

**SCHOOL DISTRICT OF
THE BOROUGH OF STANHOPE**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

**Comprehensive Annual
Financial Report**

of the

**Borough of Stanhope School District
Board of Education**

Stanhope, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

**Borough of Stanhope School District
Board of Education**

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INTRODUCTORY SECTION



Stanhope Public School District
 24 Valley Road
 Stanhope, New Jersey 07874

(973) 347-0008

www.stanhopeschools.org

September 30, 2016

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

Dear Board Members:

The comprehensive annual financial report of the Borough of Stanhope School District (the "District") for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial statements, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and the New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' 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.

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

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped students. The District completed the 2015-2016 fiscal year with an enrollment of 317 students, which is 2 students more than the previous year's enrollment.

The Honorable President and Members of
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Borough of Stanhope School District
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2) ECONOMIC CONDITION AND OUTLOOK: The Borough of Stanhope occupies 2.2 square miles at the southern tip of Sussex County, bordering Morris County. The Borough was established in 1904 and has been identified as being a "limited growth area" in various master plans developed for the State of New Jersey by our Municipality.

Commercial land uses consisting of retail shops, professional and commercial offices and other consumer-oriented activities account for approximately 28 acres. There is an on-going effort to create a community and school relationship in order to be more fiscally responsible for the tax payers.

3) MAJOR INITIATIVES: Major initiative during 2015-2016 school year, Stanhope completed the transition from interim personnel to a fully staffed administrative team by hiring a full time permanent business administrator and board secretary. The hiring of the business administrator continued the focus of attention on long range plans for the district. This included the completion of the roof project as well as enlisting professional vendors for securing a tenant for Linden Avenue School, and continuing to organize space to support storage and healthy learning environments.

The building administration continued to focus improving the climate and cultural of Valley Road School. In partnership with the United Way and The Center for Prevention, the school began a program entitled "Gossip Free Starts with Me." This character education project improved the behavior of students and dramatically improved the attendance rate of children in the middle school portion of the student population.

The staff, under the direction of the regional curriculum coordinator, updated and migrated the curriculum on to the Rubicon Atlas Online Curriculum Mapping Program. This allowed for staff to begin completing lesson plans online as well as review standards and map instructional pacing as a part of data driven instruction. The process collaboratively created has set the groundwork for common assessment both in the district and the region to expand horizontal and vertical articulation.

The central office leadership in conjunction with the School Improvement Committee expanded professional development for staff to include mathematics, language arts literacy, and the art and science from recognized experts in the field. This district completed Orton-Gillingham training for all staff K-8 and special education teachers in grades 6-8.

The district also expanded and enhanced online assessment tools in reading and mathematics to support struggling learners and provide a wider range of evaluative measures as well as prescriptive focused instruction to shrink gaps in multiple literacies. The online tools and programs also prepared students for standardized testing and enhanced instructional experiences in social studies and science. The virtual world, that is available at the fingertips of the student with a one to one Chromebook, is widened by the opening of doorways to learning and growth through internet based instructional experiences.

In conjunction with regional partners, the district has expanded professional development for administrative staff at the building and central office level. A nationally recognized speaker was appointed as lead instructor from the development of professional goals and training for school leaders to better utilize the Multidimensional Principal and Leader Performance Rubrics. The staff also participated in updates for the Danielson Evaluation Model.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2016.

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

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

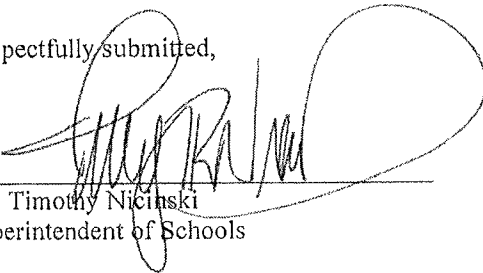
8) RISK MANAGEMENT: The Board carries various forms of commercial insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage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

The Honorable President and Members of
the Board of Education
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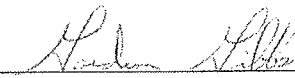
9) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* and are included in the single audit section of this report.

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

Respectfully submitted,

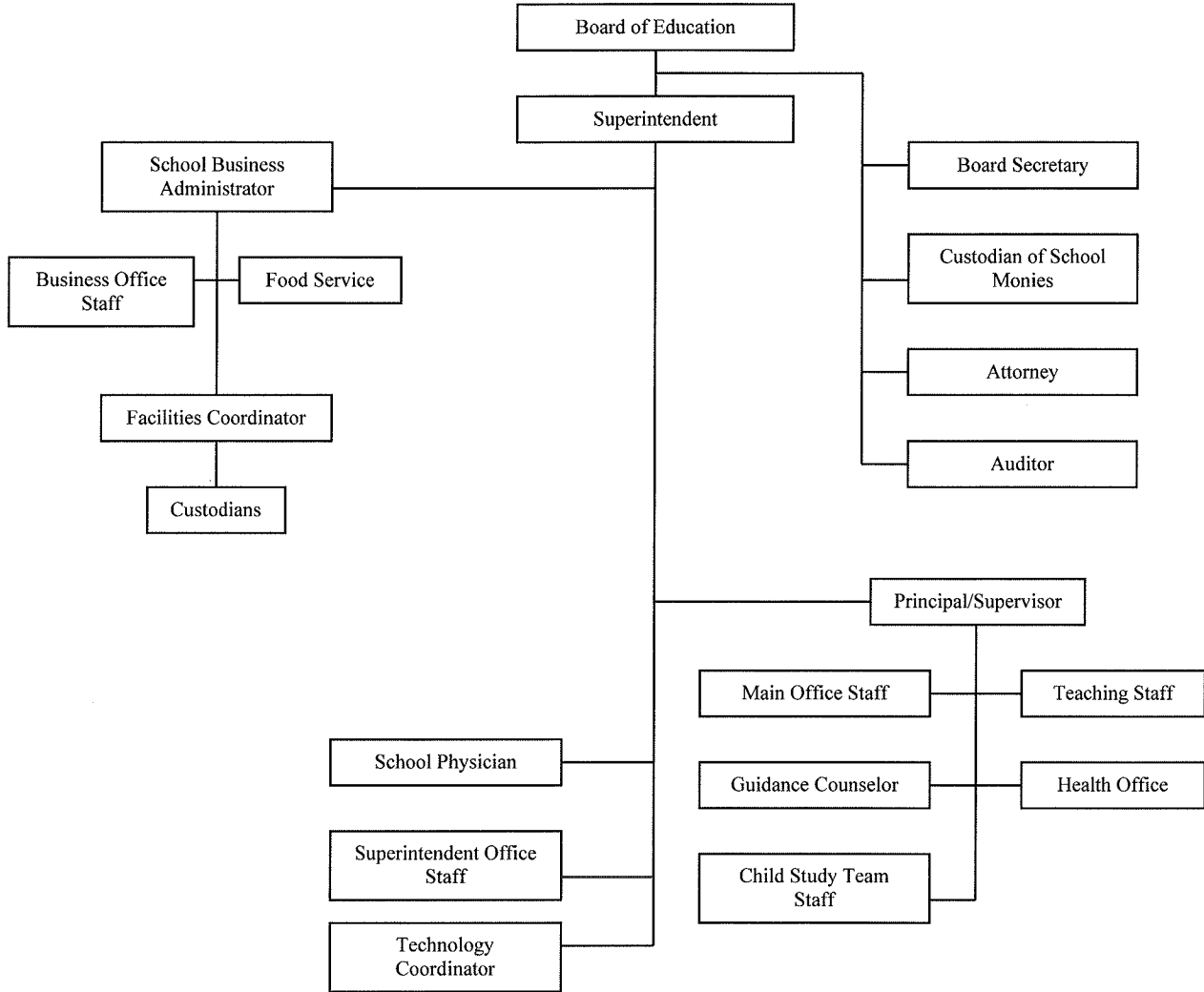


Mr. Timothy Nicinski
Superintendent of Schools



Gordon Gibbs
Business Administrator/Board Secretary

Stanhope Board of Education Organizational Chart 2015-2016



**BOROUGH OF STANHOPE SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2016**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Gil Moscatello, Board President	2018
Cynthia Percarpio, Vice- President	2016
Najib Iftikhar	2017
Mattia Scharfstein	2017
Daniele Ferrone	2016
Frank Shay	2018
Jonathan Clauson	2016

<u>Other Officers</u>	<u>Title</u>
Timothy Nicinski	Superintendent
Gordon Gibbs	Business Administrator/ Board Secretary
SallyAnn G. McCarty	Treasurer of School Monies

BOROUGH OF STANHOPE BOARD OF EDUCATION

Consultants and Advisors

Audit Firm

Nisivoccia & Company LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856-1320

Nisivoccia & Company LLP, CPAs
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Attorney

Cleary, Giacobbe, Afieri, Jacobs, LLC
169 Ramapo Valley Road
Upper Level 105
Oakland, NJ 07436

Architect of Record

Gianforcaro Architects & Engineers
555 E. Main Street
Chester, NJ 07930

Official Depository

TD Bank
56 Flanders-Bartley Road
Flanders, NJ 07836

Financial Advisor

Phoenix Advisors, LLC
4 West Park Street
Bordentown, NJ 08505

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Stanhope School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

The Honorable President and Members
of the Board of Education
Borough of Stanhope School District
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Stanhope School District, in the County of Sussex, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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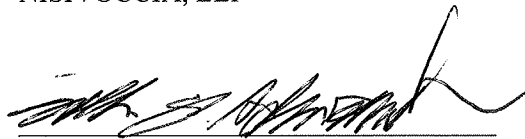
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

September 30, 2016
Mount Arlington, New Jersey

NISIVOCCIA, LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

This section of Borough of Stanhope School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status improved on a district wide basis.
- Overall revenue was \$7.40 million.
- Overall expenses were \$6.95 million.
- Enrollment in the District decreased approximately 0.32%.

Overview of the Financial Statements

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

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

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

Figure A-1

Organization of the School District's Financial Report

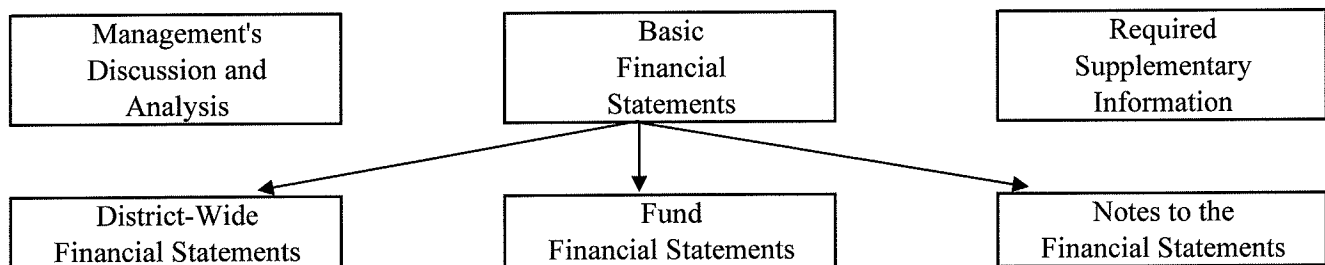


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

Notes to the Basic Financial Statements: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by \$451,558. Net position from governmental activities increased by \$452,691 and net position from business-type activities decreased by \$1,133. Net investment in capital assets increased by \$610,001, restricted net position decreased by \$122,549, and unrestricted net position decreased by \$35,894.

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	Change 2015/16
Current and							
Other Assets	\$ 902,859	\$ 983,118	\$ 17,469	\$ 13,883	\$ 920,328	\$ 997,001	-7.69%
Capital Assets, Net	6,749,262	6,484,586	7,912	9,622	6,757,174	6,494,208	4.05%
Total Assets	<u>7,652,121</u>	<u>7,467,704</u>	<u>25,381</u>	<u>23,505</u>	<u>7,677,502</u>	<u>7,491,209</u>	2.49%
Deferred Outflows of Resources	<u>291,600</u>	<u>217,768</u>			<u>291,600</u>	<u>217,768</u>	33.90%
Long-Term Debt Outstanding	3,460,959	3,760,778			3,460,959	3,760,778	-7.97%
Other Liabilities	157,988	116,021	5,639	2,630	163,627	118,651	37.91%
Total Liabilities	<u>3,618,947</u>	<u>3,876,799</u>	<u>5,639</u>	<u>2,630</u>	<u>3,624,586</u>	<u>3,879,429</u>	-6.57%
Deferred Inflows of Resources	<u>121,653</u>	<u>58,243</u>			<u>121,653</u>	<u>58,243</u>	108.87%
Net Position:							
Net Investment in Capital Assets	4,341,667	3,729,956	7,912	9,622	4,349,579	3,739,578	16.31%
Restricted	559,668	682,217			559,668	682,217	-17.96%
Unrestricted/(Deficit)	<u>(698,214)</u>	<u>(661,743)</u>	<u>11,830</u>	<u>11,253</u>	<u>(686,384)</u>	<u>(650,490)</u>	-5.52%
Total Net Position	<u>\$ 4,203,121</u>	<u>\$ 3,750,430</u>	<u>\$ 19,742</u>	<u>\$ 20,875</u>	<u>\$ 4,222,863</u>	<u>\$ 3,771,305</u>	11.97%

Changes in Net Position. The District's combined net position was \$4,222,863 on June 30, 2016, an increase of \$451,558 or 11.97% more than it was the year before. This was primarily due to unexpended General Fund budget appropriations of \$180,667 and the increase in net investment in capital assets.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities 2015/16	Business- Type Activities 2015/16	Governmental Activities 2014/15	Business- Type Activities 2014/15	Total School District 2015/16	Total School District 2014/15	Percentage Change 2014/15
Revenue:							
Program Revenue:							
Charges for Services	\$ 33,415	\$ 59,866	\$ 33,140	\$ 66,417	\$ 93,281	\$ 99,557	-6.30%
Operating Grants and Contributions	1,484,447	31,140	1,313,710	30,520	1,515,587	1,344,230	12.75%
Capital Grants and Contributions	192,076		147,024		192,076	147,024	30.64%
General Revenue:							
Property Taxes	4,232,377		4,121,310		4,232,377	4,121,310	2.69%
Unrestricted State and Federal Aid	1,275,486		1,274,789		1,275,486	1,274,789	0.05%
Other	90,192	25	72,406	24	90,217	72,430	24.56%
Total Revenue	7,307,993	91,031	6,962,379	96,961	7,399,024	7,059,340	4.81%
Expenses:							
Instruction	3,525,237		3,325,408		3,525,237	3,325,408	6.01%
Pupil and Instruction Services	1,613,069		1,541,875		1,613,069	1,541,875	4.62%
Administrative and Business	837,958		855,167		837,958	855,167	-2.01%
Maintenance and Operations	433,983		476,473		433,983	476,473	-8.92%
Transportation	82,492		119,266		82,492	119,266	-30.83%
Other	362,563	92,164	302,445	103,663	454,727	406,108	11.97%
Total Expenses	6,855,302	92,164	6,620,634	103,663	6,947,466	6,724,297	3.32%
Increase/(Decrease) in Net Position	\$ 452,691	\$ (1,133)	\$ 341,745	\$ (6,702)	\$ 451,558	\$ 335,043	34.78%

Revenue Sources. The District's total revenue for the 2015/16 school year was \$7,399,024. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$4,232,377 of the total, or 57.20 percent. (See Figure A-5). Another 40.32 percent came from state and federal aid and the remainder from miscellaneous sources and charges for services.

Figure A-5

Sources of Revenue for Fiscal Year 2016

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 1,511,963	20.44%
Property Taxes	4,232,377	57.20%
Federal and State Categorical Grants	1,471,186	19.88%
Charges for Services	93,281	1.26%
Other	90,217	1.22%
	\$ 7,399,024	100.00%

The total cost of all programs and services was \$6,947,466. The District's expenses are predominantly related to instructing and providing pupil services (73.96 percent). (See Figure A-6). The District's administrative and business activities accounted for 12.06 percent of total costs. The most significant contributor to the cost of Maintenance and Operations was energy costs.

Figure A-6

Expenses for Fiscal Year 2016

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 3,525,237	50.74%
Pupil and Instruction Services	1,613,069	23.22%
Administrative and Business	837,958	12.06%
Maintenance and Operations	433,983	6.25%
Transportation	82,492	1.19%
Other	454,727	6.54%
	<u>\$ 6,947,466</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District has improved. However, maintaining existing programs with a decrease in enrollment and the provision of special programs and services for disabled pupils, combined with rising salary, benefits and energy costs, place great demands on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions the District continued during the year were:

- The maintenance staff does many projects in-house.
- Cost comparisons are made on a continuous basis by the Business Administrator in order to assure savings in major expense areas.
- Efforts are made to keep purchase increases within the 2% cap.
- Cash flow is carefully monitored due to tight budgetary guidelines.

It is crucial that the District examine its expenses carefully. Staff, parental and student demands for salary increases, activities, small class sizes and programs must be evaluated thoroughly. District resources are at their tightest level in a decade. Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-7

Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2015/16	2015/16	2014/15	2014/15
Instruction	\$ 3,525,237	\$ 2,459,110	\$ 3,325,408	\$ 2,368,363
Pupil and Instruction Services	1,613,069	1,349,257	1,541,875	1,344,327
Administrative and Business	837,958	714,279	855,167	756,294
Maintenance and Operations	433,983	212,806	476,473	304,545
Transportation	82,492	47,349	119,266	83,926
Other	362,563	362,563	302,445	302,445
	<u>\$ 6,855,302</u>	<u>\$ 5,145,364</u>	<u>\$ 6,620,634</u>	<u>\$ 5,159,900</u>

- The cost of all governmental activities this year was \$6.86 million.
- The federal and state governments subsidized certain programs with grants and contributions of \$2.76 million.
- Approximately, \$4.23 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from tuition charges, miscellaneous revenue and investment earnings.

Business-Type Activities

Net position from the District's business-type activity decreased by \$1,133. (Refer to Figure A-4).

- Food services expenses exceeded revenue by \$1,133.

Financial Analysis of the District's Funds

The District's financial position remained relatively stable on a fund basis despite difficult economic times. As the demographics of our geographic area change, additional student needs and expenses arise. Difficult economic times and recent legislation have had a direct impact upon the District's revenue sources.

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management, including efficiency/cost containment practices, evaluation of services and programs, energy conservation, and seeking additional sources of revenues.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change 2015/16
	Government Activities		Business-Type Activities		Total School District		
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	
Sites	\$ 526,300	\$ 526,300			\$ 526,300	\$ 526,300	0.00%
Construction in Progress		434,722				434,722	-100.00%
Site Improvements	66,284	72,098			66,284	72,098	-8.06%
Buildings and Building Improvements	6,100,117	5,406,686			6,100,117	5,406,686	12.83%
Machinery and Equipment	56,561	44,780	\$ 7,912	\$ 9,622	64,473	54,402	18.51%
Total Capital Assets (Net of Depreciation)	\$ 6,749,262	\$ 6,484,586	\$ 7,912	\$ 9,622	\$ 6,757,174	\$ 6,494,208	4.05%

The District's capital assets increased by \$262,966, or 4.05% due to \$437,394 of construction in progress and equipment purchases offset by \$174,428 of depreciation expense. More detailed information regarding the District's Capital Assets is presented in Note 5 to the basic financial statements.

Long-term Debt

At year-end, the District had \$2,040,000 in general obligation bonds outstanding – a decrease of \$255,000 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

Figure A-9

Outstanding Long-Term Debt

	Total School District		Percentage
	2015/16	2014/15	Change 2015-16
General Obligation Bonds (Financed with Property Taxes)	\$ 2,040,000	\$ 2,295,000	-11.11%
Other Long-Term Liabilities	1,420,959	1,465,778	-3.06%
	<u>\$ 3,460,959</u>	<u>\$ 3,760,778</u>	<u>-7.97%</u>

The District continued to pay down its bonded debt, retiring \$255,000 of outstanding bonds. In fiscal year 2015/16 compensated absences increased by \$1,432, capital leases payable decreased \$92,035 and the net pension liability increased \$45,784.

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

At the time these financial statements were prepared and audited, the District was in good financial position. Factors that could affect its financial health in the future are as follows:

- Total state aid to the District is subject to decrease as its enrollment decreases, and state adjustment aid is eliminated.
- The state tax levy cap of 2% limits the District's ability to fund major construction projects.
- Health benefits contributions by employees have leveled off in accordance with the health benefit contribution requirements under Chapter 78, P.L. 2011.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 24 Valley Road, Stanhope, New Jersey 07874.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 577,314	\$ 12,405	\$ 589,719
Internal Balances	4,734	(4,734)	
Interfund Receivable - Fiduciary Fund	204		204
Receivables from State Government	118,918	292	119,210
Receivables from Federal Government	17,867	7,814	25,681
Other Receivables	23,630		23,630
Inventories		1,692	1,692
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	160,192		160,192
Capital Assets, Net			
Sites (Land)	526,300		526,300
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	6,222,962	7,912	6,230,874
Total Assets	<u>7,652,121</u>	<u>25,381</u>	<u>7,677,502</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	69,415		69,415
Changes in Assumptions - Pensions	109,874		109,874
Changes in Proportion - Pensions	87,903		87,903
Difference Between Expected and Actual Experience - Pensions	24,408		24,408
Total Deferred Outflows of Resources	<u>291,600</u>		<u>291,600</u>
LIABILITIES			
Accrued Interest Payable	15,896		15,896
Accounts Payable	141,282	2,575	143,857
Prepaid Sales		1,232	1,232
Unearned Revenue		1,832	1,832
Noncurrent Liabilities:			
Due Within One Year	356,652		356,652
Due Beyond One Year	3,105,117		3,105,117
Total Liabilities	<u>3,618,947</u>	<u>5,639</u>	<u>3,624,586</u>
DEFERRED INFLOWS OF RESOURCES:			
Investment Gains - Pensions	16,450		16,450
Charges in Proportion - Pensions	105,203		105,203
Total Deferred Inflows of Resources	<u>121,653</u>		<u>121,653</u>
NET POSITION			
Net Investment in Capital Assets	4,341,667	7,912	4,349,579
Restricted for:			
Capital Projects	160,192		160,192
Other Purposes	399,476		399,476
Unrestricted/(Deficit)	(698,214)	11,830	(686,384)
Total Net Position	<u>\$ 4,203,121</u>	<u>\$ 19,742</u>	<u>\$ 4,222,863</u>

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 2,437,183		\$ 523,885		\$ (1,913,298)		\$ (1,913,298)
Special Education	926,715		511,320		(415,395)		(415,395)
Other Special Instruction	118,137		23,109		(95,028)		(95,028)
Other Instruction	43,202		7,813		(35,389)		(35,389)
Support Services:							
Tuition	388,432	\$ 33,415			(355,017)		(355,017)
Student & Instruction Related Services	1,224,637		230,397		(994,240)		(994,240)
General Administrative Services	349,508		46,652		(302,856)		(302,856)
School Administrative Services	206,968		41,290		(165,678)		(165,678)
Central Services	247,326		28,987		(218,339)		(218,339)
Administrative Information Technology	34,156		6,750		(27,406)		(27,406)
Plant Operations and Maintenance	433,983		29,101	\$ 192,076	(212,806)		(212,806)
Pupil Transportation	82,492		35,143		(47,349)		(47,349)
Interest on Long-Term Debt	125,661				(125,661)		(125,661)
Transfer of Funds to Charter School	76,771				(76,771)		(76,771)
Unallocated Depreciation	160,131				(160,131)		(160,131)
Total Governmental Activities	6,855,302	33,415	1,484,447	192,076	(5,145,364)		(5,145,364)
Business-Type Activities:							
Food Service	92,164	59,866	31,140			\$ (1,158)	\$ (1,158)
Total Business-Type Activities	92,164	59,866	31,140			(1,158)	(1,158)
Total Primary Government	\$ 6,947,466	\$ 93,281	\$ 1,515,587	\$ 192,076	(5,145,364)	(1,158)	(5,146,522)

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 3,894,702		\$ 3,894,702
Taxes Levied for Debt Service	337,675		337,675
Federal and State Aid not Restricted	1,275,486		1,275,486
Investment Earnings	1,069	\$ 25	1,094
Miscellaneous Income	89,123		89,123
	5,598,055	25	5,598,080
Total General Revenue			
Change in Net Position	452,691	(1,133)	451,558
Net Position - Beginning	3,750,430	20,875	3,771,305
Net Position - Ending	\$ 4,203,121	\$ 19,742	\$ 4,222,863

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

BOROUGH OF STANHOPE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 577,314			\$ 577,314
Interfund Receivable	71,093			71,093
Receivables From State Government	60,998		\$ 57,920	118,918
Receivables From Federal Government		\$ 17,867		17,867
Other Receivables	23,630			23,630
Restricted Cash and Cash Equivalents	160,192			160,192
Total Assets	\$ 893,227	\$ 17,867	\$ 57,920	\$ 969,014
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable		\$ 8,235	\$ 57,920	\$ 66,155
Accounts Payable	\$ 131,650	9,632		141,282
Unearned Revenue	810			810
Total Liabilities	132,460	17,867	57,920	208,247
Fund Balances:				
Restricted:				
Capital Reserve Account	160,192			160,192
Excess Surplus	199,738			199,738
Excess Surplus - Designated for Subsequent Year's Expenditures	199,738			199,738
Assigned:				
Encumbrances	53,312			53,312
Unassigned	147,787			147,787
Total Fund Balances	760,767			760,767
Total Liabilities and Fund Balances	\$ 893,227	\$ 17,867	\$ 57,920	\$ 969,014
Amounts Reported for <i>Governmental Activities</i> in the Statement of Net Position (A-1) are Different Because:				
Total Fund Balances from above				\$ 760,767
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$9,690,184 and the Accumulated Depreciation is \$2,940,922.				6,749,262
Interest on Long-Term Debt is not Accrued in the Governmental Funds, but Rather is Recognized as an Expenditure When Due.				(15,896)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.				(1,023,112)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:				
Change in Assumptions - Pensions				109,874
Change in Proportions - Pensions				87,903
Investment Gains - Pensions				(16,450)
Difference Between Expected and Actual Experience - Pensions				24,408
Change in Proportions				(105,203)
Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.				(2,437,847)
Deferred amount on refunding is not reported as expenditures in the governmental funds in the year of the expenditure. The deferred amount on refunding is \$109,083 and accumulated amortization is \$39,668.				69,415
Net Position of Governmental Activities (Exhibit A-1)				\$ 4,203,121

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

Exhibit B-2

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 3,894,702			\$ 337,675	\$ 4,232,377
Tuition from Other LEAs	33,415				33,415
Interest Earned on Investments	1,037				1,037
Unrestricted Miscellaneous Revenue	89,123		\$ 32		89,155
Total - Local Sources	4,018,277		32	337,675	4,355,984
State Sources	2,062,815		192,076		2,254,891
Federal Sources		\$ 120,492			120,492
Total Revenues	6,081,092	120,492	192,108	337,675	6,731,367
EXPENDITURES:					
Current:					
Regular Instruction	1,545,617	37,986			1,583,603
Special Education Instruction	522,880	82,506			605,386
Other Special Instruction	74,601				74,601
School-Sponsored/Other Instruction	26,582				26,582
Support Services and Undistributed Costs:					
Tuition	388,432				388,432
Student and Other Instruction Related Services	808,423				808,423
General Administration Services	262,371				262,371
School Administration Services	130,497				130,497
Central Services	188,116				188,116
Administrative Information Technology	22,445				22,445
Plant Operations and Maintenance	388,569				388,569
Student Transportation	82,492				82,492
Unallocated Benefits	1,371,497				1,371,497
Debt Service:					
Principal				255,000	255,000
Interest and Other Charges				82,675	82,675
Capital Outlay	94,435		413,026		507,461
Transfer of Funds to Charter School	76,771				76,771
Total Expenditures	5,983,728	120,492	413,026	337,675	6,854,921
Excess/(Deficit) of Revenue Over/(Under) Expenditures	97,364		(220,918)		(123,554)
OTHER FINANCING SOURCES/ (USES):					
Transfers In	42,724				42,724
Transfers Out			(42,724)		(42,724)
Total Other Financing Sources/(Uses)	42,724		(42,724)		
Net Change in Fund Balances	140,088		(263,642)		(123,554)
Fund Balance - July 1	620,679		263,642		884,321
Fund Balance - June 30	\$ 760,767	\$ -0-	\$ -0-	\$ -0-	\$ 760,767

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

Exhibit B-3

BOROUGH OF STANHOPE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$ (123,554)
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Depreciation expense	\$ (172,718)
Capital Outlays	<u>437,394</u>
	264,676
In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).	
	(1,432)
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).	
	1,328
Repayment of serial bonds payable is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.	
	255,000
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.	
	92,035
The governmental funds report the effect of deferred amount on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
	(9,917)
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:	
Change in Net Pension Liability	(45,784)
Deferred Outflows:	
Changes in Assumptions	79,142
Changes in Proportion	(19,801)
Difference between Expected and Actual Experience	24,408
Deferred Inflows:	
Changes in Proportion	(105,203)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	<u>41,793</u>
Change in Net Position of Governmental Activities (A-2)	<u>\$ 452,691</u>

Exhibit B-4

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Business-type Activities - Enterprise Funds</u> <u>Food Service</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 12,405
Intergovernmental Accounts Receivable:	
State	292
Federal	7,814
Inventories	1,692
	22,203
Total Current Assets	22,203
Non-Current Assets:	
Capital Assets	26,600
Less: Accumulated Depreciation	(18,688)
	7,912
Total Non-Current Assets	7,912
Total Assets	30,115
<u>LIABILITIES:</u>	
Current Liabilities:	
Interfund Payable	4,734
Accounts Payable	2,575
Prepaid Sales	1,232
Unearned Revenue	1,832
	10,373
Total Liabilities	10,373
<u>NET POSITION:</u>	
Net Investment in Capital Assets	7,912
Unrestricted	11,830
	19,742
Total Net Position	\$ 19,742

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

Exhibit B-5

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 33,305
Daily Sales - Non-Reimbursable Programs	26,561
Total Operating Revenue	59,866
Operating Expenses:	
Cost of Sales - Reimbursable Programs	28,777
Cost of Sales - Non-Reimbursable Programs	7,013
Salaries, Benefits & Payroll Taxes	42,045
Supplies, Insurance & Other Costs	5,218
Management Fee	7,401
Depreciation Expense	1,710
Total Operating Expenses	92,164
Operating Loss	(32,298)
Non-Operating Revenue:	
Local Sources:	
Interest Income	25
State Sources:	
State School Lunch Program	960
Federal Sources:	
National School Lunch Program	24,640
Food Distribution Program	5,540
Total Non-Operating Income	31,165
Change in Net Position	(1,133)
Net Position - Beginning of Year	20,875
Net Position - End of Year	\$ 19,742

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

Exhibit B-6

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds
	Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 59,932
Payments to Employees	(42,045)
Payments to Food Service Contractor	(40,332)
Net Cash Used for Operating Activities	(22,445)
Cash Flows from Investing Activities:	
Interest Income	25
Net Cash Provided by Investing Activities	25
Cash Flows by Noncapital Financing Activities:	
Interfund Advanced - General Fund	(137)
State Sources	730
Federal Sources	18,299
Net Cash Provided by Noncapital Financing Activities	18,892
Net Decrease in Cash and Cash Equivalents	(3,528)
Cash and Cash Equivalents, July 1	15,933
Cash and Cash Equivalents, June 30	\$ 12,405
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (32,298)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,710
Food Distribution Program	5,540
Changes in Assets and Liabilities:	
Increase in Prepaid Sales	66
Increase in Unearned Revenue	368
Increase in Accounts Payable	2,575
(Decrease) in Inventory	(406)
Net Cash Used for Operating Activities	\$ (22,445)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities Through the Food Distribution Program Valued at \$5,908 and Utilized Commodities Valued at \$5,540.

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

Exhibit B-7

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 45,352	\$ 418	\$ 45,770
Total Assets	<u>\$ 45,352</u>	<u>\$ 418</u>	<u>\$ 45,770</u>
<u>LIABILITIES:</u>			
Interfund Payable - General Fund	\$ 204		\$ 204
Payroll Deductions and Withholdings	34,711		34,711
Due to Student Groups	10,437		10,437
Total Liabilities	<u>45,352</u>		<u>45,352</u>
<u>NET POSITION:</u>			
Held in Trust for:			
Flexible Spending Claims		\$ 418	418
Total Net Position	<u>\$ -0-</u>	<u>\$ 418</u>	<u>\$ 418</u>

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

Exhibit B-8

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Flexible Spending Trust</u>
ADDITIONS:	
Contributions:	
Plan Members	\$ 2,300
Total Additions	<u>2,300</u>
DEDUCTIONS:	
Flexible Spending Claims	<u>2,174</u>
Total Deductions	<u>2,174</u>
Change in Net Position	126
Net Position - Beginning of the Year	<u>\$ 292</u>
Net Position - End of the Year	<u><u>\$ 418</u></u>

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include two elementary schools, located in the Borough of Stanhope. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

B. Basis of Presentation (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (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, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

B. Basis of Presentation (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2016, was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

D. Budgets/Budgetary Control (Cont'd)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 6,081,092	\$ 120,907
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not:		
Current Year Encumbrances		(415)
Prior Year State Aid Payments Recognized for GAAP Purposes, Not recognized for Budgetary Statements	147,762	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(147,762)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 6,081,092</u>	<u>\$ 120,492</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 5,938,728	\$ 120,907
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		<u>(415)</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 5,938,728</u>	<u>\$ 120,492</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

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

D. Budgets/Budgetary Control (Cont'd)

	<u>Capital Projects</u> <u>Fund</u> <u>Revenue</u>
Revenue - Budgetary Basis	\$ -0-
Reconciliation to Governmental Funds Statements (GAAP):	
Current Year SDA Grant Revenue Recognized on the GAAP Basis	<u>192,076</u>
Revenue/Fund Balance per Governmental Funds (GAAP)	<u>\$ 192,076</u>

E. Cash and Cash Equivalents and Investments

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

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

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

F. Interfund Transactions:

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

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the general or enterprise funds represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

K. Capital Assets (Cont'd):

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

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages

The District does not allow employees who provide services to the District over the ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year. Therefore, there are no accrued salaries and wages as of June 30, 2016.

N. Compensated Absences

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

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

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

O. Unearned Revenue

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

P. Fund Balance Appropriated

General Fund: Of the \$760,767 General Fund fund balance at June 30, 2016, \$53,312 is assigned for year end encumbrances; \$160,192 is restricted in the capital reserve account; the \$199,738 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2018; \$199,738 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2017; and there is \$147,787 of unassigned fund balance, which is \$147,762 less than the calculated maximum unassigned fund balance due to the final State Aid payments that are not recognized on GAAP basis until the fiscal year ending June 30, 2017.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (s1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus as outlined above.

Unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis in the amount of \$147,762 as of June 30, 2016 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the last two state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Net Position

The District has a deficit in unrestricted net position of \$698,214 in governmental activities, which is primarily due to accrued interest payable of \$15,896, \$30,252 of compensated absences payable, investment gains in pensions of \$16,450, changes in proportion in pensions of \$105,203 and the net pension liability of \$1,023,112; net of \$53,312 assigned fund balances for encumbrances, \$147,787 unassigned fund balance, changes in proportion in pensions of \$87,903 and changes in pension assumptions of \$109,874 and the difference between expected and actual expense in pensions of \$24,408. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

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

R. Net Position (Cont'd):

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred inflows of resources at June 30, 2016 for the net difference between projected and actual investment earnings on pension plan investments and changes in proportions in pensions. The District had deferred outflows of resources for the Deferred Amount on Refunding, changes in assumptions in pensions and changes in proportions in pensions and the difference between expected and actual expense in pensions at June 30, 2016.

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

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

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

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

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund Balance restrictions have been established for excess surplus and capital reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2016.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances at June 30, 2016.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise 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.

V. Management Estimates:

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

W. Pensions

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Investments: (Cont'd)

- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2016, cash and cash equivalents of the District consisted of the following:

	Restricted Cash and Cash Equivalents	Cash and Cash Equivalents	Total
Checking Accounts	\$ 160,192	\$ 635,489	\$ 795,681

During the period ended June 30, 2016, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$795,681 and the bank balance was \$983,403.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District by inclusion of \$1 on October 10, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$	54,152
Add:		
Interest Earned on Capital Reserve		54
Transfer by Board Resolution June 2016		63,294
Unexpended Funds of Completed Capital Projects		42,692
		42,692
Ending Balance, June 30, 2016	\$	160,192

The balance in the capital reserve account at June 30, 2016 does not exceed the LRFP balance of local support costs of uncompleted capital projects.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 526,300			\$ 526,300
Construction in Progress	434,722	\$ 413,026	\$ (847,748)	
Total Capital Assets Not Being Depreciated	<u>961,022</u>	<u>413,026</u>	<u>(847,748)</u>	<u>526,300</u>
Capital Assets Being Depreciated:				
Site Improvements	162,070			162,070
Buildings and Building Improvements	7,920,340		847,748	8,768,088
Machinery and Equipment	209,358	24,368		233,726
Total Capital Assets Being Depreciated	<u>8,291,768</u>	<u>24,368</u>	<u>847,748</u>	<u>9,163,884</u>
Governmental Activities Capital Assets	<u>9,252,790</u>	<u>437,394</u>		<u>9,690,184</u>
Less Accumulated Depreciation for:				
Site Improvements	(89,972)	(5,814)		(95,786)
Buildings and Building Improvements	(2,513,654)	(154,317)		(2,667,971)
Machinery and Equipment	(164,578)	(12,587)		(177,165)
	<u>(2,768,204)</u>	<u>(172,718)</u>		<u>(2,940,922)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,484,586</u>	<u>\$ 264,676</u>	<u>\$ -0-</u>	<u>\$ 6,749,262</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 26,600			\$ 26,600
Less: Accumulated Depreciation	(16,978)	\$ (1,710)		(18,688)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,622</u>	<u>\$ (1,710)</u>	<u>\$ -0-</u>	<u>\$ 7,912</u>
Depreciation expense was charged to governmental functions as follows:				
Regular Instruction				\$ 5,210
Support Services				1,604
General Administration				1,604
School Administration				1,604
Central Services				1,604
Operations and Maintenance of Plant				961
Unallocated				<u>160,131</u>
				<u>\$ 172,718</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2015	Issued/ Accrued	Matured	Balance 6/30/2016
Serial Bonds Payable	\$ 2,295,000		\$ 255,000	\$ 2,040,000
Net Pension Liability	977,328	\$ 45,784		1,023,112
Capital Leases	459,630		92,035	367,595
Compensated Absences Payable	28,820	1,432		30,252
	<u>\$ 3,760,778</u>	<u>\$ 47,216</u>	<u>\$ 347,035</u>	<u>\$ 3,460,959</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The current portion of the bonds payable is \$260,000 and the long term portion is \$1,780,000.

On June 12, 2012 the District issued \$2,805,000 refunding bonds with interest rates ranging from 2.5%- 4.0% to refund \$2,844,000 of the \$4,769,000 school bonds dated April 15, 2003 with rates ranging from 3.75- 4.25%. The refunding bonds will mature on April 15, 2014 through April 15, 2023 and constitute an advanced refunding. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent who paid the debt service requirements of the refunded bonds and redeemed the refunded bonds, at a redemption price equal to 100% of par, on April 15, 2013, which was the first optional redemption date. The refunding met the requirements of an insubstance debt defeasance and the school bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$152,153, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt).

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

<u>Fiscal Year Ending June 30,</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 260,000	\$ 76,300	\$ 336,300
2018	270,000	68,500	338,500
2019	280,000	60,400	340,400
2020	295,000	49,200	344,200
2021	305,000	37,400	342,400
Thereafter (2022-2023)	630,000	37,800	667,800
	<u>\$ 2,040,000</u>	<u>\$ 329,600</u>	<u>\$ 2,369,600</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2016, the Board had no bonds authorized but not issued.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

C. Capital Leases Payable:

The District entered into two lease purchase agreement in 2014 for technology equipment for \$159,851 and \$98,079, respectively and a \$300,000 lease purchase agreement in 2015 for the partial roof replacement project. The capital leases have terms of four to five years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2016.

The current portion of Capital Leases payable at June 30, 2016 is \$96,652 and the long-term portion is \$270,943.

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 105,401
2018	105,401
2019	105,401
2020	71,839
	<hr/>
	388,042
Less: Amount representing interest	<u>(20,447)</u>
Present value of net minimum lease payments	<u><u>\$ 367,595</u></u>

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$-0- and is separated from the long-term liability balance of compensated absences of \$30,252.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016, no liability existed for compensated absences in the Proprietary Funds.

The General Fund will be used to liquidate the governmental funds compensated absences payable and capital leases payable. The bond payments will be paid from the Debt Service Fund.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long-term portion is \$1,023,112. See Note 7 for further information on the PERS.

NOTE 7. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$39,184 for fiscal year 2016.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2016, the District reported a liability of \$1,023,112 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.004%, which was a decrease of 0.001% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$64,625. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	\$ 21,901	
Changes in Assumptions - 2015	87,973	
Changes in Proportion - 2014	87,903	
Changes in Proportion - 2015		\$ 105,203
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014		38,141
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015		(21,691)
Difference Between Expected and Actual Experience - 2015	<u>24,408</u>	
	<u>\$ 222,185</u>	<u>\$ 121,653</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 21,451
2017	21,451
2018	21,451
2019	34,165
2020	19,314
	<u>\$ 117,832</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 1,271,604	\$ 1,023,112	\$ 814,779

Pension Plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$149,868 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$726,494.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$11,898,223. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.0188%, which was a decrease of 0.0014% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		11,898,223
Total	\$	11,898,223

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$726,494 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions - 2014	8.5	\$ 1,999,074,013	
Changes in Assumptions - 2015	8.3	\$ 5,201,079,373	
Difference Between Expected and Actual Experience -2014	8.5		\$ 19,039,817
Difference Between Expected and Actual Experience -2015	8.3	321,224,871	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		1,305,927,430
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5		(770,568,242)
		\$ 7,521,378,257	\$ 554,399,005

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	<u>2,196,835,040</u>
	<u>\$ 6,966,979,252</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Cash	5.00%	0.53%
U.S. Government Bonds	1.75%	1.39%
U.S. Credit Bonds	13.50%	2.72%
U.S. Mortgages	2.10%	2.54%
U.S. Inflation-Indexed Bonds	1.50%	1.47%
U.S. High Yield Bonds	2.00%	4.57%
U.S. Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Total Net Pension Liability	\$ 14,140,593	\$ 11,898,223	\$ 9,966,286

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

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

For DCRP, the District recognized pension expense of \$5,756 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$10,446 for the year ended June 30, 2016.

NOTE 8. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through 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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. 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 employer paid 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$178,451, \$161,567 and \$140,614 for 2016, 2015 and 2014, respectively. These amounts have 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 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains their health benefit coverage through the State of New Jersey Health Benefits Plan and dental insurance coverage through Delta Dental Plan of NJ.

Property and Liability and Health Benefits

The District is a member of the School Alliance Insurance Fund (the "Fund"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. RISK MANAGEMENT (Cont'd)

Property and Liability and Health Benefits (Cont'd)

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

The June 30, 2015 audit report for the fund is not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2015 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 5,565,090
Net Position	\$ 7,171,390
Total Revenue	\$ 38,073,207
Total Expenses	\$ 36,335,763
Change in Net Position	\$ 1,737,444
Member Dividends	\$ -0-

Financial statements for the Fund are available at the Fund's Executive Director's Office:

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

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District claims are paid by the State.

NOTE 10. ECONOMIC DEPENDENCY

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 71,093	
Capital Projects Fund		\$ 57,920
Special Revenue Fund		8,235
Food Service Fund		4,734
Fiduciary Fund - Agency		204
	<u>\$ 71,093</u>	<u>\$ 71,093</u>

The interfund payable of \$4,734 in the Food Service Fund is salaries of cafeteria aides due to the General Fund. The Interfund payable of \$57,920 in Capital Projects Fund is due to the unexpended funds on a completed project not yet turned over to the General Fund. The interfund payable of \$8,235 in Special Revenue Fund is due to grant funds not being received during the fiscal year ended June 30, 2016. The interfund payable in the Fiduciary Fund is employee health and dental reimbursements due to the General Fund from the Payroll Agency Fund.

NOTE 12. DEFERRED COMPENSATION

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

The plan administrators are as follows:

Lincoln Financial Group
AXA Equitable
Lincoln Investment Planning, Inc.

NOTE 13. TAX CALENDAR

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 14. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2016, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 53,312	\$ 415	\$ 53,727

On the District's Governmental Funds Balance Sheet as of June 30, 2016, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$415 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 15. ACCOUNTS PAYABLE

Payables as of June 30, 2016 were:

	Governmental Activities			Business-Type Activities
	General Fund	Special Revenue Fund	Total Governmental Funds	Proprietary Funds
Due to the State of New Jersey	\$ 90,000		\$ 90,000	
Vendors	41,650	\$ 9,632	51,282	\$ 2,575
	\$ 131,650	\$ 9,632	\$ 141,282	\$ 2,575

NOTE 16: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016 the District transferred \$32,939 to the capital outlay accounts. The transfer was for equipment and therefore did not require approval from the County Superintendent.

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,		
	2014	2015	2016
District's proportion of the net pension liability	0.0045528772%	0.0052200088%	0.0045577004%
District's proportionate share of the net pension liability	\$ 870,145	\$ 977,328	\$ 1,023,112
District's covered employee payroll	\$ 319,417	\$ 376,364	\$ 375,600
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	272.42%	259.68%	272.39%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
Contractually required contribution	\$ 34,305	\$ 43,033	\$ 39,184
Contributions in relation to the contractually required contribution	(34,305)	(43,033)	(39,184)
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 319,417	\$ 376,364	\$ 375,600
Contributions as a percentage of covered employee payroll	10.74%	11.43%	10.43%

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
State's proportion of the net pension liability attributable to the District	0.0193092236%	0.0202724339%	0.0188250296%
State's proportionate share of the net pension liability attributable to the District	\$ 9,758,730	\$ 10,834,956	\$ 11,898,223
District's covered employee payroll	\$ 1,873,465	\$ 1,987,783	\$ 2,173,983
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	520.89%	545.08%	547.30%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 3,894,702		\$ 3,894,702	\$ 3,894,702	
Tuition from Other LEAs				33,415	\$ 33,415
Interest Earned on Capital Reserve Funds	40		40	54	14
Unrestricted Miscellaneous Revenue	8,825		8,825	90,106	81,281
Total - Local Sources	<u>3,903,567</u>		<u>3,903,567</u>	<u>4,018,277</u>	<u>114,710</u>
State Sources:					
Categorical Special Education Aid	202,273		202,273	202,273	
Equalization Aid	1,167,777		1,167,777	1,167,777	
Categorical Security Aid	34,064		34,064	34,064	
Adjustment Aid	66,645		66,645	66,645	
Categorical Transportation Aid	34,204		34,204	34,204	
PARCC Readiness Aid	3,500		3,500	3,500	
Per Pupil Growth Aid	3,500		3,500	3,500	
Extraordinary Aid	7,000		7,000	51,610	44,610
Additional Nonpublic Transportation Aid				939	939
On-Behalf TPAF Contributions (non-budgeted)				149,868	149,868
On-Behalf Post Retirement Contributions (non-budgeted)				178,451	178,451
Reimbursed TPAF Social Security Contributions (non-budgeted)				169,984	169,984
Total State Sources	<u>1,518,963</u>		<u>1,518,963</u>	<u>2,062,815</u>	<u>543,852</u>
TOTAL REVENUES	<u>5,422,530</u>		<u>5,422,530</u>	<u>6,081,092</u>	<u>658,562</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 151,550	\$ 1,160	\$ 152,710	\$ 152,710	
Grades 1-5 - Salaries of Teachers	751,509	(4,963)	746,546	744,543	\$ 2,003
Grades 6-8 - Salaries of Teachers	479,589	(19,755)	459,834	451,891	7,943
Regular Programs - Home Instruction:					
Salaries of Teachers	600		600	140	460
Purchased Services		1,986	1,986	1,986	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction		6,966	6,966	5,781	1,185
Other Purchased Services	73,411	(9,937)	63,474	62,904	570
General Supplies	124,971	(3,853)	121,118	118,127	2,991
Textbooks	5,000	(3,558)	1,442	1,442	
Other Objects	275	5,818	6,093	6,093	
Total Regular Programs - Instruction	<u>1,586,905</u>	<u>(26,136)</u>	<u>1,560,769</u>	<u>1,545,617</u>	<u>15,152</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	62,640	(10,330)	52,310	52,310	
General Supplies	350		350	304	46
Total Learning and/or Language Disabilities	<u>62,990</u>	<u>(10,330)</u>	<u>52,660</u>	<u>52,614</u>	<u>46</u>
Resource Room/Resource Center:					
Salaries of Teachers	240,605	19,968	260,573	260,572	1
Other Salaries for Instruction	48,294	16,852	65,146	64,595	551
Unused Vacation Payment to Terminated/Retired Staff	9,173		9,173	9,137	36
General Supplies	1,315	2,000	3,315	3,079	236
Total Resource Room/Resource Center	<u>299,387</u>	<u>38,820</u>	<u>338,207</u>	<u>337,383</u>	<u>824</u>
Autism:					
Salaries of Teachers	63,928	607	64,535	64,535	
General Supplies	1,387	(650)	737	737	
Total Autism	<u>65,315</u>	<u>(43)</u>	<u>65,272</u>	<u>65,272</u>	

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Home Instruction:					
Salaries of Teachers	\$ 4,000		\$ 4,000	\$ 2,730	\$ 1,270
Total Home Instruction	<u>4,000</u>		<u>4,000</u>	<u>2,730</u>	<u>1,270</u>
Preschool Disabilities - Full-time - Instruction:					
Salaries of Teachers	55,780	\$ 900	56,680	56,440	240
Other Salaries for Instruction	11,551	(1,900)	9,651	8,441	1,210
General Supplies	100		100	100	100
Total Preschool Disabilities - Full-time - Instruction	<u>67,431</u>	<u>(1,000)</u>	<u>66,431</u>	<u>64,881</u>	<u>1,550</u>
Total Special Education Instruction	<u>499,123</u>	<u>27,447</u>	<u>526,570</u>	<u>522,880</u>	<u>3,690</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	59,205	15,618	74,823	71,178	3,645
General Supplies	3,783	(312)	3,471	3,243	228
Total Basic Skills/Remedial - Instruction	<u>62,988</u>	<u>15,306</u>	<u>78,294</u>	<u>74,421</u>	<u>3,873</u>
Bilingual Education - Instruction:					
Salaries of Teachers		1,000	1,000	180	820
Total Bilingual Education - Instruction		<u>1,000</u>	<u>1,000</u>	<u>180</u>	<u>820</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Co-Curricular Activities - Instruction:					
Salaries	\$ 15,577	\$ 3,500	\$ 19,077	\$ 18,462	\$ 615
Other Objects	3,500	(2,582)	918		918
Total School-Sponsored Co-Curricular Activities - Instruction	<u>19,077</u>	<u>918</u>	<u>19,995</u>	<u>18,462</u>	<u>1,533</u>
School-Sponsored Co-Curricular Athletics - Instruction:					
Salaries	8,055		8,055	6,700	1,355
Supplies and Materials		1,200	1,200	1,200	
Other Objects	1,500		1,500	220	1,280
Total School-Sponsored Co-Curricular Athletics - Instruction	<u>9,555</u>	<u>1,200</u>	<u>10,755</u>	<u>8,120</u>	<u>2,635</u>
Total Instruction	<u>2,177,648</u>	<u>19,735</u>	<u>2,197,383</u>	<u>2,169,680</u>	<u>27,703</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	136,750	3,300	140,050	140,050	
Tuition to Private Schools for the Handicapped - Within State	223,145	(10,000)	213,145	205,532	7,613
Tuition - Other	47,964	(3,516)	44,448	42,850	1,598
Total Undistributed Expenditures - Instruction	<u>407,859</u>	<u>(10,216)</u>	<u>397,643</u>	<u>388,432</u>	<u>9,211</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 76,760	\$ 1,200	\$ 77,960	\$ 77,260	\$ 700
Purchased Professional and Technical Services	3,000	120	3,120	3,020	100
Other Purchased Services	170	26	196	196	
Supplies and Materials	1,300	574	1,874	1,839	35
Total Health Services	<u>81,230</u>	<u>1,920</u>	<u>83,150</u>	<u>82,315</u>	<u>835</u>
Speech, OT, PT and Related Services:					
Salaries	107,180	(21,834)	85,346	78,591	6,755
Purchased Professional Services	77,359	4,215	81,574	81,574	
Supplies and Materials	1,000	964	1,964	1,964	
Total Speech, OT, PT and Related Services	<u>185,539</u>	<u>(16,655)</u>	<u>168,884</u>	<u>162,129</u>	<u>6,755</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	115,309	(15,150)	100,159	94,743	5,416
Total Other Support Services - Students - Extraordinary Services	<u>115,309</u>	<u>(15,150)</u>	<u>100,159</u>	<u>94,743</u>	<u>5,416</u>
Other Support Services - Students - Guidance:					
Salaries of Secretarial and Clerical Assistants	17,235		17,235	17,234	1
Salaries of Other Professional Staff	55,910	760	56,670	50,978	5,692
Purchased Professional - Educational Services	1,500	(886)	614	371	243
Other Purchased Services	6,750	6	6,756	6,756	
Supplies and Materials	900	500	1,400	1,059	341
Total Other Support Services - Students - Guidance	<u>82,295</u>	<u>380</u>	<u>82,675</u>	<u>76,398</u>	<u>6,277</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	\$ 139,035	\$ 10,876	\$ 149,911	\$ 149,911	
Salaries of Secretarial and Clerical Assistants	25,381		25,381	25,381	
Other Purchased Services	9,675	10,290	19,965	19,965	
Miscellaneous Purchased Services	500	(273)	227	227	
Supplies and Materials	2,500	1,069	3,569	3,569	
Other Objects	100	50	150	150	
Total Other Support Services - Students - Child Study Team	<u>177,191</u>	<u>22,012</u>	<u>199,203</u>	<u>199,203</u>	
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	75,337	1	75,338	75,338	
Salaries of Other Professional Staff		650	650	637	\$ 13
Purchased Professional-Educational Services	34,000	1,500	35,500	35,500	
Other Purchased Services	1,000	1,920	2,920	2,917	3
Other Objects	250		250	250	250
Total Improvement of Instructional Services	<u>110,587</u>	<u>4,071</u>	<u>114,658</u>	<u>114,392</u>	<u>266</u>
Educational Media Services/School Library:					
Salaries	12,731	(2,475)	10,256	9,806	450
Salaries of Technology Coordinators	51,988		51,988	51,988	
Other Purchased Services	2,045		2,045	2,045	
Supplies and Materials	2,461		2,461	1,846	615
Total Educational Media Services/School Library	<u>69,225</u>	<u>(2,475)</u>	<u>66,750</u>	<u>65,685</u>	<u>1,065</u>
Instructional Staff Training Services:					
Purchased Professional-Educational Services	9,400	2,714	12,114	7,451	4,663
Other Purchased Services	7,575	(850)	6,725	6,107	618
Total Instructional Staff Training Services	<u>16,975</u>	<u>1,864</u>	<u>18,839</u>	<u>13,558</u>	<u>5,281</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration:					
Salaries	\$ 139,149		\$ 139,149	\$ 135,819	\$ 3,330
Legal Services	15,000	\$ (1,500)	13,500	12,417	1,083
Audit Fees	23,435	1,500	24,935	24,935	
Other Purchased Professional Services	750		750	650	100
Communications/Telephone	21,117		21,117	21,040	77
Board of Education Other Purchased Services	800	1,450	2,250	2,215	35
Other Purchased Services	29,991	(485)	29,506	28,047	1,459
General Supplies	1,000	485	1,485	1,121	364
Judgements Against the School District	30,000		30,000	30,000	
Miscellaneous Expenditures	3,000		3,000	2,736	264
Board of Education Membership Dues and Fees	3,500		3,500	3,391	109
Total Support Services - General Administration	<u>267,742</u>	<u>1,450</u>	<u>269,192</u>	<u>262,371</u>	<u>6,821</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	86,621		86,621	84,897	1,724
Salaries of Secretarial and Clerical Assistants	31,857	660	32,517	32,395	122
Purchased Professional and Technical Services	3,000	25	3,025	3,025	
Other Purchased Services	5,660	373	6,033	5,786	247
Supplies and Materials	2,087	472	2,559	2,224	335
Other Objects	1,800	370	2,170	2,170	
Total Support Services - School Administration	<u>131,025</u>	<u>1,900</u>	<u>132,925</u>	<u>130,497</u>	<u>2,428</u>
Central Services:					
Salaries	107,346	(2,469)	104,877	99,974	4,903
Purchased Professional Services	71,474	2,219	73,693	73,693	
Miscellaneous Purchased Services	500	530	1,030	1,030	
Supplies and Materials	2,481	898	3,379	3,185	194
Interest on Lease Purchase Agreements	9,767		9,767	9,133	634

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Central Services (Cont'd):					
Miscellaneous Expenditures	\$ 1,000	\$ 105	\$ 1,105	\$ 1,101	\$ 4
Total Central Services	<u>192,568</u>	<u>1,283</u>	<u>193,851</u>	<u>188,116</u>	<u>5,735</u>
Administrative Information Technology:					
Salaries	17,329		17,329	17,329	
Other Purchased Services	5,009	\$ 80	5,089	5,089	
Supplies and Materials	1,000	(479)	521	27	494
Total Administrative Information Technology	<u>23,338</u>	<u>(399)</u>	<u>22,939</u>	<u>22,445</u>	<u>494</u>
Required Maintenance of School Facilities:					
Salaries	59,594		59,594	59,594	
Cleaning, Repair and Maintenance Services	49,290	2,360	51,650	43,930	7,720
General Supplies	9,000		9,000	8,870	130
Total Required Maintenance of School Facilities	<u>117,884</u>	<u>2,360</u>	<u>120,244</u>	<u>112,394</u>	<u>7,850</u>
Custodial Services:					
Salaries	98,848	1,210	100,058	98,831	1,227
Purchased Professional and Technical Services	1,350		1,350		1,350
Cleaning, Repair, and Maintenance Services	3,300	12,016	15,316	12,511	2,805
Other Purchased Property Services	4,500		4,500	3,770	730
Insurance	36,475	487	36,962	36,962	
Miscellaneous Purchased Services	4,293		4,293	3,309	984

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services (Cont'd):					
General Supplies	\$ 18,984	\$ 5,603	\$ 24,587	\$ 18,915	\$ 5,672
Energy (Electricity)	64,500	(6,197)	58,303	53,270	5,033
Energy (Oil)	75,500	(48,169)	27,331	18,614	8,717
Energy (Gasoline)	1,000		1,000	238	762
Other Objects	1,177		1,177	417	760
Total Custodial Services	<u>309,927</u>	<u>(35,050)</u>	<u>274,877</u>	<u>246,837</u>	<u>28,040</u>
Care and Upkeep of Grounds:					
Purchased Professional and Technical Services		4,000	4,000	4,000	
Cleaning, Repair, and Maintenance Services	2,650	17,090	19,740	19,740	
General Supplies	1,000	5,300	6,300	4,648	1,652
Total Care and Upkeep of Grounds	<u>3,650</u>	<u>26,390</u>	<u>30,040</u>	<u>28,388</u>	<u>1,652</u>
Security:					
Cleaning, Repair, and Maintenance Services	900	50	950	950	
General Supplies	200	(50)	150		150
Total Security	<u>1,100</u>	<u>(50)</u>	<u>1,100</u>	<u>950</u>	<u>150</u>
Student Transportation Services:					
Contracted Services:					
Other than Between Home and School - Vendors	3,900	772	4,672	4,672	
Between Home and School - Joint Agreements	12,977	(147)	12,830	11,291	1,539
Special Education - Joint Agreements	75,297	(4,304)	70,993	57,689	13,304
Aid in Lieu of Payments - Nonpublic Students	7,072		7,072	5,304	1,768
Aid in Lieu of Payments - Charter Schools	2,652	884	3,536	3,536	
Aid in Lieu of Payments - Choice Schools	1,768	(625)	1,143		1,143
Total Student Transportation Services	<u>103,666</u>	<u>(3,420)</u>	<u>100,246</u>	<u>82,492</u>	<u>17,754</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits :					
Social Security Contributions	\$ 55,784	\$ 6,766	\$ 62,550	\$ 62,550	
Other Retirement Contributions - PERS	44,508		44,508	39,184	\$ 5,324
Other Retirement Contributions - Regular	7,397		7,397	5,756	1,641
Unemployment Compensation	15,250		15,250	13,428	1,822
Workmen's Compensation	31,003		31,003	30,462	541
Health Benefits	744,604	(63,234)	681,370	681,213	157
Tuition Reimbursement	13,825	(248)	13,577	9,382	4,195
Other Employee Benefits	22,213	9,320	31,533	31,219	314
Total Unallocated Benefits	<u>934,584</u>	<u>(47,396)</u>	<u>887,188</u>	<u>873,194</u>	<u>13,994</u>
On-Behalf Contributions:					
On-Behalf TPAF Contributions (non-budgeted)				149,868	(149,868)
On-Behalf Post Retirement Contributions (non-budgeted)				178,451	(178,451)
Reimbursed TPAF Social Security Contributions (non-budgeted)				169,984	(169,984)
Total On-Behalf Contributions				<u>498,303</u>	<u>(498,303)</u>
Total Personal Services - Employee Benefits	<u>934,584</u>	<u>(47,396)</u>	<u>887,188</u>	<u>1,371,497</u>	<u>(484,309)</u>
Total Undistributed Expenses	<u>3,331,694</u>	<u>(67,131)</u>	<u>3,264,563</u>	<u>3,642,842</u>	<u>(378,279.00)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>5,509,342</u>	<u>(47,396)</u>	<u>5,461,946</u>	<u>5,812,522</u>	<u>(350,576)</u>
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
Custodial Services		32,939	32,939		32,939
Total Equipment		<u>32,939</u>	<u>32,939</u>		<u>32,939</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Lease Purchase Agreements - Principal	\$ 60,039		\$ 60,039	\$ 60,038	\$ 1
Assessment for Debt Service on SDA Funding	34,397		34,397	34,397	
Total Facilities Acquisition and Construction Services	<u>94,436</u>		<u>94,436</u>	<u>94,435</u>	<u>1</u>
TOTAL CAPITAL OUTLAY	<u>94,436</u>	<u>\$ 32,939</u>	<u>127,375</u>	<u>94,435</u>	<u>32,940</u>
Transfer of Funds to Charter Schools	<u>62,314</u>	<u>14,457</u>	<u>76,771</u>	<u>76,771</u>	
TOTAL EXPENDITURES	<u>5,666,092</u>		<u>5,666,092</u>	<u>5,983,728</u>	<u>(317,636)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(243,562)		(243,562)	97,364	340,926
Other Financing Sources:					
Transfers from Capital Projects Fund - Interest Earned				32	32
Transfer from Capital Projects Fund - Unexpended Balances - Capital Reserve				42,692	42,692
Total Other Financing Sources				<u>42,724</u>	<u>42,724</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(243,562)		(243,562)	140,088	383,650
Fund Balance, July 1	<u>768,441</u>		<u>768,441</u>	<u>768,441</u>	
Fund Balance, June 30	<u>\$ 524,879</u>	<u>\$ -0-</u>	<u>\$ 524,879</u>	<u>\$ 908,529</u>	<u>\$ 383,650</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Recapitulation:					
Restricted:					
Capital Reserve				\$ 160,192	
Excess Surplus				199,738	
Excess Surplus - Designated for Subsequent Year's Expenditures				199,738	
Assigned:					
Year End Encumbrances				53,312	
Unassigned				<u>295,549</u>	
				908,529	
Reconciliation to Governmental Funds Statement (GAAP):					
Last Two State Aid Payments not Recognized on GAAP basis				<u>(147,762)</u>	
Fund Balance per Governmental Funds (GAAP)				<u><u>\$ 760,767</u></u>	

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal Sources	\$ 106,025	\$ 32,156	\$ 138,181	\$ 120,907	\$ (17,274)
Total Revenues	<u>106,025</u>	<u>32,156</u>	<u>138,181</u>	<u>120,907</u>	<u>(17,274)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	11,406	1,799	13,205	13,001	204
Tuition	70,400	(5,348)	65,052	58,499	6,553
General Supplies	11,196	6,507	17,703	15,831	1,872
Total Instruction	<u>93,002</u>	<u>2,958</u>	<u>95,960</u>	<u>87,331</u>	<u>8,629</u>
Support Services:					
Personal Services - Employee Benefits	23	(23)			
Purchased Professional and Technical Services	11,500	(1,075)	10,425	8,250	2,175
Other Purchased Services	1,500	27,296	28,796	23,934	4,862
Supplies and Materials		3,000	3,000	1,392	1,608
Total Support Services	<u>13,023</u>	<u>29,198</u>	<u>42,221</u>	<u>33,576</u>	<u>8,645</u>
Total Expenditures	<u>106,025</u>	<u>32,156</u>	<u>138,181</u>	<u>120,907</u>	<u>17,274</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 6,081,092	\$ 120,907
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures, Whereas the GAAP Basis does not:		
Current Year Encumbrances		(415)
Prior Year State Aid Payments Recognized for GAAP Purposes, Not Recognized for Budgetary Statements	147,762	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(147,762)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 6,081,092</u>	<u>\$ 120,492</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 5,938,728	\$ 120,907
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes:		
Current Year Encumbrances		<u>(415)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 5,938,728</u>	<u>\$ 120,492</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2016, was submitted to the County office and approved by a vote by the board of education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest most specific level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

BOROUGH OF STANHOPE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>No Child Left Behind</u>		<u>I.D.E.A., Part B</u>		<u>Totals</u>
	<u>Title I</u>	<u>Title IIA</u>	<u>Basic</u>	<u>Preschool</u>	
REVENUES:					
Federal Sources	\$ 33,228	\$ 5,173	\$ 77,967	\$ 4,539	\$ 120,907
Total Revenues	<u>33,228</u>	<u>5,173</u>	<u>77,967</u>	<u>4,539</u>	<u>120,907</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	9,485			3,516	13,001
Tuition			58,499		58,499
General Supplies	6,283		8,525	1,023	15,831
Total Instruction	<u>15,768</u>		<u>67,024</u>	<u>4,539</u>	<u>87,331</u>
Support Services:					
Purchased Professional and Technical Services	6,750	1,500			8,250
Other Purchased Services	10,710	3,673	9,551		23,934
Supplies and Materials			1,392		1,392
Total Support Services	<u>17,460</u>	<u>5,173</u>	<u>10,943</u>		<u>33,576</u>
Total Expenditures	<u>\$ 33,228</u>	<u>\$ 5,173</u>	<u>\$ 77,967</u>	<u>\$ 4,539</u>	<u>\$ 120,907</u>

CAPITAL PROJECTS FUND

Exhibit F-1

BOROUGH OF STANHOPE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Revenue:		
Interest on Investments	\$	32
		<hr/>
Total Revenue		32
		<hr/>
Expenditures and Other Financing Uses:		
Purchased Professional and Technical Services		14,210
Construction Services		398,816
Cancellation of SDA Grant		28,460
Transfer Out to General Fund		42,724
		<hr/>
Total Expenditures and Other Financing Uses		484,210
		<hr/>
Deficiency of Revenue Under Expenditures and Other Financing Uses		(484,178)
		<hr/>
Fund Balance - Beginning of Year		484,178
		<hr/>
Fund Balance - End of Year	\$	<u><u>-0-</u></u>

Exhibit F-1A

BOROUGH OF STANHOPE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
PARTIAL ROOF REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Project</u> <u>Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 367,560	\$ (28,460)	\$ 339,100	\$ 339,100
Transfer from Capital Reserve	251,340	(42,692)	208,648	208,648
Lease Purchase Agreement	300,000		300,000	300,000
Total Revenue and Other Financing Sources	<u>918,900</u>	<u>(71,152)</u>	<u>847,748</u>	<u>847,748</u>
Expenditures:				
Legal Services	3,682		3,682	3,682
Purchased Professional and Technical Services	48,279	14,210	62,489	62,489
Construction Services	382,212	398,816	781,028	781,028
Other Objects	549		549	549
Total Expenditures	<u>434,722</u>	<u>413,026</u>	<u>847,748</u>	<u>847,748</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 484,178</u>	<u>\$ (484,178)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Additional Project Information:

Project Numbers	SDA5030-050-14-1001-G04
Grant Date	1/6/14
Bond Authorization Date	N/A
Bonds Authorized	\$ -0-
Bonds Issued	\$ -0-
Original Authorized Cost	\$ 918,900
Cancellations	\$ (71,152)
Revised Authorized Cost	\$ 847,748
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completion	100.00%
Original Target Completion Date	9/2015
Revised Target Completion Date	9/2015

PROPRIETARY FUNDS

Exhibit G-1

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 12,405
Intergovernmental Accounts Receivable:	
State	292
Federal	7,814
Inventories	1,692

Total Current Assets	<u>22,203</u>
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Non-Current Assets:

Capital Assets	26,600
Less: Accumulated Depreciation	<u>(18,688)</u>

Total Non-Current Assets	<u>7,912</u>
--------------------------	--------------

Total Assets	<u>30,115</u>
--------------	---------------

LIABILITIES:

Current Liabilities:

Interfund Payable	4,734
Accounts Payable	2,575
Prepaid Sales	1,232
Unearned Revenue	1,832

Total Liabilities	<u>10,373</u>
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NET POSITION:

Net Investment in Capital Assets	7,912
Unrestricted	<u>11,830</u>

Total Net Position	<u><u>\$ 19,742</u></u>
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Exhibit G-2

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenue:		
Local Sources:		
Daily Sales - Reimbursable Programs	\$	33,305
Daily Sales - Non-Reimbursable Programs		26,561
		<hr/>
Total Operating Revenue		59,866
		<hr/>
Operating Expenses:		
Cost of Sales - Reimbursable Programs		28,777
Cost of Sales - Non-Reimbursable Programs		7,013
Salaries, Benefits and Payroll Taxes		42,045
Supplies, Insurance and Other Costs		5,218
Management Fee		7,401
Depreciation Expense		1,710
		<hr/>
Total Operating Expenses		92,164
		<hr/>
Operating Loss		(32,298)
Non-Operating Revenue:		
Local Sources:		
Interest Income		25
State Sources:		
State School Lunch Program		960
Federal Sources:		
National School Lunch Program		24,640
Food Distribution Program		5,540
		<hr/>
Total Non-Operating Income		31,165
		<hr/>
Net Position - Beginning of Year		20,875
		<hr/>
Net Position - End of Year	\$	<u>19,742</u>

Exhibit G-3

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 59,932
Payments to Employees	(42,045)
Payments to Food Service Contractor	(40,332)
	(22,445)
Net Cash Used for Operating Activities	
Cash Flows from Investing Activities:	
Interest Income	25
	25
Net Cash Provided by Investing Activities	
Cash Flows by Noncapital Financing Activities:	
Interfund Advanced - General Fund	(137)
State Sources	730
Federal Sources	18,299
	18,892
Net Cash Provided by Noncapital Financing Activities	
Net Decrease in Cash and Cash Equivalents	
	(3,528)
Cash and Cash Equivalents, July 1	
	15,933
Cash and Cash Equivalents, June 30	
	\$ 12,405
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (32,298)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,710
Food Distribution Program	5,540
Changes in Assets and Liabilities:	
Increase in Prepaid Sales	66
Increase in Unearned Revenue	368
Increase in Accounts Payable	2,575
(Decrease) in Inventory	(406)
	(22,445)
Net Cash Used for Operating Activities	
	\$ (22,445)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities Through the Food Distribution Program Valued at \$5,908 and Utilized Commodities Valued at \$5,540.

FIDUCIARY FUNDS

Exhibit H-1

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Agency</u>		<u>Flexible Spending Trust</u>	<u>Totals</u>
	<u>Student Activity</u>	<u>Payroll</u>		
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 10,437	\$ 34,915	\$ 418	\$ 45,770
Total Assets	<u>\$ 10,437</u>	<u>\$ 34,915</u>	<u>\$ 418</u>	<u>45,770</u>
<u>LIABILITIES:</u>				
Interfund Payable - General Fund		\$ 204		\$ 204
Payroll Deductions and Withholdings		34,711		34,711
Due to Student Groups	\$ 10,437			10,437
Total Liabilities	<u>10,437</u>	<u>34,915</u>		<u>45,352</u>
<u>NET POSITION:</u>				
Held in Trust for Flexible Spending Claims			\$ 418	418
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 418</u>	<u>\$ 418</u>

Exhibit H-2

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Flexible Spending Trust
ADDITIONS:	
Contributions:	
Plan Members	\$ 2,300
Total Additions	2,300
DEDUCTIONS:	
Flexible Spending Claims	2,174
Total Deductions	2,174
Change in Net Position	126
Net Position - Beginning of the Year	\$ 292
Net Position - End of the Year	\$ 418

Exhibit H-3

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 10,958	\$ 43,651	\$ 44,172	\$ 10,437
Total Assets	<u>\$ 10,958</u>	<u>\$ 43,651</u>	<u>\$ 44,172</u>	<u>\$ 10,437</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 10,958	\$ 43,651	\$ 44,172	\$ 10,437
Total Liabilities	<u>\$ 10,958</u>	<u>\$ 43,651</u>	<u>\$ 44,172</u>	<u>\$ 10,437</u>

Exhibit H-4

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 63,821	\$ 3,466,437	\$ 3,495,343	\$ 34,915
Total Assets	<u>\$ 63,821</u>	<u>\$ 3,466,437</u>	<u>\$ 3,495,343</u>	<u>\$ 34,915</u>
 <u>LIABILITIES:</u>				
Interfund Payable - General Fund	\$ 30,451	\$ 204	\$ 30,451	\$ 204
Payroll Deductions and Withholdings	<u>33,370</u>	<u>3,466,233</u>	<u>3,464,892</u>	<u>34,711</u>
Total Liabilities	<u>\$ 63,821</u>	<u>\$ 3,466,437</u>	<u>\$ 3,495,343</u>	<u>\$ 34,915</u>

LONG-TERM DEBT

BOROUGH OF STANHOPE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2016		Interest Rate	Balance	Matured	Balance
			Date	Amount		July 1, 2015		June 30, 2016
Refunding Bonds	6/12/2012	\$ 2,805,000	4/15/17	\$ 260,000	3.000%	\$ 2,295,000	\$ 255,000	\$ 2,040,000
			4/15/18	270,000	3.000%			
			4/15/19	280,000	4.000%			
			4/15/20	295,000	4.000%			
			4/15/21	305,000	4.000%			
			4/15/22	315,000	4.000%			
			4/15/23	315,000	4.000%			
						<u>\$ 2,295,000</u>	<u>\$ 255,000</u>	<u>\$ 2,040,000</u>

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2015</u>	<u>Matured</u>	<u>Balance June 30, 2016</u>
Windows Replacement Project	4.04%	\$ 199,000	\$ 30,652	\$ 30,652	
Technology Equipment	1.80%	159,851	128,978	31,383	\$ 97,595
Partial Roof Replacement	2.81%	300,000	300,000	30,000	270,000
			<u>\$ 459,630</u>	<u>\$ 92,035</u>	<u>\$ 367,595</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 337,675		\$ 337,675	\$ 337,675	
Total Revenues	<u>337,675</u>		<u>337,675</u>	<u>337,675</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	82,675		82,675	82,675	
Redemption of Principal	255,000		255,000	255,000	
Total Regular Debt Service	<u>337,675</u>		<u>337,675</u>	<u>337,675</u>	
Total Expenditures	<u>337,675</u>		<u>337,675</u>	<u>337,675</u>	
Deficit of Revenues Under Expenditures	-0-		-0-	-0-	
Fund Balance, July 1	<u>-0-</u>		<u>-0-</u>	<u>-0-</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in										
Capital Assets	\$ 10,143,495	\$ 10,207,238	\$ 3,040,587	\$ 3,066,453	\$ 2,903,588	\$ 3,165,135	\$ 3,489,681	\$ 3,444,978	\$ 3,729,956	\$ 4,341,667
Restricted	704,089	419,773	341,160	87,002	355,530	468,084	490,825	601,146	682,217	559,668
Unrestricted/(Deficit)	133,768	324,225	270,747	(3,169)	119,310	157,952	221,195	(637,439)	(661,743)	(698,214)
Total Governmental Activities Net Position	<u>\$ 10,981,352</u>	<u>\$ 10,951,236</u>	<u>\$ 3,652,494</u>	<u>\$ 3,150,286</u>	<u>\$ 3,378,428</u>	<u>\$ 3,791,171</u>	<u>\$ 4,201,701</u>	<u>\$ 3,408,685</u>	<u>\$ 3,750,430</u>	<u>\$ 4,203,121</u>
Business-type Activities										
Net Investment in Capital Assets			\$ 10,862	\$ 9,818	\$ 8,775	\$ 14,752	\$ 13,042	\$ 11,332	\$ 9,622	\$ 7,912
Unrestricted	\$ 29,269	\$ 32,382	28,890	22,457	27,047	20,462	17,992	16,245	11,253	11,830
Total Business-type Activities Net Position	<u>\$ 29,269</u>	<u>\$ 32,382</u>	<u>\$ 39,752</u>	<u>\$ 32,275</u>	<u>\$ 35,822</u>	<u>\$ 35,214</u>	<u>\$ 31,034</u>	<u>\$ 27,577</u>	<u>\$ 20,875</u>	<u>\$ 19,742</u>
District-wide										
Net Investment in Capital Assets	\$ 10,143,495	\$ 10,207,238	\$ 3,051,449	\$ 3,076,271	\$ 2,912,363	\$ 3,179,887	\$ 3,502,723	\$ 3,456,310	\$ 3,739,578	\$ 4,349,579
Restricted	704,089	419,773	341,160	87,002	355,530	468,084	490,825	601,146	682,217	559,668
Unrestricted/(Deficit)	163,037	356,607	299,637	19,288	146,357	178,414	239,187	(621,194)	(650,490)	(686,384)
Total District Net Position	<u>\$ 11,010,621</u>	<u>\$ 10,983,618</u>	<u>\$ 3,692,246</u>	<u>\$ 3,182,561</u>	<u>\$ 3,414,250</u>	<u>\$ 3,826,385</u>	<u>\$ 4,232,735</u>	<u>\$ 3,436,262</u>	<u>\$ 3,771,305</u>	<u>\$ 4,222,863</u>

Source: School District Financial Reports

BOROUGH OF STANHOPE SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
ACCURAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year End June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 2,274,509	\$ 2,720,650	\$ 2,175,090	\$ 2,248,582	\$ 1,977,670	\$ 2,060,556	\$ 2,086,364	\$ 2,191,565	\$ 2,351,500	\$ 2,437,183
Special Education	713,475	721,142	598,050	939,636	1,004,839	833,890	803,698	847,698	847,673	926,715
Other Special Education			220,275	122,392	109,874	104,488	91,747	79,374	90,696	118,137
Other Instruction	93,886		52,916	64,125	390	33,326	22,984	33,742	35,539	43,202
Support Services:										
Tuition	167,547	349,567	717,773	625,018	292,257	237,864	297,299	363,287	366,406	388,432
Student & Instruction Related Services	513,588	616,143	539,120	627,464	489,702	671,503	842,460	960,171	1,175,469	1,224,637
General Administrative Services		356,816	256,551	294,556	412,143	398,635	349,117	298,575	312,004	349,508
School Administrative Services	214,226	190,826	163,209	183,637	117,036	138,928	151,265	127,806	194,638	206,968
General and Business Administrative Services	513,305									
Central Services		179,247	162,182	196,873	187,071	251,784	253,049	233,931	225,575	247,326
Administrative Information Technology		61,183	121,332	116,925	50,316	62,460	91,912	122,769	122,950	34,156
Plant Operations and Maintenance	452,820	460,099	308,195	331,466	332,052	419,827	451,059	479,072	476,473	433,983
Pupil Transportation	61,733	110,418	159,181	137,515	125,763	109,544	111,904	146,818	119,266	82,492
Transfer of Funds to Charter School	76,836	34,439	44,745	45,299	51,218	47,882	61,370	25,384	44,873	125,661
Interest on Long-term Debt	164,034	144,439	162,511	142,541	135,003	127,236	85,725	103,467	97,441	76,771
Capital Outlay		14,292	4,386	1,000	95,238	61,105				
Unallocated Depreciation				152,170	152,170	156,274	158,202	160,131	160,131	160,131
Total Governmental Activities Expenses	5,245,959	5,959,261	5,685,516	6,229,199	5,532,742	5,715,302	5,858,155	6,173,790	6,620,634	6,855,302
Business-type Activities:										
Food Service	110,085	106,079	117,448	111,361	102,761	112,760	104,931	111,939	103,663	92,164
Total Business-type Activities Expense	110,085	106,079	117,448	111,361	102,761	112,760	104,931	111,939	103,663	92,164
Total District Expenses	\$ 5,356,044	\$ 6,065,340	\$ 5,802,964	\$ 6,340,560	\$ 5,635,503	\$ 5,828,062	\$ 5,963,086	\$ 6,285,729	\$ 6,724,297	\$ 6,947,466
Program Revenues										
Governmental Activities:										
Charges for Services										
Instruction (Tuition)									33,140	\$ 33,415
Operating Grants and Contributions	\$ 1,154,111	\$ 1,142,951	\$ 719,089	\$ 781,492	\$ 743,390	\$ 841,490	\$ 824,339	\$ 785,976	\$ 1,313,710	1,484,447
Capital Grants and Contributions									147,024	192,076
Total Governmental Activities Program Revenues	1,154,111	1,142,951	719,089	781,492	743,390	841,490	824,339	785,976	1,493,874	1,709,938
Business-type Activities:										
Charges for Services										
Food Service	78,148	83,449	78,550	73,769	75,235	75,290	69,099	74,963	66,417	59,866
Operating Grants and Contributions	25,964	25,197	26,754	30,064	26,539	29,148	31,630	33,493	30,520	31,140
Total Business-type Activities Program Revenues	104,112	108,646	105,304	103,833	101,774	104,438	100,729	108,456	96,937	91,006
Total District Program Revenues	\$ 1,258,223	\$ 1,251,597	\$ 824,393	\$ 885,325	\$ 845,164	\$ 945,928	\$ 925,068	\$ 894,432	\$ 1,590,811	\$ 1,800,944

BOROUGH OF STANHOPE SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED
(Continued)

	Fiscal Year End June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental Activities	\$ (4,091,848)	\$ (4,816,310)	\$ (4,966,427)	\$ (5,447,707)	\$ (4,789,352)	\$ (4,873,812)	\$ (5,033,816)	\$ (5,387,814)	\$ (5,126,760)	\$ (5,145,364)
Business-type Activities	(5,973)	2,567	(12,144)	(7,528)	(987)	(8,322)	(4,202)	(3,483)	(6,726)	(1,158)
Total District-wide Net Expense	\$ (4,097,821)	\$ (4,813,743)	\$ (4,978,571)	\$ (5,455,235)	\$ (4,790,339)	\$ (4,882,134)	\$ (5,038,018)	\$ (5,391,297)	\$ (5,133,486)	\$ (5,146,522)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	3,097,786	3,097,786	3,221,697	3,350,565	3,448,588	3,517,560	3,587,911	3,705,332	3,802,128	3,894,702
Taxes Levied for Debt Service	186,445	348,542	346,416	344,104	341,604	343,916	345,854	275,488	319,182	337,675
Federal and State aid not restricted	1,110,696	1,156,954	1,297,663	1,143,658	1,168,958	1,218,516	1,210,406	1,263,454	1,274,789	1,275,486
Tuition					20,826	27,764	36,343	57,312	-	-
Investment Earnings	39,216	33,185	15,724	3,418	1,233	1,096	973	1,182	1,285	1,069
Miscellaneous Income	103,219	150,273	57,021	62,876	36,285	77,893	262,859	162,175	71,121	89,123
Reappraisal of Assets						99,810				
Transfers	(18,528)	(546)	(8,652)							
Adjustment to Local Tax Levy			(26,790)							
Cancellation of Prior Year Accounts Payable				40,878						
Total Governmental Activities	4,518,834	4,786,194	4,903,079	4,945,499	5,017,494	5,286,555	5,444,346	5,464,943	5,468,505	5,598,055
Business-type Activities:										
Investment Earnings					40	27	22	26	24	25
Transfers	18,528	546	8,652							
Cancellation of Interfund Payable - General Fund					4,494					
Reappraisal of Assets						7,687				
Total Business-type Activities	18,528	546	8,652		4,534	7,714	22	26	24	25
Total District-wide	\$ 4,537,362	\$ 4,786,740	\$ 4,911,731	\$ 4,945,499	\$ 5,022,028	\$ 5,294,269	\$ 5,444,368	\$ 5,464,969	\$ 5,468,529	\$ 5,598,080
Change in Net Position										
Governmental Activities	\$ 426,986	\$ (30,116)	\$ (63,348)	\$ (502,208)	\$ 228,142	\$ 412,743	\$ 410,530	\$ 77,129	\$ 341,745	\$ 452,691
Business-type Activities	12,555	3,113	(3,492)	(7,528)	3,547	(608)	(4,180)	(3,457)	(6,702)	(1,133)
Total District	\$ 439,541	\$ (27,003)	\$ (66,840)	\$ (509,736)	\$ 231,689	\$ 412,135	\$ 406,350	\$ 73,672	\$ 335,043	\$ 451,558

BOROUGH OF STANHOPE SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved/Restricted	\$ 551,750	\$ 419,772	\$ 341,159	\$ 87,001	\$ 188,417	\$ 358,549	\$ 416,895	\$ 586,528	\$ 418,575	\$ 559,668
Assigned					35,719	97,593	48,599	67,583	78,917	53,312
Unassigned					136,888	128,736	130,258	139,884	123,187	147,787
Unreserved	192,998	389,708	342,010	81,376						
Total General Fund	<u>\$ 744,748</u>	<u>\$ 809,480</u>	<u>\$ 683,169</u>	<u>\$ 168,377</u>	<u>\$ 361,024</u>	<u>\$ 584,878</u>	<u>\$ 595,752</u>	<u>\$ 793,995</u>	<u>\$ 620,679</u>	<u>\$ 760,767</u>
All Other Governmental Funds										
Reserved/Restricted					\$ 79,599	\$ 79,599	\$ 73,930	\$ 14,618		
Committed					87,514	29,936			\$ 263,642	
Unreserved/(Deficit), Reported in:										
Special Revenue Fund	\$ (170)									
Capital Projects Fund	(144,402)									
Debt Service Fund	1	\$ 1	\$ 1	\$ 1						
Total All Other Governmental Funds/(Deficit)	<u>\$ (144,571)</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 167,113</u>	<u>\$ 109,535</u>	<u>\$ 73,930</u>	<u>\$ 14,618</u>	<u>\$ 263,642</u>	
Total Governmental Funds	<u>\$ 600,177</u>	<u>\$ 809,481</u>	<u>\$ 683,170</u>	<u>\$ 168,378</u>	<u>\$ 528,137</u>	<u>\$ 694,413</u>	<u>\$ 669,682</u>	<u>\$ 808,613</u>	<u>\$ 884,321</u>	<u>\$ 760,767</u>

Source: School District Financial Reports

BOROUGH OF STANHOPE SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year End June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax Levy	\$ 3,448,265	\$ 3,446,328	\$ 3,568,113	\$ 3,694,669	\$ 3,790,192	\$ 3,861,476	\$ 3,933,765	\$ 3,980,820	\$ 4,121,310	\$ 4,232,377
Tuition Charges					20,826	27,764	36,343	57,312	33,140	33,415
Interest Earnings	39,215	33,185	15,724	3,418	1,233	1,096	973	1,182	1,278	1,037
Miscellaneous	103,219	150,273	57,021	62,876	36,285	77,893	114,776	162,175	71,128	89,155
State Sources	2,071,856	2,150,236	1,870,722	1,523,340	1,721,737	1,920,679	1,897,632	1,914,361	2,115,415	2,254,891
Federal Sources	28,918	149,669	146,030	401,810	190,611	139,327	137,113	135,069	138,861	120,492
Total Revenue	5,691,473	5,929,691	5,657,610	5,686,113	5,760,884	6,028,235	6,120,602	6,250,919	6,481,132	6,731,367
Expenditures										
Instruction										
Regular Instruction	1,587,767	1,794,935	1,473,563	1,540,172	1,422,069	1,472,680	1,581,036	1,482,962	1,553,724	1,583,603
Special Education Instruction	428,591	499,578	421,563	690,712	762,717	613,403	609,581	645,603	582,194	605,386
Other Special Instruction			156,594	83,195	78,897	83,631	70,201	58,125	56,880	74,601
Other Instruction	93,886	1,400	42,624	38,392	11,087	22,760	11,831	24,537	23,145	26,582
Support Services:										
Tuition	167,547	349,567	717,773	625,018	292,257	237,864	297,299	363,287	366,406	388,432
Student & Other Instruction Related Services	447,223	479,697	412,019	445,239	397,654	524,786	659,588	719,412	799,607	808,423
General Administrative Services		208,195	202,637	236,484	335,210	329,588	281,726	248,451	237,016	262,371
School Administrative Services	131,132	128,792	116,394	131,083	103,755	121,635	108,663	94,906	126,274	130,497
General & Business Administrative Services	386,327									
Central Services		132,354	122,446	139,999	139,810	188,697	189,170	187,750	188,054	188,116
Administrative Information Technology		53,285	101,858	107,918	50,316	62,460	67,684	97,208	110,889	22,445
Plant Operations and Maintenance	382,055	430,800	286,481	296,866	303,873	384,432	436,756	440,738	406,986	388,569
Pupil Transportation	58,775	107,460	156,223	137,515	125,763	109,544	111,904	146,818	119,266	82,492
Unallocated Benefits	1,231,243	1,466,445	1,142,757	1,378,787	1,088,022	1,128,265	1,172,873	1,161,831	1,245,124	1,371,497
Charter School	76,836	34,439	44,745	45,299	51,218	47,882	61,370	25,384	44,873	76,771
Capital Outlay	1,030,078	14,292	4,386	1,000	95,873	190,416	104,192	240,027	511,186	507,461
Debt Service:										
Principal	185,000	190,000	195,000	200,000	205,000	215,000	250,000	240,000	245,000	255,000
Interest and Other Charges	165,479	158,541	151,416	144,104	136,604	128,916	81,236	94,800	88,800	82,675
Total Expenditures	6,371,939	6,049,780	5,748,479	6,241,783	5,600,125	5,861,959	6,095,110	6,271,839	6,705,424	6,854,921
Excess/(Deficit) of Revenues										
Over/(Under) Expenditures	(680,466)	(120,089)	(90,869)	(555,670)	160,759	166,276	25,492	(20,920)	(224,292)	(123,554)

BOROUGH OF STANHOPE SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year End June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other Financing Sources/(Uses)										
Transfers in	\$ 17,304	\$ 144,401			\$ 32	\$ 16	\$ 59,312			\$ 42,724
Transfers out	(35,832)	(144,947)	\$ (8,652)		(32)	(16)	(59,312)			(42,724)
Lease Purchase Proceeds Returned							(50,223)			
School Refunding Bonds Issued							2,805,000			
School Bonds Defeased							(2,618,296)			
Bond Issuance Cost							(77,621)			
Deferred Bond Interest							(109,083)			
Adjustment to Local Tax Levy			(26,790)							
Cancellation of Prior Year Accounts Payable				\$ 40,878						
Lease Purchase Agreement Proceeds					199,000			\$ 159,851	\$ 300,000	
Total Other Financing Sources/(Uses)	<u>(18,528)</u>	<u>(546)</u>	<u>(35,442)</u>	<u>40,878</u>	<u>199,000</u>		<u>(50,223)</u>	<u>159,851</u>	<u>300,000</u>	
Net Change in Fund Balances	<u>\$ (698,994)</u>	<u>\$ (120,635)</u>	<u>\$ (126,311)</u>	<u>\$ (514,792)</u>	<u>\$ 359,759</u>	<u>\$ 166,276</u>	<u>\$ (24,731)</u>	<u>\$ 138,931</u>	<u>\$ 75,708</u>	<u>\$ (123,554)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>6.56%</u>	<u>5.77%</u>	<u>6.03%</u>	<u>5.51%</u>	<u>6.21%</u>	<u>6.06%</u>	<u>5.53%</u>	<u>5.55%</u>	<u>5.39%</u>	<u>5.32%</u>

Source: School District Financial Reports

BOROUGH OF STANHOPE SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

Fiscal Year Ending June 30,	Prior Year Refunds	Interest on Investments	Rental	Tuition Other LEA's	Miscellaneous	Total
2007	\$ 39,543	\$ 21,911	\$ 59,000		\$ 4,675	\$ 125,129
2008	59,483	33,185	82,000		8,790	183,458
2009	29,432	15,724	14,000		13,589	72,745
2010	36,027	3,418			26,849	66,294
2011	7,979	1,201		\$ 20,826	28,306	58,312
2012	45,529	1,080		27,764	32,364	106,737
2013	8,806	972		36,343	105,970	152,091
2014	92,262	1,182		57,312	69,913	220,669
2015	13,042	1,278		33,140	58,079	105,539
2016	4,427	1,037		33,415	84,696	123,575

Source: School District of the Borough of Stanhope records

BOROUGH OF STANHOPE SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY.
LAST TEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2006 *	\$ 5,296,800	\$ 394,389,500	\$ 18,400	\$ 23,172,500	\$ 5,624,800	\$ 3,744,200	\$ 432,246,200	\$ 480,235	\$ 432,726,435	\$ 0.78	\$ 407,049,816
2007	5,067,100	394,458,500	18,400	23,181,600	5,624,800	3,744,200	432,094,600	476,760	432,571,360	0.80	410,232,962
2008	4,543,000	395,609,500	18,400	22,010,700	5,624,300	3,744,200	431,550,100	485,828	432,035,928	0.85	434,820,741
2009	4,699,100	396,061,600	18,100	23,357,300	5,624,300	3,744,200	433,504,600	498,534	434,003,134	0.73	415,990,735
2010 *	3,867,500	315,145,600	18,100	22,409,100	5,490,300	3,430,500	350,361,100	494,678	350,855,778	1.07	419,493,289
2011	3,967,300	314,060,400	18,100	22,753,200	5,194,500	3,429,700	349,423,200	392,954	349,816,154	1.09	386,336,984
2012	3,670,600	307,560,200	18,100	22,724,800	4,598,900	3,376,100	341,948,700	388,422	342,337,122	1.14	370,101,092
2013	3,311,700	261,262,300	18,100	22,274,800	4,445,500	3,191,900	294,504,300	880	294,505,180	1.34	323,968,901
2014	2,744,000	261,244,700	18,100	22,286,500	4,445,500	3,191,900	293,930,700	758	293,931,458	1.38	329,032,732
2015	2,809,100	261,017,000	18,100	22,087,800	4,445,500	3,194,200	293,571,700	828	293,572,528	1.44	329,682,772

* Year in which revaluation became effective.

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

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

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

Source: Municipal Tax Assessor

Exhibit J-7

BOROUGH OF STANHOPE SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	School District of the Borough of Stanhope Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Municipality	Regional High School District	County	
2006 *	\$ 0.68	\$ 0.10	\$ 0.78	\$ 0.56	\$ 0.41	\$ 0.36	\$ 2.11
2007	0.72	0.08	0.80	0.62	0.45	0.38	2.25
2008	0.77	0.08	0.85	0.69	0.47	0.39	2.40
2009	0.66	0.07	0.73	0.69	0.58	0.39	2.39
2010 *	0.97	0.09	1.07	0.87	0.60	0.49	3.03
2011	0.99	0.10	1.09	0.89	0.57	0.48	3.03
2012	1.04	0.10	1.14	0.93	0.55	0.50	3.13
2013	1.25	0.09	1.34	1.09	0.68	0.54	3.65
2014	1.27	0.11	1.38	1.10	0.69	0.59	3.76
2015	1.33	0.11	1.44	1.12	0.73	0.58	3.87

* Year in which revaluation became effective.

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.

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

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

Source: Municipal Tax Collector and School Business Administrator

Exhibit J-8

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

Taxpayer	2016		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Stanhope Storage LLC	\$ 3,611,600	1	1.03%
US Mineral Products Co.	1,701,900	2	0.49%
Netcong Development, LLC	1,308,000	3	0.37%
Heritage Crossing, LLC	1,270,800	5	0.36%
Individual Taxpayer #1	1,140,000	4	0.33%
Individual Taxpayer #2	1,129,000	6	0.32%
AHS Enterprises, LLC	979,300	8	0.28%
Lakeland Bank	953,600	9	0.27%
Andrew Benjamin, LLC	851,500	7	0.24%
Normandie Lane, LLC	685,300	10	0.20%
Total	<u>\$ 13,631,000</u>		<u>3.90%</u>

Taxpayer	2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Netcong Development	\$ 1,339,800	1	0.31%
Heritage Crossing LLC	1,106,900	2	0.26%
U.S. Mineral Products	1,048,100	3	0.24%
Individual Taxpayer #1	887,200	5	0.21%
Individual Taxpayer #2	671,900	4	0.16%
Paramount Self Storage	655,000	6	0.15%
Individual Taxpayer #3	522,200	8	0.12%
AHS Enterprises, LLC	471,700	9	0.11%
Andrew Benjamin, LLC	392,000	7	0.09%
Newton Trust Co.	390,900	10	0.09%
Total	<u>\$ 7,485,700</u>		<u>1.74%</u>

Source: Municipal Tax Assessor

Exhibit J-9

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

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy^a</u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2007	\$ 3,448,265	\$ 3,448,265	100.00%	-0-
2008	3,446,328	3,446,328	100.00%	-0-
2009	3,568,113	3,568,113	100.00%	-0-
2010	3,694,669	3,694,669	100.00%	-0-
2011	3,790,192	3,790,192	100.00%	-0-
2012	3,861,476	3,861,476	100.00%	-0-
2013	3,933,765	3,933,765	100.00%	-0-
2014	3,980,820	3,980,820	100.00%	-0-
2015	4,121,310	4,121,310	100.00%	-0-
2016	4,232,377	4,232,377	100.00%	-0-

Source: School District of the Borough of Stanhope 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.

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

Fiscal Year Ended June 30,	Governmental Activities			Bond Anticipation Notes (BANs)	Business-Type Activities Capital Leases	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Obligations Under Lease-Purchase Agreement					
2007	\$ 4,074,000	-0-	-0-	-0-	-0-	\$ 4,074,000	2.48%	\$ 1,126.97
2008	3,884,000	-0-	-0-	-0-	-0-	3,884,000	2.37%	1,079.49
2009	3,689,000	-0-	-0-	-0-	-0-	3,689,000	2.18%	1,031.31
2010	3,489,000	-0-	-0-	-0-	-0-	3,489,000	2.13%	978.41
2011	3,284,000	-0-	\$ 199,000	-0-	-0-	3,483,000	2.07%	965.35
2012	3,069,000	-0-	162,289	-0-	-0-	3,231,289	1.86%	900.83
2013	2,780,000	-0-	88,363	-0-	-0-	2,868,363	1.61%	806.40
2014	2,540,000	-0-	219,941	-0-	-0-	2,759,941	1.55%	783.85
2015	2,295,000	-0-	459,630	-0-	-0-	2,754,630	1.49%	788.39
2016	2,040,000	-0-	367,595	-0-	-0-	2,407,595	1.34%	706.04

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

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

Source: School District Financial Reports

Exhibit J-11

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation ^a Taxable	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	\$ 4,074,000	-0-	\$ 4,074,000	2.54%	\$ 1,126.97
2008	3,884,000	-0-	3,884,000	2.40%	1,079.49
2009	3,689,000	-0-	3,689,000	2.25%	1,031.31
2010	3,489,000	-0-	3,489,000	2.12%	978.41
2011	3,284,000	-0-	3,284,000	1.97%	910.20
2012	3,069,000	-0-	3,069,000	1.82%	855.59
2013	2,780,000	-0-	2,780,000	0.64%	781.56
2014	2,540,000	-0-	2,540,000	0.59%	721.39
2015	2,295,000	-0-	2,295,000	0.53%	656.84
2016	2,040,000	-0-	2,040,000	0.47%	598.24

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

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

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

Exhibit J-12

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Borough of Stanhope	\$ 2,278,250	100.00%	\$ 2,278,250
Sussex County General Obligation Debt	112,567,827	1.93%	<u>2,170,370</u>
Subtotal, Overlapping Debt			4,448,620
Direct Debt			<u>2,295,000</u>
Total Direct and Overlapping Debt			<u>\$ 6,743,620</u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2016

	2013	\$ 328,394,625
	2014	328,818,324
	2015	<u>323,601,962</u>
		<u>\$ 980,814,911</u>
Average Equalized Valuation of Taxable Property		<u>\$ 326,938,304</u>
Debt Limit (3% of average equalization value)		\$ 9,808,149 a
Net Bonded School Debt		<u>2,040,000</u>
Legal Debt Margin		<u>\$ 7,768,149</u>

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 10,795,953	\$ 11,949,699	\$ 12,759,999	\$ 12,849,408	\$ 12,384,527	\$ 11,771,137	\$ 11,119,581	\$ 10,550,017	\$ 10,075,702	\$ 9,808,149
Total Net Debt Applicable to Limit	<u>4,074,000</u>	<u>3,884,000</u>	<u>3,689,000</u>	<u>3,489,000</u>	<u>3,284,000</u>	<u>3,069,000</u>	<u>2,780,000</u>	<u>2,540,000</u>	<u>2,295,000</u>	<u>2,040,000</u>
Legal Debt Margin	<u>\$ 6,721,953</u>	<u>\$ 8,065,699</u>	<u>\$ 9,070,999</u>	<u>\$ 9,360,408</u>	<u>\$ 9,100,527</u>	<u>\$ 8,702,137</u>	<u>\$ 8,339,581</u>	<u>\$ 8,010,017</u>	<u>\$ 7,780,702</u>	<u>\$ 7,768,149</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	37.74%	32.50%	28.91%	27.15%	26.52%	26.07%	25.00%	24.08%	22.78%	20.80%

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

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

Exhibit J-14

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

Year	Population ^a	Borough of Stanhope Personal Income ^b	Sussex County Per Capita Personal Income ^c	Unemployment Rate ^d
2007	3,598	\$ 164,205,524	\$ 45,638	3.70%
2008	3,577	169,607,032	47,416	4.70%
2009	3,566	164,110,886	46,021	7.80%
2010	3,608	168,345,672	46,659	8.40%
2011	3,587	173,865,477	48,471	8.10%
2012	3,557	178,451,133	50,169	8.10%
2013	3,521	177,930,214	50,534	5.60%
2014	3,494	184,661,394	52,851	5.90%
2015	3,410	180,221,910 ***	52,851 *	5.50%
2016	3,410 **	180,221,910 ***	52,851 *	N/A

* - Latest Sussex County per capita personal income available (2015) was used for calculation purposes.

** - Latest population data available (July 1, 2015) was used for calculation purposes.

***-Latest personal income data available (2014) was used for calculation purposes.

N/A - Information not available

Source:

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

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

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

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

Exhibit J-15

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

Employer	2015		
	Employees	Rank	Percentage of Total Employment
Crystal Springs Golf and Spa Resort	2,000	1	N/A
Newton Memorial Hospital	1,200	2	N/A
Selective Insurance	900	3	N/A
County of Sussex	830	4	N/A
Mountain Creek Resort	800	5	N/A
Ames Rubber Corp	445	6	N/A
Shop Rite Supermarkets (Ronetco)	301	7	N/A
Andover Subacute and Rehab Center	300	8	N/A
Sussex County Community College	300	9	N/A
SCARC, Inc.	287	10	N/A
	7,363		

Employer	2006		
	Employees	Rank	Percentage of Total Employment
Selective Insurance	954	1	N/A
Andover Subacute and Rehab Center	900	2	N/A
Mountain Creek/Intrawest	800	3	N/A
County of Sussex	800	3	N/A
Newton Memorial Hospital	757	4	N/A
Vernon Township Bd. of Education	629	5	N/A
F.O. Phoenix, Inc.	600	6	N/A
Hopatcong Board of Education	450	7	N/A
Wal-Mart	380	8	N/A
Saint Claire's Hospital	300	9	N/A
Sparta Board of Education	300	9	N/A
Ames Rubber Corp.	300	9	N/A
SCARC, Inc.	296	10	N/A
N/A - Information is not available			
	7,466		

Note: 2016 update not available. Most recent information is listed.

N/A -Not Available

Source: Sussex County Tax Assessor.

Exhibit J-16

BOROUGH OF STANHOPE SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST NINE FISCAL YEARS
 UNAUDITED

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction									
Regular	24.0	31.0	31.0	27.0	22.2	22.7	21.7	21.6	22.2
Special education	5.0	5.0	3.0	3.0	13.7	8.8	9.2	9.7	10.7
Other instruction	2.5	3.0	3.0	3.0	1.0	1.0	1.0	1.0	1.4
Support Services:									
Student & instruction related services	4.2	1.4	2.5	2.0	10.6	13.3	16.3	15.5	15.1
General administrative services					2.0	0.9	1.1	1.4	1.4
School administrative services	2.5	3.5	2.5	2.0	1.0	1.2	1.2	1.5	1.5
Administrative Technology						1.0	1.0	0.3	0.3
Plant operations and maintenance	2.0	2.5	2.5	2.5	3.6	3.0	3.0	3.0	3.0
Business and other support services	1.0	1.0	1.0	1.0	2.0	1.7	1.2	1.2	1.5
Food Service	3.5	4.0	3.5	3.5	1.2	1.2	1.2	1.2	1.2
Total	<u>44.7</u>	<u>51.4</u>	<u>49.0</u>	<u>44.0</u>	<u>57.3</u>	<u>54.8</u>	<u>56.9</u>	<u>56.4</u>	<u>58.2</u>

Source: School District of the Borough of Stanhope Personnel Records

BOROUGH OF STANHOPE SCHOOL DISTRICT
OPERATING STATISTICS,
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil^d</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio Elementary</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2007	394	\$ 4,991,382	\$ 12,668	8.51%	38	1:11	394	376	-5.06%	95.43%
2008	392	5,686,947	14,508	14.52%	38	1:11	392	376	-0.51%	95.92%
2009	373	5,397,677	14,471	-0.25%	38	1:11	373	358	-4.85%	95.98%
2010	393	5,896,679	15,004	3.69%	38	1:11	393	375	5.36%	95.42%
2011	395	5,162,648	13,070	-12.89%	38	1:11	395	361	0.51%	91.39%
2012	385	5,327,627	13,838	5.88%	30	1:13	380	363	-3.80%	95.53%
2013	361	5,659,682	15,678	13.30%	29	1:13	359	343	-5.53%	95.54%
2014	358	5,697,012	15,913	1.50%	30	1:12	354	337	-1.39%	95.20%
2015	319	5,860,438	18,371	17.18%	29	1:12	315	300	-11.02%	95.24%
2016	317	6,009,785	18,958	19.13%	29	1:12	316	304	-0.32%	96.20%

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 certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment.
This Cost Per Pupil may be different from other Cost Per Pupil calculations.

Source: Borough of Stanhope District Records

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>										
<u>Elementary</u>										
Valley Road Elementary										
Square Feet	62,378	62,378	62,378	62,378	62,378	62,378	62,378	62,378	62,378	62,378
Capacity (students)	N/A	536	536	536	536	536	536	536	536	539
Enrollment	431	407	578	364	378	375	361	358	319	317
Linden Avenue Elementary (1)										
Square Feet	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768
Capacity (students)	N/A	N/A	N/A	138	138	138	138	138	138	138
Enrollment	N/A	89	22	17	17	10				

Number of Schools at June 30, 2016
 Elementary = 1

(1) Linden Avenue School no longer in use for enrollment after 2012.

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

N/A: Information not available

Source: District Facilities Office

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

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

Fiscal Year Ended June 30,	Linden Avenue School (1)	Valley Road School	Total
2006	\$ 10,596	\$ 60,043	\$ 70,639
2007	9,309	52,752	62,061
2008	-0-	47,841	47,841
2009	-0-	50,616	50,616
2010	-0-	51,659	51,659
2011	-0-	50,025	50,025
2012	3,243	89,802	93,045
2013	2,926	141,668	144,594
2014	1,651	120,338	121,989
2015	4,427	137,126	141,553
2016	5,254	107,140	112,394

(1) Linden Avenue School not in use after 2012.

* 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

Exhibit J-20

BOROUGH OF STANHOPE SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30.
UNAUDITED

	Coverage	Deductible
School Alliance Insurance Fund (SAIF):		
Physical Damage - Property		\$ 1,000
Physical Damage - Inland Marine & Auto		500
Worker' Compensation/Employers' Liability		
Coverage A	NJ Statutory Benefits	NIL
Coverage B	5,000,000	None
Supplemental Indemnity	NJ Statutory Benefits	
General & Automobile Liability	5,000,000 per occurrence 50,000,000 fund aggregate	NIL
Fire Damage	2,500,000	
Medical Expenses	10,000	
Excess General & Auto Liability	15,000,000	None
Boiler & Machinery	100,000,000 each loss	1,000
Crime Coverage	50,000 inside/outside	1,000
Blanket Dishonesty Bond	500,000	1,000
Environmental Impairment Liability	1,000,000 per incident 25,000,000 fund aggregate	5,000
Student Accident	500,000 Bollinger	None
School Leaders' Professional Liability	5,000,000 per person 15,000,000	5,000
Official Bonds -Selective Insurance and Travelers Casualty and Surety Company of America		
Carissa Berkowicz	75,000	None
SallyAnn McCarty	175,000	None
Gordon E. Gibbs	175,000	None

SINGLE AUDIT



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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*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Stanhope, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

September 30, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Borough of Stanhope's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2016. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2016.

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

Report on Internal Control Over Compliance

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

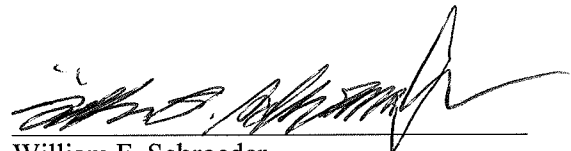
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

September 30, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

**BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015		Cash Received	Budgetary Expendi- tures	Balance at June 30, 2016		Amount Provided to Subrecipients	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue			Budgetary Accounts Receivable	Budgetary Unearned Revenue		
<u>U.S. Department of Agriculture:</u>												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Food Distribution Program	10.555	N/A	7/1/15-6/30/16	\$ 5,908			\$ 5,908	\$ (4,076)		\$ 1,832		
Food Distribution Program	10.555	N/A	7/1/14-6/30/15	7,210		\$ 1,464		(1,464)				
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	24,640			16,826	(24,640)	\$ (7,814)			
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	22,313	\$ (1,473)		1,473					
Total Child Nutrition Cluster					(1,473)	1,464	24,207	(30,180)	(7,814)	1,832		
Total U.S. Department of Agriculture					(1,473)	1,464	24,207	(30,180)	(7,814)	1,832		
<u>U.S. Department of Education:</u>												
Passed-through State Department of Education:												
Special Revenue:												
No Child Left Behind:												
Title I	84.010A	NCLB546516	7/1/15-6/30/16	35,358			22,386	(33,228)	(10,842)			
Subtotal - Title I							22,386	(33,228)	(10,842)			
Title IIA	84.367	NCLB546516	7/1/15-6/30/16	8,856			5,173	(5,173)				
Title IIA	84.367	NCLB546515	7/1/14-6/30/15	11,197	(1,395)		1,395					
Subtotal - Title IIA					(1,395)		6,568	(5,173)				
<u>U.S. Department of Education:</u>												
Passed-through State Department of Education:												
Special Education Cluster:												
I.D.E.A. Part B, Basic	84.027A	IDEA546515	7/1/15-6/30/16	88,398			70,527	(77,967)	(7,440)			
I.D.E.A. Part B, Basic	84.027A	IDEA546515	7/1/14-6/30/15	101,274	(5,500)		5,500					
I.D.E.A. Part B, Preschool	84.173A	IDEA546516	7/1/15-6/30/16	5,567			4,539	(4,539)				
Total Special Education Cluster					(5,500)		80,566	(82,506)	(7,440)			
Subtotal - Special Revenue Fund					(6,895)		109,520	(120,907)	(18,282)			
Total U.S. Department of Education					(6,895)		109,520	(120,907)	(18,282)			
Total Federal Awards					\$ (8,368)	\$ 1,464	\$ 133,727	\$ (151,087)	\$ (26,096)	\$ 1,832	\$ -0-	

N/A - Not Applicable/Available

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015		Budgetary Expenditures	Cancelled	Balance at June 30, 2016		MEMO Cumulative Total Expenditures
				Budgetary Accounts Receivable	Cash Received			GAAP Accounts Receivable	Budgetary Accounts Receivable	
<u>State Department of Education:</u>										
General Fund State Aid:										
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	\$ 1,167,777		\$ 1,053,652	\$ (1,167,777)		\$ (114,125)		\$ 1,167,777
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	34,204		30,861	(34,204)		(3,343)		34,204
Special Education Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	202,273		182,505	(202,273)		(19,768)		202,273
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	34,064		30,735	(34,064)		(3,329)		34,064
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	66,645		60,132	(66,645)		(6,513)		66,645
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	3,500		3,158	(3,500)		(342)		3,500
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	3,500		3,158	(3,500)		(342)		3,500
Extraordinary Special Education Costs Aid	16-495-034-5120-044	7/1/15-6/30/16	51,610			(51,610)		\$ (51,610)	(51,610)	51,610
Reimbursement of Nonpublic School										
Transportation Costs	16-495-034-5120-014	7/1/15-6/30/16	939			(939)		(939)	(939)	939
Reimbursed TPAF Social Security	16-495-034-5094-003	7/1/15-6/30/16	169,984		161,535	(169,984)		(8,449)	(8,449)	169,984
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	1,167,777	\$ (114,125)	114,125					1,167,777
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	34,204	(3,343)	3,343					34,204
Special Education Categorical Aid	15-495-034-5120-089	7/1/14-6/30/15	202,273	(19,768)	19,768					202,273
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	34,064	(3,329)	3,329					34,064
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	66,645	(6,513)	6,513					66,645
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	3,500	(342)	342					3,500
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	3,500	(342)	342					3,500
Extraordinary Special Education Costs Aid	15-100-034-5120-473	7/1/14-6/30/15	26,812	(26,812)	26,812					26,812
Reimbursement of Nonpublic School										
Transportation Costs	15-495-034-5120-014	7/1/14-6/30/15	1,137	(1,137)	1,137					1,137
Reimbursed TPAF Social Security	15-495-034-5095-002	7/1/14-6/30/15	161,440	(16,723)	16,723					161,440
Subtotal - General Fund				(192,434)	1,718,170	(1,734,496)		(60,998)	(208,760)	3,601,685
Food Service Fund:										
State School Lunch Program	16-100-010-3350-023	7/1/15-6/30/16	960		668	(960)		(292)	(292)	960
State School Lunch Program	15-100-010-3350-023	7/1/14-6/30/15	1,031	(62)	62					1,031
Subtotal - Food Service Fund				(62)	730	(960)		(292)	(292)	1,991
Total NJ Department of Education				(192,496)	1,718,900	(1,735,456)		(61,290)	(209,052)	3,603,676
<u>NJ School Development Authority:</u>										
Educational Facilities Construction and Financing Act:										
Partial Roof Replacement Project	5030-050-14-1001-G04	7/1/14-6/30/16	339,100	(367,560)	281,180	(192,076)	\$ 28,460	(57,920)	(57,920)	(339,100)
Total Educational Facilities Construction and Financing Act				(367,560)	281,180	(192,076)	28,460	(57,920)	(57,920)	(339,100)
Total State Awards				\$ (560,056)	\$ 2,000,080	\$ (1,927,532)	\$ 28,460	\$ (119,210)	\$ (266,972)	\$ 3,264,576

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Board of Education, Borough of Stanhope School District under programs of the federal and state governments for the fiscal year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$-0-) for the general fund, (\$415) for the special revenue fund and \$192,076 for the capital projects fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general, the special revenue and capital project funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension and Post Retirement Contributions revenue of \$149,868 and \$178,451, respectively.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

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

Revenue from federal and state awards 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		\$ 2,062,815	\$ 2,062,815
Special Revenue Fund	\$ 120,492		120,492
Capital Projects Fund		192,076	192,076
Food Service Fund	30,180	960	31,140
Total Awards	<u>\$ 150,672</u>	<u>\$ 2,255,851</u>	<u>\$ 2,406,523</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2016.

NOTE 7. NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANT

The District received a grant in the amount of \$339,100 in connection with capital projects for a partial roof replacements project. During the fiscal year ended June 30, 2016 the District submitted reimbursement requests on these projects and realized revenue on the GAAP basis in the amount of \$192,076. As of June 30, 2016, the District has a \$57,920 receivable on the budgetary and GAAP basis. In the Capital Projects Fund, the District realizes the full amount of the grant revenue on the budgetary basis in the year the grant is awarded and realizes the grant revenue on a GAAP basis as it is expended and submitting for reimbursement.

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for each of the major state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

<u>State:</u>	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	\$1,167,777	\$1,167,777
Special Education Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	202,273	202,273
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	34,064	34,064
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	66,645	66,645
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	3,500	3,500
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	3,500	3,500

- The threshold used for distinguishing between state Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

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

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

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

There were no prior year findings.