	56,079	(2,444)	53,635	53,635	
Purchased Professional and Technical Services	1,500	(240)	1,260	1,260	
Total Attendance and Social Work Services	<u>57,579</u>	<u>(2,684)</u>	<u>54,895</u>	<u>54,895</u>	
Health Services:					
Salaries	435,070	(11,036)	424,034	424,034	
Purchased Professional and Technical Services	26,000	(5,680)	20,320	10,320	10,000
Other Purchased Services	100	(100)			
Supplies and Materials	5,600	(1,157)	4,443	4,443	
Other Objects	1,550	(1,038)	512	512	
Total Health Services	<u>468,320</u>	<u>(19,011)</u>	<u>449,309</u>	<u>439,309</u>	<u>10,000</u>
Other Support Services - Students - Related Services:					
Salaries	401,910	3,475	405,385	405,385	
Purchased Professional - Educational Services	70,000	(9,670)	60,330	50,330	10,000
Supplies and Materials	3,842	(74)	3,768	3,768	
Other Objects	350	(185)	165	165	
Total Other Support Services - Students - Related Services	<u>476,102</u>	<u>(6,454)</u>	<u>469,648</u>	<u>459,648</u>	<u>10,000</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Support Services - Guidance:					
Salaries of Other Professional Staff	\$ 518,030	\$ 6,240	\$ 524,270	\$ 524,270	
Salaries of Secretarial and Clerical Assistants	73,756	1,167	74,923	74,923	
Supplies and Materials	6,100	(5,614)	486	486	
Other Objects	2,000	(1,361)	639	639	
Total Other Support Services - Guidance	<u>599,886</u>	<u>432</u>	<u>600,318</u>	<u>600,318</u>	
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	1,243,237	49,312	1,292,549	1,292,549	
Salaries of Secretarial and Clerical Assistants	98,030	1,036	99,066	99,066	
Supplies and Materials	5,000	(4,252)	748	748	
Other Objects	1,000	183	1,183	1,183	
Total Other Support Services - Students - Child Study Team	<u>1,347,267</u>	<u>46,279</u>	<u>1,393,546</u>	<u>1,393,546</u>	
Improvement of Instruction Services/Other Support Services - Instructional Staff:					
Salaries of Supervisor of Instruction	274,446	(46,104)	228,342	228,342	
Salaries of Secretarial and Clerical Assistants	81,537	(1,910)	79,627	79,627	
Other Purchased Services	40,000	28,584	68,584	68,584	
Supplies and Materials	4,375	(1,922)	2,453	2,453	
Other Objects	4,000	(1,180)	2,820	2,820	
Total Improvement of Instruction Services/Other Support Services - Instructional Staff	<u>404,358</u>	<u>(22,532)</u>	<u>381,826</u>	<u>381,826</u>	
Educational Media Services/School Library:					
Salaries	234,425	(72,405)	162,020	162,020	
Purchased Professional and Technical Services	700	(585)	115	115	
Other Purchased Services	500	(327)	173	173	
Supplies and Materials	25,000	(7,687)	17,313	17,313	
Other Objects	2,500	(2,500)			
Total Educational Media Services/School Library	<u>263,125</u>	<u>(83,504)</u>	<u>179,621</u>	<u>179,621</u>	

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	\$ 128,465		\$ 128,465	\$ 128,465	
Salaries of Secretarial and Clerical Assist	23,590		23,590	23,590	
Supplies and Materials	2,000	\$ (2,000)			
Other Objects	17,007	(12,791)	4,216	4,209	\$ 7
Total Instructional Staff Training Services	171,062	(14,791)	156,271	156,264	7
Support Services - General Administration:					
Salaries	406,800	(18,772)	388,028	341,391	46,637
Legal Services	50,000	(14,946)	35,054	35,054	
Audit Fees	61,500	(1,500)	60,000	60,000	
Other Purchased Professional Services	34,300	8,572	42,872	42,426	446
Communications/Telephone	140,056	(6,659)	133,397	133,326	71
Other Purchased Services	12,000	(8,569)	3,431	3,431	
Other Purchased Services (400-500 series)	51,753	(10,672)	41,081	31,081	10,000
Supplies and Materials	20,000	(10,939)	9,061	9,061	
BOE In-house Training/Meeting Supplies	1,000	(1,000)			
BOE Membership Dues and Fees	19,786	4,805	18,018	14,591	10,000
Other Objects	20,000	(1,982)	24,591	18,018	
Total Support Services - General Administration	817,195	(61,662)	755,533	688,379	67,154
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	1,235,852	(122,987)	1,112,865	1,112,865	
Salaries of Secretarial and Clerical Assistants	394,910	(11,915)	382,995	382,995	
Other Purchased Services (400-500 series)	775	(629)	146	146	
Supplies and Materials	4,250	(2,405)	1,845	1,845	
Other Objects	3,500	(1,956)	1,544	1,544	
Total Support Services - School Administration	1,639,287	(139,892)	1,499,395	1,499,395	
Central Services:					
Salaries	325,319	(13,323)	311,996	311,996	
Purchased Professional Services	30,000	(2,968)	27,032	27,032	
Purchased Technical Services	7,000	2	7,002	7,002	
Other Purchased Services (400-500 series)	20,600	(16,263)	4,337	4,337	
Supplies and Materials	9,400	(2,465)	6,935	6,935	
Miscellaneous Expenditures	3,800	(1,025)	2,775	2,775	
Total Central Services	396,119	(36,042)	360,077	360,077	

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Administration Information Technology:					
Salaries	\$ 164,840	\$ 2,060	\$ 166,900	\$ 166,900	
Supplies and Materials	2,500	(1,853)	647	647	
Total Administration Information Technology	<u>167,340</u>	<u>207</u>	<u>167,547</u>	<u>167,547</u>	
Required Maintenance for School Facilities:					
Salaries	342,622	(21,081)	321,541	321,541	
Cleaning, Repair and Maintenance Services	180,655	138,566	319,221	315,086	\$ 4,135
General Supplies	325,000	(77,936)	247,064	247,012	52
Other Objects	48,000	6,550	54,550	50,698	3,852
Total Allowable Maintenance for School Facilities	<u>896,277</u>	<u>46,099</u>	<u>942,376</u>	<u>934,337</u>	<u>8,039</u>
Custodial Services:					
Salaries	986,432	88,606	1,075,038	1,075,038	
Purchased Professional and Technical Services	82,000	31,448	113,448	113,448	
Cleaning, Repair and Maintenance Services	325,000	(313,189)	11,811	11,811	
Other Purchased Property Services	65,000	22,054	87,054	87,054	
Insurance	158,478	(11,318)	147,160	147,160	
General Supplies	120,704	(12,746)	107,958	107,958	
Energy (Electricity)	350,000	82,649	432,649	432,649	
Energy (Oil)	350,000	(47,436)	302,564	302,564	
Total Custodial Services	<u>2,437,614</u>	<u>(159,932)</u>	<u>2,277,682</u>	<u>2,277,682</u>	
Student Transportation Services:					
Salaries for Pupil Transportation (Between Home and School) - Regular	87,815	(15,882)	71,933	71,933	
Salaries for Pupil Transportation (Between Home and School) - Special Education	88,751	(13,657)	75,094	75,094	
Salaries for Pupil Transportation (Other Than Between Home and School)	15,500	(4,974)	10,526	10,526	
Cleaning, Repair and Maintenance Services	2,500	834	3,334	3,334	
Rental Payments - School Buses	2,500	(2,500)			
Contract Services - (Between Home and School) - Vendors	1,092,180	(15,945)	1,076,235	1,076,235	
Contract Services (Other than Between Home & School)-Vendors	75,000	(8,729)	66,271	66,271	

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Student Transportation Services (cont'd):					
Contracted Services - (Regular Students) - ESC's	\$ 170,708	\$ 27,272	\$ 197,980	\$ 197,980	
Contracted Services - (Special Education Students) - ESC's	545,931	(63,698)	482,233	482,233	
Aid in Lieu Payments	51,010	(2,528)	48,482	48,482	
Miscellaneous Purchased Services - Transportation	5,500	2,135	7,635	7,635	
Supplies and Materials	54,000	219	54,219	47,652	\$ 6,567
Miscellaneous Expenditures	2,000	(1,850)	150	150	
Total Student Transportation Services	<u>2,193,395</u>	<u>(99,303)</u>	<u>2,094,092</u>	<u>2,087,525</u>	<u>6,567</u>
Unallocated Benefits:					
Social Security Contributions	380,500	(1,566)	378,934	378,934	
Other Retirement Contributions	77,738	108,880	186,618	186,618	
PERS Other Retirement	361,611	(11,430)	350,181	350,181	
Unemployment Compensation	75,000	31,505	106,505	106,505	
Workmen's Compensation	265,710	(15,560)	250,150	250,150	
Health Benefits	4,612,000	163,572	4,775,572	4,760,487	15,085
Tuition Reimbursement	60,000	(16,598)	43,402	43,402	
Other Employee Benefits	16,733	(1)	16,732	16,732	
Total Unallocated Benefits	<u>5,849,292</u>	<u>258,802</u>	<u>6,108,094</u>	<u>6,093,009</u>	<u>15,085</u>
On-Behalf Contributions:					
TPAF Post Retirement Medical (Non-budgeted)				1,106,919	(1,106,919)
TPAF Non-Contributory Insurance (Non-budgeted)				58,937	(58,937)
Reimbursed TPAF Social Security Contributions (Non-budgeted)				1,246,342	(1,246,342)
Total On-Behalf Contributions				<u>2,412,198</u>	<u>(2,412,198)</u>
Total Personal Services - Employee Benefits	<u>5,849,292</u>	<u>258,802</u>	<u>6,108,094</u>	<u>8,505,207</u>	<u>(2,397,113)</u>
Total Undistributed Expenditures	<u>19,566,047</u>	<u>(382,112)</u>	<u>19,183,935</u>	<u>21,415,771</u>	<u>(2,231,836)</u>
Total Expenditures - Current Expense	<u>33,929,787</u>	<u>(604,813)</u>	<u>33,324,974</u>	<u>35,495,908</u>	<u>(2,170,934)</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Capital Outlay:					
Equipment:					
Regular Programs - Instruction:					
Grades 9-12		\$ 30,104	\$ 30,104	\$ 30,104	
Undistributed Expenditures:					
Operation and Maintenance of Plant Services		401,680	401,680	223,979	\$ 177,701
School Buses - Special	\$ 50,978	1,995	52,973	52,973	
Total Equipment	<u>50,978</u>	<u>433,779</u>	<u>484,757</u>	<u>307,056</u>	<u>177,701</u>
Assets Acquired Under Capital Leases (non-budgeted)					
Undistributed Expenditures:					
Operation and Maintenance of Plant Services				62,953	(62,953)
Student Transportation Services				75,995	(75,995)
Assets Acquired Under Capital Leases (non-budgeted)				<u>138,948</u>	<u>(138,948)</u>
Total Capital Outlay	<u>50,978</u>	<u>433,779</u>	<u>484,757</u>	<u>446,004</u>	<u>38,753</u>
Transfer of Funds to Charter Schools	<u>166,392</u>	<u>95,896</u>	<u>262,288</u>	<u>262,288</u>	
TOTAL EXPENDITURES	<u>34,147,157</u>	<u>(75,138)</u>	<u>34,072,019</u>	<u>36,204,200</u>	<u>(2,132,181)</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (387,053)	\$ 75,138	\$ (311,915)	\$ 269,129	\$ 581,044
Other Financing Sources/(Uses):					
Operating Transfer Out:					
Transfer to Capital Projects Fund - Capital Outlay		(75,138)	(75,138)	(75,138)	
Transfer to Capital Projects Fund - Capital Reserve		(65,397)	(65,397)	(65,397)	
Capital Leases (non-budgeted)				138,948	138,948
Total Other Financing Sources/(Uses)		(140,535)	(140,535)	(1,587)	138,948
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(387,053)	(65,397)	(452,450)	267,542	719,992
Fund Balance, July 1	1,017,769		1,017,769	1,017,769	
Fund Balance, June 30	\$ 630,716	\$ (65,397)	\$ 565,319	\$ 1,285,311	\$ 719,992
<u>Recapitulation:</u>					
Reserve for Encumbrances				\$ 239,444	
Unreserved - Designated for Subsequent Year's Expenditures				300,000	
Unreserved Fund Balance				745,867	
				1,285,311	
Reconciliation to Governmental Funds Statements (GAAP):					
June State Aid Payments not recognized on GAAP Basis				(1,282,360)	
Fund Balance per Governmental Funds (GAAP)				\$ 2,951	

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	\$ 725,857	\$ 971,379	\$ 1,697,236	\$ 1,204,155	\$ (493,081)
Total Revenues	<u>725,857</u>	<u>971,379</u>	<u>1,697,236</u>	<u>1,204,155</u>	<u>(493,081)</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	132,784	205,796	338,580	247,044	91,536
Purchased Professional and Technical Services	1,507	(1,507)			
Other Purchased Services	350,154	262,624	612,778	451,398	161,380
General Supplies	53,665	127,386	181,051	158,729	22,322
Other Objects	4,240	2,824	7,064	3,271	3,793
Total Instruction	<u>542,350</u>	<u>597,123</u>	<u>1,139,473</u>	<u>860,442</u>	<u>279,031</u>
Support Services					
Salaries of Other Professional Staff	34,393	88,400	122,793	54,164	68,629
Personal Services - Employee Benefits	22,173	28,099	50,272	44,580	5,692
Purchased Professional and Technical Services	86,138	(5,333)	80,805	35,537	45,268
Purchased Property Services	9,600	12,304	21,904	495	21,409
Other Purchased Services	16,540	72,153	88,693	28,948	59,745
Supplies and Materials	12,413	10,758	23,171	14,989	8,182
Other Objects	2,250	(2,250)			
Total Support Services	<u>183,507</u>	<u>204,131</u>	<u>387,638</u>	<u>178,713</u>	<u>208,925</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment		170,125	170,125	165,000	5,125
Total Facilities Acquisition and Construction Services		<u>170,125</u>	<u>170,125</u>	<u>165,000</u>	<u>5,125</u>
Total Expenditures	<u>725,857</u>	<u>971,379</u>	<u>1,697,236</u>	<u>1,204,155</u>	<u>493,081</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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	\$ 36,473,329	\$ 1,204,155
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		16,158
State Aid Payment Recognized for GAAP Statements, not Recognized for Budgetary Purposes	1,263,279	
State Aid Payment Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(1,282,360)</u>	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 <u>\$ 36,454,248</u>	 <u>\$ 1,220,313</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 36,204,200	\$ 1,204,155
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.		<u>16,158</u>
 Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 36,204,200</u>	 <u>\$ 1,220,313</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. 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 on 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.

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2010

	No Child Left Behind			
	Title I	Title II -Part A	Title II -Part D	Title IV
REVENUE:				
Federal Sources	\$ 160,861	\$ 56,711	\$ 80	\$ 2,582
Total Revenue	<u>\$ 160,861</u>	<u>\$ 56,711</u>	<u>\$ 80</u>	<u>\$ 2,582</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	68,683	46,510		2,582
Other Purchased Services				
General Supplies	49,668	899		
Other Objects				
Total Instruction	<u>118,351</u>	<u>47,409</u>		<u>2,582</u>
Support Services:				
Salaries of Other Professional Staff	13,280			
Personal Services - Employee Benefits	13,737	9,302		
Purchased Professional and Technical Services	11,202			
Purchased Property Services				
Other Purchased Services	4,207		80	
Supplies and Materials	84			
Total Support Services	<u>42,510</u>	<u>9,302</u>	<u>80</u>	
Facilities Acquisition:				
Non-Instructional Equipment				
Total Facilities Acquisition				
Total Expenditures	<u>\$ 160,861</u>	<u>\$ 56,711</u>	<u>\$ 80</u>	<u>\$ 2,582</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

	IDEA Part B Basic	IDEA Part B Basic Carryover	IDEA Part B Preschool	IDEA Part B Preschool Carryover
REVENUE:				
Federal Sources	\$ 397,523	\$ 124,853	\$ 1,196	\$ 18,236
Total Revenue	<u>\$ 397,523</u>	<u>\$ 124,853</u>	<u>\$ 1,196</u>	<u>\$ 18,236</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers		48,083		11,586
Other Purchased Services	373,817	25,586		
General Supplies			102	1,185
Other Objects	3,271			
Total Instruction	<u>377,088</u>	<u>73,669</u>	<u>102</u>	<u>12,771</u>
Support Services:				
Salaries of Other Professional Staff	930	35,874		4,080
Personal Services - Employee Benefits		6,422		1,199
Purchased Professional and Technical Services	10,341	4,221	410	138
Purchased Property Services	495			
Other Purchased Services	4,195	1,584	84	
Supplies and Materials	4,474	3,083	600	48
Total Support Services	<u>20,435</u>	<u>51,184</u>	<u>1,094</u>	<u>5,465</u>
Facilities Acquisition:				
Non-Instructional Equipment				
Total Facilities Acquisition				
Total Expenditures	<u>\$ 397,523</u>	<u>\$ 124,853</u>	<u>\$ 1,196</u>	<u>\$ 18,236</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

	ARRA		Totals June 30, 2010
	Title I	IDEA Part B Basic	
REVENUE:			
Federal Sources	\$ 53,638	\$ 388,475	\$ 1,204,155
Total Revenue	<u>\$ 53,638</u>	<u>\$ 388,475</u>	<u>\$ 1,204,155</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	23,790	45,810	247,044
Other Purchased Services		51,995	451,398
General Supplies	24,454	82,421	158,729
Other Objects			3,271
Total Instruction	<u>48,244</u>	<u>180,226</u>	<u>860,442</u>
Support Services:			
Salaries of Other Professional Staff			54,164
Personal Services - Employee Benefits	4,758	9,162	44,580
Purchased Professional and Technical Services		9,225	35,537
Purchased Property Services			495
Other Purchased Services	636	18,162	28,948
Supplies and Materials		6,700	14,989
Total Support Services	<u>5,394</u>	<u>43,249</u>	<u>178,713</u>
Facilities Acquisition:			
Non-Instructional Equipment		165,000	165,000
Total Facilities Acquisition		<u>165,000</u>	<u>165,000</u>
Total Expenditures	<u>\$ 53,638</u>	<u>\$ 388,475</u>	<u>\$ 1,204,155</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

CAPITAL PROJECTS FUND

HOPATCONG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Revenue and Other Financing Sources:	
State Sources - SDAGrant	\$ 93,690
Transfer from Capital Reserve	65,397
Transfer from Capital Outlay	75,138
	234,225
Total Revenue and Other Financing Sources	
	234,225
Expenditures:	
Salaries	7,912
Equipment	103,432
Purchased Professional and Technical Services	98,328
	209,672
Total Expenditures	
	209,672
Excess of Revenue and Other Financing Sources over Expenditures	
	24,553
Fund Balance - Beginning of Year	
	-0-
Fund Balance - End of Year	
	\$ 24,553
Recapitulation:	
Reserve for Encumbrances	\$ 24,553
	24,553
Fund Balance per Governmental Funds (GAAP)	
	\$ 24,553

HOPATCONG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
BUDGETARY BASIS - DURBAN AVENUE SCHOOL ASBESTOS ABATEMENT
FOR THE YEAR ENDED JUNE 30,2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 40,096	\$ 40,096	\$ 40,096
Transfer from Capital Reserve		60,144	60,144	60,144
Total Revenue and Other Financing Sources		100,240	100,240	100,240
Expenditures:				
Salaries		7,912	7,912	7,912
Purchased Professional and Technical Services		92,328	92,328	92,328
Total Expenditures		100,240	100,240	100,240
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under)Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Additional Project Information:

Project Number	SP # 2240-035-09-1001
Grant Date	6/2/2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	103,450
Revised Authorized Cost	100,240

Percentage Increase over Original

Authorized Cost	0%
Percentage Completion	100%
Original Target Completion Date	12/2009
Revised Target Completion Date	12/2009

HOPATCONG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
BUDGETARY BASIS - HOPATCONG MIDDLE SCHOOL UNIVENTILATOR UPGRADES
FOR THE YEAR ENDED JUNE 30,2010

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 53,594	\$ 53,594	\$ 53,594
Transfer from Capital Outlay		75,138	75,138	75,138
Transfer from Capital Reserve		5,253	5,253	5,253
Total Revenue and Other Financing Sources		133,985	133,985	133,985
Expenditures:				
Purchased Professional and Technical Services		6,000	6,000	6,000
Equipment		103,432	103,432	127,985
Total Expenditures		109,432	109,432	133,985
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under)Expenditures	\$ -0-	\$ 24,553	\$ 24,553	\$ -0-

Additional Project Information:

Project Number	SP # 2240-040-09-1002
Grant Date	7/7/2009
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	133,985
Revised Authorized Cost	133,985

Percentage Increase over Original

Authorized Cost	0%
Percentage Completion	82%
Original Target Completion Date	6/2010
Revised Target Completion Date	7/2010

PROPRIETARY FUNDS

HOPATCONG BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	Business-Type Activities: Enterprise Funds			Total
	Food Service	Transportation Services	Day Plus Services	
<u>ASSETS:</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 22,677	\$ 123,883	\$ 49,018	\$ 195,578
Accounts Receivable:				
Federal	13,399			13,399
State	875			875
Other Governments		871,830		871,830
Inventories	9,812			9,812
Interfund Receivable - General Fund			117,130	117,130
Total Current Assets	46,763	995,713	166,148	1,208,624
Non-Current Assets:				
Capital Assets	216,729	446,436		663,165
Less: Accumulated Depreciation	(214,293)	(81,650)		(295,943)
Total Non-Current Assets	2,436	364,786		367,222
Total Assets	49,199	1,360,499	166,148	1,575,846
<u>LIABILITIES:</u>				
Current Liabilities:				
Accounts Payable - Vendors	3,440	62,139		65,579
Leases Payable- Due Within One Year		46,512		46,512
Total Current Liabilities	3,440	108,651		112,091
Leases Payable:				
Due Beyond one Year		10,891		10,891
Total Liabilities	3,440	119,542		122,982
<u>NET ASSETS:</u>				
Invested in Capital Assets, Net of Related Debt	2,436	307,383		309,819
Unrestricted	43,323	933,574	166,148	1,143,045
Total Net Assets	\$ 45,759	\$ 1,240,957	\$ 166,148	\$ 1,452,864

HOPATCONG BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities: Enterprise Funds			Total
	Food Service	Transportation Services	Day Plus Services	
Operating Revenue:				
Local Sources:				
Daily Sales - Reimbursable Programs	\$ 467,025			\$ 467,025
Daily Sales - Nonreimbursable Programs	20,287			20,287
Rebates	3,950			3,950
Transportation Revenue		\$ 21,382,482		21,382,482
Day Plus Fees			\$ 192,758	192,758
Total Operating Revenue	491,262	21,382,482	192,758	22,066,502
Operating Expenses:				
Cost of Sales	358,711			358,711
Salaries	351,496	730,874	140,967	1,223,337
Other Employee Benefits		170,374		170,374
Contractors		20,050,982		20,050,982
Other Purchased Services	5,336	138,866	2,092	146,294
Supplies and Materials	10,941	50,407	13,112	74,460
Miscellaneous	1,602	8,135	71,000	80,737
Depreciation	1,187	36,983		38,170
Total Operating Expenses	729,273	21,186,621	227,171	22,143,065
Operating Income/(Loss)	(238,011)	195,861	(34,413)	(76,563)
Non-Operating Revenue:				
Federal Sources:				
Nutrition Reimbursements:				
National School Lunch Program	179,554			179,554
School Breakfast Program	11,010			11,010
Total Nutrition Reimbursements	190,564			190,564
Food Distribution Program	32,688			32,688
State Sources:				
State School Lunch Program	11,025			11,025
State School Breakfast Program	1,377			1,377
Interest Income	70		427	497
Total Non-Operating Revenue	235,724		427	236,151
Change in Net Assets	(2,287)	195,861	(33,986)	159,588
Net Assets - Beginning of Year	48,046	1,045,096	200,134	1,293,276
Net Assets - End of Year	\$ 45,759	\$ 1,240,957	\$ 166,148	\$ 1,452,864

HOPATCONG BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities:			Total
	Enterprise Funds			
	Food Service	Transportation Services	Day Plus Services	
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 491,473	\$ 21,095,989	\$ 192,758	\$ 21,780,220
Payments to Employees	(351,496)	(901,248)	(140,967)	(1,393,711)
Payments to Suppliers	(342,227)	(20,410,264)	(86,204)	(20,838,695)
Net Cash Provided/(Used) by/(for) Operating Activities	(202,250)	(215,523)	(34,413)	(452,186)
Cash Flows by Noncapital Financing Activities:				
Cash Received from Federal and State Reimbursements	200,882			200,882
Net Cash Provided by Noncapital Financing Activities	200,882			200,882
Cash Flows from Capital and Related Financing Activities:				
Capital Lease Payments		(51,647)		(51,647)
Purchase of Capital Assets		(89,185)		(89,185)
Net Cash Used for Capital and Related Financing Activities		(140,832)		(140,832)
Cash Flows from Investing Activities:				
Interest on Investments	70		427	497
Net Cash Provided by Investing Activities	70		427	497
Net (Decrease) in Cash and Cash Equivalents	(1,298)	(356,355)	(33,986)	(391,639)
Cash and Cash Equivalents, July 1	23,975	480,238	83,004	587,217
Cash and Cash Equivalents, June 30	\$ 22,677	\$ 123,883	\$ 49,018	\$ 195,578
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used)				
by/(for) Operating Activities:				
Operating Income/(Loss)	\$ (238,011)	\$ 195,861	\$ (34,413)	\$ (76,563)
Adjustment to Reconcile Operating Income/(Loss) to Cash				
Provided/(Used) by/(for) Operating Activities:				
Depreciation	1,187	36,983		38,170
Federal Food Distribution Program	32,688			32,688
Changes in Assets and Liabilities:				
(Increase) in Inventories	(1,765)			(1,765)
(Increase)/Decrease in Intergovernmental Accounts Receivable	211	(286,493)		(286,282)
Increase/(Decrease) in Accounts Payable	3,440	(161,874)		(158,434)
Net Cash Provided/(Used) by/(for) Operating Activities	\$ (202,250)	\$ (215,523)	\$ (34,413)	\$ (452,186)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$32,688 for the fiscal year ended June 30, 2010.

FIDUCIARY FUNDS

HOPATCONG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	Student Activities	Agency Payroll	Total Agency	Private Purpose Scholarship Trust
<u>ASSETS:</u>				
Cash and cash equivalents	\$ 156,076	\$ 20,063	\$ 176,139	\$ 61,139
Total assets	<u>156,076</u>	<u>20,063</u>	<u>176,139</u>	<u>61,139</u>
<u>LIABILITIES:</u>				
Payroll deductions and withholdings		20,063	20,063	
Due to student groups	156,076		156,076	
Total liabilities	<u>156,076</u>	<u>20,063</u>	<u>176,139</u>	
<u>NET ASSETS:</u>				
Reserved for scholarships				<u>61,139</u>
Total net assets	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 61,139</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:	
Donations	\$ 20,947
Investment Earnings:	
Interest	1,133
Total Additions	<u>22,080</u>
 DEDUCTIONS:	
Scholarships Awarded and Expenditures	<u>29,397</u>
Total Deductions	<u>29,397</u>
Change in Net Assets	(7,317)
Net Assets - Beginning of the Year	<u>68,456</u>
Net Assets - End of the Year	<u>\$ 61,139</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 165,832	\$ 416,997	\$ 426,753	\$ 156,076
Total Assets	<u>\$ 165,832</u>	<u>\$ 416,997</u>	<u>\$ 426,753</u>	<u>\$ 156,076</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 165,832	\$ 416,997	\$ 426,753	\$ 156,076
Total Liabilities	<u>\$ 165,832</u>	<u>\$ 416,997</u>	<u>\$ 426,753</u>	<u>\$ 156,076</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
Elementary Schools:				
Tulsa Trail	\$ 4,297	\$ 13,159	\$ 16,401	\$ 1,055
Durban Avenue	23,316	34,599	33,888	24,027
Hudson Maxim	14,109	15,646	19,838	9,917
Total Elementary Schools	<u>41,722</u>	<u>63,404</u>	<u>70,127</u>	<u>34,999</u>
Middle School	27,053	28,700	40,888	14,865
Total Middle School	<u>27,053</u>	<u>28,700</u>	<u>40,888</u>	<u>14,865</u>
Senior High School	67,613	166,453	160,999	73,067
Total Senior High School	<u>67,613</u>	<u>166,453</u>	<u>160,999</u>	<u>73,067</u>
Athletic Account	29,444	158,440	154,739	33,145
Total Athletic Account	<u>29,444</u>	<u>158,440</u>	<u>154,739</u>	<u>33,145</u>
Total All Schools	<u>\$ 165,832</u>	<u>\$ 416,997</u>	<u>\$ 426,753</u>	<u>\$ 156,076</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 19,476	\$ 24,530,075	\$ 24,529,488	\$ 20,063
Total Assets	<u>\$ 19,476</u>	<u>\$ 24,530,075</u>	<u>\$ 24,529,488</u>	<u>\$ 20,063</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 19,476	\$ 24,530,075	\$ 24,529,488	\$ 20,063
Total Liabilities	<u>\$ 19,476</u>	<u>\$ 24,530,075</u>	<u>\$ 24,529,488</u>	<u>\$ 20,063</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2010		Interest Rate	Balance	Matured	Balance
			Date	Amount		July, 1 2009		June 30, 2010
General Improvements	11/01/1993	\$2,985,000	11/01/10-12	\$ 150,000	4.60%	\$ 735,000	\$ 150,000	\$ 585,000
			11/01/13	135,000	4.60%			
						<u>\$ 735,000</u>	<u>\$ 150,000</u>	<u>\$ 585,000</u>

Exhibit I-2

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

<u>Purpose</u>	<u>Int. Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2009</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance June 30, 2010</u>
Governmental Activities:						
Energy Savings	4.928%	\$ 1,208,403	\$ 973,587		\$ 84,495	\$ 889,092
Ford F-250 Trucks	7.850%	50,259		\$ 50,259	25,201	25,058
GMC Sierra	7.490%	12,694		12,694	2,012	10,682
39 Passenger Bus	4.351%	75,995		75,995	44,995	31,000
Total Governmental Activities			<u>973,587</u>	<u>138,948</u>	<u>156,703</u>	<u>955,832</u>
Business-type Activities:						
24 Passenger Bus	5.250%	50,134	20,525		10,000	10,525
Wheelchair Bus	5.350%	51,672	31,043		9,813	21,230
24 Passenger Bus	5.301%	57,482		57,482	31,834	25,648
Total Business-type Activities			<u>51,568</u>	<u>57,482</u>	<u>51,647</u>	<u>57,403</u>
			<u>\$ 1,025,155</u>	<u>\$ 196,430</u>	<u>\$ 208,350</u>	<u>\$ 1,013,235</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 118,364		\$ 118,364	\$ 118,364	
State Sources:					
Debt Service Aid Type II	61,996		61,996	61,996	
Total Revenue	<u>180,360</u>		<u>180,360</u>	<u>180,360</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	30,360		30,360	30,360	
Redemption of Principal	150,000		150,000	150,000	
Total Regular Debt Service	<u>180,360</u>		<u>180,360</u>	<u>180,360</u>	
Total Expenditures	<u>180,360</u>		<u>180,360</u>	<u>180,360</u>	
Excess (Deficiency) of Revenue Over (Under) Expenditures	-0-		-0-	-0-	
Fund Balance, July 1	<u>-0-</u>		<u>-0-</u>	<u>-0-</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION

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

	<u>Exhibit</u>
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity</p> <p>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.</p>	J-10 thru J-13
<p>Demographic and Economic Information</p> <p>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.</p>	J-14 thru J-15
<p>Operating Information</p> <p>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.</p>	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. The District implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

HOPATCONG BOROUGH SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Governmental Activities:						
Invested in Capital Assets, Net of Related Debt	\$ 6,174,699	\$ 7,302,350	\$ 7,043,323	\$ 6,883,872	\$ 6,880,203	\$ 7,132,386
Restricted	562,037	348,515	771,393	282,040	152,550	263,997
Unrestricted/(Deficit)	<u>(1,857,699)</u>	<u>(1,825,466)</u>	<u>(1,691,779)</u>	<u>(1,613,601)</u>	<u>(1,830,295)</u>	<u>(1,539,466)</u>
Total Governmental Activities Net Assets	<u>\$ 4,879,037</u>	<u>\$ 5,825,399</u>	<u>\$ 6,122,937</u>	<u>\$ 5,552,311</u>	<u>\$ 5,202,458</u>	<u>\$ 5,856,917</u>
Business-Type Activities:						
Invested in Capital Assets, Net of Related Debt	\$ 8,612	\$ 7,040	\$ 5,725	\$ 73,106	\$ 207,157	\$ 309,819
Unrestricted	<u>290,732</u>	<u>559,449</u>	<u>903,674</u>	<u>1,197,077</u>	<u>1,086,119</u>	<u>1,143,045</u>
Total Business-Type Activities Net Assets	<u>\$ 299,344</u>	<u>\$ 566,489</u>	<u>\$ 909,399</u>	<u>\$ 1,270,183</u>	<u>\$ 1,293,276</u>	<u>\$ 1,452,864</u>
District-Wide:						
Invested in Capital Assets, Net of Related Debt	\$ 6,183,311	\$ 7,309,390	\$ 7,049,048	\$ 6,956,978	\$ 7,087,360	\$ 7,442,205
Restricted	562,037	348,515	771,393	282,040	152,550	263,997
Unrestricted/(Deficit)	<u>(1,566,967)</u>	<u>(1,266,017)</u>	<u>(788,105)</u>	<u>(416,524)</u>	<u>(744,176)</u>	<u>(396,421)</u>
Total District Net Assets	<u>\$ 5,178,381</u>	<u>\$ 6,391,888</u>	<u>\$ 7,032,336</u>	<u>\$ 6,822,494</u>	<u>\$ 6,495,734</u>	<u>\$ 7,309,781</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Expenses:						
Governmental Activities:						
Instruction:						
Regular	\$ 13,106,746	\$ 13,826,674	\$ 13,862,525	\$ 14,444,214	\$ 13,254,299	\$ 13,902,752
Special Education	4,550,462	4,764,340	5,023,640	5,541,889	5,434,707	5,723,488
Other Special Instruction	288,561	288,561	250,139	319,533	288,760	304,964
Other Instruction	547,084	557,708	675,338	640,186	572,854	561,692
Support Services:						
Tuition	1,216,495	1,065,056	1,080,164	1,162,193	1,071,923	1,230,195
Student and Instruction Related Services	4,899,411	5,084,229	5,464,308	5,615,025	5,153,975	5,292,807
School Administrative Services	1,761,581	1,776,486	1,761,816	2,056,473	2,144,465	2,029,131
General Administrative Services	1,009,441	811,600	988,415	939,841	787,282	789,890
Central Services	510,796	442,993	782,259	570,377	486,445	512,938
Administrative Information Technology		103,740	160,165	159,202	156,500	167,547
Plant Operations and Maintenance	2,552,591	3,318,884	3,550,874	4,011,730	4,383,947	3,897,821
Pupil Transportation	1,801,722	1,887,484	1,987,796	2,185,958	2,128,095	2,133,535
Capital Outlay	44,871					
Charter Schools	75,572	94,949	173,637	174,484	108,254	262,288
Interest on Long-Term Debt	66,776	57,577	49,910	43,010	36,110	29,210
Unallocated Depreciation	534,566	485,622	703,871	521,897	485,821	455,894
Total Governmental Activities Expenses	<u>32,966,675</u>	<u>34,565,903</u>	<u>36,514,857</u>	<u>38,386,012</u>	<u>36,493,437</u>	<u>37,294,152</u>
Business-Type Activities:						
Enterprise Funds:						
Food Service	764,879	730,425	746,394	765,063	734,383	729,273
Transportation Services	11,321,349	13,654,746	15,301,122	19,777,350	21,845,879	21,186,621
Day Plus Services	177,794	195,687	101,836	131,454	226,511	227,171
Total Business-Type Activities Expense	<u>12,264,022</u>	<u>14,580,858</u>	<u>16,149,352</u>	<u>20,673,867</u>	<u>22,806,773</u>	<u>22,143,065</u>
Total District Expenses	<u>\$ 45,230,697</u>	<u>\$ 49,146,761</u>	<u>\$ 52,664,209</u>	<u>\$ 59,059,879</u>	<u>\$ 59,300,210</u>	<u>\$ 59,437,217</u>
Program Revenues						
Governmental Activities:						
Charges for Services:						
Tuition	\$ 63,815	\$ 84,479	\$ 92,321	\$ 91,570	\$ 91,807	
Operating Grants and Contributions	5,769,456	6,460,793	7,613,657	7,838,861	4,908,635	\$ 5,310,555
Capital Grants and Contributions		40,020	2,106			93,690
Total Governmental Activities Program Revenues	<u>5,833,271</u>	<u>6,585,292</u>	<u>7,708,084</u>	<u>7,930,431</u>	<u>5,000,442</u>	<u>5,310,555</u>
Business-Type Activities:						
Charges for Services:						
Enterprise Funds:						
Food Service	524,317	519,346	525,669	533,321	523,004	491,262
Transportation Services	11,332,397	13,882,776	15,545,137	20,083,930	21,927,859	21,382,482
Day Plus Services	216,545	205,191	185,242	182,217	157,290	192,758
Operating Grants and Contributions						
Enterprise Funds:						
Food Service	215,610	229,351	224,507	232,753	220,996	235,654
Total Business Type Activities Program Revenues	<u>12,288,869</u>	<u>14,836,664</u>	<u>16,480,555</u>	<u>21,032,221</u>	<u>22,829,149</u>	<u>22,302,156</u>
Total District Program Revenues	<u>\$ 18,122,140</u>	<u>\$ 21,421,956</u>	<u>\$ 24,188,639</u>	<u>\$ 28,962,652</u>	<u>\$ 27,829,591</u>	<u>\$ 27,612,711</u>

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue:						
Governmental Activities	\$ (27,133,404)	\$ (27,980,611)	\$ (28,806,773)	\$ (30,455,581)	\$ (31,492,995)	\$ (31,889,907)
Business-Type Activities	24,847	255,806	331,203	358,354	22,376	159,091
Total District-Wide Net Expense	\$ (27,108,557)	\$ (27,724,805)	\$ (28,475,570)	\$ (30,097,227)	\$ (31,470,619)	\$ (31,730,816)
General Revenues and Other Changes in Net Assets:						
Governmental Activities:						
Property Taxes Levied for General Purposes, Net	\$ 17,143,272	\$ 18,593,358	\$ 18,891,056	\$ 19,406,698	\$ 19,882,966	\$ 20,708,854
Taxes Levied for Debt Service	176,083	170,043	131,949	127,421	122,892	118,364
Federal and State Aid Not Restricted	9,812,387	9,810,230	9,714,616	10,062,096	10,876,951	11,448,087
Investment Earnings	92,591	136,887	252,106	173,754	38,937	22,975
Miscellaneous Income	86,140	223,955	122,084	114,986	221,396	246,086
Transfers	(7,500)	(7,500)	(7,500)			
Total Governmental Activities	27,302,973	28,926,973	29,104,311	29,884,955	31,143,142	32,544,366
Business-Type Activities:						
Investment Earnings:						
Food Service	140	331	481	219	85	70
Day Plus Services	1,603	3,508	3,726	2,211	632	427
Transfers:						
Food Service	7,500	7,500	7,500			
Total Business-Type Activities	9,243	11,339	11,707	2,430	717	497
Total District-Wide	\$ 27,312,216	\$ 28,938,312	\$ 29,116,018	\$ 29,887,385	\$ 31,143,859	\$ 32,544,863
Change in Net Assets						
Governmental Activities	\$ 169,569	\$ 946,362	\$ 297,538	\$ (570,626)	\$ (349,853)	\$ 654,459
Business-Type Activities	34,090	267,145	342,910	360,784	23,093	159,588
Total District-Wide	\$ 203,659	\$ 1,213,507	\$ 640,448	\$ (209,842)	\$ (326,760)	\$ 814,047

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
General Fund:						
Reserved	\$ 564,462	\$ 353,048	\$ 773,813	\$ 289,763	\$ 152,550	\$ 239,444
Unreserved/(Deficit)	131,999	271,776	325,363	159,684	(398,060)	(236,493)
Total General Fund/(Deficit)	<u>\$ 696,461</u>	<u>\$ 624,824</u>	<u>\$ 1,099,176</u>	<u>\$ 449,447</u>	<u>\$ (245,510)</u>	<u>\$ 2,951</u>
All Other Governmental Funds:						
Reserved						\$ 24,533
Unreserved/(Deficit), Reported In:						
Special Revenue Fund	\$ (2,427)	\$ (2,427)	\$ (2,420)	\$ (7,723)		
Capital Projects Fund		(2,106)				
Debt Service Fund	<u>2</u>					
Total All Other Governmental Funds/(Deficit)	<u>\$ (2,425)</u>	<u>\$ (4,533)</u>	<u>\$ (2,420)</u>	<u>\$ (7,723)</u>	<u>\$ -0-</u>	<u>\$ 24,533</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Revenues:						
Tax Levy	\$ 17,319,355	\$ 18,763,401	\$ 19,023,005	\$ 19,534,119	\$ 20,005,858	\$ 20,827,218
Tuition Charges	63,815	84,479	92,321	91,570	91,807	
Interest Earned on Investments	90,953	136,887	249,688	172,497	37,655	22,975
Interest Earned on Capital Reserve Funds	1,638		2,418	1,257	1,282	
Miscellaneous	86,140	223,955	122,084	114,986	221,396	246,086
State Sources	14,843,081	15,286,801	16,411,947	17,004,118	14,840,028	14,524,570
Federal Sources	738,762	1,024,242	918,432	896,839	945,558	2,327,762
Total Revenue	33,143,744	35,519,765	36,819,895	37,815,386	36,143,584	37,948,611
Expenditures:						
Instruction:						
Regular Instruction	10,021,912	10,492,069	10,070,688	10,275,037	9,991,535	10,082,544
Special Education Instruction	3,538,386	3,656,926	3,638,780	3,956,645	4,096,660	4,229,696
Other Special Instruction	217,467	203,443	176,261	220,212	210,041	216,612
Other Instruction	443,226	445,220	500,366	481,732	453,563	436,132
Support Services:						
Tuition	1,216,495	1,065,056	1,080,164	1,162,193	1,071,923	1,230,195
Student and Instruction Related Services	3,791,318	3,816,877	3,947,902	4,045,022	3,909,445	3,835,893
General Administrative Services	894,991	733,805	826,142	740,498	774,094	688,379
School Administrative Services	1,329,316	1,292,858	1,359,157	1,476,691	1,547,071	1,499,395
Central Services	306,239	311,970	370,321	359,896	373,011	360,077
Administrative Information Technology Services	69,587	103,740	158,645	167,376	156,500	167,547
Plant Operations and Maintenance	2,199,763	3,135,161	3,292,722	3,518,727	3,642,886	3,212,019
Pupil Transportation	1,773,338	1,841,768	1,911,766	2,080,808	2,034,869	2,087,525
Unallocated Benefits	6,469,233	7,021,341	8,628,319	9,398,875	7,857,682	8,505,207
Charter Schools	75,572	94,949	173,637	174,484	108,254	262,288
Debt Service:						
Principal	200,000	200,000	150,000	150,000	150,000	150,000
Interest and Other Charges	68,310	59,110	51,060	44,160	37,260	30,360
Capital Outlay	195,848	1,111,717	1,258,537	670,953	416,024	820,676
Total Expenditures	32,811,001	35,586,010	37,594,467	38,923,309	36,830,818	37,814,545
Excess (Deficiency) of Revenues Over (Under) Expenditures	332,743	(66,245)	(774,572)	(1,107,923)	(687,234)	134,066

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

	Fiscal Year Ending June 30,					
	2005	2006	2007	2008	2009	2010
Other Financing Sources (Uses)						
Capital Leases (Non-Budgeted)			\$ 1,258,537	\$ 452,891		\$ 138,948
Transfers In	\$ 40,652	\$ 163,000				140,535
Transfers Out	(7,500)	(170,500)	(7,500)			(140,535)
Total Other Financing Sources (Uses)	33,152	(7,500)	1,251,037	452,891		138,948
Net Change in Fund Balances	\$ 365,895	\$ (73,745)	\$ 476,465	\$ (655,032)	\$ (687,234)	\$ 273,014
Debt service as a Percentage of Noncapital Expenditures	0.82 %	0.75 %	0.55 %	0.51 %	0.51 %	0.49 %

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Prior Year</u> <u>Tuition</u> <u>Refunds</u>	<u>Prior Year</u> <u>Appropriation</u> <u>Refunds/Donations</u>	<u>Prior Year</u> <u>Accounts</u> <u>Payable</u> <u>Cancelled</u>	<u>Special/</u> <u>Community</u> <u>Projects</u>	<u>Rentals</u>	<u>Miscellaneous</u>	<u>Total</u>
2001	\$ 10,299	\$ 149,079	\$ 7,874	\$ 22,780	\$ 6,963	\$ 181,912		\$ 23,285	\$ 402,192
2002	3,140	92,786	9,588	8,495	1,223	205,910		22,811	343,953
2003	57,180	53,726		1,334		219,331		16,915	348,486
2004	65,642	59,709		37,000		200,683		45,803	408,837
2005	63,815	92,591		4,975			\$ 53,694	27,471	242,546
2006	84,479	136,887		102	101,708		78,732	43,413	445,321
2007	92,321	252,106		13,171			67,743	41,170	466,511
2008	91,570	173,754		33,798			70,168	11,020	380,310
2009	91,807	38,937		7,647	8,000	100,000	72,508	33,241	352,140
2010		22,975		7,689	34,452	70,000	75,116	58,829	269,061

Source: Hopatcong Borough School District Records

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

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Total Assessed Value	Public Utilities *	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$ 19,203,300	\$ 819,378,300	\$ 2,573,600	\$ 194,200	\$ 29,902,400	\$ 195,700	\$ 871,447,500	\$ 1,141,443	\$ 872,588,943	\$ 42,831,000	\$ 1.94	\$ 1,160,875,528
2005	18,572,600	821,842,500	2,573,600	198,700	30,555,800	195,700	873,938,900	932,669	874,871,569	42,883,600	2.06	1,317,528,498
2006	18,079,200	827,960,600	2,573,600	199,800	29,957,300	195,700	878,966,200	784,632	879,750,832	43,978,600	2.15	1,517,906,718
2007 *	44,950,700	1,916,714,600	2,295,400	1,906,200	108,771,800	486,800	2,075,125,500	1,378,353	2,076,503,853	98,598,500	0.93	1,734,782,768
2008	44,278,050	1,912,868,400	2,295,400	247,600	96,350,000	486,800	2,056,526,250	1,463,435	2,057,989,685	98,519,200	0.96	1,858,757,494
2009	42,912,500	1,912,360,300	2,295,400	247,600	89,741,900	486,800	2,048,044,500	1,558,691	2,049,603,191	98,712,100	1.00	1,927,858,579

* Revaluation Year.

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

^b Tax rates are per \$100

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

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	Hopatcong Borough	Sussex County	
2000	\$ 1.72	\$ 0.04	\$ 1.76	\$ 0.80	\$ 0.50	\$ 3.06
2001	1.73	0.04	1.77	0.81	0.56	3.14
2002	1.79	0.02	1.81	0.85	0.60	3.26
2003	1.88	0.02	1.90	0.85	0.62	3.37
2004	1.92	0.02	1.94	0.87	0.64	3.45
2005	2.04	0.02	2.06	0.91	0.67	3.64
2006	2.13	0.02	2.15	0.95	0.73	3.83
2007	* 0.92	0.01	0.93	0.42	0.33	1.68
2008	0.95	0.01	0.96	0.47	0.34	1.77
2009	0.99	0.01	1.00	0.52	0.36	1.87

* Revaluation Year.

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

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

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

Source: Municipal Tax Collector and School Business Administrator

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

<u>Taxpayer</u>	2009		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Weldon Quarry Corporation	\$ 17,000,000	1	0.83 %
Individual Taxpayer #1	4,400,000	2	0.21 %
MMK Reinsurance	4,135,300	4	0.20 %
DBOB Hopatcong LLC	3,800,000	3	0.19 %
Durling Realty, LLC	3,029,000	6	0.15 %
River Styx Properties LLC	2,643,800	6	0.13 %
BJ Properties	2,580,000	7	0.13 %
Individual Taxpayer #2	2,149,300	8	0.10 %
Individual Taxpayer #3	2,053,000	9	0.10 %
Individual Taxpayer #4	2,034,300	10	0.10 %
Total	<u>\$ 43,824,700</u>		<u>2.14 %</u>

<u>Taxpayer</u>	2000		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Weldon Quarry Corporation	\$ 3,779,500	1	0.44 %
Individual Taxpayer #1	2,777,400	2	0.32 %
Individual Taxpayer #2	1,439,100	3	0.17 %
Bell Atlantic	1,406,375	4	0.16 %
Hudson River Marine Management	1,147,100	5	0.13 %
Garden State Yacht Club	908,100	6	0.11 %
Individual Taxpayer #3	796,800	7	0.09 %
Individual Taxpayer #4	767,900	8	0.09 %
Individual Taxpayer #5	762,600	9	0.09 %
Individual Taxpayer #6	756,000	10	0.09 %
Total	<u>\$ 14,540,875</u>		<u>1.70 %</u>

Note: Individual Taxpayers listed may be different in 2009 and 2000
Note: There was a revaluation of property in 2007.

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	\$ 15,170,832	\$ 15,170,832	100 %	-0-
2002	15,277,908	15,277,908	100 %	-0-
2003	15,892,030	15,892,030	100 %	-0-
2004	16,866,415	16,866,415	100 %	-0-
2005	17,319,355	17,319,355	100 %	-0-
2006	18,763,401	18,763,401	100 %	-0-
2007	19,023,005	19,023,005	100 %	-0-
2008	19,534,119	19,534,119	100 %	-0-
2009	20,005,858	20,005,858	100 %	-0-
2010	20,827,218	20,827,218	100 %	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities		Business-Type Activities	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Capital Leases			
2005	\$ 1,385,000	\$ 274,052		\$ 1,659,052	0.25 %	\$ 105.22
2006	1,185,000	238,214		1,423,214	0.20 %	90.74
2007	1,035,000	1,199,024	\$ 39,056	2,273,080	0.30 %	145.37
2008	885,000	1,297,263	70,384	2,252,647	0.29 %	144.64
2009	735,000	973,587	51,568	1,760,155	0.23 %	113.40
2010	585,000	955,832	57,403	1,598,235	0.21 %	102.97

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

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

Exhibit J-11

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 1,385,000	\$ -0-	\$ 1,385,000	0.159 %	\$ 87.95
2006	1,185,000	-0-	1,185,000	0.135 %	75.78
2007	1,035,000	-0-	1,035,000	0.118 %	66.47
2008	885,000	-0-	885,000	0.043 %	57.13
2009	735,000	-0-	735,000	0.036 %	47.45
2010	585,000	-0-	585,000	0.029 %	37.69

^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.

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

HOPATCONG BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2009
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Hopatcong Borough	\$ 8,432,515	100.00 %	\$ 8,432,515
County of Sussex General Obligation Debt	77,111,415	8.92 %	<u>6,874,871</u>
Subtotal, Overlapping Debt			15,307,386
Hopatcong Borough School District Direct Debt			<u>585,000</u>
Total Direct and Overlapping Debt			<u>\$ 15,892,386</u>

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

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

Sources: Assessed value data used to estimate applicable percentages provided by the County of Sussex 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 2010

Equalized Valuation Basis

2009	\$	1,895,810,886
2008		1,933,188,804
2007		<u>1,873,025,995</u>
		<u>\$ 5,702,025,685</u>

Average Equalized Valuation of Taxable Property	\$	1,900,675,228
Debt Limit (4% of Average Equalization Value)		76,027,009 ^a
Net Bonded School Debt as of June 30, 2010		<u>585,000</u>
Legal Debt Margin	\$	<u>75,442,009</u>

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt Limit	\$ 53,022,237	\$ 60,619,278	\$ 68,099,281	\$ 73,774,186	\$ 76,027,009
Total Net Debt Applicable to Limit	<u>1,185,000</u>	<u>1,035,000</u>	<u>885,000</u>	<u>735,000</u>	<u>585,000</u>
Legal Debt Margin	<u>\$ 51,837,237</u>	<u>\$ 59,584,278</u>	<u>\$ 67,214,281</u>	<u>\$ 73,039,186</u>	<u>\$ 75,442,009</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	2.23 %	1.71 %	1.30 %	1.00 %	0.77 %

	Fiscal Year				
	2001	2002	2003	2004	2005
Debt Limit	\$ 33,522,778	\$ 35,079,211	\$ 37,442,705	\$ 41,312,309	\$ 46,425,537
Total Net Debt Applicable to Limit	<u>2,135,000</u>	<u>1,985,000</u>	<u>1,785,000</u>	<u>1,585,000</u>	<u>1,385,000</u>
Legal Debt Margin	<u>\$ 31,387,778</u>	<u>\$ 33,094,211</u>	<u>\$ 35,657,705</u>	<u>\$ 39,727,309</u>	<u>\$ 45,040,537</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	6.37 %	5.66 %	4.77 %	3.84 %	2.98 %

^a Limit set by NJSA 18A:24-19 for a K through 12 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>Sussex County Per Capita Personal Income ^c</u>	<u>Personal Income ^b</u>	<u>Unemployment Rate ^d</u>
2001	15,879	\$ 38,577	\$ 612,564,183	3.9 %
2002	15,875	38,723	614,727,625	5.5 %
2003	15,890	39,336	625,049,040	5.9 %
2004	15,851	40,819	647,021,969	4.4 %
2005	15,767	42,450	669,309,150	5.1 %
2006	15,684	45,448	712,806,432	5.7 %
2007	15,636	48,474	757,939,464	5.4%
2008	15,574	49,763	775,008,962	6.9%
2009	15,521	49,763 *	772,371,523	11.4%
2010	15,521 **	49,763 *	772,371,523	N/A

* - Latest Sussex County per capita personal income available (2008) was used for calculation purposes.

** - Latest population data available (2009) was used for calculation purposes.

N/A - Information unavailable.

- Source:
- ^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

<u>Employer</u>	2010	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Crystal Springs Golf and Spa Resort	2,000	5.05%
Newton Memorial Hospital	1,490	3.76%
Selective Insurance	900	2.27%
County of Sussex	830	2.10%
Mountain Creek Resort	800	2.02%
Shop Rite (Ronetco)	697	1.76%
Ames Rubber Corp	445	1.12%
Walmart	412	1.04%
Andover Subacute and Rehab Center	300	0.76%
Sussex County Community College	300	0.76%
Raider Express	250	0.63%
	<u>8,424</u>	<u>21.27%</u>

<u>Employer</u>	2001	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Selective Insurance	954	2.41%
Andover Subacute and Rehab Center	906	2.29%
County of Sussex	815	2.06%
Mountain Creek Resort	800	2.02%
Newton Memorial Hospital	757	1.91%
Ronetco Supermarkets	711	1.80%
Vernon Township Bd. of Education	629	1.59%
F.O. Phoenix, Inc.	600	1.52%
Hopatcong Board of Education	450	1.14%
Walmart	380	0.96%
	<u>7,002</u>	<u>17.68%</u>

Source: County of Sussex

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction						
Regular	203	197	204	202	202	178
Support Services:						
Student & Instruction Related Services	49	43	36	37	37	40
School Administrative Services	13	14	13	13	13	14
General and Business Administrative Services	8	8	8	8	8	7
Plant Operations and Maintenance	28	25	28	27	27	27
Total	<u>301</u>	<u>287</u>	<u>289</u>	<u>287</u>	<u>287</u>	<u>266</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: District Personnel Records

HOPATCONG BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST SIX FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment ^c	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				
2005	2,623	\$ 32,346,843	\$ 12,332	1.13 %	248	1:14	1:11	1:11	2,623	2,417	-1.80 %	92.15 %
2006	2,546	34,215,183	13,439	8.97 %	248	1:12	1:11	1:11	2,546	2,378	-2.94 %	93.40 %
2007	2,488	36,134,870	14,524	8.07 %	243	1:12	1:11	1:11	2,488	2,335	-2.28 %	93.85 %
2008	2,433	38,058,196	15,642	7.70 %	243	1:12	1:11	1:11	2,433	2,240	-2.21 %	92.07 %
2009	2,287	36,227,534	15,841	1.27 %	243	1:12	1:11	1:11	2,287	2,153	-6.00 %	94.14 %
2010	2,195	36,813,509	16,772	5.88 %	218	1:12	1:10	1:11	2,195	2,047	-4.02 %	93.26 %

^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.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006

Source: Hopatcong Borough School District records

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST SIX FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>District Buildings</u>						
High School						
Square Feet	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
Enrollment	785	808	787	791	748	729
Durban Avenue School						
Square Feet	55,065	55,065	55,065	55,065	55,065	55,065
Capacity (students)	487	487	487	487	487	487
Enrollment	400	380	389	380	344	329
Middle School						
Square Feet	85,000	85,000	85,000	85,000	85,000	85,000
Capacity (students)	791	791	791	791	791	791
Enrollment	651	622	613	612	600	528
Hudson Maxim School						
Square Feet	33,660	33,660	33,660	33,660	33,660	33,660
Capacity (students)	490	490	490	490	490	490
Enrollment	367	348	339	310	296	313
Tulsa Trail School						
Square Feet	32,184	32,184	32,184	32,184	32,184	32,184
Capacity (students)	500	500	500	500	500	500
Enrollment	374	389	360	340	323	296
Administration Building						
Square Feet	12,735	12,735	12,735	12,735	12,735	12,735
Field House						
Square Feet	3,840	3,840	3,840	3,840	3,840	3,840
Maintenance Sheds						
Square Feet	4,000	4,000	4,000	4,000	4,000	4,000
Garage						
Square Feet	1,200	1,200	1,200	1,200	1,200	1,200
Storage Building						
Square Feet	1,000	1,000	1,000	1,000	1,000	1,000
Number of Schools at June 30, 2010						
Elementary = 3						
Middle School = 1						
High School = 1						
Other = 5						

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Hopatcong Borough School District Facilities Office

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

Undistributed Expenditures - Required Maintenance for School Facilities

Account # 11-000-261-xxx

School Facilities	Fiscal Year Ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
High School	\$ 432,226	\$ 423,254	\$ 511,791	\$ 390,163	\$ 426,924	\$ 292,357	\$ 208,858	\$ 219,797	\$ 158,334	\$ 149,401
Durban Avenue School	120,904	118,394	143,160	109,137	119,421	81,779	58,422	69,451	44,290	41,791
Middle School	186,631	182,757	220,986	168,468	184,342	126,237	90,183	104,901	68,367	64,510
Hudson Maxim School	73,906	72,372	87,511	66,713	72,999	49,990	35,712	37,796	27,073	25,546
Tulsa Trail School	70,665	69,198	83,673	63,788	69,798	47,798	34,146	34,988	25,886	24,426
Administration Building	27,962	27,381	33,109	25,240	27,619	18,913	13,512	11,885	10,243	9,665
Field House	8,431	8,256	9,983	7,611	8,328	5,703	4,074	3,584	3,089	2,914
Maintenance Sheds	8,782	8,600	10,399	7,928	8,675	5,941	4,244	3,733	3,217	3,036
Garage	2,635	2,580	3,120	2,378	2,602	1,782	1,273	1,120	965	911
Storage Building	2,195	2,150	2,600	1,982	2,169	1,485	1,061	933	804	758
Total	\$ 934,337	\$ 914,942	\$ 1,106,332	\$ 843,408	\$ 922,877	\$ 631,985	\$ 451,485	\$ 488,188	\$ 342,268	\$ 322,958

* 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
JUNE 30, 2010
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund:		
Property - Blanket Building and Contents	\$ 53,066,088	\$ 1,000
Comprehensive General Automotive Liability	1,000,000	
Commercial Umbrella Liability	1,000,000	
Abuse and Molestation Liability	10,000,000	
Student Insurance	1,000,000	
School Leaders Professional Liability	2,000,000	25,000
Workers' Compensation	1,000,000	
Boiler and Machinery	1,000,000	1,000
Environmental Impairment	1,000,000	5,000
Public Official's Bond - Selective Insurance Co.		
Treasurer of School Monies	230,000	
Business Administrator/Board Secretary	230,000	
Superintendent	25,000	
Blanket Bond	25,000	

Source: Hopatcong Borough School District records.

SINGLE AUDIT SECTION

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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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the 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, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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 Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

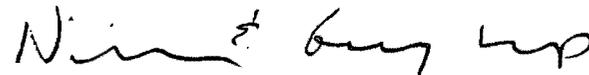
The Honorable President and Members
of the Board of Education
Hopatcong Borough School District
Page 2

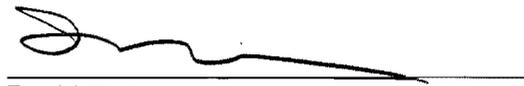
Compliance and Other Matters

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

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

September 24, 2010
Mount Arlington, New Jersey


NISIVOCCIA & COMPANY LLP


David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant



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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular NJOMB 04-04

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

Compliance

We have audited the compliance of the Board of Education of the Hopatcong Borough School District in the County of Sussex (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the Board's major federal and state programs for the fiscal year ended June 30, 2010. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Board'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. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2010.

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

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/ Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

September 24, 2010
Mount Arlington, New Jersey


NISIVOCCIA & COMPANY LLP


David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant

**HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Total	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance Deferred Revenue/ (Accounts Receivable) June 30, 2009	Carryover Amount	Cash Received	Budgetary Expendit- ures	Budgetary Basis		
									Deferred Revenue June 30, 2010	(Accounts Receivable) June 30, 2010	Due to Grantor June 30, 2010
U.S. Department of Agriculture											
Passed-through State Department of Education:											
Child Nutrition Cluster:											
Food Distribution Program	10.555	N/A	7/1/09-6/30/10	\$ 32,688		\$ 32,688	\$ (32,688)				
National School Lunch Program	10.555	N/A	7/1/09-6/30/10	179,554		167,198	(179,554)		\$ (12,356)		
National School Lunch Program	10.555	N/A	7/1/08-6/30/09	159,648	\$ (10,121)	10,121					
School Breakfast Program	10.553	N/A	7/1/09-6/30/10	11,010		9,967	(11,010)		(1,043)		
School Breakfast Program	10.553	N/A	7/1/08-6/30/09	16,221	(1,231)	1,231					
Total Child Nutrition Cluster					(11,352)	221,205	(223,252)		(13,399)		
Total U.S. Department of Agriculture					(11,352)	221,205	(223,252)		(13,399)		
U.S. Department of Education											
General Fund:											
ARRA - SFSE:											
ESF (Education Stabilization Fund)	84.394	N/A	7/1/09-6/30/10	1,034,911		1,034,911	(1,034,911)				
GSF (Government Services Fund)	84.397	N/A	7/1/09-6/30/10	40,063		40,063	(40,063)				
U.S. Department of Health and Human Services	93.778	N/A	7/1/09-6/30/10	32,475		32,475	(32,475)				
Total General Fund						1,107,449	(1,107,449)				
Special Revenue Fund:											
Passed-through State Department of Education:											
NCLB Consolidated:											
Title I	84.010	NCLB-2240-10	9/1/09-8/31/10	193,061		94,944	(160,861)		(65,917)		
Title I	84.010	NCLB-2240-09	9/1/08-8/31/09	192,382	(92,678)	92,678					
Title II, Part A	84.367A	NCLB-2240-10	9/1/09-8/31/10	60,386		47,409	(56,711)		(9,302)		
Title II, Part A	84.367A	NCLB-2240-09	9/1/08-8/31/09	61,223	(29,368)	29,368					
Title II - Part D	84.318X	NCLB-2240-10	9/1/09-8/31/10	1,934			(80)		(80)		
Title II - Part D	84.318X	NCLB-2240-09	9/1/08-8/31/09	1,600	(1,600)	1,600					
Title IV	84.186A	NCLB-2240-10	9/1/09-8/31/10	5,449			(2,582)		(2,582)		
Title IV	84.186A	NCLB-2240-09	9/1/08-8/31/09	5,814	(5,713)	5,713					
ARRA - Title I	84.389	ARRA-2240-10	7/1/09-8/31/11	56,123		34,019	(53,638)		(19,619)		
Special Education Cluster:											
I.D.E.A. Part B, Basic	84.027	FT-2240-10	9/1/09-8/31/10	628,323		395,136	(397,523)		(2,387)		
I.D.E.A. Part B, Basic Carryover	84.027	FT-2240-09	9/1/08-8/31/10	641,745	(137,888)	262,741	(124,853)				
ARRA - I.D.E.A. Part B, Basic	84.391	ARRA-2240-10	7/1/09-8/31/11	516,291		341,086	(388,475)		(47,389)		
I.D.E.A. Part B, Preschool	84.173	PS-2240-10	9/1/09-8/31/10	20,710		2,142	(1,196)	\$ 946			
I.D.E.A. Part B, Preschool Carryover	84.173	PS-2240-09	9/1/08-8/31/10	20,872	(936)	19,172	(18,236)				
Total Special Education Cluster					(138,824)	1,020,277	(930,283)	946	(49,776)		
Adult director	N/A	N/A	prior to 1993	N/A	(2,884)				(2,884)		
E.E.S.A. Title II	N/A	N/A	prior to 1993	N/A	(1,604)				(1,604)		
Transition program for refugee children	N/A	N/A	prior to 1993	N/A	(41)				(41)		
Marketing education	N/A	N/A	prior to 1993	N/A	(579)				(579)		
Drafting technology	N/A	N/A	prior to 1993	N/A	(58)				(58)		
Total Special Revenue Fund					(273,349)	1,326,008	(1,204,155)	946	(152,442)		
Total U.S. Department of Education					(273,349)	2,433,457	(2,311,604)	946	(152,442)		
Total Federal Awards					\$ (284,701)	\$ -0-	\$ 2,654,662	\$ (2,534,856)	\$ 946	\$ (165,841)	\$ -0-

N/A - Not Applicable/Available

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

**HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Deferred/ Due to Grantor/ Revenue/ (Accounts Receivable) June 30, 2009	Carryover Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2010		MEMO		
								GAAP (Accounts Receivable)	Budgetary Deferred Revenue/ Interfund Payable	Budgetary Receivable June 30, 2010	Cumulative Total Expenditures	
State Department of Education:												
<u>General Fund:</u>												
Equalization Aid	09-495-034-5120-078	7/1/08-6/30/09	\$ 7,093,008	\$ (657,947)		\$ 657,947					\$ 7,093,008	
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	4,849,509			4,317,865	\$ (4,849,509)			\$ 531,644	4,849,509	
Transportation Aid	09-495-034-5120-014	7/1/08-6/30/09	470,089	(50,856)		50,856					470,089	
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	548,930			488,752	(548,930)			60,178	548,930	
Special Education Categorical Aid	09-495-034-5120-089	7/1/08-6/30/09	1,115,026	(120,627)		120,627					1,115,026	
Special Education Categorical Aid	10-495-034-5120-089	7/1/09-6/30/10	1,087,165			967,981	(1,087,165)			119,184	1,087,165	
Security Aid	09-495-034-5120-084	7/1/08-6/30/09	198,291	(21,452)		21,452					198,291	
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	202,221			180,052	(202,221)			22,169	202,221	
Adjustment Aid	09-495-034-5120-085	7/1/08-6/30/09	3,812,030	(412,397)		412,397					3,812,030	
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	5,009,514			4,460,329	(5,009,514)			549,185	5,009,514	
District Reimbursement for Extraordinary Costs	10-100-034-5120-473	7/1/09-6/30/10	261,075				(261,075)	\$ (261,075)		261,075	261,075	
District Reimbursement for Extraordinary Costs	09-100-034-5120-473	7/1/08-6/30/09	309,095	(234,056)		234,056					309,095	
Nonpublic Transportation Costs	N/A	7/1/09-6/30/10	17,353				(17,353)	(17,353)		17,353	17,353	
Nonpublic Transportation Costs	N/A	7/1/08-6/30/09	21,042	(21,042)		21,042					21,042	
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/09-6/30/10	1,246,342			1,185,296	(1,246,342)	(61,046)		61,046	1,246,342	
Reimbursed TPAF Social Security Contributions	09-495-034-5095-002	7/1/08-6/30/09	1,251,622	(62,660)		62,660					1,251,622	
Total General Fund				(1,581,037)		13,181,312	(13,222,109)	(339,474)		1,621,834	27,492,312	
Schools Development Authority:												
<u>Capital Projects Fund:</u>												
Durban Avenue School Asbestos Abatement	SP2240-035-09-1001	N/A	40,096				(40,096)	(40,096)		40,096	40,096	
Hopatcong Middle School Univentilator Upgrades	SP2240-040-09-1002	N/A	53,594				(53,594)	(53,594)		53,594	53,594	
Total Capital Projects Fund							(93,690)	(93,690)		93,690	93,690	
<u>Debt Service Fund:</u>												
Debt Service Aid Type II	10-495-034-5120-125	7/1/09-6/30/10	61,996			61,996	(61,996)				61,996	
Total Debt Service Fund						61,996	(61,996)				61,996	
<u>Enterprise Fund:</u>												
State School Lunch Program	09-100-010-3350-023	7/1/08-6/30/09	10,931	(674)		674					12,115	
State School Lunch Program	10-100-010-3350-023	7/1/09-6/30/10	11,025			10,280	(11,025)	(745)		745	12,659	
State School Breakfast Program	09-100-010-3350-021	7/1/08-6/30/09	2,185	(164)		164					3,520	
State School Breakfast Program	10-100-010-3350-021	7/1/09-6/30/10	1,377			1,247	(1,377)	(130)		130	3,526	
Total Enterprise Fund				(838)		12,365	(12,402)	(875)		875	31,820	
Total State Awards				\$ (1,581,875)	\$ -0-	\$ 13,255,673	\$ (13,390,197)	\$ (434,039)	\$ -0-	\$ 1,716,399	\$ 27,679,818	

N/A - Not Applicable/Available

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal and state awards include federal and state award activity of the Board of Education, Hopatcong Borough School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state financial assistance received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included on the schedules of expenditures of federal and state awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in these schedules are presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. 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 (RS1) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97. For GAAP purposes, the current year payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$19,081) for the general fund, and \$16,158 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Non-Contributory Insurance and Post Retirement Contributions revenue of \$58,937 and \$1,106,919 respectively. 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	\$ 1,107,449	\$ 14,368,884	\$ 15,476,333
Special Revenue Fund	1,220,313		1,220,313
Capital Projects Fund		93,690	93,690
Debt Service Fund		61,996	61,996
Food Service Fund	223,252	12,402	235,654
Total Awards	<u>\$ 2,551,014</u>	<u>\$ 14,536,972</u>	<u>\$ 17,087,986</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2010. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

NOTE 6. NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANT

The District received grants in the amount of \$93,690 in connection with capital projects for asbestos abatement at the Durban Avenue School and univentilator upgrades to the Hopatcong Middle School. Eligible grant expenditures are reported as funds are drawn down. At June 30, 2010, the District has expended all grant funds of \$93,690 and has \$93,690 receivable on the budgetary basis. In the Capital Projects Fund, the District realizes the full amount of the grant revenue on the budgetary basis in the year it was awarded and realized the grant revenue on a GAAP basis as it is expended.

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major federal and state programs.
- An unqualified report was issued on the District's compliance with major federal and state program requirements.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for recipients of Federal Grants, State Grants and State Aid* and Federal OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*.
- The District's major programs for the current fiscal year consisted of the following federal and state awards:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
ARRA - SFSE:				
ESF (Educ. State Grants)	84.394	7/1/09-6/30/10	\$ 1,034,911	\$ 1,034,911
GSF (Government Services)	84.397	7/1/09-6/30/10	40,063	40,063
Special Education Cluster:				
IDEA Basic	84.027	9/1/09-8/31/10	628,323	397,523
IDEA Basic Carryover	84.027	9/1/08-8/31/09	641,745	124,853
IDEA Preschool	84.173	9/1/09-8/31/10	20,710	1,196
IDEA Preschool Carryover	84.173	9/1/08-8/31/09	20,872	18,236
ARRA - IDEA Basic	84.391	7/1/09-8/31/11	516,291	388,475
NCLB - Title I	84.010	9/1/09-8/31/10	193,061	160,861
ARRA - NCLB - Title I	84.389	7/1/09-8/31/11	56,123	53,638
<u>State:</u>				
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	4,849,509	4,849,509
Special Education				
Categorical Aid	10-495-034-5120-089	7/1/09-6/30/10	1,087,165	1,087,165
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	202,221	202,221
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	5,009,514	5,009,514
Reimbursed TPAF Social				
Security Contributions	10-495-034-5095-002	7/1/09-6/30/10	1,246,342	1,246,342

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Summary of Auditors' Results (Cont'd):

- The threshold for distinguishing Type A and Type B programs was \$300,000 for federal programs and \$401,706 for state programs.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

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

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

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in section 510(a) of the Circular.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey's OMB Circular NJOMB 04-04.

HOPATCONG BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Status of Prior Year Findings:

The District had no prior year audit findings.