

**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, 2018**

**Comprehensive Annual
Financial Report**

of the

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

Stanhope, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal	1
Organizational Chart.....	5
Roster of Officials.....	6
Consultants and Advisors.....	7
 FINANCIAL SECTION	 8
Independent Auditors' Report.....	9
Required Supplementary Information.....	12
Management's Discussion and Analysis (Unaudited).....	13
Basic Financial Statements (Sections A and B).....	20
A. District-Wide Financial Statements.....	21
A-1 Statement of Net Position	22
A-2 Statement of Activities	23
B. Fund Financial Statements	25
B-1 Balance Sheet – Governmental Funds.....	26
B-2 Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds	27
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	28
B-4 Statement of Net Position – Proprietary Funds	29
B-5 Statement of Revenue, Expenses and Changes in Net Position – Proprietary Funds	30
B-6 Statement of Cash Flows – Proprietary Funds.....	31
B-7 Statement of Fiduciary Net Position – Fiduciary Funds.....	32
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	33
Notes to the Basic Financial Statements.....	34
Required Supplementary Information (Unaudited)	71
L. Schedules Related to Accounting and Reporting for Pensions and Postemployment Benefits Other than Pensions (Unaudited)	72
L-1 Schedule of District's Proportionate Share of the Net Pension Liability – Public Employees Retirement System.....	72
L-2 Schedule of District Contributions – Public Employees Retirement System	73
L-3 Schedule of State's Proportionate Share of the Net Pension Liability – Associated with the District – Teachers' Pension and Annuity Fund.....	74
L-4 Schedule of State's Contributions – Teachers' Pension and Annuity Fund	75
L-5 Schedule of Changes in the State's Total OPEB Liability and Related Ratios	76

BOROUGH OF STANHOPE SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

FINANCIAL SECTION (Cont'd)

Notes to Required Supplementary Information.....	77
Supplementary Schedules (C.-I.)	
C. Budgetary Comparison Schedules (Unaudited)	78
C-1 Budgetary Comparison Schedule – General Fund.....	79
C-2 Budgetary Comparison Schedule - Special Revenue Fund	91
C-3 Budgetary Comparison Schedule – Note to Required Supplementary Information	92
Other Supplementary Schedules (D.-I.)	
D. School Level Schedules (Not Applicable)	94
E. Special Revenue Fund	95
E-1 Combining Schedule of Program Revenue and Expenditures - Special Revenue Fund – Budgetary Basis	96
E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable)	
F. Capital Projects Fund (Not Applicable)	97
G. Proprietary Funds (Enterprise Fund).....	98
G-1 Statement of Net Position	99
G-2 Statement of Revenue, Expenses and Changes in Fund Net Position	100
G-3 Statement of Cash Flows	101
H. Fiduciary Funds.....	102
H-1 Combining Statement of Net Position	103
H-2 Statement of Changes in Fiduciary Net Position	104
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	105
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	106
I. Long-Term Debt.....	107
I-1 Schedule of Serial Bonds.....	108
I-2 Schedule of Obligations under Capital Leases	109
I-3 Debt Service Fund Budgetary Comparison Schedule.....	110

BOROUGH OF STANHOPE SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

STATISTICAL SCHEDULES

J.	Statistical Section (Unaudited).....	111
J-1	Net Position by Component.....	112
J-2	Changes in Net Position.....	113
J-3	Fund Balances - Governmental Funds.....	115
J-4	Changes in Fund Balances - Governmental Funds.....	116
J-5	General Fund Other Local Revenue by Source	118
J-6	Assessed Value and Actual Value of Taxable Property	119
J-7	Direct and Overlapping Property Tax Rates.....	120
J-8	Principal Property Taxpayers, Current Year and Nine Years Ago.....	121
J-9	Property Tax Levies and Collections.....	122
J-10	Ratios of Outstanding Debt by Type	123
J-11	Ratios of Net General Bonded Debt Outstanding.....	124
J-12	Ratios of Overlapping Governmental Activities Debt.....	125
J-13	Legal Debt Margin Information.....	126
J-14	Demographic and Economic Statistics	127
J-15	Principal Employers, Current Year and Nine Years Ago.....	128
J-16	Full-time Equivalent District Employees by Function/Program	129
J-17	Operating Statistics.....	130
J-18	School Building Information	131
J-19	Schedule of Required Maintenance	132
J-20	Insurance Schedule	133
K.	SINGLE AUDIT SECTION.....	134
K-1	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 <i>Government Auditing Standards</i>	135
K-2	Independent Auditors' Report on Compliance for each Major State Program and Report on Internal Control over Compliance	137
K-3	Schedule of Expenditures of Federal Awards.....	139
K-4	Schedule of Expenditures of State Awards.....	140
K-5	Notes to the Schedules of Expenditures of Federal and State Awards.....	142
K-6	Schedule of Findings and Questioned Costs.....	144
K-7	Summary Schedule of Prior Audit Findings.....	146

INTRODUCTORY SECTION



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

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www.stanhopeschools.org

January 18, 2019

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, 2018, 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 2017-2018 fiscal year with an enrollment of 312 students, which is 4 students less than the previous year's enrollment.

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: The transition to Readers/Writers Workshop, which is the cornerstone of language arts literacy instruction in the school, has now been completely rolled out to all grade levels. The District will continue its partnership with a vendor for a fifth year of professional development that infuses in-service, job-embedded, and model lessons to shape instruction that adheres to reach mastery and set higher expectations for standardized assessment.

Opportunities for professional growth and development continue to be of great importance as the District has hired consultants in the areas of mathematics and assessment, in addition to the previously stated language arts consulting. Teachers of mathematics have developed strategies and great conceptual understanding to deliver meaningful and standards based instruction. In addition, teachers have consulted with an assessment expert as the District moves towards Standards Based Grading practices in grades kindergarten through three in the 2018/19 school year.

The District has completely transitioned to Next Generation Science standards. The district will articulate with its regional partners through the exchange ideas through curriculum mapping using the Rubicon Atlas program. The staff has, and will continue to participate in nationally recognized professional development programs to enhance instruction that will be on the cutting edge of 21st Century learning. The school has begun and will continue to purchase resource material to support Next/Gen instruction to infuse hands on learning and STEM designed learning in classrooms K-8.

Lastly, the District supported students' progress toward college and career readiness by engaging them in programs related to entrepreneurship. Students participated in the award winning TREP\$ program where they developed or improved products, and sold them in a marketplace during and after the school day.

In 2018/19, the District will focus its attention on improving school safety, providing flexible professional opportunities for teachers, roll out a new mathematics series, and develop and implement a Positive Behavior Intervention System (PBIS) for students that are focused on Values, Respect, and Service. Standards based grading and report cards will also be rolled out in the coming year.

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, 2018.

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

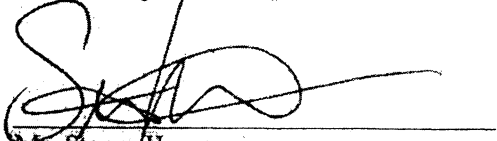
7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under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

8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Board is a member of the School Alliance Insurance Fund ("SAIF"). The SAIF is a risk-sharing public entity risk management fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to their members. The School Alliance Insurance Fund oversees risk management for the District. A schedule of insurance coverage is found on Exhibit J-20.

9) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of 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,

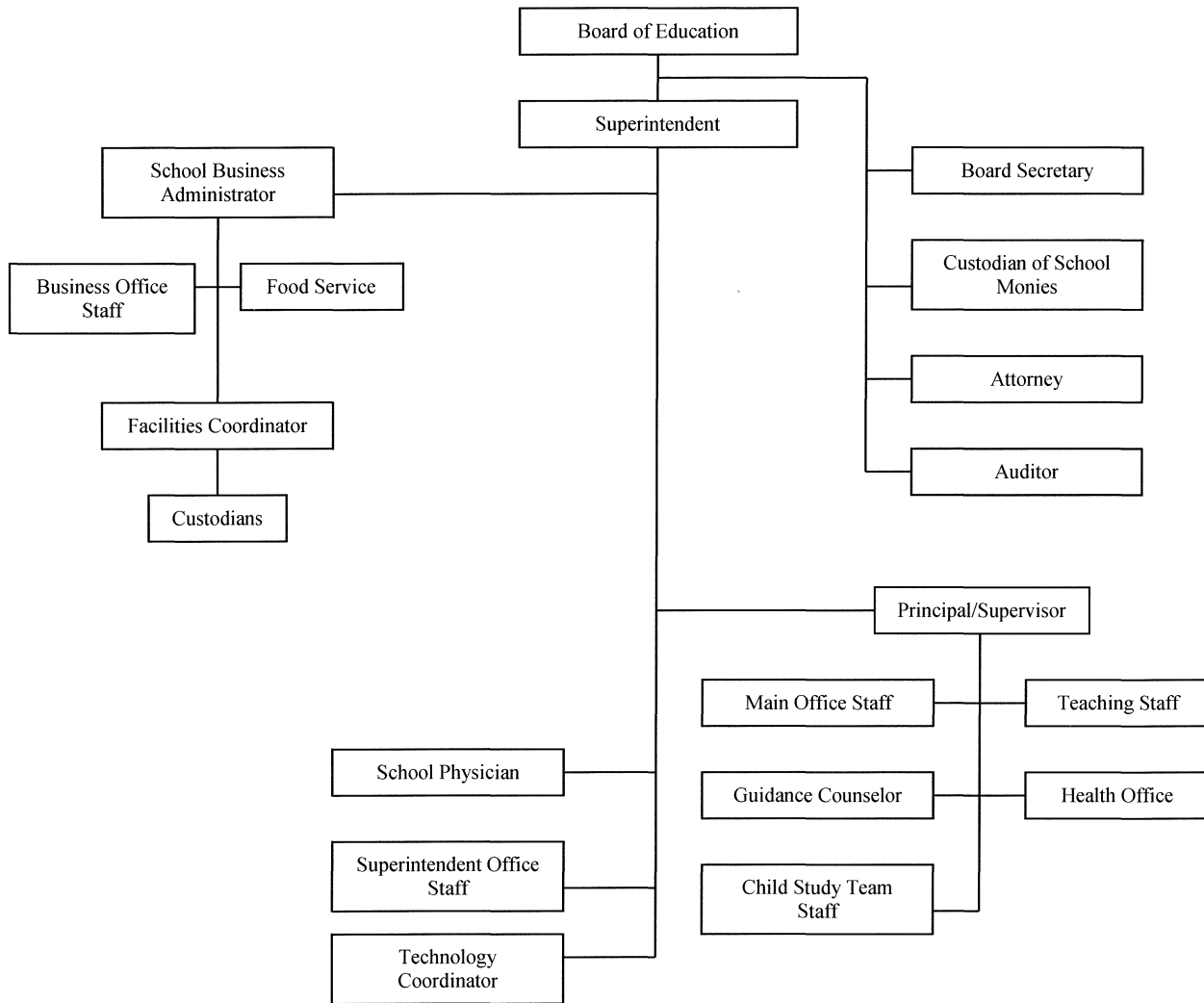


Mr. Steven Hagemann
Superintendent of Schools



Gordon Gibbs
Business Administrator/Board Secretary

**Stanhope Board of Education
Organizational Chart
2017-2018**



**BOROUGH OF STANHOPE SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Gilbert Moscatello, Board President	2018
Cynthia Percarpio, Vice- President	2019
Jonathan Clauson	2019
Daniele Ferrone	2019
Najib Iftikhar	2020
Mattia Scharfstein	2020
F. Francis Shay	2018

<u>Other Officers</u>	<u>Title</u>
Timothy Nicinski	Superintendent (till 12/31/2017)
Steven Hagemann	Superintendent (from 1/1/2018)
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 LLP

Mount Arlington Corporate Center

200 Valley Road, Suite 300

Mount Arlington, NJ 07856-1320

and

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

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Stanhope School District, in the County of Sussex, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 8 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the pension and post-employment benefits schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. The required supplementary information schedule, Schedule of Changes in the State’s Proportionate Share of the Total OPEB Liability Attributable to the District and Related Ratios, is omitted from this report. This is due to the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey, not providing the information necessary to implement Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)* as of the date of this report. 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 available 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. Our opinion on the basic financial statements has not been affected for this missing information.

Other Matters (Cont'd)

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.

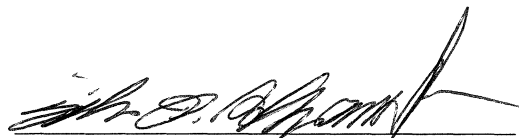
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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.

January 18, 2019
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, 2018
(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, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

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

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

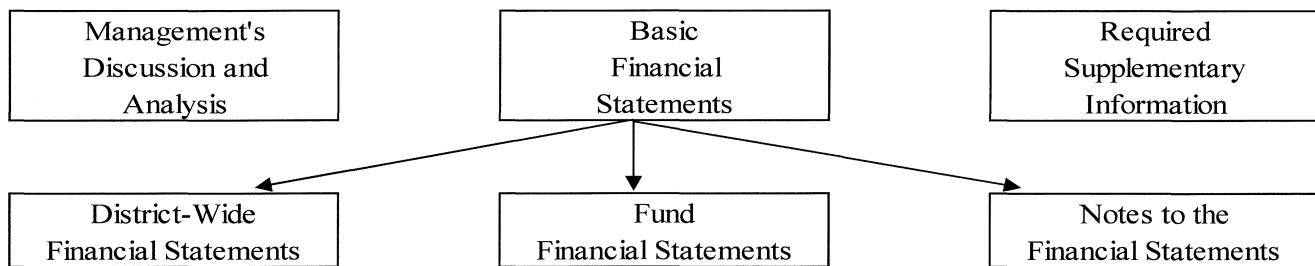


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage Change 2017/18
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	
Current and Other Assets	\$ 1,027,086	\$ 902,792	\$ 13,379	\$ 50,691	\$ 1,040,465	\$ 953,483	
Capital Assets, Net	6,315,417	6,517,044	4,492	6,202	6,319,909	6,523,246	
Total Assets	<u>7,342,503</u>	<u>7,419,836</u>	<u>17,871</u>	<u>56,893</u>	<u>7,360,374</u>	<u>7,476,729</u>	-1.56%
Deferred Outflows of Resources	<u>570,567</u>	<u>779,667</u>			<u>570,567</u>	<u>779,667</u>	-26.82%
Other Liabilities	250,494	224,743	16,042	46,635	266,536	271,378	
Long-Term Liabilities	2,982,749	3,741,564			2,982,749	3,741,564	
Total Liabilities	<u>3,233,243</u>	<u>3,966,307</u>	<u>16,042</u>	<u>46,635</u>	<u>3,249,285</u>	<u>4,012,942</u>	-19.03%
Deferred Inflows of Resources	<u>342,024</u>	<u>82,916</u>			<u>342,024</u>	<u>82,916</u>	312.49%
Net Position:							
Net Investment in Capital Assets	4,683,116	4,525,598	4,492	6,202	4,687,608	4,531,800	
Restricted	615,176	439,382			615,176	439,382	
Unrestricted/(Deficit)	<u>(960,489)</u>	<u>(814,700)</u>	<u>(2,663)</u>	<u>4,056</u>	<u>(963,152)</u>	<u>(810,644)</u>	-18.81%
Total Net Position	<u>\$ 4,337,803</u>	<u>\$ 4,150,280</u>	<u>\$ 1,829</u>	<u>\$ 10,258</u>	<u>\$ 4,339,632</u>	<u>\$ 4,160,538</u>	4.30%

Changes in Net Position. The District's combined net position was \$4,339,632 on June 30, 2018, an increase of \$179,094 or 4.30% more than it was the year before. This was primarily due to a decrease in the net pension liability and related deferred inflows and outflows.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities 2017/18	Business- Type Activities 2017/18	Governmental Activities 2016/17	Business- Type Activities 2016/17	Total School District 2017/18	Total School District 2016/17	Percentage Change 2017/18
Revenue:							
Program Revenue:							
Charges for Services	\$ 147,761	\$ 52,808	\$ 31,953	\$ 57,707	\$ 200,569	\$ 89,660	
Operating Grants and Contributions	2,315,466	32,615	1,959,207	30,880	2,348,081	1,990,087	
General Revenue:							
Property Taxes	4,431,131		4,348,683		4,431,131	4,348,683	
Unrestricted State and Federal Aid	1,282,003		1,277,676		1,282,003	1,277,676	
Other	89,108	68	78,137	35	89,176	78,172	
Total Revenue	<u>8,265,469</u>	<u>85,491</u>	<u>7,695,656</u>	<u>88,622</u>	<u>8,350,960</u>	<u>7,784,278</u>	7.28%
Expenses:							
Instruction	4,573,453		4,189,903		4,573,453	4,189,903	
Pupil and Instruction Services	1,563,514		1,667,203		1,563,514	1,667,203	
Administrative and Business	982,356		871,161		982,356	871,161	
Maintenance and Operations	541,528		540,996		541,528	540,996	
Transportation	87,309		67,319		87,309	67,319	
Other	329,786	93,920	411,915	98,106	423,706	510,021	
Total Expenses	<u>8,077,946</u>	<u>93,920</u>	<u>7,748,497</u>	<u>98,106</u>	<u>8,171,866</u>	<u>7,846,603</u>	4.15%
Increase/(Decrease) in Net Position	<u>\$ 187,523</u>	<u>\$ (8,429)</u>	<u>\$ (52,841)</u>	<u>\$ (9,484)</u>	<u>\$ 179,094</u>	<u>\$ (62,325)</u>	387.35%

Governmental Activities

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

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

Figure A-5

Net Cost of Governmental Activities				
	Total Cost of Services		Net Cost of Services	
	2017/18	2016/17	2017/18	2016/17
Instruction	\$ 4,573,453	\$ 4,189,903	\$ 2,897,413	\$ 2,788,872
Pupil and Instruction Services	1,563,514	1,667,203	1,139,916	1,324,073
Administrative and Business	982,356	871,161	755,089	700,327
Maintenance and Operations	541,528	540,996	440,638	500,055
Transportation	87,309	67,319	51,877	32,095
Other	329,786	411,915	329,786	411,915
	<u>\$ 8,077,946</u>	<u>\$ 7,748,497</u>	<u>\$ 5,614,719</u>	<u>\$ 5,757,337</u>

Business-Type Activities

Net position from the District’s business-type activity decreased by \$8,429. (Refer to Figure A-4).

- Food services expenses exceeded revenue by \$8,429.

Financial Analysis of the District’s Funds

The District’s financial position actually increased \$96,517 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 Long Term Liabilities

Figure A-6

	Capital Assets (Net of Depreciation)						Percentage Change 2017/18
	Government Activities		Business-Type Activities		Total School District		
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	
Sites	\$ 526,300	\$ 526,300			\$ 526,300	\$ 526,300	
Site Improvements	84,272	91,056			84,272	91,056	
Buildings and Building Improvements	5,642,519	5,825,116			5,642,519	5,825,116	
Machinery and Equipment	62,326	74,572	\$ 4,492	\$ 6,202	66,818	80,774	
Total Capital Assets (Net of Depreciation)	<u>\$ 6,315,417</u>	<u>\$ 6,517,044</u>	<u>\$ 4,492</u>	<u>\$ 6,202</u>	<u>\$ 6,319,909</u>	<u>\$ 6,523,246</u>	<u>-3.12%</u>

The District's capital assets decreased by \$203,337, due to \$204,771 of depreciation expense offset by 1,434 of machinery and equipment purchases. More detailed information regarding the District's Capital Assets is presented in Note 5 to the basic financial statements.

Long-term Liabilities

At year-end, the District had \$1,510,000 in general obligation bonds outstanding – a decrease of \$270,000 from last year – as shown in Figure A-7. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

Figure A-7

Outstanding Long-Term Liabilities

	Total School District		Percentage
	2017/18	2016/17	Change 2017/18
General Obligation Bonds (Financed with Property Taxes)	\$ 1,510,000	\$ 1,780,000	
Other Long-Term Liabilities	1,472,749	1,961,564	
	<u>\$ 2,982,749</u>	<u>\$ 3,741,564</u>	<u>-20.28%</u>

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:

- AlphaBest, the District's new before and after school provider, generates additional revenue to the District based on enrollment in their program.
- AlphaBest, is interested in doing a 2019 Summer Camp Program which will help generate additional income to the District.
- The Stanhope Special Education Program has increased revenue by bringing in additional students from sending Districts.
- The State may be reducing State Aid over the next five years which will impact the District's revenue.
- The District is interested in renting the Linden Ave. School to an outside entity which will help generate additional revenue.
- Mold remediation for the Linden Avenue School and possible future mold remediation's for the Valley Road School.

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 399,851	\$ 18,708	\$ 418,559
Internal Balances	13,224	(13,224)	
Interfund Receivable - Fiduciary Fund	86,042		86,042
Receivables from State Government	140,688	233	140,921
Receivables from Federal Government	23,034	5,964	28,998
Other Receivables	37,740		37,740
Inventories		1,698	1,698
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	326,507		326,507
Capital Assets, Net:			
Sites (Land)	526,300		526,300
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	5,789,117	4,492	5,793,609
Total Assets	7,342,503	17,871	7,360,374
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	49,581		49,581
Deferred Outflows Related to Pensions	520,986		520,986
Total Deferred Outflows of Resources	570,567		570,567
LIABILITIES			
Accrued Interest Payable	15,100		15,100
Accounts Payable	235,394	12,530	247,924
Unearned Revenue - Prepaid Sales		2,202	2,202
Unearned Revenue - Donated Commodities		1,310	1,310
Noncurrent Liabilities:			
Due Within One Year	381,531		381,531
Due Beyond One Year	2,601,218		2,601,218
Total Liabilities	3,233,243	16,042	3,249,285
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources Related to Pensions	342,024		342,024
Total Deferred Inflows of Resources	342,024		342,024
NET POSITION			
Net Investment in Capital Assets	4,683,116	4,492	4,687,608
Restricted for:			
Capital Projects	326,507		326,507
Other Purposes	288,669		288,669
Unrestricted/(Deficit)	(960,489)	(2,663)	(963,152)
Total Net Position	\$ 4,337,803	\$ 1,829	\$ 4,339,632

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, 2018

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 2,952,723		\$ 872,756		\$ (2,079,967)		\$ (2,079,967)
Special Education	1,405,898		743,161		(662,737)		(662,737)
Other Special Instruction	154,720		45,183		(109,537)		(109,537)
Other Instruction	60,112		14,940		(45,172)		(45,172)
Support Services:							
Tuition	255,276	\$ 147,761			(107,515)		(107,515)
Student & Instruction Related Services	1,308,238		275,837		(1,032,401)		(1,032,401)
General Administrative Services	424,786		83,078		(341,708)		(341,708)
School Administrative Services	224,824		56,105		(168,719)		(168,719)
Central Services	296,958		78,013		(218,945)		(218,945)
Administrative Information Technology	35,788		10,071		(25,717)		(25,717)
Plant Operations and Maintenance	541,528		100,890		(440,638)		(440,638)
Pupil Transportation	87,309		35,432		(51,877)		(51,877)
Interest on Long-Term Debt	76,392				(76,392)		(76,392)
Capital Outlay	1,867				(1,867)		(1,867)
Transfer of Funds to Charter School	62,146				(62,146)		(62,146)
Unallocated Depreciation	189,381				(189,381)		(189,381)
Total Governmental Activities	8,077,946	147,761	2,315,466		(5,614,719)		(5,614,719)
Business-Type Activities:							
Food Service	93,920	52,808	32,615			\$ (8,497)	\$ (8,497)
Total Business-Type Activities	93,920	52,808	32,615			(8,497)	(8,497)
Total Primary Government	\$ 8,171,866	\$ 200,569	\$ 2,348,081	\$ -0-	(5,614,719)	(8,497)	(5,623,216)

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 4,092,631		\$ 4,092,631
Taxes Levied for Debt Service	338,500		338,500
Federal and State Aid not Restricted	1,282,003		1,282,003
Investment Earnings	160	\$ 68	228
Miscellaneous Income	88,948		88,948
Total General Revenue	5,802,242	68	5,802,310
Change in Net Position	187,523	(8,429)	179,094
Net Position - Beginning	4,150,280	10,258	4,160,538
Net Position - Ending	\$ 4,337,803	\$ 1,829	\$ 4,339,632

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

FUND FINANCIAL STATEMENTS

BOROUGH OF STANHOPE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 399,851		\$ 399,851
Interfund Receivable	122,300		122,300
Receivables From State Government	140,688		140,688
Receivables From Federal Government		\$ 23,034	23,034
Other Receivables	37,740		37,740
Restricted Cash and Cash Equivalents	<u>326,507</u>		<u>326,507</u>
Total Assets	<u>\$ 1,027,086</u>	<u>\$ 23,034</u>	<u>\$ 1,050,120</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund Payable		\$ 23,034	\$ 23,034
Accounts Payable	<u>\$ 182,932</u>		<u>182,932</u>
Total Liabilities	<u>182,932</u>	<u>23,034</u>	<u>205,966</u>
Fund Balances:			
Restricted:			
Capital Reserve Account	326,507		326,507
Excess Surplus	209,377		209,377
Excess Surplus - Designated for Subsequent Year's Expenditures	79,292		79,292
Assigned:			
Encumbrances	24,808		24,808
Unassigned	<u>204,170</u>		<u>204,170</u>
Total Fund Balances	<u>844,154</u>		<u>844,154</u>
Total Liabilities and Fund Balances	<u>\$ 1,027,086</u>	<u>\$ 23,034</u>	<u>\$ 1,050,120</u>
Amounts Reported for <i>Governmental Activities</i> in the Statement of Net Position (A-1) are Different Because:			
Total Fund Balances from above			\$ 844,154
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds.			6,315,417
Interest on Long-Term Debt is not Accrued in the Governmental Funds, but Rather is Recognized as an Expenditure When Due.			(15,100)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.			(1,258,309)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:			
Deferred Outflows:			
Change in Assumptions - Pensions			253,506
Change in Proportions - Pensions			176,821
Net Difference Projected and Actual Earnings on Pension Plan Investments			8,568
Difference Between Expected and Actual Experience - Pensions			29,629
Change in Proportions - Pensions			(89,447)
Deferred Inflows - Change in Assumptions			(252,577)
Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.			(1,724,440)
Deferred amount on refunding is not reported as an expenditure in the governmental funds in the year of the expenditure. The deferred amount on refunding is \$109,083 and accumulated amortization is \$59,502.			<u>49,581</u>
Net Position of Governmental Activities (Exhibit A-1)			<u>\$ 4,337,803</u>

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local Sources:				
Local Tax Levy	\$ 4,092,631		\$ 338,500	\$ 4,431,131
Tuition from Other LEAs	147,761			147,761
Interest Earned on Investments	160			160
Unrestricted Miscellaneous Revenue	86,967			86,967
Total - Local Sources	4,327,519		338,500	4,666,019
State Sources	2,347,425			2,347,425
Federal Sources		\$ 142,419		142,419
Total Revenues	6,674,944	142,419	338,500	7,155,863
EXPENDITURES:				
Current:				
Regular Instruction	1,617,590	59,420		1,677,010
Special Education Instruction	731,879	82,999		814,878
Other Special Instruction	82,415			82,415
School-Sponsored/Other Instruction	28,098			28,098
Support Services and Undistributed Costs:				
Tuition	255,276			255,276
Student and Other Instruction Related Services	829,106			829,106
General Administration Services	293,668			293,668
School Administration Services	131,470			131,470
Central Services	173,833			173,833
Administrative Information Technology	19,892			19,892
Plant Operations and Maintenance	383,626			383,626
Student Transportation	83,189			83,189
Unallocated Benefits	1,785,310			1,785,310
Debt Service:				
Principal			270,000	270,000
Interest and Other Charges			68,500	68,500
Capital Outlay	100,929			100,929
Transfer of Funds to Charter School	62,146			62,146
Total Expenditures	6,578,427	142,419	338,500	7,059,346
Excess/(Deficit) of Revenue Over/(Under) Expenditures	96,517			96,517
Fund Balance - July 1	747,637			747,637
Fund Balance - June 30	\$ 844,154	\$ -0-	\$ -0-	\$ 844,154

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

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, 2018

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$ 96,517
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 differs from depreciation in the period.	
Depreciation expense	\$ (203,061)
Capital Outlays	<u>1,434</u>
	(201,627)
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 (+).	
	(776)
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 (+).	
	2,026
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.	
	270,000
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.	
	99,062
The governmental funds report the effect of the 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	390,529
Deferred Outflows:	
Changes in Assumptions	(88,045)
Changes in Proportion	(55,800)
Difference between Expected and Actual Experience	(1,034)
Investments Gains	(54,304)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(252,577)
Deferred Inflows:	
Changes in Proportion	<u>(6,531)</u>
Change in Net Position of Governmental Activities (A-2)	<u>\$ 187,523</u>

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-type Activities - Enterprise Funds <u>Food Service</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 18,708
Intergovernmental Accounts Receivable:	
State	233
Federal	5,964
Inventories	<u>1,698</u>
Total Current Assets	<u>26,603</u>
Non-Current Assets:	
Capital Assets	26,600
Less: Accumulated Depreciation	<u>(22,108)</u>
Total Non-Current Assets	<u>4,492</u>
Total Assets	<u>31,095</u>
<u>LIABILITIES:</u>	
Current Liabilities:	
Interfund Payable	13,224
Accounts Payable	12,530
Unearned Revenue - Prepaid Sales	2,202
Unearned Revenue - Donated Commodities	<u>1,310</u>
Total Liabilities	<u>29,266</u>
<u>NET POSITION:</u>	
Investment in Capital Assets	4,492
Unrestricted/(Deficit)	<u>(2,663)</u>
Total Net Position	<u>\$ 1,829</u>

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 42,221
Daily Sales - Non-Reimbursable Programs	10,587
	52,808
Total Operating Revenue	
Operating Expenses:	
Cost of Sales - Reimbursable Programs	33,790
Cost of Sales - Non-Reimbursable Programs	931
Salaries, Benefits & Payroll Taxes	46,413
Supplies, Insurance & Other Costs	3,675
Management Fee	7,401
Depreciation Expense	1,710
	93,920
Total Operating Expenses	
Operating Loss	(41,112)
Non-Operating Revenue:	
Local Sources:	
Interest Income	68
State Sources:	
State School Lunch Program	949
Federal Sources:	
National School Lunch Program	24,534
Food Distribution Program	7,132
	32,683
Total Non-Operating Income	
Change in Net Position	(8,429)
Net Position - Beginning of Year	10,258
Net Position - End of Year	\$ 1,829

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 52,090
Payments to Employees	(46,413)
Payments to Food Service Contractor	(44,887)
	(39,210)
Net Cash Used for Operating Activities	
Cash Flows from Investing Activities:	
Interest Income	68
	68
Net Cash Provided by Investing Activities	
Cash Flows by Noncapital Financing Activities:	
Interfund Advanced - General Fund	13,224
Interfund Returned - General Fund	(23,846)
State Sources	780
Federal Sources	20,244
	10,402
Net Cash Provided by Noncapital Financing Activities	
Net Decrease in Cash and Cash Equivalents	(28,740)
Cash and Cash Equivalents, July 1	47,448
Cash and Cash Equivalents, June 30	\$ 18,708
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (41,112)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,710
Food Distribution Program	7,132
Changes in Assets and Liabilities:	
(Decrease) in Prepaid Sales	(718)
(Decrease) in Unearned Revenue	(331)
(Decrease) in Accounts Payable	(5,698)
(Decrease) in Inventory	(193)
	(193)
Net Cash Used for Operating Activities	\$ (39,210)

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 \$6,801 and Utilized Commodities Valued at \$7,132.

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 136,550	\$ 1,669	\$ 138,219
Total Assets	<u>\$ 136,550</u>	<u>\$ 1,669</u>	<u>\$ 138,219</u>
<u>LIABILITIES:</u>			
Interfund Payable - General Fund	\$ 86,042		\$ 86,042
Payroll Deductions and Withholdings	24,789		24,789
Due to Student Groups	25,719		25,719
Total Liabilities	<u>136,550</u>		<u>136,550</u>
<u>NET POSITION:</u>			
Held in Trust for:			
Flexible Spending Claims		\$ 1,669	1,669
Total Net Position	<u>\$ -0-</u>	<u>\$ 1,669</u>	<u>\$ 1,669</u>

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Flexible Spending Trust</u>
ADDITIONS:	
Contributions:	
Plan Members	\$ 1,560
Total Additions	<u>1,560</u>
DEDUCTIONS:	
Flexible Spending Claims	<u>650</u>
Total Deductions	<u>650</u>
Change in Net Position	910
Net Position - Beginning of the Year	<u>\$ 759</u>
Net Position - End of the Year	<u><u>\$ 1,669</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, 2018

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

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall 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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation (Cont'd)

District-Wide Financial Statements:

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.

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation (Cont'd)

The District reports the following proprietary fund:

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.

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

C. Measurement Focus and Basis of Accounting (Cont'd)

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.

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, 2018, 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, 2018
(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:

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 6,671,008	\$ 155,234
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:		
Prior Year Encumbrances		1,465
Current Year Encumbrances		(14,280)
Prior Year State Aid Payments Recognized for GAAP Purposes, Not recognized for Budgetary Statements	148,183	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(144,247)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 6,674,944	\$ 142,419
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 6,578,427	\$ 155,234
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.		
Prior Year Encumbrances		1,465
Current Year Encumbrances		(14,280)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 6,578,427	\$ 142,419

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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.

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

New Jersey school districts are limited as to 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.

G. Allowance for Uncollectible Accounts:

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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, 2018.

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 acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

K. Capital Assets (Cont'd):

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	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 governmental 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, 2018.

N. Compensated Absences

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's 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, 2018
(Continued)

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

P. Fund Balance Appropriated

General Fund: Of the \$844,154 General Fund fund balance at June 30, 2018, \$24,808 is assigned for year end encumbrances; \$326,507 is restricted in the capital reserve account; the \$209,377 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, 2020 and there is \$79,292 of excess surplus designated for subsequent year's expenditures; and there is \$204,170 of unassigned fund balance, which is \$144,247 less than the calculated maximum unassigned fund balance due to the final State Aid payments that are not recognized on the GAAP basis until the fiscal year ending June 30, 2019.

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 \$144,247 as of June 30, 2018 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 \$960,489 in governmental activities, which is primarily due to \$42,558 of compensated absences payable, and net pension liability of \$1,258,309. The District also has a deficit in unrestricted net position of \$2,663 in business type activities. These deficits 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 a deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

R. Net Position: (Cont'd)

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, 2018 for changes in proportions and assumptions 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, the net difference between projected and actual investment earnings, the difference between expected and actual experience in pensions, and the District contribution subsequent to measurement date at June 30, 2018.

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, 2018.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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 and for amounts designated for subsequent year expenditures at June 30, 2018.

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, 2018
(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.

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 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 on the following page.

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

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.); ;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.
- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments: (Cont'd)

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

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	Restricted Cash and Cash Equivalents	Cash and Cash Equivalents	Total
Checking Accounts	\$ 326,507	\$ 556,778	\$ 883,285

During the period ended June 30, 2018, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$883,285 and the bank balance was \$1,064,754.

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$	160,352
Add:		
Interest Earned on Capital Reserve		160
Transfer by Board Resolution June 2018		165,995
Ending Balance, June 30, 2018	\$	<u>326,507</u>

The balance in the capital reserve account at June 30, 2018 does not exceed the LRFPP balance of local support costs of uncompleted capital projects.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 526,300			\$ 526,300
Total Capital Assets Not Being Depreciated	526,300			526,300
Capital Assets Being Depreciated:				
Site Improvements	192,080			192,080
Buildings and Building Improvements	8,701,369			8,701,369
Machinery and Equipment	271,286	\$ 1,434		272,720
Total Capital Assets Being Depreciated	9,164,735	1,434		9,166,169
Governmental Activities Capital Assets	9,691,035	1,434		9,692,469
Less Accumulated Depreciation for:				
Site Improvements	(101,023)	(6,785)		(107,808)
Buildings and Building Improvements	(2,876,253)	(182,597)		(3,058,850)
Machinery and Equipment	(196,715)	(13,679)		(210,394)
	(3,173,991)	(203,061)		(3,377,052)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 6,517,044	\$ (201,627)	\$ -0-	\$ 6,315,417
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 26,600			\$ 26,600
Less: Accumulated Depreciation	(20,398)	\$ (1,710)		(22,108)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 6,202	\$ (1,710)	\$ -0-	\$ 4,492

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 2,452
Student and Instruction Related Services	7,108
Student and Other Instruction Related Services	4,120
Unallocated	189,381
	\$ 203,061

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2017	Issued/ Accrued	Matured	Balance 6/30/2018
Serial Bonds Payable	\$ 1,780,000		\$ 270,000	\$ 1,510,000
Net Pension Liability	1,648,838		390,529	1,258,309
Capital Leases	270,944		99,062	171,882
Compensated Absences Payable	41,782	\$ 776		42,558
	\$ 3,741,564	\$ 776	\$ 759,591	\$ 2,982,749

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 \$270,000 and the long term portion is \$1,240,000.

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).

The District had bonds outstanding as of June 30, 2018 as follows:

Purpose	Final Maturity Date	Interest Rate	Amount
Refunding School Bonds	4/15/2023	4.00%	\$ 1,510,000

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

A. Bonds Payable: (Cont'd)

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>
2019	\$ 280,000	\$ 60,400	\$ 340,400
2020	295,000	49,200	344,200
2021	305,000	37,400	342,400
2022	315,000	25,200	340,200
2023	315,000	12,600	327,600
	<u>\$ 1,510,000</u>	<u>\$ 184,800</u>	<u>\$ 1,694,800</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2018, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District entered into a lease purchase agreement in 2014 for technology equipment for \$159,851 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 District capital leases total \$459,851 of which \$287,969 has been liquidated as of June 30, 2018. 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, 2018.

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 105,401
2020	71,837
	177,238
Less: Amount representing interest	(5,356)
Present value of net minimum lease payments	<u>\$ 171,882</u>

The current portion of Capital Leases payable at June 30, 2018 is \$101,531 and the long-term portion is \$70,351.

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 the long-term liability balance of compensated absences is \$42,558.

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, 2018, no liability existed for compensated absences in the Proprietary Funds.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

D. Compensated Absences Payable: (Cont'd)

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, 2018 is \$-0- and the long-term portion is \$1,258,309. 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).

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.nj.gov/treasury/pensions/financial-reports.shtml.

Benefits Provided

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a 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. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$51,459 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. 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, 2018, the District reported a liability of \$1,258,309 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.0054%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$117,834. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources on the next page:

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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)

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 14,274	
	2015	5.72	60,127	
	2016	5.57	179,105	
	2017	5.48	<u>253,506</u>	<u>\$ (252,577)</u>
Difference Between Expected and Actual Experience	2015	5.72	16,682	
	2016	5.57	5,435	
	2017	5.48	<u>7,512</u>	
			<u>29,629</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(15,079)	
	2015	5.00	12,863	
	2016	5.00	53,931	
	2017	5.00	<u>(43,147)</u>	
			<u>8,568</u>	
	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion	2014	6.44	\$ 48,309	
	2015	5.72		\$ (60,626)
	2016	5.57	128,512	
	2017	5.48	<u>176,821</u>	<u>(28,821)</u>
			<u>(89,447)</u>	
District Contribution Subsequent to the Measurement Date	2017	1.00	52,462	
			<u>\$ 520,986</u>	<u>\$ (342,024)</u>

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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)

Fiscal Year Ending June 30,	Total
2018	\$ 29,622
2019	44,700
2020	27,086
2021	(36,024)
2022	(26,258)
	\$ 39,126

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Actuarial Assumptions (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table on the next page:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the 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, 2017 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (4.00%)	Current Discount Rate (5.00%)	At 1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 1,561,018	\$ 1,258,309	\$ 1,006,115

Pension Plan Fiduciary Net Position

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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.nj.gov/treasury/pensions/financial-reports.shtml.

Benefits Provided

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

<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 2018, the State's pension contribution was less than the actuarial determined amount.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

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 2018, the State of New Jersey contributed \$321,032 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$968,272.

The employee contribution rate was 7.34% effective July 1, 2017. 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, 2018, the State's proportionate share of the net pension liability associated with the District was \$13,977,232. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.0207%, which was an increase of 0.002% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		13,977,232
Total	\$	13,977,232

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$968,272 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 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 on the next page:

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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)

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
			<u>13,378,255,364</u>	<u>11,684,858,458</u>
Difference Between Expected and Actual Experience	2014	8.5		13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
			<u>441,116,389</u>	<u>115,381,203</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	(904,033,050)	
			<u>341,507,504</u>	
			<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>

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 Ending June 30,</u>	<u>Total</u>
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	<u>(1,714,363,628)</u>
	<u>\$ 2,360,639,596</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table on the next page:

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined 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 2036. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2036, 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, 2018
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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, 2017 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's Proportionate Share of the Net Pension Associated with the District	\$ 16,605,390	\$ 13,977,232	\$ 11,812,144

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District made contributions of \$8,209 for the fiscal year ended June 30, 2017. Employee contributions to DCRP amounted to \$16,096 for the year ended June 30, 2017.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

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

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%		
	TPAF/ABP	PERS	PFRS
Salary Increases:			
Through 2026	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$ 53,639,841,858

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 13,355,869	\$ 11,251,101	\$ 9,581,579

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate (Cont'd)

	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 14,527,975	\$ 12,126,642	\$ 10,236,485

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 9,252,943	\$ 11,251,101	\$ 13,904,631

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 9,950,247	\$ 12,126,642	\$ 15,036,274

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

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$673,280 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

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

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

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

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. RISK MANAGEMENT (Cont'd)

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.

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, 2018 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, 2017 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 41,637,320
Net Position	\$ 10,127,373
Total Revenue	\$ 41,896,275
Total Expenses	\$ 41,231,917
Change in Net Position	\$ 664,358
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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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.

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 122,300	
Special Revenue Fund		\$ 23,034
Food Service Fund		13,224
Fiduciary Fund - Agency		86,042
	\$ 122,300	\$ 122,300

The interfund payable of \$13,224 in the Food Service Fund is for salaries of cafeteria aides due to the General Fund. The interfund payable of \$23,034 in Special Revenue Fund is due to grant funds not being received during the fiscal year ended June 30, 2018. The \$86,042 interfund payable of \$86,042 in Fiduciary Fund – Agency is due to monies not turned over to General Fund during the fiscal year ended June 30, 2018.

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, 2018
(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, 2018, 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
\$ 24,808	\$ 14,280	\$ 39,088

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 \$14,280 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, 2018 were:

	Governmental Activities			Business-Type Activities
	General Fund	District Contribution Subsequent to Measurement Date	Total Governmental Funds	
Due to the State of New Jersey Vendors	\$ 30,000 152,932	\$ 52,462	\$ 82,462 152,932	\$ 12,530
	\$ 182,932	\$ 52,462	\$ 235,394	\$ 12,530

NOTE 16: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2018 the District did not make any transfers to the capital outlay accounts. Therefore, the District 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 FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's proportion of the net pension liability	0.0052200088%	0.4557700400%	0.0055671764%	0.0054054801%
District's proportionate share of the net pension liability	\$ 977,328	\$ 1,023,112	\$ 1,648,838	\$ 1,258,309
District's covered employee payroll	\$ 319,417	\$ 376,364	\$ 375,600	\$ 330,943
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	305.97%	271.84%	438.99%	380.22%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%

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 FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 43,033	\$ 39,184	\$ 50,106	\$ 51,459
Contributions in relation to the contractually required contribution	<u>(43,033)</u>	<u>(39,184)</u>	<u>(50,106)</u>	<u>(51,459)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 313,154	\$ 319,417	\$ 376,364	\$ 375,600
Contributions as a percentage of covered employee payroll	13.74%	12.27%	13.31%	13.70%

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 STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
ASSOCIATED WITH THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
State's proportion of the net pension liability attributable to the District	0.0202724339%	0.0188250296%	0.0187185590%	0.0207304719%
State's proportionate share of the net pension liability attributable to the District	\$ 10,834,956	\$ 11,898,223	\$ 14,725,210	\$ 13,977,232
District's covered employee payroll	\$ 1,873,465	\$ 1,987,783	\$ 2,173,983	\$ 2,401,031
State proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	578.34%	598.57%	677.34%	582.13%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%

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 STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 583,022	\$ 726,494	\$ 1,106,395	\$ 968,272
Contributions in relation to the contractually required contribution	(101,775)	(149,868)	(225,024)	(321,032)
Contribution deficiency/(excess)	<u>\$ 481,247</u>	<u>\$ 576,626</u>	<u>\$ 881,371</u>	<u>\$ 647,240</u>
District's covered employee payroll	\$ 1,987,783	\$ 2,173,983	\$ 2,401,031	\$ 2,402,379
Contributions as a percentage of covered employee payroll	5.12%	6.89%	9.37%	13.36%

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

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Years Ending</u>	
	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$57,831,784,184</u>	<u>\$53,639,841,858</u>
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

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

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
Discount Rate	5.00%	3.98%
Municipal Bond Rate	3.58%	2.85%
Inflation Rate	2.25%	3.08%
Long-Term Expected Rate of Return on Pension Plan Investments	7.00%	7.65%

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

	<u>As of June 30,</u>	
	<u>2017</u>	<u>2016</u>
Discount Rate	4.25%	3.22%
Municipal Bond Rate	3.58%	2.85%
Inflation Rate	2.25%	2.50%
Long-Term Expected Rate of Return on Pension Plan Investments	7.00%	7.65%

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 4,092,631		\$ 4,092,631	\$ 4,092,631	
Tuition from Other LEAs	36,011		36,011	147,761	\$ 111,750
Interest Earned on Capital Reserve Funds	40		40	160	120
Unrestricted Miscellaneous Revenue	11,183		11,183	86,967	75,784
Total - Local Sources	4,139,865		4,139,865	4,327,519	187,654
State Sources:					
Categorical Special Education Aid	204,219		204,219	204,219	
Equalization Aid	1,167,221		1,167,221	1,167,221	
Categorical Security Aid	33,994		33,994	33,994	
Adjustment Aid	66,645		66,645	66,645	
Categorical Transportation Aid	34,061		34,061	34,061	
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	102,784	95,784
Professional Learning Community Aid	3,060		3,060	3,060	
Additional Nonpublic Transportation Aid				2,633	2,633
State Reimbursement for Lead Testing				765	(3,085)
On-Behalf TPAF Contributions:					
Pension (non-budgeted)				321,032	321,032
Post Retirement Contributions (non-budgeted)				212,379	212,379
Non-Contributory Insurance (Non-Budgeted)				7,791	7,791
Long-Term Disability Insurance (Non-Budgeted)				642	642
Reimbursed TPAF Social Security Contributions (non-budgeted)				179,263	179,263
Total State Sources	1,527,050		1,527,050	2,343,489	816,439
TOTAL REVENUES	5,666,915		5,666,915	6,671,008	1,004,093

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 159,148	\$ (298)	\$ 158,850	\$ 158,839	\$ 11
Grades 1-5 - Salaries of Teachers	803,523	24,931	828,454	828,454	
Grades 6-8 - Salaries of Teachers	490,270	(17,078)	473,192	473,192	
Regular Programs - Home Instruction:					
Salaries of Teachers	2,000		2,000		2,000
Purchased Services	2,000	(1,589)	411	305	106
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	13,131	(13,131)			
Purchased Technical Services		2,771	2,771	2,771	
Other Purchased Services	74,951	2,436	77,387	72,299	5,088
General Supplies	75,917	6,128	82,045	75,068	6,977
Textbooks	500	(500)			
Other Objects	5,514	1,148	6,662	6,662	
Total Regular Programs - Instruction	1,626,954	4,818	1,631,772	1,617,590	14,182
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	55,999	3,632	59,631	59,631	
Other Salaries for Instruction		1,452	1,452	1,452	
General Supplies	1,249	(765)	484	484	
Total Learning and/or Language Disabilities	57,248	4,319	61,567	61,567	
Resource Room/Resource Center:					
Salaries of Teachers	311,593	(32,803)	278,790	278,790	
Other Salaries for Instruction	83,846	(2,678)	81,168	81,168	
General Supplies	3,232	(600)	2,632	1,764	868
Total Resource Room/Resource Center	398,671	(36,081)	362,590	361,722	868
Behavioral Disabilities:					
Salaries of Teachers	55,599	2,423	58,022	58,022	
Other Salaries for Instruction	73,236	(3,461)	69,775	69,511	264
General Supplies	2,103	356	2,459	1,468	991
Other Objects	300	(300)			
Total Behavioral Disabilities	131,238	(982)	130,256	129,001	1,255

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE					
Autism					
Salaries of Teachers	\$ 68,090	\$ (1,082)	\$ 67,008	\$ 67,008	
Other Salaries for Instruction		13,244	13,244	13,244	
General Supplies	3,751	530	4,281	4,281	
Total Autism - Instruction	<u>71,841</u>	<u>12,692</u>	<u>84,533</u>	<u>84,533</u>	
Home Instruction:					
Salaries of Teachers	\$ 12,361	\$ (11,871)	\$ 490	\$ 490	
Professional Educational Services	5,800	(2,162)	3,638	3,638	
Total Home Instruction	<u>18,161</u>	<u>(14,033)</u>	<u>4,128</u>	<u>4,128</u>	
Preschool Disabilities - Full-time - Instruction:					
Salaries of Teachers	59,552	29	59,581	59,581	
Other Salaries for Instruction	11,380	19,021	30,401	30,401	
General Supplies	1,765	(800)	965	946	\$ 19
Total Preschool Disabilities - Full-time - Instruction	<u>72,697</u>	<u>18,250</u>	<u>90,947</u>	<u>90,928</u>	<u>19</u>
Total Special Education Instruction	<u>749,856</u>	<u>(15,835)</u>	<u>734,021</u>	<u>731,879</u>	<u>2,142</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	82,299	116	82,415	82,415	
General Supplies	239	(239)			
Total Basic Skills/Remedial - Instruction	<u>82,538</u>	<u>(123)</u>	<u>82,415</u>	<u>82,415</u>	
Bilingual Education - Instruction:					
Salaries of Teachers	3,366	(3,366)			
General Supplies	150	(150)			
Total Bilingual Education - Instruction	<u>3,516</u>	<u>(3,516)</u>			

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Co-Curricular Activities - Instruction:					
Salaries	\$ 18,955	\$ 1,395	\$ 20,350	\$ 20,350	
Supplies and Materials		48	48	48	
Other Objects	500	(500)			
Total School-Sponsored Co-Curricular Activities - Instruction	19,455	943	20,398	20,398	
School-Sponsored Co-Curricular Athletics - Instruction:					
Salaries	8,055		8,055	6,525	\$ 1,530
Other Objects	1,500		1,500	1,175	325
Total School-Sponsored Co-Curricular Athletics - Instruction	9,555		9,555	7,700	1,855
Total Instruction	2,491,874	(13,713)	2,478,161	2,459,982	18,179
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	135,436	16,977	152,413	152,413	
Tuition to Private Schools for the Handicapped - Within State	93,947	8,916	102,863	102,863	
Total Undistributed Expenditures - Instruction	229,383	25,893	255,276	255,276	

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 79,955	\$ (1,498)	\$ 78,457	\$ 78,457	
Purchased Professional and Technical Services	5,500	787	6,287	6,287	
Other Purchased Services	200	(200)			
Supplies and Materials	1,060	(916)	144	44	\$ 100
Total Health Services	86,715	(1,827)	84,888	84,788	100
Speech, OT, PT and Related Services:					
Salaries	93,615	(6,409)	87,206	87,206	
Purchased Professional Services	105,840	15,797	121,637	121,637	
Supplies and Materials	1,014	(473)	541	541	
Total Speech, OT, PT and Related Services	200,469	8,915	209,384	209,384	
Other Support Services - Students - Extraordinary Services:					
Salaries	133,386	(1,362)	132,024	132,024	
Total Other Support Services - Students - Extraordinary Services	133,386	(1,362)	132,024	132,024	
Other Support Services - Students - Guidance:					
Salaries of Secretarial and Clerical Assistants	18,107		18,107	18,107	
Salaries of Other Professional Staff	59,703	702	60,405	60,405	
Purchased Professional - Educational Services	1,500	59	1,559	1,559	
Other Purchased Services	6,750	268	7,018	6,817	201
Supplies and Materials	1,270	1,600	2,870	1,267	1,603
Total Other Support Services - Students - Guidance	87,330	2,629	89,959	88,155	1,804

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	\$ 148,900	\$ (36,277)	\$ 112,623	\$ 107,927	\$ 4,696
Salaries of Secretarial and Clerical Assistants	26,536	1,025	27,561	27,561	
Purchased Professional - Educational Services	1,500	(1,500)			
Other Purchased Services	11,450	6,460	17,910	17,910	
Miscellaneous Purchased Services	500	(339)	161	50	111
Supplies and Materials	569	4,051	4,620	4,370	250
Other Objects	150		150	150	
Total Other Support Services - Students - Child Study Team	189,605	(26,580)	163,025	157,968	5,057
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	81,872	(14,637)	67,235	51,037	16,198
Salaries of Other Professional Staff		419	419	419	
Purchased Professional-Educational Services	28,000	6,918	34,918	27,250	7,668
Other Purchased Services	2,750	1,352	4,102	2,250	1,852
Total Improvement of Instructional Services	112,622	(5,948)	106,674	80,956	25,718
Educational Media Services/School Library:					
Salaries	13,390	(2,655)	10,735	9,623	1,112
Salaries of Technology Coordinators	54,353		54,353	54,353	
Other Purchased Services	849		849		849
Supplies and Materials	274	1,000	1,274	1,218	56
Total Educational Media Services/School Library	68,866	(1,655)	67,211	65,194	2,017
Instructional Staff Training Services:					
Purchased Professional-Educational Services	17,725	(12,145)	5,580	5,580	
Other Purchased Services	7,575	5,000	12,575	5,057	7,518
Total Instructional Staff Training Services	25,300	(7,145)	18,155	10,637	7,518

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration:					
Salaries	\$ 140,807	\$ 8,643	\$ 149,450	\$ 149,450	
Legal Services	13,000	1,081	14,081	14,081	
Audit Fees	24,385		24,385	24,385	
Other Purchased Professional Services	750	5,530	6,280	6,280	
Communications/Telephone	21,742	(4,529)	17,213	17,126	\$ 87
Board of Education Other Purchased Services	2,000	(1,064)	936	936	
Other Purchased Services	29,277	2,547	31,824	30,724	1,100
General Supplies	1,300	1,721	3,021	3,017	4
Judgements Against the School District	30,000		30,000	30,000	
Miscellaneous Expenditures	6,560	759	7,319	7,319	
Board of Education Membership Dues and Fees	3,500	(2,900)	600	600	
Unused Sick Pay - Term/Retired Staff		9,750	9,750	9,750	
Total Support Services - General Administration	273,321	21,538	294,859	293,668	1,191
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	89,421	(7,992)	81,429	81,429	
Unused Sick Pay - Term/Retired Staff	34,373	6,937	6,937	6,937	
Salaries of Secretarial and Clerical Assistants	3,900	75	34,448	34,448	
Purchased Professional and Technical Services	6,660	(3,100)	800	800	
Other Purchased Services	1,892	(1,425)	5,235	5,085	150
Supplies and Materials	2,060	(306)	1,586	1,568	18
Other Objects		(857)	1,203	1,203	
Total Support Services - School Administration	138,306	(6,668)	131,638	131,470	168
Central Services:					
Salaries	136,743	3,596	140,339	140,339	
Purchased Professional Services	12,546	10,601	23,147	23,147	
Other Purchased Services	950	465	1,415	1,415	
Supplies and Materials	2,100	(203)	1,897	1,897	
Interest on Lease Purchase Agreements	5,306	(1)	5,305	5,305	

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Central Services (Cont'd):					
Miscellaneous Expenditures	\$ 1,450	\$ 280	\$ 1,730	\$ 1,730	
Total Central Services	159,095	14,738	173,833	173,833	
Administrative Information Technology					
Salaries	18,118		18,118	18,118	
Purchased Technical Services	1,689	(1,689)			
Other Purchased Services	500	1,185	1,685	1,685	
Supplies and Materials	200	(111)	89	89	
Total Administrative Information Technology	20,507	(615)	19,892	19,892	
Required Maintenance of School Facilities:					
Salaries	64,233	1,267	65,500	65,500	
Cleaning, Repair and Maintenance Services	39,220	(4,757)	34,463	34,463	
General Supplies	6,931	1,218	8,149	7,885	\$ 264
Total Required Maintenance of School Facilities	110,384	(2,272)	108,112	107,848	264
Custodial Services:					
Salaries	108,878	7,115	115,993	115,993	
Purchased Professional and Technical Services	1,377	873	2,250	2,250	
Cleaning, Repair, and Maintenance Services	10,938	(9,340)	1,598	1,598	
Other Purchased Property Services	4,062	(253)	3,809	3,733	76
Insurance	40,476	(1,982)	38,494	38,494	
Miscellaneous Purchased Services	612	926	1,538	1,488	50

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services (Cont'd):					
General Supplies	\$ 17,510	\$ 7,678	\$ 25,188	\$ 15,673	\$ 9,515
Energy (Electricity)	63,415	(17,341)	46,074	46,074	
Energy (Oil)	50,833	(11,161)	39,672	39,672	
Energy (Gasoline)	1,020	(300)	720	675	45
Other Objects	1,201	(400)	801	763	38
Total Custodial Services	300,322	(24,185)	276,137	266,413	9,724
Care and Upkeep of Grounds:					
Cleaning, Repair, and Maintenance Services	1,873	(1,731)	142	142	
General Supplies	3,472	273	3,745	3,745	
Total Care and Upkeep of Grounds	5,345	(1,458)	3,887	3,887	
Security:					
Cleaning, Repair, and Maintenance Services	998	1,402	2,400		2,400
General Supplies	200	9,183	9,383	5,478	3,905
Total Security	1,198	10,585	11,783	5,478	6,305
Student Transportation Services:					
Contracted Services:					
Other than Between Home and School - Vendors	4,900	1,372	6,272	6,272	
Transportation - Private	8,698	2,406	11,104	11,104	
Special Education - Joint Agreements	64,513	(10,200)	54,313	54,313	
Aid in Lieu of Payments - Nonpublic Students	7,072	1,428	8,500	8,500	
Aid in Lieu of Payments - Charter Schools	2,652	348	3,000	3,000	
Aid in Lieu of Payments - Choice Schools	1,768	(1,768)			
Total Student Transportation Services	89,603	(6,414)	83,189	83,189	

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits :					
Social Security Contributions	\$ 68,801	\$ 13,493	\$ 82,294	\$ 82,294	
Other Retirement Contributions - PERS	52,462	(1,003)	51,459	51,459	
Other Retirement Contributions - Regular	10,000	(1,791)	8,209	8,209	
Unemployment Compensation	15,502	201	15,703	15,533	\$ 170
Workmen's Compensation	36,481	(2,209)	34,272	34,268	4
Health Benefits	822,359	(3,888)	818,471	818,471	
Tuition Reimbursement	11,500	(1,500)	10,000	10,000	
Other Employee Benefits	39,533	7,986	47,519	43,969	3,550
Total Unallocated Benefits	1,056,638	11,289	1,067,927	1,064,203	3,724
On-Behalf Contributions:					
Pension (non-budgeted)				321,032	(321,032)
Post Retirement Contributions (non-budgeted)				212,379	(212,379)
Non-Contributory Insurance (Non-Budgeted)				7,791	(7,791)
Long-Term Disability Insurance (Non-Budgeted)				642	(642)
Reimbursed TPAF Social Security Contributions (non-budgeted)				179,263	(179,263)
Total On-Behalf and Reimbursed Contributions				721,107	(721,107)
Total Personal Services - Employee Benefits	1,056,638	11,289	1,067,927	1,785,310	(717,383)
Total Undistributed Expenses	3,288,395	9,458	3,297,853	3,955,370	(657,517.07)
TOTAL GENERAL CURRENT EXPENSE	5,780,269	(4,255)	5,776,014	6,415,352	(639,338)

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Lease Purchase Agreements - Principal	\$ 66,532		\$ 66,532	\$ 66,532	
Assessment for Debt Service on SDA Funding	34,397		34,397	34,397	
Total Facilities Acquisition and Construction Services	<u>100,929</u>		<u>100,929</u>	<u>100,929</u>	
TOTAL CAPITAL OUTLAY	100,929		100,929	100,929	
Transfer of Funds to Charter Schools	60,996	\$ 14,762	75,758	62,146	\$ 13,612
TOTAL EXPENDITURES	<u>5,942,194</u>	<u>10,507</u>	<u>5,952,701</u>	<u>6,578,427</u>	<u>(625,726)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(275,279)	(10,507)	(285,786)	92,581	378,367
Fund Balance, July 1	895,820		895,820	895,820	
Fund Balance, June 30	<u>\$ 620,541</u>	<u>\$ (10,507)</u>	<u>\$ 610,034</u>	<u>\$ 988,401</u>	<u>\$ 378,367</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation:					
Restricted:					
Capital Reserve	\$ 326,507				
Excess Surplus	209,377				
Excess Surplus - Designated for Subsequent Year's Expenditures	79,292				
Assigned Fund Balance:					
Year End Encumbrances	24,808				
Unassigned	348,417				
				988,401	
Reconciliation to Governmental Funds Statement (GAAP):					
Last Two State Aid Payments not Recognized on GAAP basis				(144,247)	
Fund Balance per Governmental Funds (GAAP)				\$ 844,154	

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	\$ 135,874	\$ 42,817	\$ 178,691	\$ 155,234	\$ (23,457)
Total Revenues	<u>135,874</u>	<u>42,817</u>	<u>178,691</u>	<u>155,234</u>	<u>(23,457)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	31,474	9,611	41,085	29,051	12,034
Other Purchased Services	5,100	23,084	28,184	25,728	2,456
Tuition	19,853	3,502	23,355	23,355	
General Supplies	22,392	8,647	31,039	27,931	3,108
Total Instruction	<u>78,819</u>	<u>44,844</u>	<u>123,663</u>	<u>106,065</u>	<u>17,598</u>
Support Services:					
Personal Services - Employee Benefits	4,165	(4,165)			
Purchased Professional and Technical Services	39,011	194	39,205	35,280	3,925
Other Purchased Services	12,253	1,770	14,023	13,889	134
Supplies and Materials	1,626	174	1,800		1,800
Total Support Services	<u>57,055</u>	<u>(2,027)</u>	<u>55,028</u>	<u>49,169</u>	<u>5,859</u>
Total Expenditures	<u>135,874</u>	<u>42,817</u>	<u>178,691</u>	<u>155,234</u>	<u>23,457</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 COMPARISION SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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	\$ 6,671,008	\$ 155,234
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:		
Prior Year Encumbrances		1,465
Current Year Encumbrances		(14,280)
Prior Year State Aid Payments Recognized for GAAP Purposes, Not Recognized for Budgetary Statements	148,183	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(144,247)	
	<u> </u>	<u> </u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 6,674,944</u>	<u>\$ 142,419</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 6,578,427	\$ 155,234
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:		
Prior Year Encumbrances		1,465
Current Year Encumbrances		(14,280)
	<u> </u>	<u> </u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 6,578,427</u>	<u>\$ 142,419</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2018, 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, 2018

	Elementary and Secondary Education Act				I.D.E.A., Part B	
	Title I	Title IIA	Title IV	Basic	Preschool	Totals
REVENUES:						
Federal Sources	\$ 55,078	\$ 8,002	\$ 9,152	\$ 78,749	\$ 4,253	\$ 155,234
Total Revenues	55,078	8,002	9,152	78,749	4,253	155,234
EXPENDITURES:						
Instruction:						
Salaries of Teachers	3,633			21,418	4,000	29,051
Other Purchased Services	25,328		400	23,355		25,728
Tuition				8,504	253	23,355
General Supplies	10,422		8,752	8,504		27,931
Total Instruction	39,383		9,152	53,277	4,253	106,065
Support Services:						
Purchased Professional and Technical Services	9,795	6,000		19,485		35,280
Other Purchased Services	5,900	2,002		5,987		13,889
Total Support Services	15,695	8,002		25,472		49,169
Total Expenditures	\$ 55,078	\$ 8,002	\$ 9,152	\$ 78,749	\$ 4,253	\$ 155,234

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 18,708
Intergovernmental Accounts Receivable:	
State	233
Federal	5,964
Inventories	1,698
	<hr/>

Total Current Assets	<hr/> 26,603
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Non-Current Assets:

Capital Assets	26,600
Less: Accumulated Depreciation	(22,108)
	<hr/>

Total Non-Current Assets	<hr/> 4,492
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Total Assets	<hr/> 31,095
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LIABILITIES:

Current Liabilities:

Interfund Payable	13,224
Accounts Payable	12,530
Unearned Revenue - Prepaid Sales	2,202
Unearned Revenue - Donated Commodities	1,310
	<hr/>

Total Liabilities	<hr/> 29,266
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NET POSITION:

Investment in Capital Assets	4,492
Unrestricted/(Deficit)	(2,663)
	<hr/>

Total Net Position	<hr/> <hr/> \$ 1,829
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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, 2018

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 42,221
Daily Sales - Non-Reimbursable Programs	10,587
	<hr/>
Total Operating Revenue	52,808
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	33,790
Cost of Sales - Non-Reimbursable Programs	931
Salaries, Benefits and Payroll Taxes	46,413
Supplies, Insurance and Other Costs	3,675
Management Fee	7,401
Depreciation Expense	1,710
	<hr/>
Total Operating Expenses	93,920
	<hr/>
Operating Loss	(41,112)
Non-Operating Revenue:	
Local Sources:	
Interest Income	68
State Sources:	
State School Lunch Program	949
Federal Sources:	
National School Lunch Program	24,534
Food Distribution Program	7,132
	<hr/>
Total Non-Operating Income	32,683
	<hr/>
Change in Net Position	(8,429)
Net Position - Beginning of Year	10,258
	<hr/>
Net Position - End of Year	\$ 1,829
	<hr/> <hr/>

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 52,090
Payments to Employees	(46,413)
Payments to Food Service Contractor	(44,887)
	<hr/>
Net Cash Used for Operating Activities	(39,210)
	<hr/>
Cash Flows from Investing Activities:	
Interest Income	68
	<hr/>
Net Cash Provided by Investing Activities	68
	<hr/>
Cash Flows by Noncapital Financing Activities:	
Interfund Advanced - General Fund	13,224
Interfund Returned - General Fund	(23,846)
State Sources	780
Federal Sources	20,244
	<hr/>
Net Cash Provided by Noncapital Financing Activities	10,402
	<hr/>
Net Decrease in Cash and Cash Equivalents	(28,740)
Cash and Cash Equivalents, July 1	47,448
	<hr/>
Cash and Cash Equivalents, June 30	\$ 18,708
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (41,112)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,710
Food Distribution Program	7,132
Changes in Assets and Liabilities:	
(Decrease) in Prepaid Sales	(718)
(Decrease) in Unearned Revenue	(331)
(Decrease) in Accounts Payable	(5,698)
(Decrease) in Inventory	(193)
	<hr/>
Net Cash Used for Operating Activities	\$ (39,210)
	<hr/> <hr/>

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 \$6,801 and Utilized Commodities Valued at \$7,132.

FIDUCIARY FUNDS

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	<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	\$ 25,719	\$ 110,831	\$ 1,669	\$ 138,219
Total Assets	<u>\$ 25,719</u>	<u>\$ 110,831</u>	<u>\$ 1,669</u>	<u>138,219</u>
<u>LIABILITIES:</u>				
Interfund Payable - General Fund		\$ 86,042		\$ 86,042
Payroll Deductions and Withholdings		24,789		24,789
Due to Student Groups	\$ 25,719			25,719
Total Liabilities	<u>25,719</u>	<u>110,831</u>		<u>136,550</u>
<u>NET POSITION:</u>				
Held in Trust for Flexible Spending Claims			\$ 1,669	1,669
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,669</u>	<u>\$ 1,669</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Flexible Spending Trust
ADDITIONS:	
Contributions:	
Plan Members	\$ 1,560
DEDUCTIONS:	
Flexible Spending Claims	650
Total Deductions	650
Change in Net Position	910
Net Position - Beginning of the Year	\$ 759
Net Position - End of the Year	\$ 1,669

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 10,957	\$ 43,943	\$ 29,181	\$ 25,719
Total Assets	<u>\$ 10,957</u>	<u>\$ 43,943</u>	<u>\$ 29,181</u>	<u>\$ 25,719</u>
 <u>LIABILITIES:</u>				
Due to Student Groups	\$ 10,957	\$ 43,943	\$ 29,181	\$ 25,719
Total Liabilities	<u>\$ 10,957</u>	<u>\$ 43,943</u>	<u>\$ 29,181</u>	<u>\$ 25,719</u>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 29,604	\$ 4,025,846	\$ 3,944,619	\$ 110,831
Total Assets	<u>\$ 29,604</u>	<u>\$ 4,025,846</u>	<u>\$ 3,944,619</u>	<u>\$ 110,831</u>
 <u>LIABILITIES:</u>				
Interfund Payable - General Fund		\$ 86,042		\$ 86,042
Payroll Deductions and Withholdings	\$ 29,604	3,939,804	\$ 3,944,619	24,789
Total Liabilities	<u>\$ 29,604</u>	<u>\$ 4,025,846</u>	<u>\$ 3,944,619</u>	<u>\$ 110,831</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				Balance July 1, 2017	Matured	Balance June 30, 2018
			Date	Amount	Interest Rate	Bonds Outstanding June 30, 2018			
Refunding Bonds	6/12/2012	\$ 2,805,000	4/15/19	280,000	4.000%	\$ 1,780,000	\$ 270,000	\$ 1,510,000	
			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>\$ 1,780,000</u>	<u>\$ 270,000</u>	<u>\$ 1,510,000</u>	

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

Purpose	Interest Rate	Original Issue	Balance July 1, 2017	Matured	Balance June 30, 2018
Technology Equipment	1.80%	159,851	\$ 65,645	\$ 32,529	\$ 33,116
Partial Roof Replacement	2.81%	300,000	205,299	66,533	138,766
			<u>\$ 270,944</u>	<u>\$ 99,062</u>	<u>\$ 171,882</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 338,500		\$ 338,500	\$ 338,500	
Total Revenues	338,500		338,500	338,500	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	68,500		68,500	68,500	
Redemption of Principal	270,000		270,000	270,000	
Total Regular Debt Service	338,500		338,500	338,500	
Total Expenditures	338,500		338,500	338,500	
Excess of Revenues Over Expenditures	-0-		-0-	-0-	
Fund Balance, July 1	-0-		-0-	-0-	
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

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
ACCURAL BASIS OF ACCOUNTING
UNAUDITED

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 3,040,587	\$ 3,066,453	\$ 2,903,588	\$ 3,165,135	\$ 3,489,681	\$ 3,444,978	\$ 3,729,956	\$ 4,411,082	\$ 4,525,598	\$ 4,683,116
Restricted	341,160	87,002	355,530	468,084	490,825	601,146	682,217	559,668	439,382	615,176
Unrestricted/(Deficit)	270,747	(3,169)	119,310	157,952	221,195	(637,439)	(661,743)	(767,629)	(814,700)	(960,489)
Total Governmental Activities Net Position	\$ 3,652,494	\$ 3,150,286	\$ 3,378,428	\$ 3,791,171	\$ 4,201,701	\$ 3,408,685	\$ 3,750,430	\$ 4,203,121	\$ 4,150,280	\$ 4,337,803
Business-type Activities										
Investment in Capital Assets	\$ 10,862	\$ 9,818	\$ 8,775	\$ 14,752	\$ 13,042	\$ 11,332	\$ 9,622	\$ 7,912	\$ 6,202	\$ 4,492
Unrestricted/(Deficit)	28,890	22,457	27,047	20,462	17,992	16,245	11,253	11,830	4,056	(2,663)
Total Business-type Activities Net Position	\$ 39,752	\$ 32,275	\$ 35,822	\$ 35,214	\$ 31,034	\$ 27,577	\$ 20,875	\$ 19,742	\$ 10,258	\$ 1,829
District-wide										
Net Investment in Capital Assets	\$ 3,051,449	\$ 3,076,271	\$ 2,912,363	\$ 3,179,887	\$ 3,502,723	\$ 3,456,310	\$ 3,739,578	\$ 4,418,994	\$ 4,531,800	\$ 4,687,608
Restricted	341,160	87,002	355,530	468,084	490,825	601,146	682,217	559,668	439,382	615,176
Unrestricted/(Deficit)	299,637	19,288	146,357	178,414	239,187	(621,194)	(650,490)	(755,799)	(810,644)	(963,152)
Total District Net Position	\$ 3,692,246	\$ 3,182,561	\$ 3,414,250	\$ 3,826,385	\$ 4,232,735	\$ 3,436,262	\$ 3,771,305	\$ 4,222,863	\$ 4,160,538	\$ 4,339,632

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 2,175,090	\$ 2,248,582	\$ 1,977,670	\$ 2,060,556	\$ 2,086,364	\$ 2,191,565	\$ 2,351,500	\$ 2,437,183	\$ 2,720,315	\$ 2,952,723
Special Education	598,050	939,636	1,004,839	833,890	803,698	847,698	847,673	926,715	1,280,300	1,405,898
Other Special Education	220,275	122,392	109,874	104,488	91,747	79,374	90,696	118,137	137,897	154,720
Other Instruction	52,916	64,125	390	33,326	22,984	33,742	35,539	43,202	51,391	60,112
Support Services:										
Tuition	717,773	625,018	292,257	237,864	297,299	363,287	366,406	388,432	242,976	255,276
Student & Instruction Related Services	539,120	627,464	489,702	671,503	842,460	960,171	1,175,469	1,224,637	1,424,227	1,308,238
General Administrative Services	256,551	294,556	412,143	398,635	349,117	298,575	312,004	349,508	366,587	424,786
School Administrative Services	163,209	183,637	117,036	138,928	151,265	127,806	194,638	206,968	210,637	224,824
Central Services	162,182	196,873	187,071	251,784	253,049	233,931	225,575	247,326	259,660	296,958
Administrative Information Technology	121,332	116,925	50,316	62,460	91,912	122,769	122,950	34,156	34,277	35,788
Plant Operations and Maintenance	308,195	331,466	332,052	419,827	451,059	479,072	476,473	433,983	540,996	541,528
Pupil Transportation	159,181	137,515	125,763	109,544	111,904	146,818	119,266	82,492	67,319	87,309
Transfer of Funds to Charter School	44,745	45,299	51,218	47,882	61,370	25,384	44,873	125,661	75,758	62,146
Interest on Long-term Debt	162,511	142,541	135,003	127,236	85,725	103,467	97,441	76,771	118,664	76,392
Capital Outlay	4,386	1,000	95,238	61,105						1,867
Unallocated Depreciation		152,170	152,170	156,274	158,202	160,131	160,131	160,131	217,493	189,381
Unallocated Depreciation		152,170	152,170	156,274	158,202	160,131	160,131	160,131	217,493	189,381
Total Governmental Activities Expenses	\$ 5,685,516	\$ 6,229,199	\$ 5,532,742	\$ 5,715,302	\$ 5,858,155	\$ 6,173,790	\$ 6,620,634	\$ 6,855,302	\$ 7,748,497	\$ 8,077,946
Business-type Activities:										
Food Service	117,448	111,361	102,761	112,760	104,931	111,939	103,663	92,164	98,106	93,920
Total Business-type Activities Expense	117,448	111,361	102,761	112,760	104,931	111,939	103,663	92,164	98,106	93,920
Total District Expenses	\$ 5,802,964	\$ 6,340,560	\$ 5,635,503	\$ 5,828,062	\$ 5,963,086	\$ 6,285,729	\$ 6,724,297	\$ 6,947,466	\$ 7,846,603	\$ 8,171,866
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	\$ 719,089	\$ 781,492	\$ 743,390	\$ 841,490	\$ 824,339	\$ 785,976	\$ 33,140	\$ 33,415	\$ 31,953	\$ 147,761
Operating Grants and Contributions							1,313,710	1,484,447	1,959,207	2,315,466
Capital Grants and Contributions							147,024	192,076		
Total Governmental Activities Program Revenues	\$ 719,089	\$ 781,492	\$ 743,390	\$ 841,490	\$ 824,339	\$ 785,976	\$ 1,493,874	\$ 1,709,938	\$ 1,991,160	\$ 2,463,227
Business-type Activities:										
Charges for Services:										
Food Service	78,550	73,769	75,235	75,290	69,099	74,963	66,417	59,866	57,707	52,808
Operating Grants and Contributions	26,754	30,064	26,539	29,148	31,630	33,493	30,520	31,140	30,880	32,615
Total Business-type Activities Program Revenues	105,304	103,833	101,774	104,438	100,729	108,456	96,937	91,006	88,587	85,423
Total District Program Revenues	\$ 824,393	\$ 885,325	\$ 845,164	\$ 945,928	\$ 925,068	\$ 894,432	\$ 1,590,811	\$ 1,800,944	\$ 2,079,747	\$ 2,548,650

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

	Fiscal Year End June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental Activities	\$ (4,966,427)	\$ (5,447,707)	\$ (4,789,352)	\$ (4,873,812)	\$ (5,033,816)	\$ (5,387,814)	\$ (5,126,760)	\$ (5,145,364)	\$ (5,737,337)	\$ (5,614,719)
Business-type Activities	(12,144)	(7,528)	(987)	(8,322)	(4,202)	(3,483)	(6,726)	(1,158)	(9,519)	(8,497)
Total District-wide Net Expense	\$ (4,978,571)	\$ (5,455,235)	\$ (4,790,339)	\$ (4,882,134)	\$ (5,038,018)	\$ (5,391,297)	\$ (5,133,486)	\$ (5,146,522)	\$ (5,766,856)	\$ (5,623,216)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	3,221,697	3,350,565	3,448,588	3,517,560	3,587,911	3,705,332	3,802,128	3,894,702	4,012,383	4,092,631
Taxes Levied for Debt Service	346,416	344,104	341,604	343,916	345,854	275,488	319,182	337,675	336,300	338,500
Federal and State aid not restricted	1,297,663	1,143,658	1,168,958	1,218,516	1,210,406	1,263,454	1,274,789	1,273,486	1,277,676	1,282,003
Tuition			20,826	27,764	36,343	57,312				
Investment Earnings	15,724	3,418	1,233	1,096	973	1,182	1,285	1,069	1,412	160
Miscellaneous Income	57,021	62,876	36,285	77,893	262,859	162,175	71,121	89,123	76,725	88,948
Transfers	(8,652)									
Adjustment to Local Tax Levy										
Other Item - Cancellation of Prior Year Accounts Payable	(26,790)									
Total Governmental Activities	4,903,079	4,943,499	5,017,494	5,286,555	5,444,346	5,464,943	5,468,505	5,598,055	5,704,496	5,802,242
Business-type Activities:										
Investment Earnings			40	27	22	26	24	25	35	68
Transfers	8,652									
Cancellation of Interfund Payable - General Fund			4,494							
Reappraisal of Assets				7,687						
Total Business-type Activities	8,652	4,534	4,534	7,714	22	26	24	25	35	68
Total District-wide	\$ 4,911,731	\$ 4,945,499	\$ 5,022,028	\$ 5,294,269	\$ 5,444,368	\$ 5,464,969	\$ 5,468,529	\$ 5,598,080	\$ 5,704,531	\$ 5,802,310
Change in Net Position										
Governmental Activities	\$ (63,348)	\$ (502,208)	\$ 228,142	\$ 412,743	\$ 410,530	\$ 77,129	\$ 341,745	\$ 452,691	\$ (52,841)	\$ 187,523
Business-type Activities	(3,492)	(7,528)	3,547	(608)	(4,180)	(3,457)	(6,702)	(1,133)	(9,484)	(8,429)
Total District	\$ (66,840)	\$ (509,736)	\$ 231,689	\$ 412,135	\$ 406,350	\$ 73,672	\$ 335,043	\$ 451,558	\$ (62,325)	\$ 179,094

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved/Restricted	\$ 341,159	\$ 87,001	\$ 188,417	\$ 358,549	\$ 416,895	\$ 586,528	\$ 418,575	\$ 559,668	\$ 439,382	\$ 569,627
Assigned		35,719	97,593	48,599	67,583	78,917	53,312	114,411	70,357	70,357
Unassigned		136,888	128,736	130,258	139,884	123,187	147,787	193,844	204,170	204,170
Unreserved	342,010	81,376								
Total General Fund	\$ 683,169	\$ 168,377	\$ 361,024	\$ 584,878	\$ 595,752	\$ 793,995	\$ 620,679	\$ 760,767	\$ 747,637	\$ 844,154
All Other Governmental Funds										
Reserved/Restricted			\$ 79,599	\$ 79,599	\$ 73,930	\$ 14,618				
Committed			87,514	29,936			\$ 263,642			
Unreserved, Reported in: Debt Service Fund	\$ 1	\$ 1								
Total All Other Governmental Funds/(Deficit)	\$ 1	\$ 1	\$ 167,113	\$ 109,535	\$ 73,930	\$ 14,618	\$ 263,642			
Total Governmental Funds	\$ 683,170	\$ 168,378	\$ 528,137	\$ 694,413	\$ 669,682	\$ 808,613	\$ 884,321	\$ 760,767	\$ 747,637	\$ 844,154

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax Levy	\$ 3,568,113	\$ 3,694,669	\$ 3,790,192	\$ 3,861,476	\$ 3,933,765	\$ 3,980,820	\$ 4,121,310	\$ 4,232,377	\$ 4,348,683	\$ 4,431,131
Tuition Charges			20,826	27,764	36,343	57,312	33,140	33,415	31,953	147,761
Interest Earnings	15,724	3,418	1,233	1,096	973	1,182	1,278	1,037	1,412	160
Miscellaneous	57,021	62,876	36,285	77,893	114,776	162,175	71,128	89,155	76,725	86,967
State Sources	1,870,722	1,523,340	1,721,737	1,920,679	1,897,632	1,914,361	2,115,415	2,254,891	2,226,456	2,347,425
Federal Sources	146,030	401,810	190,611	139,327	137,113	135,069	138,861	120,492	129,056	142,419
Total Revenue	5,657,610	5,686,113	5,760,884	6,028,235	6,120,602	6,250,919	6,481,132	6,731,367	6,814,285	7,155,863
Expenditures										
Instruction										
Regular Instruction	1,473,563	1,540,172	1,422,069	1,472,680	1,581,036	1,482,962	1,553,724	1,583,603	1,621,970	1,677,010
Special Education Instruction	421,563	690,712	762,717	613,403	609,581	645,603	582,194	605,386	792,951	814,878
Other Special Instruction	156,594	83,195	78,897	83,631	70,201	58,125	56,880	74,601	79,758	82,415
Other Instruction	42,624	38,592	11,087	22,760	11,831	24,537	23,145	26,582	24,494	28,098
Support Services:										
Tuition	717,773	625,018	292,257	237,864	297,299	363,287	366,406	388,432	242,976	255,276
Student & Other Instruction Related Services	412,019	445,239	397,654	524,786	659,588	719,412	799,607	808,423	893,183	829,106
General Administrative Services	202,637	236,484	335,210	329,588	281,726	248,451	237,016	262,371	259,969	293,668
School Administrative Services	116,394	131,083	103,755	121,635	108,663	94,906	126,274	130,497	120,673	131,470
Central Services	122,446	139,999	139,810	188,697	189,170	187,750	188,054	188,116	168,929	173,833
Administrative Information Technology	101,858	107,918	50,316	62,460	67,684	97,208	110,889	22,445	19,667	19,892
Plant Operations and Maintenance	286,481	296,866	303,873	384,432	436,756	440,738	406,986	388,569	402,514	383,626
Pupil Transportation	156,223	137,515	125,763	109,544	111,904	146,818	119,266	82,492	67,319	83,189
Unallocated Benefits	1,142,757	1,378,787	1,088,022	1,128,265	1,172,873	1,161,831	1,245,124	1,371,497	1,579,251	1,785,310
Charter School	44,745	45,299	51,218	47,882	61,370	25,384	44,873	76,771	75,758	62,146
Capital Outlay	4,386	1,000	95,873	190,416	104,192	240,027	511,186	507,461	141,703	100,929
Debt Service:										
Principal	195,000	200,000	205,000	215,000	250,000	240,000	245,000	255,000	260,000	270,000
Interest and Other Charges	151,416	144,104	136,604	128,916	81,236	94,800	88,800	82,675	76,300	68,500
Total Expenditures	5,748,479	6,241,783	5,600,125	5,861,959	6,095,110	6,271,839	6,705,424	6,854,921	6,827,415	7,059,346
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(90,869)	(555,670)	160,759	166,276	25,492	(20,920)	(224,292)	(123,554)	(13,130)	96,517

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources/(Uses)										
Transfers in										
Transfers out			\$ 32	\$ 16	\$ 59,312			\$ 42,724	\$ 18	
Lease Purchase Proceeds Returned			(32)	(16)	(59,312)			(42,724)	(18)	
School Refunding Bonds Issued					(50,223)					
School Bonds Defeased					2,805,000					
Bond Issuance Cost					(2,618,296)					
Deferred Amount on Refunding					(77,621)					
Adjustment to Local Tax Levy					(109,083)					
Cancellation of Prior Year Accounts Payable		\$ 40,878								
Lease Purchase Agreement Proceeds			199,000			\$ 159,851	\$ 300,000			
Total Other Financing Sources/(Uses)			199,000			159,851	300,000			
		40,878	199,000		(50,223)					
Net Change in Fund Balances	\$ (126,311)	\$ (514,792)	\$ 359,759	\$ 166,276	\$ (24,731)	\$ 138,931	\$ 75,708	\$ (123,554)	\$ (13,130)	\$ 96,517
Debt Service as a Percentage of Noncapital Expenditures	6.03%	5.51%	6.21%	6.06%	5.53%	5.55%	5.39%	5.32%	5.03%	4.86%

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
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
2017		1,394		31,953	76,725	110,072
2018		160		147,761	86,967	234,888

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)
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	329,032,772
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
2016	2,881,600	261,375,600	18,100	22,087,800	4,445,500	3,194,200	294,002,800	711	294,003,511	1.51	325,290,131
2017	2,674,300	261,114,800	19,300	22,128,600	4,445,500	3,194,200	293,576,700	683	293,577,383	1.52	319,640,920

* 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

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
	General Obligation		Total Direct	Regional High School		County	
	Basic Rate ^a	Debt Service ^b		Municipality	District		
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
2016	1.39	0.12	1.51	1.13	0.76	0.61	4.01
2017	1.40	0.12	1.52	1.12	0.81	0.62	4.07

* 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

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

Taxpayer	2017		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Stanhope Storage LLC	\$ 3,611,600	1	1.23%
US Mineral Products Co.	1,701,900	2	0.58%
Netcong Development, LLC	1,308,000	3	0.44%
Heritage Crossing, LLC	1,270,800	4	0.43%
Individual Taxpayer #1	1,140,000	5	0.39%
Individual Taxpayer #2	1,129,000	6	0.38%
AHS Enterprises, LLC	979,300	7	0.33%
Lakeland Bank	953,600	8	0.32%
Andrew Benjamin, LLC	851,500	9	0.29%
Normandie Lane, LLC	685,300	10	0.23%
Total	<u>\$ 13,631,000</u>		<u>4.64%</u>

Taxpayer	2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Paramont Self Storage	\$ 3,228,400	1	0.79%
U.S. Mineral Products	2,256,600	2	0.55%
Netcong Development	1,412,800	3	0.34%
Aichem, Heinrich, & Elke, LLC	1,358,700	4	0.33%
AHS Enterprises, LLC	1,320,600	5	0.33%
Taxpayer 1	1,247,300	6	0.30%
Lakeland Bank	1,103,300	7	0.27%
Barba Co. c/o Patrician	792,000	8	0.19%
Heritage Crossing, LLC	750,200	9	0.18%
Aurora LLC c/o Gentils	702,200	10	0.17%
	<u>\$ 14,172,100</u>		<u>3.45%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2017	4,348,683	4,348,683	100.00%	-0-
2018	4,431,131	4,431,131	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							Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Obligations Under Lease-Purchase Agreement	Bond Anticipation Notes (BANs)	Business-Type Activities Capital Leases					
2009	\$ 3,689,000	-0-	-0-	-0-	-0-	-0-	\$ 3,689,000	2.18%	\$ 1,031.31	
2010	3,489,000	-0-	-0-	-0-	-0-	-0-	3,489,000	2.13%	978.41	
2011	3,284,000	-0-	\$ 199,000	-0-	-0-	-0-	3,483,000	2.07%	965.35	
2012	3,069,000	-0-	162,289	-0-	-0-	-0-	3,231,289	1.86%	900.83	
2013	2,780,000	-0-	88,363	-0-	-0-	-0-	2,868,363	1.61%	806.40	
2014	2,540,000	-0-	219,941	-0-	-0-	-0-	2,759,941	1.55%	783.85	
2015	2,295,000	-0-	459,630	-0-	-0-	-0-	2,754,630	1.49%	788.39	
2016	2,040,000	-0-	367,595	-0-	-0-	-0-	2,407,595	1.27%	706.04	
2017	1,780,000	-0-	270,944	-0-	-0-	-0-	2,050,944	1.09%	610.58	
2018	1,510,000	-0-	171,882	-0-	-0-	-0-	1,681,882	0.90%	503.41	

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

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		
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
2017	1,780,000	-0-	1,780,000	0.61%	529.92
2018	1,510,000	-0-	1,510,000	0.51%	451.96

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

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

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

Source: School District Financial Reports

BOROUGH OF STANHOPE SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
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	\$ 2,050,450	100.00%	\$ 2,050,450
Sussex County General Obligation Debt	108,606,061	1.89%	<u>2,058,046</u>
Subtotal, Overlapping Debt			4,108,496
Borough of Stanhope School District Direct Debt			<u>1,780,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 5,888,496</u></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 2018

	2015	\$ 323,601,962
	2016	318,978,843
	2017	313,985,775
		<u>\$ 956,566,580</u>
		<u>\$ 318,855,527</u>
		\$ 9,565,666
		<u>1,510,000</u>
		<u>\$ 8,055,666</u>

Average Equalized Valuation of Taxable Property
 Debt Limit (3% of average equalization value)
 Net Bonded School Debt
 Legal Debt Margin

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 12,759,999	\$ 12,849,408	\$ 12,384,527	\$ 11,771,137	\$ 11,119,581	\$ 10,550,017	\$ 10,075,702	\$ 9,808,149	\$ 9,713,991	\$ 9,565,666
Total Net Debt Applicable to Limit	3,689,000	3,489,000	3,284,000	3,069,000	2,780,000	2,540,000	2,295,000	2,040,000	1,780,000	1,510,000
Legal Debt Margin	<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>	<u>\$ 7,933,991</u>	<u>\$ 8,055,666</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	28.91%	27.15%	26.52%	26.07%	25.00%	24.08%	22.78%	20.80%	18.32%	15.79%

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

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

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

<u>Year</u>	<u>Population^a</u>	<u>Borough of Stanhope Personal Income^b</u>	<u>Sussex County Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
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	189,244,770	55,497	5.50%
2016	3,359	188,718,697	56,183	4.60%
2017	3,341	187,707,403	56,183 *	4.60%
2018	3,341 **	187,707,403 ***	56,183 *	N/A

* - Latest Sussex County per capita personal income available (2016) was used for calculation purposes.

** - Latest population data available (July 1, 2017) was used for calculation purposes.

***-Latest personal income data available (2016) 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

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

Employer	2017		
	Employees	Rank	Percentage of Total Employment
Crystal Springs Golf and Spa Resort	2,400	1	N/A
Newton Memorial Hospital	1,224	2	N/A
Selective Insurance	954	3	N/A
Mountain Creek Resort	900	4	N/A
County of Sussex	830	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
	<u>7,941</u>		

Employer	2008		
	Employees	Rank	Percentage of Total Employment
Mountain Creek/Intrawest	954	1	N/A
Crystal Springs Golf and Spa Resort	900	2	N/A
Newton Memorial Hospital	800	3	N/A
County of Sussex	800	4	N/A
Selective Insurance	757	5	N/A
Shop Rite	629	6	N/A
Vernon Board of Education	600	7	N/A
Andover Sub Acute Rehab Center	450	8	N/A
Sparta Board of Education	380	9	N/A
Hopatcong Board of Education	300	10	N/A
N/A - Information is not available			
	<u>6,570</u>		

N/A -Not Available

Source: Sussex County

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

UNAUDITED

<u>Function/Program</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>2017</u>	<u>2018</u>
Instruction										
Regular	31.0	31.0	27.0	22.2	22.7	21.7	21.6	22.2	22.2	21.6
Special education	5.0	3.0	3.0	13.7	8.8	9.2	9.7	10.7	14.2	19.3
Other instruction	3.0	3.0	3.0	1.0	1.0	1.0	1.0	1.4	1.4	1.4
Support Services:										
Student & instruction related services	1.4	2.5	2.0	10.6	13.3	16.3	15.5	15.1	15.5	19.9
General administrative services				2.0	0.9	1.1	1.4	1.4	1.4	1.4
School administrative services	3.5	2.5	2.0	1.0	1.2	1.2	1.5	1.5	1.5	2.5
Administrative Technology					1.0	1.0	0.3	0.3	0.3	0.3
Plant operations and maintenance	2.5	2.5	2.5	3.6	3.0	3.0	3.0	3.0	3.0	3.6
Business and other support services	1.0	1.0	1.0	2.0	1.7	1.2	1.2	1.5	2.0	2.0
Food Service	4.0	3.5	3.5	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Total	51.4	49.0	44.0	57.3	54.8	56.9	56.4	58.2	62.60	73.10

Source: School District of the Borough of Stanhope Personnel Records

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^e	% Change in Average Daily Enrollment	Student Attendance Percentage
						Ratio	Elementary				
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	15.45%	29	1:12		315	300	-11.02%	95.24%
2016	317	6,009,785	18,958	3.20%	29	1:12		316	304	-0.32%	96.20%
2017	316	6,349,412	20,093	5.99%	36	1:09		309	300	2.13%	96.92%
2018	312	6,619,917	21,218	5.60%	42	1:74		321	307	-3.79%	95.64%

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<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)	536	536	536	536	536	536	536	536	536	536
Enrollment	578	364	378	375	361	358	319	317	316	312
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	138	138	138	138	138	138	138	138	138
Enrollment	22	17	17	10						

Number of Schools at June 30, 2018
 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
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
2017	10,939	98,111	109,050
2018	6,745	101,103	107,848

(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

BOROUGH OF STANHOPE SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2018
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
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



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

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.

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.

January 18, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

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, 2018. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major 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 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, 2018.

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.

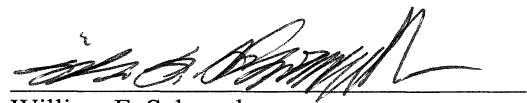
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

January 18, 2019
Mount Arlington, New Jersey

NISIVOCIA 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, 2018

Federal CFDA Number	Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expendi- tures	Balance at June 30, 2018		Amount Provided to Subrecipients	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue			Budgetary Accounts Receivable	Budgetary Unearned Revenue		
U.S. Department of Agriculture:												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
10.555	Food Distribution Program	N/A	7/1/17-6/30/18	\$ 6,801		\$ 6,801	\$ (5,491)		\$ 1,310			
10.555	Food Distribution Program	N/A	7/1/16-6/30/17	5,909			(1,641)					
10.555	National School Lunch Program	N/A	7/1/17-6/30/18	24,534		18,570	(24,534)		(5,964)			
10.555	National School Lunch Program	N/A	7/1/16-6/30/17	23,859		1,674	(31,666)		(5,964)			
	Total Child Nutrition Cluster					27,045				1,310		
	Total U.S. Department of Agriculture					27,045	(31,666)		(5,964)	1,310		
U.S. Department of Education:												
Passed-through State Department of Education:												
Special Revenue:												
Elementary and Secondary Education Act:												
84.010A	Title I	ESEA546518	7/1/17-6/30/18	66,604		40,717	(55,078)		(14,361)			
84.010A	Title I	ESEA546517	7/1/16-6/30/17	43,619		7,459	(7,459)					
84.367	Subtotal - Title I			8,037		48,176	(55,078)		(14,361)			
84.367	Title IIA	ESEA546518	7/1/17-6/30/18	9,599		8,002	(8,002)					
	Title IIA	ESEA546517	7/1/16-6/30/17			6,542	(8,002)					
	Subtotal - Title IIA					14,544	(8,002)					
84.186B	Title IV	ESEA546518	7/1/17-6/30/18	10,000		7,707	(9,152)		(1,445)			
	Subtotal - Title IV					7,707	(9,152)		(1,445)			
U.S. Department of Education:												
Passed-through State Department of Education:												
Special Education Cluster:												
84.027A	I D E.A. Part B, Basic	IDEA546518	7/1/17-6/30/18	89,136		57,241	(78,749)		(21,508)			
84.027A	I D E.A. Part B, Basic	IDEA546517	7/1/16-6/30/17	95,521		30,135	(30,135)					
84.173A	I D E.A. Part B, Preschool	IDEA546518	7/1/17-6/30/18	4,914		4,253	(4,253)					
84.173A	I D E.A. Part B, Preschool	IDEA546517	7/1/16-6/30/17	5,798		1,465	(1,465)					
	Total Special Education Cluster					93,094	(83,002)		(21,508)			
	Subtotal - Special Revenue Fund					163,521	(155,234)		(37,314)			
	Total U.S. Department of Education					163,521	(155,234)		(37,314)			
	Total Federal Awards					190,566	(186,900)		(43,278)	1,310	-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, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Balance at June 30, 2018		MEMO Cumulative Total Expenditures
				Budgetary Accounts Receivable	GAAP Accounts Receivable			Budgetary Accounts Receivable	GAAP Accounts Receivable	
<u>State Department of Education:</u>										
General Fund State Aid:										
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	\$ 1,167,221	\$	\$ 1,056,174	\$ (1,167,221)	\$	\$ (111,047)	\$	\$ 1,167,221
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	34,061		30,821	(34,061)		(3,240)		34,061
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	204,219		184,790	(204,219)		(19,429)		204,219
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	33,994		30,760	(33,994)		(3,234)		33,994
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	66,645		60,305	(66,645)		(6,340)		66,645
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	3,500		3,167	(3,500)		(333)		3,500
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	3,500		3,167	(3,500)		(333)		3,500
Extraordinary Special Education Costs Aid	18-495-034-5120-044	7/1/17-6/30/18	102,784			(102,784)		(102,784)		102,784
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	3,060		2,769	(3,060)		(291)		3,060
Reimbursement of Nonpublic School										
Transportation Costs	18-495-034-5120-014	7/1/17-6/30/18	2,633			(2,633)		(2,633)		2,633
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	179,263		143,992	(179,263)		(35,271)		179,263
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17-6/30/18	212,379		212,379	(212,379)				212,379
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	321,032		321,032	(321,032)				321,032
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	7,791		7,791	(7,791)				7,791
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	642		642	(642)				642
Lead Testing for Schools Aid	18-495-034-5120-104	7/1/17-6/30/18	765		765	(765)				765
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	1,167,221	\$	\$ (114,076)					1,167,221
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	34,061		3,329	(3,329)				34,061
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	204,219		19,959	(19,959)				204,219
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	33,994		3,322	(3,322)				33,994
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	66,645		6,514	(6,514)				66,645
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	3,500		342	(342)				3,500
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	3,500		342	(342)				3,500
Extraordinary Special Education Costs Aid	17-495-034-5120-044	7/1/16-6/30/17	97,878		97,878	(97,878)				97,878
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	3,060		299	(299)				3,060
Reimbursement of Nonpublic School										
Transportation Costs	17-495-034-5120-014	7/1/16-6/30/17	1,149		1,149	(1,149)				1,149
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	183,297		18,213	(18,213)				183,297
Subtotal - General Fund					2,323,977	(2,343,489)		(284,935)		4,307,850
Food Service Fund:										
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	949		716	(949)		(233)		949
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	921		64	(64)				921
Subtotal - Food Service Fund					780	(949)		(233)		1,870
Total NJ Department of Education					2,324,757	(2,344,438)		(285,168)		4,309,720

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Balance at June 30, 2018		MEMO Cumulative Total Expenditures
				Budgetary Accounts Receivable	GAAP Accounts Receivable			Budgetary Accounts Receivable	GAAP Accounts Receivable	
Total State Department of Education				\$ (265,487)	\$ 2,324,757		\$ (2,344,438)	\$ (140,921)	\$ (285,168)	\$ 4,309,720
Less: State Awards Not Subject to Single Audit Major Program Determination										
On-Behalf TPAF Pension System Contributions:										
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16-6/30/17					212,379			
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16-6/30/17					321,032			
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17					7,791			
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17					642			
Subtotal - On-Behalf TPAF Pension System Contributions							541,844			
Total State Awards Subject to Single Audit Major Program Determination							\$ (1,802,594)			

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

K-5

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, 2018. 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 not 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 \$3,936 for the general fund and (\$12,815) for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general, the special revenue and capital project funds.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (Continued)

K-5

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		\$ 2,347,425	\$ 2,347,425
Special Revenue Fund	\$ 142,419		142,419
Food Service Fund	31,666	949	32,615
Total Awards	<u>\$ 174,085</u>	<u>\$ 2,348,374</u>	<u>\$ 2,522,459</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, 2018.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

K-6

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, 2018 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	18-495-034-5120-078	7/1/17-6/30/18	\$1,167,221	\$1,167,221
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	204,219	204,219
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	33,994	33,994
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	66,645	66,645
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	3,500	3,500
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	3,500	3,500
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	3,060	3,060

- 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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

K-6

Summary of Auditors' Results: (Cont'd)

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, 2018

K-7

Status of Prior Year Findings:

There were no prior year findings.