

***BOROUGH OF STOCKTON SCHOOL DISTRICT***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2010***

***BOROUGH OF STOCKTON SCHOOL DISTRICT***

***Borough of Stockton School District  
Stockton, New Jersey***

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

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

***Prepared by***

***Borough of Stockton School District  
Finance Department***

***And***

***Barre & Company, CPAs***

**STATE BOARD OF EDUCATION**

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***INTRODUCTORY SECTION***

***BOROUGH OF STOCKTON SCHOOL DISTRICT  
19 SOUTH MAIN STREET  
STOCKTON, NEW JERSEY 08559  
609-397-2012***

October 13, 2010

Honorable President and  
Members of the Board of Education  
Borough of Stockton School District  
County of Hunterdon  
Stockton, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Borough of Stockton School District (District) for the fiscal year ended June 30, 2010. This CAFR includes the District's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

The District has elected to adopt this new financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. This report will provide the taxpayers of the Borough of Stockton School District with comprehensive financial data in a format enabling them to gain an understanding of the School District's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the School District;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the School District's financial position and operating results, and other schedules providing detailed budgetary information;

- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the School District, generally presented on a multi-year basis;
- The Single Audit Section — The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

## **School District Organization**

An elected five-member Board of Education (the “Board”) serves as the policy maker for the School District. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of School District tax money.

The Superintendent is the chief executive officer of the School District, responsible to the Board for total educational and support operations. The Board Secretary is the chief financial officer of the School District, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the School District, acting as custodian of all School District funds, and investing idle funds as permitted by New Jersey law.

**1) REPORTING ENTITY AND ITS SERVICES:** Borough of Stockton School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Stockton Board of Education and all its school constitute the District’s reporting entity.

The District provides a full range of educational services appropriate to grade levels Kindergarten through 6. These include regular, as well as special education programs for handicapped youngsters. The current enrollment in the school is 37. The following details the changes in the student enrollment of the District over the last five years.

**REPORTING ENTITY AND ITS SERVICES (CONTINUED):**

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2009-2010	37	2.70%
2008-2009	36	-3.33%
2007-2008	36	-29.57%
2006-2007	46	6.22%
2005-2006	46	-19.91%

**2) ECONOMIC CONDITION AND OUTLOOK:** Although the Stockton Borough School's incoming class was only slightly smaller to the outgoing class, the overall enrollment increased slightly for the 2009-2010 school year. The school board is reviewing ways to increase tuition enrollment, especially in targeted classrooms where the class size is disproportionately small. A preschool for four year old students will continue for the 2010-2011 school year. Since it will be combined with the Kindergarten class, no new staff will be hired. Continuing increases in special education costs are a concern since this increase has occurred without proportionate State Extraordinary aid or IDEA funding. The district applied for Extraordinary Aid to meet financial burdens, which exceed revenues due to the special needs costs for eligible students. The district explored other cost-saving measures, such as increasing shared services. Fortunately, a very active PTO and the support of a local educational foundation, the LAEF, allow the students to participate in a wide variety of educational enrichment activities. Both NCLB and REAP grants provide staff development and special educational supplemental services.

**3) INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of control should not exceed the benefits likely to be derived
- (2) the valuation of costs and benefits requires estimates and judgments by management.

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

## **INTERNAL ACCOUNTING CONTROLS (CONTINUED):**

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

**4) BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

**5) ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect U.S. generally accepted accounting principals, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

**6) FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the District continues meeting its responsibility for sound financial management. You should review in detail the management's discussion and analysis for the fiscal year ended June 30, 2010, for Financial Summaries.

**7) CASH MANAGEMENT:** The investment policy of the District is guided by state statute as detailed in "Notes to Basic Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**8) RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found in J-20.

**9) OTHER INFORMATION:**

**Independent Audit** – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, Certified Public Accountants, was selected by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the Single Audit Act Amendment of 1996 and the related OMB Circular A-133, “*Audits of State, Local Governments and Non-Profit Organization*” and State Treasury Circular Letter 04-04 OMB, “*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 supplemental information is included in the financial section of this report. The auditor’s reports, related specifically to the single audit, are included in the single audit section of this report.

**10) ACKNOWLEDGMENTS:**

We would like to express our appreciation and thanks to the members of the Board of Education of Borough of Stockton School District for their determined effort to provide fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,



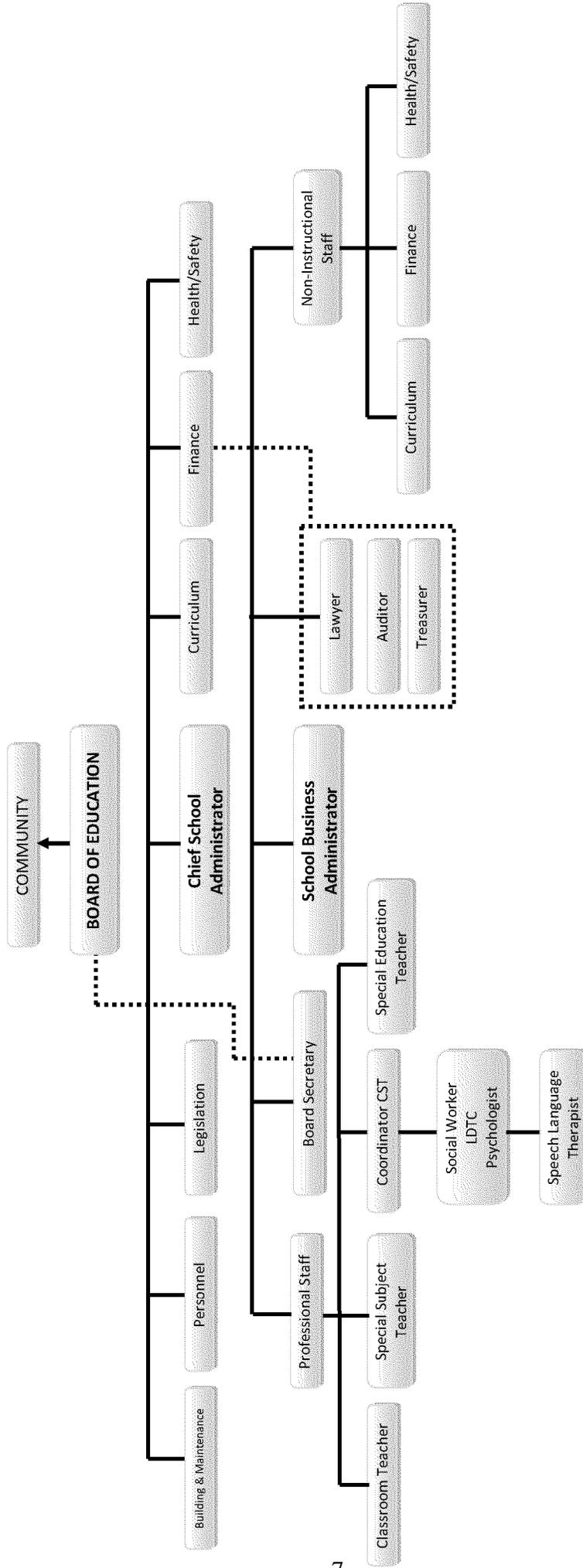
Suzanne Ivans  
Chief School Administrator



Gary P. Johnston  
School Business Administrator

# STOCKTON SCHOOL DISTRICT

## ORGANIZATIONAL CHART



**BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2010**

<b><u>MEMBERS OF THE BOARD OF EDUCATION</u></b>	<b><u>TERM EXPIRES</u></b>
James Gallagher, President	2012
Lisa Levine, Vice President	2013
Kenneth Good	2013
David Pasicznyck	2011
Diane Walker-Torkelson (Board Appointed)	2012

**OTHER OFFICIALS**

Suzanne Ivans, Chief School Administrator  
Kris Nenna, School/Board Secretary  
Gary Johnston, School Business Administrator  
Elaine Vanselous, Treasurer of School Monies

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

Barre & Company  
Certified Public Accountants  
2204 Morris Avenue  
Union, New Jersey 07083

***Attorney***

Parker, McCay, Crisculo P.C.  
1009 Lenox Drive., Suite 102A  
Building 4 East  
Lawrenceville, NJ 08648

***Official Depository***

PNC Bank  
P.O. Box 265  
Sergeantsville, NJ 08557

***FINANCIAL SECTION***

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 303*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

**Independent Auditor's Report**

Honorable President  
Members of the Board of Education  
Borough of Stockton School District  
County of Hunterdon  
Stockton, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Stockton School District in the County of Hunterdon, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Stockton School District Board of Education's management. Our responsibility is to express an opinion on these basic 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 basic 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough of Stockton School District Board of Education, in the County of Hunterdon, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the 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

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dated October 13, 2010 on our consideration of Borough of Stockton School District Board of Education'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. This report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Information starting on pages 14 and 63, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We 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 Borough of Stockton School District Board of Education's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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 tables 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.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *"Audits of States, Local Governments, and Non-Profit Organizations,"* and New Jersey OMB's Circular 04-04, *"Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid,"* respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relations to the basic financial statements taken as a whole.



Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

October 13, 2010

***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

The discussion and analysis of Borough of Stockton School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2009-2010) and the prior year (2008-2009) is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- ❖ General revenues accounted for \$1,268,879 in revenue or 97% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$34,212 or 3% of total revenues of \$1,303,091.
- ❖ The School District had \$821,187 in expenses; only \$34,212 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$1,268,879 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$736,489 in revenues and \$701,007 in expenditures and other financing sources. The General Fund's fund balance increased \$35,482 over 2009. This increase was anticipated by the Board of Education.

**Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Borough of Stockton School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(CONTINUED)**

**Using this Comprehensive Annual Financial Report (CAFR) (Continued)**

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School district, presenting both an aggregate view of the School district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School district's most significant funds with all other non-major funds presented in total in one column. In the case of Borough of Stockton School District, the General Fund is by far the most significant fund.

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School district as a whole looks at all financial transactions and ask the question, "How did we do financially during 2010?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(CONTINUED)**

**Statement of Net Assets and the Statement of Activities (Continued)**

- ❖ **Business-Type Activity** — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity. Currently, the school does not have any business-type activities.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

Fund financial reports provide detailed information about the School District's funds. The School District uses many funds to account for a multitude of financial transactions. The School District's governmental funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund., and the Debt Service Fund

**Governmental Funds**

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

**Enterprise Fund**

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same. Currently, the school does not have any enterprise fund.

**Notes to the 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 financial statements can be found starting on page 36 of this report.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(CONTINUED)**

**The School District as a Whole**

Recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Net assets may serve over time as a useful indicator of a government's financial position. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the School District's net assets for 2010 and 2009.

**Table 1  
Net Assets**

	2010	2009
<b>Assets</b>		
Current and Other Assets	\$ 136,673	\$ 178,474
Capital Assets	533,571	558,546
<b>Total Assets</b>	<u>670,244</u>	<u>737,020</u>
<b>Liabilities</b>		
Account and Other Payables	3,491	555,653
Other Current Liabilities	-	18
Long-Term Liabilities	7,000	3,500
<b>Total Liabilities</b>	<u>10,491</u>	<u>559,171</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	533,571	558,546
Restricted	47,548	(444,815)
Unrestricted	78,634	64,118
<b>Total Net Assets</b>	<u>\$ 659,753</u>	<u>\$ 177,849</u>

The District's combined net assets were \$659,753 on June 30, 2010, and \$177,849 for 2009.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(CONTINUED)**

**The School District as a Whole (Continued)**

Table 2 shows changes in net assets for fiscal years ended 2010 and 2009.

**Table 2  
Changes in Net Assets**

	2010	2009
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 24,720	\$ 23,557
Operating Grants and Contributions	9,492	11,375
General Revenues:		
Property Taxes	631,376	593,283
Grants and Entitlements	333,738	153,053
Other	<u>303,765</u>	<u>4,935</u>
Total Revenues	<u>1,303,091</u>	<u>786,203</u>
<b>Program Expenses</b>		
Instruction	439,960	430,681
Support Services:		
Tuition	98,581	84,363
Student and Instruction Related	78,103	55,701
General and Business Administrative	59,685	40,655
School Administrative	3,176	22,789
Plant Operations and Maintenance	83,993	80,839
Pupil Transportation	4,367	4,167
Capital Outlay	32,177	-
Interest on Long-Term Debt	<u>21,145</u>	<u>19,307</u>
Total Program Expenses	<u>821,187</u>	<u>738,502</u>
<b>Changes in Net Assets</b>	<u>\$ 481,904</u>	<u>\$ 47,701</u>

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the School District operations. Property taxes made up 48% for 2010 and 75% for 2009 of revenues for governmental activities for the Borough of Stockton School District. The District's total revenues were \$1,303,091 for

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(CONTINUED)**

**The School District as a Whole (Continued)**

the year ended June 30, 2010, and \$786,203 for 2009. Federal, state, and local grants accounted for another 28% for 2010 and 24% for 2009 of revenues which includes \$46,965 for 2010 and \$52,050 for 2009 of state reimbursed TPAF pension and TPAF social security contributions.

The total cost of all program and services was \$821,187 for 2010 and \$738,502 for 2009. Instruction comprises 54% for 2010 and 58% for 2009 of District's expenses.

**Business-Type Activities**

Currently, the school does not have any business-type activities.

**Governmental Activities**

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(CONTINUED)**

**Governmental Activities (Continued)**

**Table 3**

	<b>Total Cost of Services</b>	
	<b>2010</b>	<b>2009</b>
Instruction	\$ 439,960	\$ 430,681
Support Services:		
Tuition	98,581	84,363
Student and Instruction Related	78,103	55,701
General and Business Administrative	59,685	40,655
School Administrative	3,176	22,789
Plant Operations and Maintenance	83,993	80,839
Pupil Transportation	4,367	4,167
Capital Outlay	32,177	-
Interest on Long-Term Debt	21,145	19,307
<b>Total Expenses</b>	<b>\$ 821,187</b>	<b>\$ 738,502</b>

	<b>Net Cost of Services</b>	
	<b>2010</b>	<b>2009</b>
Instruction	\$ 407,488	\$ 395,749
Support Services:		
Tuition	98,581	84,363
Student and Instruction Related	78,103	55,701
General and Business Administrative	59,685	40,655
School Administrative	3,176	22,789
Plant Operations and Maintenance	83,993	80,839
Pupil Transportation	2,627	4,167
Capital Outlay	32,177	-
Interest on Long-Term Debt	21,145	19,307
<b>Total Expenses</b>	<b>\$ 786,975</b>	<b>\$ 703,570</b>

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

Tuition and Students and Instruction Related expenses include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(CONTINUED)**

**Governmental Activities (Continued)**

General and Business Administration and School Administration expenses include expenses associated with administrative and financial supervision of the District.

Plant Operations and Maintenance expenses involve keeping the school grounds, buildings, and equipment in an effective working condition.

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

**The School District's Funds**

All governmental funds (i.e., general fund, special revenue fund, capital projects fund, and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$1,303,0911 for 2010 and \$786,203 for 2009 and expenditures were \$792,712 for 2010 and \$1,190,986 for 2009. The net change in fund balance for the year was an increase of \$510,379 for 2010 and a decrease of \$404,783 for 2009. These changes are most significant in the capital projects fund for 2010 and for 2009.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2010, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2009</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 671,979	66.33%	\$ 47,649	7.63%
State Sources	304,847	30.09%	172,921	131.07%
Federal Sources	36,265	3.58%	6,318	21.10%
<b>Total</b>	<b>\$ 1,013,091</b>	<b>100.00%</b>	<b>\$ 226,888</b>	

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(CONTINUED)**

**The School District's Funds (continued)**

Local revenues increased by \$47,649. The increase in local revenue was due to a tax increase needed to fund the additional expenditures associated with an increase in enrollment and higher operating costs.

Federal revenues increased due to an increase in IDEA and Title funds.

The following schedule represents a summary of general fund, special revenue fund, capital projects fund, and debt service fund expenditures for the fiscal year ended June 30, 2010, and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2009</u>	<u>Percent of Increase/ (Decrease)</u>
Current Expense:				
Instruction	\$ 347,975	43.89%	\$ 17,261	5.22%
Undistributed	391,415	49.38%	(6,505)	-1.63%
Capital Outlay	32,177	4.06%	(410,868)	-92.74%
Debt Service	21,145	2.67%	1,838	9.52%
 Total	 <u>\$ 792,712</u>	 <u>100.00%</u>	 <u>\$ (398,274)</u>	

Changes in expenditures were the results of varying factors. Current expense increased due to additional staff and students, and increased health benefits and utility costs.

**General Fund Budgeting Highlights**

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

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts. Several of these revisions bear notation:

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(CONTINUED)**

**General Fund Budgeting Highlights (continued)**

- ♣ TPAF, which is the state's contribution to the pension fund, is neither a revenue item nor an expenditure item to the district but is required to be reflected in the financial statements.

**Capital Assets**

The School District had \$533,571 at June 30, 2010 and \$558,546 for 2009 invested in land, building, furniture and equipment, and vehicles. Table 4 shows the balances of capital assets (net of depreciation) for fiscal years 2010 and 2009.

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

	2010	2009
Site Improvements	\$ 19,067	\$ 20,433
Buildings and Buildings Improvements	493,770	515,779
Machinery and Equipment	20,734	22,334
Total	\$ 533,571	\$ 558,546

For more detailed information, please refer to the Notes to the Financial Statements.

**Debt Administration**

At June 30, 2010, the School District had \$7,000 of outstanding debt. Of this amount, \$7,000 is for compensated absences.

For more detailed information, please refer to the Notes to the Financial Statements.

**For the Future**

The Borough of Stockton School District is in stable financial condition presently. A major concern is the increase in special education costs and the decline in enrollment. Maintaining a healthy General Fund Balance will be a concern for future budgets and maintaining the quality of education that Stockton has always achieved.

In conclusion, the Borough of Stockton School District has committed itself to financial stability for many years. In addition, the School District's system for financial planning,

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
STOCKTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(CONTINUED)**

**For the Future (Continued)**

budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Ms. Suzanne Ivans, Chief School Administrator at Borough of Stockton School District, 19 South Main Street, Stockton, New Jersey 08559.

***BASIC FINANCIAL STATEMENTS***

**SECTION A - DISTRICT-WIDE FINANCIAL STATEMENTS**

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

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

	Governmental Activities
<b>ASSETS:</b>	
Cash and Cash Equivalents:	
Unrestricted	\$ 100,417
Restricted	1
Interfund Receivables	3,491
Other Receivables	32,764
Capital Assets, Net	533,571
Total Assets	670,244
 <b>LIABILITIES:</b>	
Interfund Payable	3,491
Noncurrent Liabilities:	
Due Beyond One Year	7,000
Total Liabilities	10,491
 <b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	533,571
Restricted for:	
Debt Service Fund	7,723
Other Purposes	39,825
Unrestricted	78,634
Total Net Assets	\$ 659,753

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

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

Functions/Programs	Expenses	Indirect Expenses Allocation	Charges for Services	Program Revenues		Net (Expense) Revenue & Changes In Net Assets
				Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES:</b>						
Instruction:						
Regular	\$ 350,485	\$ 79,090	\$ 24,720	\$ -	\$ -	\$ (404,855)
Special Education	8,175	2,210		7,752		(2,633)
Support Services:						
Tuition	98,581					(98,581)
Student and Instruction Related Services	66,059	12,044				(78,103)
General and Business Administrative Services	59,001	684				(59,685)
School Administrative Services	2,500	676				(3,176)
Plant Operations and Maintenance	71,654	12,339				(83,993)
Pupil Transportation	4,367			1,740		(2,627)
Capital Outlay	32,177					(32,177)
Interest on Long-Term Debt	21,145					(21,145)
<b>Total Primary Government</b>	<b>\$ 714,144</b>	<b>\$ 107,043</b>	<b>\$ 24,720</b>	<b>\$ 9,492</b>	<b>\$ -</b>	<b>\$ (786,975)</b>
<b>GENERAL REVENUES:</b>						
Property Taxes Levied For:						
General Purposes						\$ 617,954
Debt Service						13,422
Federal and State Aid Not Restricted						333,738
Investment Earnings						2,771
Bond Proceeds						290,000
Miscellaneous Income						10,994
<b>Total General Revenues</b>						<b>1,268,879</b>
Change in Net Assets						481,904
Net Assets - Beginning						177,849
Net Assets - Ending						\$ 659,753

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

**SECTION B - FUND FINANCIAL STATEMENTS**

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

***GOVERNMENTAL FUNDS***

BOROUGH OF STOCKTON SCHOOL DISTRICT  
GOVERNMENT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 100,417	\$ -	\$ -	\$ -	\$ 100,417
Capital Reserve Account	1				1
Interfund Accounts Receivable	3,491				3,491
Receivables From Other Governments	21,550	3,491		7,723	32,764
<b>Total Assets</b>	<b>\$ 125,459</b>	<b>\$ 3,491</b>	<b>\$ -</b>	<b>\$ 7,723</b>	<b>\$ 136,673</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Interfund Accounts Payable	\$ -	\$ 3,491	\$ -	\$ -	\$ 3,491
<b>Total Liabilities</b>	<b>-</b>	<b>3,491</b>	<b>-</b>	<b>-</b>	<b>3,491</b>
<b>Fund Balances:</b>					
<b>Reserved For:</b>					
Encumbrances	4,950				4,950
Legally Restricted - Designated for Subsequent Year's Expenditures	34,874				34,874
Capital Reserve Account	1				1
<b>Unreserved:</b>					
General Fund	85,634				85,634
Debt Service Fund				7,723	7,723
<b>Total Fund Balances</b>	<b>125,459</b>	<b>-</b>	<b>-</b>	<b>7,723</b>	<b>133,182</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 125,459</b>	<b>\$ 3,491</b>	<b>\$ -</b>	<b>\$ 7,723</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$646,707 and the accumulated depreciation is \$113,136.	533,571
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.	(7,000)
<b>Net Assets of Governmental Activities</b>	<b>\$ 659,753</b>

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

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 617,954	\$ -	\$ -	\$ 13,422	\$ 631,376
Tuition	24,720				24,720
Interest on Investments	2,577		194		2,771
Miscellaneous	10,994	2,118			13,112
Total Local Sources	<u>656,245</u>	<u>2,118</u>	<u>194</u>	<u>13,422</u>	<u>671,979</u>
State Sources	80,244		216,880	7,723	304,847
Federal Sources		36,265			36,265
Total Revenues	<u>736,489</u>	<u>38,383</u>	<u>217,074</u>	<u>21,145</u>	<u>1,013,091</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	311,498	28,302			339,800
Special Education	8,175				8,175
Support Services and Undistributed Costs:					
Tuition	98,581				98,581
Student and Instruction Related Services	45,731	10,081			55,812
General and Business Administrative Services	46,408				46,408
School Administrative Services	2,500				2,500
Plant Operations and Maintenance	71,654				71,654
Pupil Transportation	4,367				4,367
Employee Benefits	112,093				112,093
Capital Outlay			32,177		32,177
Debt Service:					
Interest				21,145	21,145
Total Expenditures	<u>701,007</u>	<u>38,383</u>	<u>32,177</u>	<u>21,145</u>	<u>792,712</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>35,482</u>	<u>-</u>	<u>184,897</u>	<u>-</u>	<u>220,379</u>
OTHER FINANCING SOURCES:					
Bond Proceeds			290,000		290,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>290,000</u>	<u>-</u>	<u>290,000</u>
NET CHANGE IN FUND BALANCES	35,482	-	474,897	-	510,379
FUND BALANCES, JULY 1	89,977	-	(474,897)	7,723	(377,197)
FUND BALANCES, JUNE 30	<u>\$ 125,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,723</u>	<u>\$ 133,182</u>

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

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENTS OF REVENUES, 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 (B-2) \$ 510,379

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

Capital outlays are reported in governmental funds as expenditures.  
 However, on the statement of activities, the cost of those  
 assets which are capitalized are allocated over their estimated useful lives  
 as depreciation expense in the current fiscal year.

Depreciation Expense	(24,975)
Capital Outlay	

In the statement of activities, certain expenses, e.g., compensated  
 absences (vacations & sick pay) are measured by the amounts earned  
 during the year. In the governmental funds, however, expenditures for  
 these items are reported in the amount of financial resources used (paid).  
 When the earned amount exceeds the paid amount, the difference is a  
 reduction in the reconciliation; when the paid amount exceeds the earned  
 amount, the difference is an addition to the reconciliation.

(3,500)

Change in net assets of governmental activities

\$ 481,904

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

***FIDUCIARY FUNDS***

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

	Agency Fund
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 1,328
<b>Total Assets</b>	<b>\$ 1,328</b>
<b>LIABILITIES:</b>	
Payable to Student Groups	\$ 689
Payroll Deductions and Withholdings	639
<b>Total Liabilities</b>	<b>\$ 1,328</b>

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

***NOTES TO THE FINANCIAL STATEMENTS***

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Borough of Stockton School District is a Type II District located in Hunterdon County, New Jersey. 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.

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

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

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

**B. Basis of Presentation, Basis of Accounting**

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

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

Basis of Presentation

*District-Wide Statements:* The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

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

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

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

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 non-instructional equipment which are classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

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

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

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

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

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, Payroll Agency Fund and Scholarship Funds.

Agency Funds: The agency funds are used to account for assets held by the district on behalf of others and are custodial in nature.

Payroll and Student Activities Funds (Agency): These are agency funds used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

**Basis of Accounting – Measurement Focus**

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

*District-Wide and Fiduciary Fund Financial Statements:* The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants,

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

**C. Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control (Continued)**

year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)	\$ 38,383
Adjustments:	
Less Encumbrances at June 30, 2010	-
Plus Encumbrances at June 30, 2009	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 38,383</u>

**D. Encumbrances Accounting**

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

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Encumbrances Accounting (Continued)**

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

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

**E. Assets, Liabilities, and Equity**

**Interfund Transactions:**

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

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

**Inventories and Prepaid Expenses:**

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

Prepaid expenses which benefit future are recorded as an expenditure in the year of purchase.

**Allowance for Uncollectible Accounts:**

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

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Capital Assets:

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

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

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

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

Compensated Absences:

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

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

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

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

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.

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

**Fund Equity:**

Fund balance reserves are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designation of portions of the fund balances are established to indicate tentative plans for financial utilization in a future period. The unreserved fund balances represent the amount available for future budgetary operations.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligibility requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

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.

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

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

**Revenues — Exchange and Non-exchange 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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 non-exchange transactions must also be available before it can be recognized.

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

**Operating Revenues and Expenses:**

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

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money market accounts and short-term investments with original maturities of three months or less. Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. 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.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

**Deposits**

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

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

The market value of the collateral must equal at least five percent 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.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

The Borough of Stockton School District had the following cash and cash equivalents at June 30, 2010.

	<u>General Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Operating Account	<u>\$ 100,418</u>	<u>\$ 1,328</u>	<u>\$ 101,746</u>

**Investments**

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940" 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. These funds are also required to be rated by a nationally recognized statistical rating organization.
- c. 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.
- d. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
- e. 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 Treasury for investment by School Districts.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

- f. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 18A:20-37. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
- g. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- h. Agreements for the repurchase of fully collateralized securities if:
  - a. The underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
  - b. The custody of collateral is transferred to a third party;
  - c. The maturity of the agreement is not more than 30 days;
  - d. The underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:19-41); and;
  - e. A master repurchase agreement providing for the custody and security of collateral is executed.

The investments recorded in the District-wide statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the District-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2010 was \$101,746 and the bank balance was \$107,731. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Risk Category**

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1 — Insured or collateralized with securities held by the Board or by its agent in the Board's name.

Category 2 — Collateralized with securities held by the pledging public depository's trust department or agent in the Board's name.

Category 3 — Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Board's name.

As of June 30, 2010, the Board had funds invested and on deposit in checking accounts and New Jersey ARM. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

**New Jersey Cash Management Fund**

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2010, the District has no balance with the New Jersey Cash Management Fund.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2010, consisted of accounts (tuition), intergovernmental, grants, and miscellaneous.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 29,273	\$ 29,273
Federal Aid	3,491	3,491
Other	-	-
Gross Receivables	<u>32,764</u>	<u>32,764</u>
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 32,764</u>	<u>\$ 32,764</u>

**NOTE 4: INTERFUND TRANSFERS AND BALANCES**

Transfers between funds are used to (1) move investment income earned in the Capital Projects Fund that is required to be expended in the Debt Service Fund; (2) repay expenses paid by another fund; and (3) make a Board contribution to the Unemployment Compensation Trust Fund.

The following interfund balances remained on the fund financial statements at June 30, 2010:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 3,491	\$ -
Special Revenue Fund		<u>3,491</u>
Total	<u>\$ 3,491</u>	<u>\$ 3,491</u>

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Site Improvements	\$ 27,320	\$ -	\$ -	\$ 27,320
Building and Building Improvements	587,387	-	-	587,387
Machinery and Equipment	32,000	-	-	32,000
Totals at Historical Cost	<u>646,707</u>	<u>-</u>	<u>-</u>	<u>646,707</u>
Less Accumulated Depreciation For:				
Site Improvements	6,887	1,366	-	8,253
Building and Building Improvements	71,608	22,009	-	93,617
Machinery and Equipment	9,666	1,600	-	11,266
Total Accumulated Depreciation	<u>88,161</u>	<u>24,975</u>	<u>-</u>	<u>113,136</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>558,546</u>	<u>(24,975)</u>	<u>-</u>	<u>533,571</u>
Government Activity Capital Assets, Net	<u>\$ 558,546</u>	<u>\$ (24,975)</u>	<u>\$ -</u>	<u>\$ 533,571</u>

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

Depreciation expense was charged to functions as follows:

Instruction Services	\$ 17,605
Student and Related Services	3,327
General and Business Administrative Services	4,043
Total	<u>\$ 24,975</u>

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6: LONG-TERM DEBT**

Changes in long-term obligations for the year ended June 30, 2010 are as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Compensated Absences Payable	\$ 3,500	\$ 3,500	\$ -	\$ 7,000	\$ -
<b>Total</b>	<b>\$ 3,500</b>	<b>\$ 3,500</b>	<b>\$ -</b>	<b>\$ 7,000</b>	<b>\$ -</b>

Compensated absences have been liquidated in the General Fund.

**NOTE 7: PENSION PLANS**

**Description of Plans**

All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

**Teachers' Pension and Annuity Fund (TPAF)**

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related noncontributing employers. Membership is mandatory for substantially all

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Description of Plans (Continued)**

teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**Public Employees' Retirement System (PERS)**

The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:1 5A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

**Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for two percent of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Significant Legislation**

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of one percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets.

**Contribution Requirements**

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of five percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a noncontributing employer of TPAF.

**Three-Year Trend Information for PERS**

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	N/A	100%	N/A
6/30/09	\$2,090	100%	\$2,090
6/30/08	\$2,830	80%	\$2,264

**Three-Year Trend Information for TPAF (Paid on-behalf of the District)**

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$19,666	100%	None
6/30/09	\$23,853	100%	None
6/30/08	\$66,500	100%	None

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Contribution Requirements (Continued)**

During the fiscal year ended June 30, 2010, the State of New Jersey made \$19,666 to the TPAF for normal and post-retirement benefits on behalf of the District. In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$27,299 during the fiscal year ended June 30, 2010, for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

**NOTE 8: POST-RETIREMENT BENEFITS**

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (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 benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 9: LITIGATION**

The Board attorney's letter advises that there is no litigation, pending litigation, claims, contingent liabilities, unasserted claims or assessments or statutory violations which involve the Board of Education and which might materially affect the Board's financial position.

**NOTE 10: CONTINGENCIES**

The Board receives financial assistance from the State of New Jersey and the U.S. Government in the form of grants. Entitlement to the fund is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. The State and Federal grants received and expanded in 2009-2010 fiscal year were subject to the U.S. OMB A-133 and New Jersey OMB Circular 04-04 which mandates that grant revenues and expenditures be audited in conjunction with the Board's annual audit. In addition, all grants and cost reimbursements are subject to financial and compliance audits by the grantors. These federal reimbursements are subject to subsequent audit and interpretation by the New Jersey Department of Education. The Board management does not believe such an audit would result in material amounts of disallowed costs.

**NOTE 11: FUND BALANCE APPROPRIATED**

**General Fund** – Of the \$125,459 General Fund fund balance at June 30, 2010, \$4,950 is reserved for encumbrances; \$34,874 is reserved for subsequent year's expenditures; \$1 has been reserved in the Capital Reserve Account; and \$85,634 is unreserved and undesignated.

**Debt Service Fund** – Of the \$7,723 Debt Service Fund fund balance at June 30, 2010, \$7,723 is unreserved and undesignated.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 12: RESERVED FUND BALANCES – GENERAL FUND**

**Calculation Of Excess Surplus** – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. At June 30, 2010, there is no excess fund balance.

**NOTE 13: DEFERRED COMPENSATION**

The District offers its employees a choice of the deferred compensation plans created in accordance with the Internal Revenue Code Section 403(b) and 457. The plans 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. Since the Board does not have any property or rights to the plan assets and no fiduciary relationship exists between the District and the deferred compensation plan, the plan assets are not included in the District's financial statements as of June 30, 2010.

**NOTE 14: CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the Borough of Stockton School District by the inclusion of \$1 in the 2000-2001 school year 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. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in the approved LRFP.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 14: CAPITAL RESERVE ACCOUNT (CONTINUED)**

During the fiscal year ended June 30, 2010, the District had no interest earnings. The District made no withdrawals from the capital reserve for use in the DOE approved facilities project, consistent with the district's Long Range Facilities Plan.

The activity of the capital reserve for the year ending June 30, 2010 is as follows:

Beginning Balance, July 1, 2009	<u>\$ 1</u>
Ending Balance, June 30, 2010	<u><u>\$ 1</u></u>

**NOTE 15: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

***REQUIRED SUPPLEMENTARY INFORMATION – PART II***

***SECTION C – BUDGETARY COMPARISON SCHEDULE***

BOROUGH OF STOCKTON SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 617,954	\$ -	\$ 617,954	\$ 617,954	\$ -
Tuition	15,000		15,000	24,720	9,720
Earnings on Investments	3,000		3,000	2,577	(423)
Other Revenues from Local Sources	960		960	10,994	10,034
<b>Total Local Sources</b>	<b>636,914</b>	<b>-</b>	<b>636,914</b>	<b>656,245</b>	<b>19,331</b>
State Sources:					
Transportation Aid	1,934		1,934	1,934	-
Special Education Aid	10,055	(2,332)	7,723	7,723	-
Extraordinary Aid	5,000	16,409	21,409	21,409	-
Security Aid	2,255		2,255	2,255	-
Other Unrestricted State Aid		141	141	141	-
On-Behalf TPAF Pension Contributions				19,666	19,666
Reimbursed TPAF Social Security Contributions				27,299	27,299
<b>Total State Sources</b>	<b>19,244</b>	<b>14,218</b>	<b>33,462</b>	<b>80,427</b>	<b>46,965</b>
<b>Total Revenues</b>	<b>656,158</b>	<b>14,218</b>	<b>670,376</b>	<b>736,672</b>	<b>66,296</b>
<b>EXPENDITURES:</b>					
Current Expenses:					
Instruction:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Preschool	43,830		43,830	43,829	1
Grades 1-5	191,506	7,753	199,259	198,273	986
Grades 6-8	32,940	677	33,617	33,617	-
<b>Total Regular Programs - Instruction</b>	<b>268,276</b>	<b>8,430</b>	<b>276,706</b>	<b>275,719</b>	<b>987</b>
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	16,835		16,835	16,835	-
Purchased Prof/Ed Services	5,330	1,565	6,895	6,895	-
Other Purchased Services	4,200	(2,611)	1,589	1,588	1
General Supplies	9,100	620	9,720	9,034	686
Textbooks	1,000	(462)	538	538	-
Miscellaneous Expenditures	1,000	(109)	891	889	2
<b>Total Regular Programs - Undistributed Instruction</b>	<b>37,465</b>	<b>(997)</b>	<b>36,468</b>	<b>35,779</b>	<b>689</b>
<b>Total Regular Programs</b>	<b>305,741</b>	<b>7,433</b>	<b>313,174</b>	<b>311,498</b>	<b>1,676</b>
Special Education:					
Resource Room/Resouce Center:					
Salaries of Teachers	16,000	(10,427)	5,573	4,523	1,050
Other Salaries for Instruction		3,652	3,652	3,652	-
<b>Total Special Education</b>	<b>16,000</b>	<b>(6,775)</b>	<b>9,225</b>	<b>8,175</b>	<b>1,050</b>
<b>Total Instruction</b>	<b>321,741</b>	<b>658</b>	<b>322,399</b>	<b>319,673</b>	<b>2,726</b>
Undistributed Expenditures:					
Instruction:					
Tuition to Private Schools for the Disabled Within the State	97,257	1,325	98,582	98,581	1
<b>Total Instruction</b>	<b>97,257</b>	<b>1,325</b>	<b>98,582</b>	<b>98,581</b>	<b>1</b>
Health Services:					
Salaries	4,000	(850)	3,150	3,150	-
Purchased Prof/Tech Services	500	80	580	580	-
Supplies and Materials	500	(153)	347	336	11
<b>Total Health Services</b>	<b>5,000</b>	<b>(923)</b>	<b>4,077</b>	<b>4,066</b>	<b>11</b>
Other Support Services Students - Special Services:					
Salaries of Other Professional Staff	1,200	(1,200)	-	-	-
<b>Total Other Support Services Students - Special Services</b>	<b>1,200</b>	<b>(1,200)</b>	<b>-</b>	<b>-</b>	<b>-</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

BOROUGH OF STOCKTON SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Improvement of Instruction Services:					
Salaries of Other Professional Staff	\$ 41,400	\$ -	\$ 41,400	\$ 41,400	\$ -
Total Improvement of Instruction Services	41,400	-	41,400	41,400	-
Educational Media/Library:					
Other Purchased Services	300	(20)	280		280
Total Educational Media/Library	300	(20)	280	-	280
Instructional Staff Training Services:					
Purchased Prof/Ed Services	200	(100)	100	30	70
Other Purchased Prof/Tech Services	4,000	(1,324)	2,676	140	2,536
Supplies and Materials	300	(200)	100	95	5
Total Instructional Staff Training Services	4,500	(1,624)	2,876	265	2,611
Support Services General Administration:					
Salaries	3,528	(1,000)	2,528	2,528	-
Legal Fees	1,000	2,235	3,235	3,235	-
Audit Fees	6,500	(357)	6,143	5,900	243
Communications/Telephone	4,000	231	4,231	4,071	160
Other Purchased Services	5,400	(1,764)	3,636	3,456	180
General Supplies	500	(150)	350	291	59
Miscellaneous Expenditures	2,200	613	2,813	2,813	-
Total Support Services General Administration	23,128	(192)	22,936	22,294	642
Support Services School Administration:					
Salaries of Principals/Assistant Principals/Program Directors	3,000	(500)	2,500	1,000	1,500
Salaries of Secretarial and Clerical Assistants	1,500		1,500	1,500	-
Total Support Services School Administration	4,500	(500)	4,000	2,500	1,500
Central Services:					
Purchased Professional Services	21,350		21,350	21,349	1
Miscellaneous Purchased Services	3,000		3,000	2,765	235
Total Central Services	24,350	-	24,350	24,114	236
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	5,000	2,992	7,992	7,992	-
Total Required Maintenance for School Facilities	5,000	2,992	7,992	7,992	-
Other Operation and Maintenance of Plant Services:					
Salaries	44,231	2,000	46,231	45,643	588
Purchased Prof/Tech Services	5,000	(2,354)	2,646	1,581	1,065
Other Purchased Property Services	2,000	(1,769)	231	218	13
Insurance	5,000	507	5,507	5,399	108
General Supplies	4,000	(98)	3,902	3,794	108
Energy (Heat and Electricity)	13,000	56	13,056	7,027	6,029
Total Other Operation and Maintenance of Plant Services	73,231	(1,658)	71,573	63,662	7,911
Student Transportation Services:					
Contracted Services - Transport (Other Than B/T Home & School) - Vendors	2,500	1,867	4,367	4,367	-
Contracted Services (B/T Home & School) - Joint Agreements	3,500	(347)	3,153		3,153
Total Student Transportation Services	6,000	1,520	7,520	4,367	3,153
Allocated Employee Benefits - Regular Programs:					
Tuition Reimbursement	3,000		3,000		3,000
Total Allocated Employee Benefits	3,000	-	3,000	-	3,000

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

BOROUGH OF STOCKTON SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Unallocated Benefits - Employee Benefits:					
Social Security Contribution	\$ 3,500	\$ 202	\$ 3,702	\$ 3,702	\$ -
T.P.A.F. Contributions - ERIP	12,907		12,907	12,907	-
Other Retirement Contributions - Regular	3,000	(202)	2,798	1,517	1,281
Unemployment Compensation	1,500		1,500	1,441	59
Workmen's Compensation	5,000	425	5,425	5,050	375
Health Benefits	35,350	2,274	37,624	37,011	613
Other	4,000	(425)	3,575	3,500	75
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>65,257</b>	<b>2,274</b>	<b>67,531</b>	<b>65,128</b>	<b>2,403</b>
On-Behalf TPAF Pension Contributions (Non-Budgeted)				19,666	(19,666)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				27,299	(27,299)
<b>Total Contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,965</b>	<b>(46,965)</b>
<b>Total Undistributed Expenditures</b>	<b>354,123</b>	<b>1,994</b>	<b>356,117</b>	<b>381,334</b>	<b>(25,217)</b>
<b>Total Expenditures</b>	<b>675,864</b>	<b>2,652</b>	<b>678,516</b>	<b>701,007</b>	<b>(22,491)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,706)	11,566	(8,140)	35,665	43,805
<b>FUND BALANCES, JULY 1</b>	<b>91,222</b>	<b>-</b>	<b>91,222</b>	<b>91,222</b>	<b>-</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 71,516</b>	<b>\$ 11,566</b>	<b>\$ 83,082</b>	<b>\$ 126,887</b>	<b>\$ 43,805</b>
<b>RECAPITULATION:</b>					
Reserved For:					
Encumbrances				\$ 4,950	
Capital Reserve Account				1	
Unreserved:					
Unreserved Fund Balance				87,062	
Designated Fund Balance				34,874	
				126,887	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payment Not Recognized on GAAP Basis				(1,428)	
Fund Balance Per Governmental Funds (GAAP)				\$ 125,459	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

BOROUGH OF STOCKTON SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUE SOURCES:</b>					
Local	\$ -	\$ 2,118	\$ 2,118	\$ 2,118	\$ -
Federal	25,000	11,148	36,148	36,265	117
<b>Total Revenues</b>	<b>25,000</b>	<b>13,266</b>	<b>38,266</b>	<b>38,383</b>	<b>117</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries		5,448	5,448	5,448	-
Purchased Prof/Tech Services	12,000	(4,063)	7,937	8,647	(710)
General Supplies	5,500	9,300	14,800	14,207	593
<b>Total Instruction</b>	<b>17,500</b>	<b>10,685</b>	<b>28,185</b>	<b>28,302</b>	<b>(117)</b>
Support Services:					
Personal Services - Employee Benefits		780	780	780	-
Purchased Technical Services	6,500	1,761	8,261	8,261	-
Other Purchased Services	1,000	40	1,040	1,040	-
<b>Total Support Services</b>	<b>7,500</b>	<b>2,581</b>	<b>10,081</b>	<b>10,081</b>	<b>-</b>
<b>Total Expenditures</b>	<b>25,000</b>	<b>13,266</b>	<b>38,266</b>	<b>38,383</b>	<b>(117)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION***

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 NOTE TO RSI  
 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>
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 736,672	[C-2] \$ 38,383
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		-
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	1,245	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(1,428)</u>	
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>736,489</u>	[B-2] \$ <u>38,383</u>
<b>Uses/Outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 701,007	[C-2] \$ 38,383
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 accounting purposes.		-
Transfers to and from other fund are presented as outflows of budgetary resources but are not expenditures for financial accounting purposes.		
Net Transfers (Outflows) to/from general fund.	<u>-</u>	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>701,007</u>	[B-2] \$ <u>38,383</u>

***OTHER SUPPLEMENTARY INFORMATION***

**SECTION E – SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

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

BOROUGH OF STOCKTON SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Municipal Alliance	I.D.E.A. Part B	I.D.E.A. Preschool	NCLB Title II	NCLB Title IV	REAP	REAP Carryover	ARRA I.D.E.A. Part B	ARRA I.D.E.A. Preschool	Grand Total
<b>REVENUE SOURCES:</b>										
Local	\$ 2,118	-	-	-	-	-	-	-	-	\$ 2,118
Federal		7,556	469	992	48	13,516	6,920	6,528	236	36,255
<b>Total Revenues</b>	<b>2,118</b>	<b>7,556</b>	<b>469</b>	<b>992</b>	<b>48</b>	<b>13,516</b>	<b>6,920</b>	<b>6,528</b>	<b>236</b>	<b>38,383</b>
<b>EXPENDITURES:</b>										
Instruction:										
Salaries										5,448
Purchased Prof/Tech Services	2,118					4,125	2,104	5,448		8,647
General Supplies						9,391	4,816	300		14,207
<b>Total Instruction</b>	<b>2,118</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,516</b>	<b>6,920</b>	<b>5,748</b>	<b>-</b>	<b>28,302</b>
Support Services:										
Personal Services - Employee Benefits								780		780
Other Purchased Prof/Tech Services		7,556	469	992	48				236	8,261
Other Purchased Services										1,040
<b>Total Support Services</b>	<b>-</b>	<b>7,556</b>	<b>469</b>	<b>992</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>780</b>	<b>236</b>	<b>10,081</b>
<b>Total Expenditures</b>	<b>2,118</b>	<b>7,556</b>	<b>469</b>	<b>992</b>	<b>48</b>	<b>13,516</b>	<b>6,920</b>	<b>6,528</b>	<b>236</b>	<b>38,383</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SECTION F – CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

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

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 CAPITAL PROJECTS FUND  
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES - BUDGETARY BASIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Issue/Project Title</u>	<u>Original Date</u>	<u>Appropriation</u>	<u>Expenditures</u>		<u>(Memo Only) Unexpended Project Balance June 30, 2010</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Restore and Undertake Structural Repairs to the Stockton School	9/26/2006	\$ 542,306	\$ 507,297	\$ 32,177	\$ 2,832
Total		<u>\$ 542,306</u>	<u>\$ 507,297</u>	<u>\$ 32,177</u>	<u>\$ 2,832</u>
<u>Reconciliation to GAAP:</u>					
Unexpended project balance					\$ 2,832
Interest Income					194
State Aid Received					249,280
Bond Proceeds					290,000
Bonds Authorized but not Issued					<u>(542,306)</u>
Unreserved capital fund balance - GAAP					<u>\$ -</u>

BOROUGH OF STOCKTON 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

Revenues and Other Financing Sources:	
Bond Proceeds and Transfers	\$ 290,000
Contribution from Private Source	<u>217,074</u>
Total Revenues	<u>507,074</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	<u>32,177</u>
Total Expenditures	<u>32,177</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	474,897
Fund Balance - Beginning	<u>(474,897)</u>
Fund Balance - Ending	<u><u>\$ -</u></u>

**SECTION H – FIDUCIARY FUNDS  
DETAIL STATEMENTS**

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

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

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

***Payroll Fund – this agency fund is used to account for payroll transactions of the school district.***

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

	Agency		Total Agency Fund
	Student Activity	Payroll Agency	
ASSETS:			
Cash and Cash Equivalents	\$ 689	\$ 639	\$ 1,328
Total Assets	<u>\$ 689</u>	<u>\$ 639</u>	<u>\$ 1,328</u>
LIABILITIES:			
Payable to Student Groups	\$ 689	\$ -	\$ 689
Payroll Deductions and Withholdings		<u>639</u>	<u>639</u>
Total Liabilities	<u>\$ 689</u>	<u>\$ 639</u>	<u>\$ 1,328</u>

BOROUGH OF STOCKTON SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STUDENT ACTIVITY  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
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>
Student Activities Fund	<u>\$ 3,858</u>	<u>\$ 3,558</u>	<u>\$ 6,727</u>	<u>\$ 689</u>
Total all schools	<u><u>\$ 3,858</u></u>	<u><u>\$ 3,558</u></u>	<u><u>\$ 6,727</u></u>	<u><u>\$ 689</u></u>

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 PAYROLL AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FISCAL YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Cash Receipts	Cash Disbursements	Balance June 30, 2010
LIABILITIES:				
Accrued Salaries and Benefits	\$ -	\$ 278,580	\$ 278,580	\$ -
Payroll Deductions and Withholding	751	172,194	172,306	639
Total Liabilities	<u>\$ 751</u>	<u>\$ 450,774</u>	<u>\$ 450,886</u>	<u>\$ 639</u>

**SECTION I – LONG-TERM DEBT SCHEDULES**

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

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 13,422	\$ -	\$ 13,422	\$ 13,422	\$ -
Total Local Sources	13,422	-	13,422	13,422	-
State Sources	7,723	-	7,723	7,723	-
Total Revenues	21,145	-	21,145	21,145	-
EXPENDITURES:					
Debt Service - Regular Interest	21,145		21,145	21,145	-
Total Expenditures	21,145	-	21,145	21,145	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
FUND BALANCE, JULY 1	7,723	-	7,723	7,723	-
FUND BALANCE, JUNE 30	\$ 7,723	\$ -	\$ 7,723	\$ 7,723	\$ -

**STATISTICAL SECTION (UNAUDITED)**

***GASB requires that ten years of statistical data be presented. The following information is presented utilizing information available. Each year thereafter, an additional year's data will be included until ten years of data is presented.***

**Contents**

**Financial Trends**

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

**Revenue Capacity**

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

**Debt Capacity**

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

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.

**Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning that year.*

*FINANCIAL TRENDS*

BOROUGH OF STOCKTON SCHOOL DISTRICT  
NET ASSETS BY COMPONENT  
LAST SEVEN FISCAL YEARS  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,						
	2010	2009	2008	2007	2006	2005	2004
<b>Governmental Activities</b>							
Invested in capital assets, net of related debt	\$ 533,571	\$ 558,546	\$ 106,062	\$ 45,405	\$ 49,000	\$ 52,596	\$ 56,192
Restricted	47,548	(444,815)	(64,251)	1	1	1	1
Unrestricted	78,634	64,118	88,337	93,432	81,403	79,873	83,261
<b>Total Governmental Activities Net Assets</b>	<b>\$ 659,753</b>	<b>\$ 177,849</b>	<b>\$ 130,148</b>	<b>\$ 138,838</b>	<b>\$ 130,404</b>	<b>\$ 132,470</b>	<b>\$ 139,454</b>
<b>District-wide</b>							
Invested in capital assets, net of related debt	\$ 533,571	\$ 558,546	\$ 106,062	\$ 45,405	\$ 49,000	\$ 52,596	\$ 56,192
Restricted	47,548	(444,815)	(64,251)	1	1	1	1
Unrestricted	78,634	64,118	88,337	93,432	81,403	79,873	83,261
<b>Total District-wide Net Assets</b>	<b>\$ 659,753</b>	<b>\$ 177,849</b>	<b>\$ 130,148</b>	<b>\$ 138,838</b>	<b>\$ 130,404</b>	<b>\$ 132,470</b>	<b>\$ 139,454</b>

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 CHANGES IN NET ASSETS  
 LAST SEVEN FISCAL YEARS  
 (accrual basis of accounting)

	Fiscal Year Ending June 30,						
	2010	2009	2008	2007	2006	2005	2004
<b>Expenses</b>							
Governmental Activities:							
Instruction:							
Regular	\$ 429,575	\$ 399,181	\$ 355,763	\$ 410,810	\$ 389,913	\$ 372,180	\$ 340,105
Special Education	10,385	31,500	26,271	32,228	6,905	-	-
Support Services:							
Tuition	98,581	84,363	69,197	-	-	-	20,000
Student and Instruction Related Services	78,103	55,701	71,424	70,868	47,879	49,702	17,811
General and Business Administration Services	59,685	40,655	104,561	82,941	79,854	110,359	105,148
School Administrative Services	3,176	22,789	14,245	26,793	25,484	38,915	37,053
Plant Operations and Maintenance	83,993	80,839	95,076	91,930	69,403	60,100	57,406
Pupil Transportation	4,367	4,167	5,664	4,814	3,595	1,094	8,535
Capital Outlay	32,177	-	-	-	-	-	-
Interest on Long-Term Debt	21,145	19,307	-	-	-	-	-
Total District Expenses	\$ 821,187	\$ 738,502	\$ 742,201	\$ 720,384	\$ 623,033	\$ 632,350	\$ 586,058
<b>Program Revenues</b>							
Governmental Activities:							
Charges for Services	\$ 24,720	\$ 23,557	\$ 12,671	\$ 14,292	\$ 7,940	\$ 38,980	\$ 48,175
Operating Grants and Contributions	9,492	11,375	117,720	47,434	33,852	40,058	29,109
Capital Grants and Contributions	-	-	-	-	-	-	-
Total District Program Revenues	\$ 34,212	\$ 34,932	\$ 130,391	\$ 61,726	\$ 41,792	\$ 79,038	\$ 77,284
<b>Net (Expense)/Revenue</b>							
Governmental Activities	\$ (786,975)	\$ (703,570)	\$ (611,810)	\$ (658,658)	\$ (581,241)	\$ (553,312)	\$ (508,774)
Total District-wide Net Expense	\$ (786,975)	\$ (703,570)	\$ (611,810)	\$ (658,658)	\$ (581,241)	\$ (553,312)	\$ (508,774)
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental Activities:							
Property Taxes Levied For:							
General Purposes	\$ 617,954	\$ 593,283	\$ 571,334	\$ 549,360	\$ 500,742	\$ 466,612	\$ 460,730
Debt Service	13,422	-	-	-	-	-	-
Federal and State Aid Not Restricted	333,738	153,053	18,827	111,910	77,040	78,928	70,992
Investment Earnings	2,771	3,944	-	-	-	-	-
Bond Proceeds	290,000	-	-	-	-	-	-
Miscellaneous Income	10,994	991	12,959	5,822	1,393	788	398
Total District-wide	\$ 1,288,879	\$ 751,271	\$ 603,120	\$ 667,092	\$ 579,175	\$ 546,328	\$ 532,120
<b>Change in Net Assets</b>							
Governmental Activities	\$ 481,904	\$ 47,701	\$ (8,690)	\$ 8,434	\$ (2,066)	\$ (6,984)	\$ 23,346
Total District	\$ 481,904	\$ 47,701	\$ (8,690)	\$ 8,434	\$ (2,066)	\$ (6,984)	\$ 23,346

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 LAST SEVEN FISCAL YEARS  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,						
	2010	2009	2008	2007	2006	2005	2004
General Fund							
Reserved	\$ 39,825	\$ 22,359	\$ 578	\$ 23,381	\$ 25,955	\$ 6,220	\$ 21,132
Unreserved	85,634	67,618	91,260	73,552	62,799	80,356	72,245
<b>Total General Fund</b>	<b>\$ 125,459</b>	<b>\$ 89,977</b>	<b>\$ 91,838</b>	<b>\$ 96,933</b>	<b>\$ 88,754</b>	<b>\$ 86,576</b>	<b>\$ 93,377</b>
All Other Governmental Funds							
Reserved	\$ -	\$ -	\$ 404,268	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported In:							
Capital Projects Fund	-	(474,897)	(468,520)	-	-	-	-
Debt Service Fund	7,723	7,723	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b>\$ 7,723</b>	<b>\$ (467,174)</b>	<b>\$ (64,252)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)**

Fiscal Year Ending June 30,	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Revenues:</b>										
Local Sources:										
Local Tax Levy	\$ 631,376	\$ 593,283	\$ 571,334	\$ 549,360	\$ 500,742	\$ 466,612	\$ 460,730	\$ 417,269	\$ 385,433	\$ 344,000
Tuition	24,720	23,557	12,671	14,292	7,940	38,980	48,175	57,912	55,839	57,460
Interest In Investments	2,771	3,944	8,704	4,822	1,393	578	386	548	1,085	845
Miscellaneous	13,112	3,546	4,745	1,000	-	210	12	1,072	488	874
State Sources	304,847	131,926	112,401	132,965	79,369	83,659	74,728	58,701	31,339	39,819
Federal Sources	36,265	29,947	23,656	26,379	31,523	35,327	25,373	18,943	6,252	5,763
<b>Total Revenues</b>	<b>1,013,091</b>	<b>786,203</b>	<b>733,511</b>	<b>728,818</b>	<b>620,967</b>	<b>625,366</b>	<b>609,404</b>	<b>554,445</b>	<b>480,436</b>	<b>448,761</b>
<b>Expenditures:</b>										
Instruction:										
Regular	339,800	306,253	356,209	291,371	265,602	260,431	247,558	239,303	215,331	203,288
Special Education	8,175	24,461	23,290	14,516	6,840	-	-	-	-	4,507
Other Special Education	-	-	-	-	-	-	-	-	-	4,196
Support Services:										
Tuition	98,581	84,363	69,197	-	-	-	20,000	-	-	-
Student and Instructional Related Services	55,812	42,973	36,157	35,940	34,670	32,002	8,864	7,675	5,065	5,849
General and Business Administration Services	46,408	65,270	62,065	65,138	64,366	87,435	87,400	82,261	82,019	80,248
School Administrative Services	2,500	17,697	5,957	10,568	20,342	30,148	30,800	30,435	37,593	25,716
Plant Operations and Maintenance	71,654	70,297	57,903	77,936	66,591	55,909	54,138	51,839	43,082	54,326
Pupil Transportation	4,367	4,167	5,664	4,814	3,595	1,094	8,535	2,253	3,972	2,925
Employee Benefits	112,093	113,153	122,164	172,922	122,931	125,090	93,887	73,151	42,922	48,613
Capital Outlay	32,177	443,045	64,252	-	-	-	25,509	27,015	-	23,191
Special Revenue Funds	-	-	-	47,434	33,852	40,058	29,109	25,803	11,013	-
Debt Service:										
Interest and Other Charges	21,145	19,307	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>792,712</b>	<b>1,190,986</b>	<b>802,858</b>	<b>720,639</b>	<b>618,789</b>	<b>632,167</b>	<b>605,800</b>	<b>539,735</b>	<b>440,997</b>	<b>464,385</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	220,379	(404,783)	(69,347)	8,179	2,178	(6,801)	3,604	14,710	39,439	(15,624)
<b>Other Financing Sources (Uses):</b>										
Transfers In	-	21,526	8,704	-	-	-	-	-	-	-
Transfers Out	-	(21,526)	(8,704)	-	-	-	-	-	-	-
Bond Proceeds	290,000	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>290,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ 510,379</b>	<b>\$ (404,783)</b>	<b>\$ (69,347)</b>	<b>\$ 8,179</b>	<b>\$ 2,178</b>	<b>\$ (6,801)</b>	<b>\$ 3,604</b>	<b>\$ 14,710</b>	<b>\$ 39,439</b>	<b>\$ (15,624)</b>
Debt service as a percentage of noncapital expenditures	2.78%	2.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Source: District records**

Note: Noncapital expenditures are total expenditures less capital outlay.  
 Central Service and Administrative Information Technology account classifications were added beginning with year end June 30, 2005.  
 Prior to June 30, 2005, Central Service and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

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

Fiscal Year Ending June 30,	Prior Year Refunds	Miscellaneous	Annual Total
2010	\$ -	\$ 10,994	\$ 10,994
2009	863	128	991
2008	-	4,255	4,255
2007	1,000	-	1,000
2006	-	-	-
2005	210	-	210
2004	-	12	12
2003	849	223	1,072
2002	105	383	488
2001	401	473	874

Source: District records

*REVENUE CAPACITY*

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Q-Farm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Est. Actual County Equalized Value	Total Direct School Tax Rate <sup>b</sup>
2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 94,751,700	N/A	\$ 199,397	\$ 94,951,097	\$ 95,272,247	0.676
2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	95,279,500	-	172,380	95,451,880	94,229,019	0.635
2008	3,297,400	\$ 77,769,800	\$ 845,100	\$ 24,600	\$ 13,969,300	\$ 364,000	\$ 1,018,600	97,288,800	-	159,686	97,448,486	90,646,004	0.598
2007	3,205,700	77,901,000	845,100	24,600	13,969,300	364,000	1,018,600	97,328,300	-	151,229	97,479,529	91,590,518	0.574
2006	1,087,100	33,654,900	427,500	24,600	6,383,900	162,400	579,100	42,319,500	-	75,773	42,395,273	88,111,345	1.239
2005	1,107,000	33,786,000	427,500	24,600	6,404,800	162,400	579,100	42,491,400	-	85,768	42,577,168	87,081,996	1.137
2004	1,176,600	33,480,000	438,900	25,000	6,404,800	162,400	579,100	42,266,800	-	95,050	42,361,850	69,296,664	1.044
2003	1,176,600	33,480,000	438,900	25,000	6,404,800	162,400	579,100	42,266,800	-	103,303	42,370,103	64,148,064	1.088
2002	1,238,000	33,418,600	438,900	25,000	6,404,800	162,400	579,100	42,266,800	-	103,062	42,369,862	59,834,748	0.948
2001	1,238,000	33,369,400	438,900	25,000	6,404,800	162,400	579,100	42,217,600	-	114,860	42,332,460	46,671,582	0.860

Source: Municipal Tax Assessor

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

Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment

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

b Tax rates are per \$100

N/A At the time of CAFR completion, this data was not yet available

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 LAST TEN FISCAL YEARS  
*(rate per \$100 of assessed value)*

Year Ended December 31,	Borough of Stockton			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	(From J-6) Total Direct School Tax Rate	Regional School Debt	Municipality	County	
2010	0.676	-	0.676	0.506	0.338	0.342	1.862
2009	0.635	-	0.635	N/A	N/A	N/A	0.635
2008	0.598	-	0.598	0.416	0.279	0.310	1.603
2007	0.574	-	0.574	0.375	0.246	0.315	1.510
2006	1.239	-	1.239	0.782	0.549	0.740	3.310
2005	1.137	-	1.137	0.701	0.529	0.773	3.140
2004	1.044	-	1.044	0.769	0.478	0.669	2.960
2003	1.088	-	1.088	0.783	0.465	0.654	2.990
2002	0.948	-	0.948	0.695	0.429	0.638	2.710
2001	0.860	-	0.860	0.790	0.390	0.510	2.550

**Source: Municipal Tax Collector**

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

- a** The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.
- b** Rates for debt service are based on each year's requirements.

**N/A** At the time of CAFR completion, this data was not yet available

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 PRINCIPAL PROPERTY TAXPAYERS  
 CURRENT YEAR AND TWO YEARS

Taxpayer	2010			2008		
	Taxable Assessed Value	Rank	% of Total Direct Net Assessed Value	Taxable Assessed Value	Rank	% of Total Direct Net Assessed Value
Individual Property Owner	\$ 1,867,100	1		\$ 1,625,000	1	
Strackhouse Inn	1,836,300	2		-		
Haverstick Properties LLC	1,444,200	3		-		
Stockton Inn	-			1,582,600	2	1.62%
Individual Property Owner	1,230,200	4		1,230,000	3	
Individual Property Owner	1,065,900	5		964,500	4	0.99%
Bluebird Investors	942,200	6		-		
Individual Property Owner	914,900	7		951,100	5	
Individual Property Owner	905,800	8		790,800	6	0.81%
Individual Property Owner	890,300	9		738,500	7	0.76%
Individual Property Owner	792,900	10		730,800	8	0.75%
Individual Property Owner	-			704,300	9	0.72%
Individual Property Owner	-			692,300	10	0.71%
<b>Total</b>	<b>\$ 11,889,800</b>		<b>0.00%</b>	<b>\$ 10,009,900</b>		<b>6.36%</b>

Source: Municipal Tax Assessor

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

Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	\$ 641,922	\$ 641,922	100.00%	N/A
2009	619,032	619,032	100.00%	N/A
2008	571,334	571,334	100.00%	N/A
2007	549,360	549,360	100.00%	N/A
2006	500,742	500,742	100.00%	N/A
2005	466,612	466,612	100.00%	N/A
2004	460,730	460,730	100.00%	N/A
2003	417,269	417,269	100.00%	N/A
2002	385,433	385,433	100.00%	N/A
2001	344,000	344,000	100.00%	N/A

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

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

**N/A** At the time of CAFR completion, this data was not yet available

*DEBT CAPACITY*

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

Fiscal Year Ended June 30,	Governmental Activities				Bond Anticipation Notes (BANS)		Business-Type Activities		Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases		Capital Leases		Total District			
2010	\$ 290,000	\$ -	\$ -	\$ -	\$ -	\$ 290,000	0.00%	\$ -	-	
2009	-	-	-	542,306	-	542,306	0.00%	-	-	
2008	-	-	-	542,306	-	542,306	1.54%	984	-	
2007	-	-	-	-	-	-	0.00%	-	-	
2006	-	-	-	-	-	-	0.00%	-	-	
2005	-	-	-	-	-	-	0.00%	-	-	
2004	-	-	-	-	-	-	0.00%	-	-	
2003	-	-	-	-	-	-	0.00%	-	-	
2002	-	-	-	-	-	-	0.00%	-	-	
2001	-	-	-	-	-	-	0.00%	-	-	

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>a</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2010	\$ 290,000	\$ -	\$ 290,000	0.00%	\$ -
2009	3,313,531	1,735,830	1,577,701	11.29%	-
2008	-	-	-	0.00%	984
2007	-	-	-	0.00%	-
2006	-	-	-	0.00%	-
2005	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2003	-	-	-	0.00%	-
2002	-	-	-	0.00%	-
2001	-	-	-	0.00%	-

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

**a** See J-6 for property tax data.

**b** Population data can be found in J-14.

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 AS OF DECEMBER 31, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Municipality	\$ 2,071,431	100.00%	\$ 2,071,431
Regional High School	19,547,000	6.35%	1,241,235
County General Obligation Debt	-	0.00%	-
Subtotal, Overlapping Debt			<u>3,313,445</u>
Borough of Stockton School District Direct Debt			<u>290,000</u>
Total direct and overlapping debt			<u><u>\$ 3,603,445</u></u>

**Source:** Assessed value data used to estimate applicable percentages provided by the Union County Board of Taxation.

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

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

**N/A** At the time of CAFR completion, this data was not yet available

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS

**Legal Debt Margin Calculation for Fiscal Year 2010**

	Equalized Valuation Basis
2010	\$ 95,272,247
2009	\$ 94,229,019
2008	\$ 90,646,004
	<u>\$ 280,147,270</u>
Average Equalized Valuation of Taxable Property	\$ 93,382,423
Debt Limit (4% of Average Equalization Value)	3,735,297 <b>a</b>
Total Net Debt Applicable To Limit	-
Legal Debt Margin	<u>\$ 3,735,297</u>

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Debt Limit	\$ 3,735,297	\$ 1,193,956	\$ 2,165,040	\$ 2,042,885	\$ 1,841,852	\$ 1,619,083	\$ 1,401,267	\$ 1,240,842	\$ 1,130,791	\$ 1,074,428
Total Net Debt Applicable to Limit	290,000	-	542,306	542,306	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 3,445,297</u>	<u>\$ 1,193,956</u>	<u>\$ 1,622,734</u>	<u>\$ 1,500,579</u>	<u>\$ 1,841,852</u>	<u>\$ 1,619,083</u>	<u>\$ 1,401,267</u>	<u>\$ 1,240,842</u>	<u>\$ 1,130,791</u>	<u>\$ 1,074,428</u>

Total Net Debt Applicable to the Limit	7.76%	0.00%	25.05%	26.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
As a Percentage of Debt Limit										

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

**a** Limit set by NUSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

***DEMOGRAPHIC AND ECONOMIC INFORMATION***

BOROUGH OF STOCKTON SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2010	N/A	N/A	N/A	N/A
2009	551	N/A	N/A	N/A
2008	551	\$ 35,315,794	64,094	0.00%
2007	553	35,443,982	64,094	0.00%
2006	550	35,251,700	64,094	0.00%
2005	553	33,076,589	59,813	0.00%
2004	556	32,456,500	58,375	2.30%
2003	560	31,926,720	57,012	2.70%
2002	562	31,345,550	55,775	2.60%
2001	562	30,651,480	54,540	1.40%

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

<sup>c</sup> Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

**N/A** At the time of CAFR completion, this data was not yet available

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND TEN YEARS AGO

Employer	2010			2001		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment
Company	N/A		N/A	N/A		N/A
Individual	N/A		N/A	N/A		N/A
	-		0.00%	-		0.00%

Source: \_\_\_\_\_

**N/A** At the time of CAFR completion, this data was not yet available

***OPERATING INFORMATION***

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS

Function/Program	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Instruction:										
Regular	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70
Special Education	0.70	0.70	0.70	0.70	0.70	0.40	0.40			
Other Special Education	0.30	0.35	0.35	0.35	0.30	0.20	0.20	0.20	0.20	0.10
Support Services:										
Student and Instruction Related Services	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
General and Business Administration Services	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Plant Operations and Maintenance	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
<b>Total</b>	<b>7.40</b>	<b>7.45</b>	<b>7.45</b>	<b>7.45</b>	<b>7.40</b>	<b>7.00</b>	<b>7.00</b>	<b>6.60</b>	<b>6.60</b>	<b>6.50</b>

**Source:** District Personnel Records

**N/A** At the time of CAFR completion, this data was not yet available

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 OPERATING STATISTICS  
 LAST TEN FISCAL YEARS

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	Percent Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2010	37	\$ 739,390	\$ 19,984	-1.27%	6	6.2	N/A	N/A	37.0	36.0	2.70%	97.30%
2009	36	728,634	20,240	-1.35%	6	6.0	N/A	N/A	36.0	36.0	-3.33%	100.00%
2008	36	738,606	20,517	30.96%	6	6.3	N/A	N/A	37.2	35.5	-29.57%	95.43%
2007	46	720,639	15,666	16.46%	6	8.0	N/A	N/A	48.2	45.7	6.22%	94.81%
2006	46	618,789	13,452	27.67%	6	8.1	N/A	N/A	45.2	43.8	-19.91%	96.90%
2005	60	632,167	10,536	8.94%	5	11.3	N/A	N/A	54.2	51.6	-6.64%	95.20%
2004	60	580,291	9,672	13.18%	5	11.3	N/A	N/A	57.8	55.4	-9.52%	95.85%
2003	60	512,720	8,545	16.26%	5	12.2	N/A	N/A	63.3	58.6	-1.11%	92.58%
2002	60	440,997	7,350	4.95%	5	12.2	N/A	N/A	64.0	60.2	0.00%	94.06%
2001	63	441,194	7,003	-8.78%	5	13.1	N/A	N/A	64.0	60.3	6.09%	94.22%

Sources: District records

Note: Enrollment based on annual October District count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certified staff.

c Average daily enrollment and average daily attendance are obtained from School Register Summary (SRS).

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 SCHOOL BUILDING INFORMATION  
 LAST TEN FISCAL YEARS

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>District Building</b>										
<b>Elementary</b>										
Borough of Stockton School District										
Square Feet	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Capacity (students)	67	67	67	67	67	67	67	67	67	67
Average Daily Enrollment	37.4	36.0	37.2	48.2	45.2	54.2	57.8	63.3	60.2	64.0

Number of Schools at June 30, 2010  
Elementary = 1

**Source: District Facilities Office**

Note: Increases in square footage and capacity are the result of and additions.  
 Enrollment is based on the annual October District count.

N/A At the time of CAFR completion, this data was not yet available

BOROUGH OF STOCKTON SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED MAINTENANCE  
 LAST TEN FISCAL YEARS

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

* School Facilities	Project # (s)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Elementary School	N/A	\$ 7,992	\$ 7,446	\$ 2,961	\$ 8,503	\$ 10,471	\$ 4,048	\$ 4,836	\$ 1,057	\$ -	\$ -
Other	N/A	-	-	-	-	-	-	-	-	-	-
<b>Total School Facilities</b>		<b>\$ 7,992</b>	<b>\$ 7,446</b>	<b>\$ 2,961</b>	<b>\$ 8,503</b>	<b>\$ 10,471</b>	<b>\$ 4,048</b>	<b>\$ 4,836</b>	<b>\$ 1,057</b>	<b>\$ -</b>	<b>\$ -</b>

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

Source: District records

BOROUGH OF STOCKTON SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2010

<u>School Package Policy - School Alliance Insurance Fund</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Property - Blanket Building & Contents	\$ 150,000,000	\$ 1,000
Comprehensive General Liability	5,000,000	
Comprehensive Flood	10,000,000	
Comprehensive Earthquake	10,000,000	
 Boiler & Machinery - School Alliance Insurance Fund		
Property Damage	100,000	1,000
 School Board Legal Liability - School Alliance Insurance Fund		
Directors & Officers Policy	5,000,000	
 Blanket Dishonesty Bond - School Alliance Insurance Fund	150,000	
 Worker's Compensation - School Alliance Insurance Fund	5,000,000	
 Public Employees' Faithful Performance Blanket		
Position - School Alliance Insurance Fund		
Treasurer	82,000	

Source: Borough of Stockton Board of Education

***SINGLE AUDIT SECTION***

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable President and  
Members of the Board of Education  
Borough of Stockton School District  
County of Hunterdon  
Stockton, New Jersey

We have audited the financial statements of the Board of Education of the Borough of Stockton School District, in the County of Hunterdon, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Borough of Stockton School District Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Stockton School District Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Stockton School District Board of Education'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 misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there a

reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Stockton School District Board of Education'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 audit committee, Borough of Stockton School District Board of Education, 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 those specified parties.



Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

October 13, 2010

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB  
CIRCULAR 04-04**

Honorable President and  
Members of the Board of Education  
Borough of Stockton School District  
County of Hunterdon  
Stockton, New Jersey

**Compliance**

We have audited the compliance of the Board of Education of the Borough of Stockton School District, in the County of Hunterdon, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2010. Borough of Stockton School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Borough of Stockton School District Board of Education's management. Our responsibility is to express an opinion on Borough of Stockton School District Board of Education'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 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 state program occurred. An audit includes examining, on a test basis, evidence about Borough of Stockton School District Board of Education'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 of Borough of Stockton School District Board of Education's compliance with those requirements.

In our opinion, the Board of Education of Borough of Stockton School District, in the County of Hunterdon, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2010.

### **Internal Control over Compliance**

Management of the Board of Education of the Borough of Stockton School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Borough of Stockton School District Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major 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 New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Borough of Stockton School District Board of Education's internal control over compliance.

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

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. The Borough of Stockton School District Board of Education's responses to the findings

identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Borough of Stockton School District Board of Education's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the audit committee, Borough of Stockton School District Board of Education, the New Jersey State Department of Education, 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.



Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

October 13, 2010

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

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Balance at June 30, 2010	
				From	To						Accounts Receivable	Deferred Revenue
<b>U.S. Department of Education</b>												
<b>Passed-through State Department of Education</b>												
Special Revenue Fund:												
Title II Part A, NCLB	84.367A	NCLB050010	\$ 992	9/1/09	8/31/10	-	992	(992)	-	-	\$ -	\$ -
Title IV NCLB	84.184	NCLB050010	48	9/1/09	8/31/10	-	48	(48)	-	-	\$ -	\$ -
I.D.E.A. Part B, Basic	84.027	IDEA050010	7,556	9/1/09	8/31/10	-	7,556	(7,556)	-	-	\$ -	\$ -
I.D.E.A. Part B, Preschool	84.173	IDEA050010	469	9/1/09	8/31/10	-	469	(469)	-	-	\$ -	\$ -
Rural Education Achievement Program Grant	84.358A	S358A091830	18,967	7/1/09	9/30/10	(2,406)	10,025	(13,516)	(3,491)	-	\$ -	\$ -
Rural Education Achievement Program Grant - C/O	84.358A	S358A081830	20,528	7/1/09	9/30/09	-	9,326	(6,920)	-	-	\$ -	\$ -
ARRA - I.D.E.A. Part B, Basic	84.027	IDEA050010	6,528	7/1/09	8/31/11	-	6,528	(6,528)	-	-	\$ -	\$ -
ARRA - I.D.E.A. Part B, Preschool	84.173	IDEA050010	236	7/1/09	8/31/11	-	236	(236)	-	-	\$ -	\$ -
Total Federal Financial Assistance			\$ 35,180			\$ (2,406)	\$ 35,180	\$ (36,265)	\$ -	\$ -	\$ (3,491)	\$ -

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

BOROUGH OF STOCKTON SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE, 30, 2010

State Grantor/Program Title	Grant Number	Program or Award Amount	Grant Period		Balance at June 30, 2009				Balance at June 30, 2010				MEMO		
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Year's Balance	(Accounts Receivable)	Interfund Payable/Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
<b>State Department of Education</b>															
General Fund:															
Transportation Aid	10-495-034-5120-014	\$ 1,934	7/1/09	6/30/10	\$ -	\$ -	\$ -	\$ 1,740	\$ (1,934)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,934
Special Education Aid	10-495-034-5120-089	10,055	7/1/09	6/30/10	-	-	-	6,715	(7,723)	-	(1,008)	-	-	3,340	7,723
Special Education Aid	09-495-034-5120-089	11,867	7/1/08	6/30/09	(1,037)	-	-	1,037	-	-	-	-	-	-	-
Security Aid	10-495-034-5120-084	2,255	7/1/09	6/30/10	-	-	-	2,029	(2,255)	-	(226)	-	-	226	2,255
Security Aid	09-495-034-5120-084	2,377	7/1/08	6/30/09	(208)	-	-	208	-	-	-	-	-	-	-
Extraordinary Aid	10-100-034-5120-473	21,409	7/1/09	6/30/10	-	-	-	26,404	(21,409)	-	(21,409)	-	-	21,409	21,409
Extraordinary Aid	09-100-034-5120-473	26,404	7/1/08	6/30/09	(26,404)	-	-	-	-	-	-	-	-	-	-
Non-Public Transportation Cost	141	141	7/1/09	6/30/10	-	-	-	-	(141)	-	(141)	-	-	141	141
Other State Aid	696	696	7/1/08	6/30/09	(696)	-	-	-	-	-	-	-	-	-	-
On-Behalf TPAF Pension Contributions	10-495-034-5095-006	19,666	7/1/09	6/30/10	-	-	-	19,666	(19,666)	-	-	-	-	-	19,666
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	27,299	7/1/09	6/30/10	-	-	-	27,299	(27,299)	-	-	-	-	-	27,299
Total General Fund					(28,345)	-	-	85,794	(80,427)	-	(22,978)	-	-	25,310	80,427
Debt Service Fund:															
Debt Service Aid Type II	10-495-034-5120-017	7,723	7/1/09	6/30/10	-	-	-	-	(7,723)	-	(7,723)	-	-	7,723	7,723
Debt Service Aid Type II	09-495-034-5120-017	7,723	7/1/08	6/30/09	(7,723)	-	-	7,723	-	-	-	-	-	-	-
Total Debt Service Fund					(7,723)	-	-	7,723	(7,723)	-	(7,723)	-	-	7,723	7,723
Total State Financial Assistance					\$ (36,068)	\$ -	\$ -	\$ 93,517	\$ (88,150)	\$ -	\$ (30,701)	\$ -	\$ -	\$ 33,033	\$ 88,150

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

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL  
ASSISTANCE  
JUNE 30, 2010**

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**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation 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 (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL  
ASSISTANCE  
JUNE 30, 2010**

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$183) for the general fund and none for the special revenue fund. See *Note 1* [the Notes to Required Supplementary Information] for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 80,244	\$ 80,244
Special Revenue Fund	36,265	-	36,265
Debt Service Fund	-	7,723	7,723
Total Awards & Financial Assistance	<u>\$ 36,265</u>	<u>\$ 87,967</u>	<u>\$ 124,232</u>

**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. FEDERAL AND STATE LOANS OUTSTANDING**

Borough of Stockton School District has no loan balances outstanding at June 30, 2010.

**NOTE 6. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2010. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

**BOROUGH OF STOCKTON SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL  
ASSISTANCE  
JUNE 30, 2010**

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**NOTE 7. SCHOOLWIDE PROGRAM FUNDS**

Schoolwide programs are not separate Federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditure of Federal Awards. The following funds by program are included in schoolwide programs in the district.

Program	Total
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	\$ 992
Title IV, Part A: <i>Safe and Drug-Free Schools and Communities</i>	<u>48</u>
Total	<u>\$ 1,040</u>

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

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors’ report issued on financial statements		<u>Unqualified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to basic financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**State Awards Section**

Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Type of auditors’ report issued on compliance for major programs		<u>Unqualified</u>
Internal control over major programs:		
1) Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major state programs:

GMIS Number(s)	Name of State Program
_____	_____
_____	_____
_____	_____
_____	_____

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

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***Section II – Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

**Finding**

No matters were reported.

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

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***Section III – Federal Awards and State Financial Assistance  
Findings and Questioned Costs***

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04.

**STATE AWARDS**

**Findings**

There were no matters reported.

BOROUGH OF STOCKTON SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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**STATUS OF PRIOR YEAR FINDINGS**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (.325(a)(b)) and NJOMB's Circular 04-04.

**Findings**

There were no matters reported.