

**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, 2019**

**Comprehensive Annual
Financial Report**

of the

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

Stanhope, New Jersey

For the Fiscal Year Ended June 30, 2019

Prepared by

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

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

(973) 347-0008
www.stanhopeschools.org

November 8, 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, 2019, 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 2018-2019 fiscal year with an enrollment of 308 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 school district continues to partner with outside organizations to provide relevant and meaningful professional development opportunities for staff in the areas of English Language Arts, Mathematics, and Assessment. Specifically, strategies and instructional practices related to the Reading and Writing Workshop model are practiced and refined, while the district continues implementing standards based grading in kindergarten through grade 3. Expansion of standards based grading into grade 4 and/or 5 is also being considered. Last year professional development focus in math was on grade level fluency. This year, teachers are working with a consultant to develop and enhance strategies to differentiate instruction to learners at different tiers. All three of these areas of professional development also support the District's Response to Intervention (RtI) initiative.

In addition to providing professional development opportunities within contractual time, the District has also established a FLEX PD initiative in which teachers will get credit hours to attend approved workshops and trainings outside of contractual time. This has allowed staff to identify and participate in PD that is more relevant and meaningful to their content and professional goals. Once 12 hours are accumulated for each staff member, they become excused from the remaining two in service days at the end of the school year.

As the District continues to seek ways to prepare students for college and careers, a financial literacy curriculum has been developed for middle school students. In addition to the TREP\$ program, students will be required to engage in lessons related to budgeting, interest, saving, etc.

As a continuation of the standards based grading initiative, the District is implementing a more comprehensive Response to Intervention (RtI) program throughout the school. An additional teacher has been hired to serve as a second 'interventionist' and staff is more consistently using data to identify specific weaknesses in students to remediate quickly. NJSLA results, standards based report card data, Linkit Benchmark assessment data, and teacher observations and formative assessments will all be used to identify students in need of intervention and remediate.

Lastly, the Valley Road School's guidance department is continuing its efforts in implementing our Positive Behavior Intervention System (PBIS) to recognize students demonstrating positive values, service to the community, and respect for all. Peer leaders are also being recruited to assist with new students and facilitate programs for lower elementary students. This initiative will hopefully help students develop greater confidence in themselves and provide opportunities for them to develop responsibility inside and outside of school.

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

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

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to 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, 2019.

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,

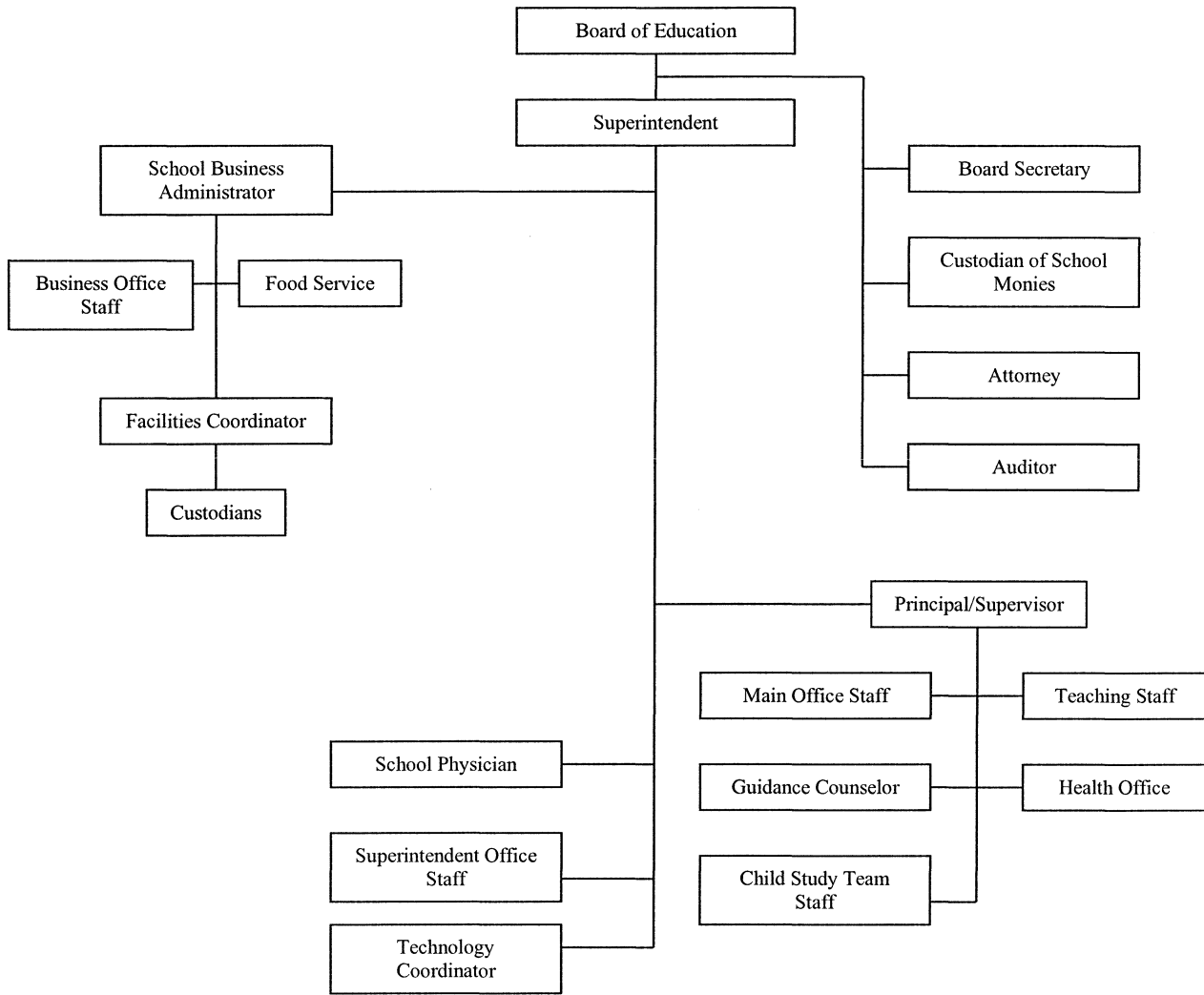


Mr. Steven Hagemann
Superintendent of Schools



Dr. Steven E. McHugh, Sr.
Business Administrator/Board Secretary

**Stanhope Board of Education
Organizational Chart
2018-2019**



**BOROUGH OF STANHOPE SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2019**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Gilbert Moscatello, Board President	2021
Cynthia Percarpio, Vice- President	2019
Jonathan Clauson	2019
Daniele Ferrone	2019
Najib Iftikhar	2020
Mattia Scharfstein	2020
F. Francis Shay	2021

<u>Other Officers</u>	<u>Title</u>
Steven Hagemann	Superintendent
Gordon Gibbs	Business Administrator/Board Secretary (through 5/17/19)
Robert Klinck	Interim Business Administrator (from 5/18/19 to 6/30/19)
Dr. Steven E. McHugh, Sr.	Business Administrator/Board Secretary (from 7/15/19)
Carissa Berkowicz	Interim Board Secretary (from 5/18/19)
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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension and post-employment 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. 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.

Other Information

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

Other Matters (Cont'd)

The accompanying other 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 other supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

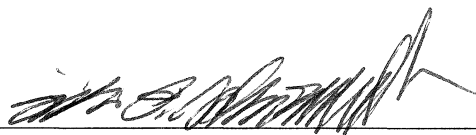
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 8, 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, 2019
(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, 2019. 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

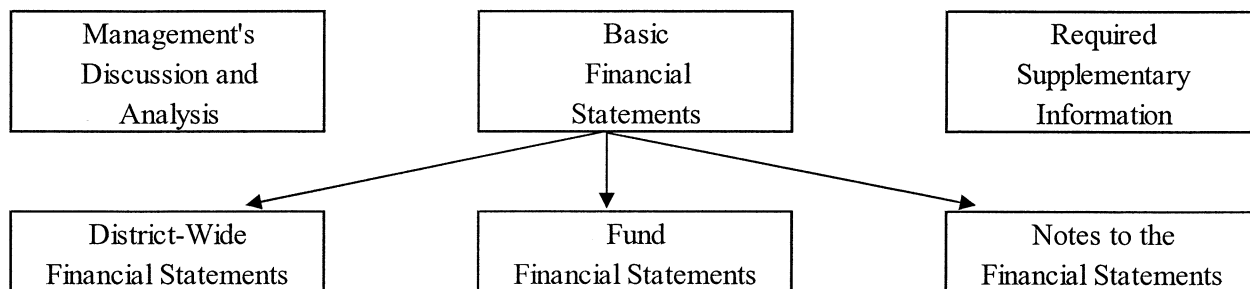


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents 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 2018/19
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	
Current and							
Other Assets	\$ 900,632	\$ 1,027,086	\$ 8,916	\$ 13,379	\$ 909,548	\$ 1,040,465	
Capital Assets, Net	6,179,213	6,315,417	3,209	4,492	6,182,422	6,319,909	
Total Assets	<u>7,079,845</u>	<u>7,342,503</u>	<u>12,125</u>	<u>17,871</u>	<u>7,091,970</u>	<u>7,360,374</u>	-3.65%
Deferred Outflows of Resources	<u>368,103</u>	<u>570,567</u>			<u>368,103</u>	<u>570,567</u>	-35.48%
Other Liabilities	265,618	250,494	6,396	16,042	272,014	266,536	
Long-Term Liabilities	<u>2,242,779</u>	<u>2,982,749</u>			<u>2,242,779</u>	<u>2,982,749</u>	
Total Liabilities	<u>2,508,397</u>	<u>3,233,243</u>	<u>6,396</u>	<u>16,042</u>	<u>2,514,793</u>	<u>3,249,285</u>	-22.60%
Deferred Inflows of Resources	<u>571,594</u>	<u>342,024</u>			<u>571,594</u>	<u>342,024</u>	67.12%
Net Position:							
Net Investment in							
Capital Assets	4,822,526	4,683,116	3,209	4,492	4,825,735	4,687,608	
Restricted	553,994	615,176			553,994	615,176	
Unrestricted/(Deficit)	<u>(1,008,563)</u>	<u>(960,489)</u>	<u>2,520</u>	<u>(2,663)</u>	<u>(1,006,043)</u>	<u>(963,152)</u>	-4.45%
Total Net Position	<u>\$ 4,367,957</u>	<u>\$ 4,337,803</u>	<u>\$ 5,729</u>	<u>\$ 1,829</u>	<u>\$ 4,373,686</u>	<u>\$ 4,339,632</u>	0.78%

Changes in Net Position. The District's combined net position was \$4,373,686 on June 30, 2019, an increase of \$34,054 or 0.78% 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 2018/19	Business- Type Activities 2018/19	Governmental Activities 2017/18	Business- Type Activities 2017/18	Total School District 2018/19	Total School District 2017/18	Percentage Change 2018/19
Revenue:							
Program Revenue:							
Charges for Services	\$ 144,289	\$ 54,585	\$ 147,761	\$ 52,808	\$ 198,874	\$ 200,569	
Operating Grants and Contributions	1,881,162	29,023	2,315,466	32,615	1,910,185	2,348,081	
General Revenue:							
Property Taxes	4,514,883		4,431,131		4,514,883	4,431,131	
Unrestricted State and Federal Aid	1,205,492		1,282,003		1,205,492	1,282,003	
Other	45,202	157	89,108	68	45,359	89,176	
Total Revenue	7,791,028	83,765	8,265,469	85,491	7,874,793	8,350,960	-5.70%
Expenses:							
Instruction	4,516,781		4,573,453		4,516,781	4,573,453	
Pupil and Instruction Services	1,218,988		1,563,514		1,218,988	1,563,514	
Administrative and Business	943,049		982,356		943,049	982,356	
Maintenance and Operations	624,584		541,528		624,584	541,528	
Transportation	87,458		87,309		87,458	87,309	
Other	370,014	79,865	329,786	93,920	449,879	423,706	
Total Expenses	7,760,874	79,865	8,077,946	93,920	7,840,739	8,171,866	-4.05%
Increase/(Decrease) in Net Position							
	\$ 30,154	\$ 3,900	\$ 187,523	\$ (8,429)	\$ 34,054	\$ 179,094	-80.99%

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	
	2018/19	2017/18	2018/19	2017/18
Instruction	\$ 4,516,781	\$ 4,573,453	\$ 3,047,679	\$ 2,897,413
Pupil and Instruction Services	1,218,988	1,563,514	883,232	1,139,916
Administrative and Business	943,049	982,356	784,196	755,089
Maintenance and Operations	624,584	541,528	587,512	440,638
Transportation	87,458	87,309	62,790	51,877
Other	370,014	329,786	370,014	329,786
	<u>\$ 7,760,874</u>	<u>\$ 8,077,946</u>	<u>\$ 5,735,423</u>	<u>\$ 5,614,719</u>

Business-Type Activities

Net position from the District's business-type activity increased by \$3,900. (Refer to Figure A-4).

- Food services revenue exceeded expenses by \$3,900.

Financial Analysis of the District's Funds

The District's financial position decreased \$138,189 on a fund basis. 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)**

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Sites	\$ 526,300	\$ 526,300			\$ 526,300	\$ 526,300	
Site Improvements	145,226	84,272			145,226	84,272	
Buildings and Building Improvements	5,459,922	5,642,519			5,459,922	5,642,519	
Machinery and Equipment	47,765	62,326	\$ 3,209	\$ 4,492	50,974	66,818	
Total Capital Assets (Net of Depreciation)	<u>\$ 6,179,213</u>	<u>\$ 6,315,417</u>	<u>\$ 3,209</u>	<u>\$ 4,492</u>	<u>\$ 6,182,422</u>	<u>\$ 6,319,909</u>	-2.18%

The District’s capital assets decreased by \$137,487, due to \$205,802 of depreciation expense and \$1,160 of net capital asset deletions offset by \$69,475 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 \$1,230,000 in general obligation bonds outstanding – a decrease of \$280,000 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
	2018/19	2017/18	Change 2018/19
General Obligation Bonds (Financed with Property Taxes)	\$ 1,230,000	\$ 1,510,000	
Other Long-Term Liabilities	1,012,779	1,472,749	
	<u>\$ 2,242,779</u>	<u>\$ 2,982,749</u>	<u>-24.81%</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 before and after care provider, generates additional revenue to the District based on enrollment in their program.
- AlphaBest, will run Summer Camp Programs based on interest. This would generate revenue to the District.
- The Stanhope Special Education program generates revenue by providing tuition based services to out of district student.
- The State of New Jersey’s use of the Funding Formula has decreased State Aid to the District for the past two years. This trend is expected to continue for the next five years.
- Linden Avenue School is an aging unused building that may require unexpected repairs and mold remediation.

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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 407,857	\$ 5,487	\$ 413,344
Interfund Receivable - Fiduciary Fund	10,967		10,967
Receivables from State Government	84,135	62	84,197
Receivables from Federal Government	74,437	1,475	75,912
Other Receivables	18,988		18,988
Inventories		1,892	1,892
Prepaid Expenses	17,892		17,892
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	286,356		286,356
Capital Assets, Net:			
Sites (Land)	526,300		526,300
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	5,652,913	3,209	5,656,122
Total Assets	<u>7,079,845</u>	<u>12,125</u>	<u>7,091,970</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	39,664		39,664
Deferred Outflows Related to Pensions	328,439		328,439
Total Deferred Outflows of Resources	<u>368,103</u>		<u>368,103</u>
LIABILITIES			
Accrued Interest Payable	12,300		12,300
Accounts Payable	253,318	3,790	257,108
Unearned Revenue - Prepaid Sales		1,245	1,245
Unearned Revenue - Donated Commodities		1,361	1,361
Noncurrent Liabilities:			
Due Within One Year	397,351		397,351
Due Beyond One Year	1,845,428		1,845,428
Total Liabilities	<u>2,508,397</u>	<u>6,396</u>	<u>2,514,793</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources Related to Pensions	571,594		571,594
Total Deferred Inflows of Resources	<u>571,594</u>		<u>571,594</u>
NET POSITION			
Net Investment in Capital Assets	4,822,526	3,209	4,825,735
Restricted for:			
Capital Projects	286,356		286,356
Excess Surplus	267,638		267,638
Unrestricted/(Deficit)	(1,008,563)	2,520	(1,006,043)
Total Net Position	<u>\$ 4,367,957</u>	<u>\$ 5,729</u>	<u>\$ 4,373,686</u>

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 2,827,506		\$ 685,975		\$ (2,141,531)		\$ (2,141,531)
Special Education	1,441,530		724,085		(717,445)		(717,445)
Other Special Instruction	178,664		44,107		(134,557)		(134,557)
Other Instruction	69,081		14,935		(54,146)		(54,146)
Support Services:							
Tuition	39,688	\$ 144,289			104,601		104,601
Student & Instruction Related Services	1,179,300		191,467		(987,833)		(987,833)
General Administrative Services	428,106		67,014		(361,092)		(361,092)
School Administrative Services	222,730		45,702		(177,028)		(177,028)
Central Services	261,632		43,259		(218,373)		(218,373)
Administrative Information Technology	30,581		2,878		(27,703)		(27,703)
Plant Operations and Maintenance	624,584		37,072		(587,512)		(587,512)
Pupil Transportation	87,458		24,668		(62,790)		(62,790)
Interest on Long-Term Debt	67,517				(67,517)		(67,517)
Capital Outlay	34,397				(34,397)		(34,397)
Transfer of Funds to Charter School	76,982				(76,982)		(76,982)
Unallocated Depreciation	191,118				(191,118)		(191,118)
Total Governmental Activities	7,760,874	144,289	1,881,162		(5,735,423)		(5,735,423)
Business-Type Activities:							
Food Service	79,865	54,585	29,023			\$ 3,743	\$ 3,743
Total Business-Type Activities	79,865	54,585	29,023			3,743	3,743
Total Primary Government	\$ 7,840,739	\$ 198,874	\$ 1,910,185	\$ -0-	(5,735,423)	3,743	(5,731,680)

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 4,174,483		\$ 4,174,483
Taxes Levied for Debt Service	340,400		340,400
Federal and State Aid not Restricted	1,205,492		1,205,492
Investment Earnings	178	\$ 157	335
Miscellaneous Income	45,024		45,024
Total General Revenue	5,765,577	157	5,765,734
Change in Net Position	30,154	3,900	34,054
Net Position - Beginning	4,337,803	1,829	4,339,632
Net Position - Ending	\$ 4,367,957	\$ 5,729	\$ 4,373,686

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, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 407,857		\$ 407,857
Interfund Receivable	82,905		82,905
Receivables From State Government	84,135		84,135
Receivables From Federal Government		\$ 74,437	74,437
Other Receivables	18,988		18,988
Prepaid Expenses	17,892		17,892
Restricted Cash and Cash Equivalents	<u>286,356</u>		<u>286,356</u>
Total Assets	<u>\$ 898,133</u>	<u>\$ 74,437</u>	<u>\$ 972,570</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund Payable		\$ 71,938	\$ 71,938
Accounts Payable	<u>\$ 192,168</u>	<u>2,499</u>	<u>194,667</u>
Total Liabilities	<u>192,168</u>	<u>74,437</u>	<u>266,605</u>
Fund Balances:			
Restricted:			
Capital Reserve Account	286,356		286,356
Excess Surplus for 2020-2021	58,261		58,261
Excess Surplus for 2019-2020	209,377		209,377
Assigned:			
Other Purposes	3,741		3,741
Unassigned	<u>148,230</u>		<u>148,230</u>
Total Fund Balances	<u>705,965</u>		<u>705,965</u>
Total Liabilities and Fund Balances	<u>\$ 898,133</u>	<u>\$ 74,437</u>	<u>\$ 972,570</u>
Amounts Reported for <i>Governmental Activities</i> in the Statement of Net Position (A-1) are Different Because:			
Total Fund Balances from above			\$ 705,965
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds.			6,179,213
Interest on Long-Term Debt is not Accrued in the Governmental Funds, but Rather is Recognized as an Expenditure When Due.			(12,300)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.			(809,135)
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			269,788
Deferred Inflows			(571,594)
Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.			(1,433,644)
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 \$69,419.			<u>39,664</u>
Net Position of Governmental Activities (Exhibit A-1)			<u>\$ 4,367,957</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, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local Sources:				
Local Tax Levy	\$ 4,174,483		\$ 340,400	\$ 4,514,883
Tuition from Other LEAs	144,289			144,289
Interest Earned on Investments	178			178
Unrestricted Miscellaneous Revenue	45,024			45,024
Total - Local Sources	4,363,974		340,400	4,704,374
State Sources	2,373,009			2,373,009
Federal Sources		\$ 143,313		143,313
Total Revenues	6,736,983	143,313	340,400	7,220,696
EXPENDITURES:				
Current:				
Regular Instruction	1,628,575	35,425		1,664,000
Special Education Instruction	776,915	107,888		884,803
Other Special Instruction	104,196			104,196
School-Sponsored/Other Instruction	36,206			36,206
Support Services and Undistributed Costs:				
Tuition	39,688			39,688
Student and Other Instruction Related Services	807,708			807,708
General Administration Services	306,892			306,892
School Administration Services	138,870			138,870
Central Services	177,635			177,635
Administrative Information Technology	22,109			22,109
Plant Operations and Maintenance	525,335			525,335
Student Transportation	83,339			83,339
Unallocated Benefits	1,988,547			1,988,547
Debt Service:				
Principal			280,000	280,000
Interest and Other Charges			60,400	60,400
Capital Outlay	260,175			260,175
Transfer of Funds to Charter School	76,982			76,982
Total Expenditures	6,973,172	143,313	340,400	7,456,885
Excess/(Deficit) of Revenue Over/(Under) Expenditures	(236,189)			(236,189)
OTHER FINANCING SOURCES/ (USES):				
Capital Leases (Non-Budgeted)	98,000			98,000
Total Other Financing Sources/(Uses)	98,000			98,000
Net Change in Fund Balances	(138,189)			(138,189)
Fund Balance - July 1	844,154			844,154
Fund Balance - June 30	\$ 705,965	\$ -0-	\$ -0-	\$ 705,965

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, 2019

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$	(138,189)
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 and deleted assets in the period.		
Depreciation expense	\$	(204,519)
Deleted Assets, net of accumulated depreciation		(1,160)
Capital Outlays		<u>69,475</u>
		(136,204)
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 (+).		
		5,265
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 (+).		
		2,800
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.		
		280,000
Capital leases entered into by the District are an other financing source in the governmental funds, but the acquisition increases long-term liabilities in the statement of net position and is not reported in the statement of activities.		
		(98,000)
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.		
		103,531
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		449,174
Change in Deferred Outflows		(198,736)
Change in Deferred Inflows		<u>(229,570)</u>
Change in Net Positon of Governmental Activities (A-2)	\$	<u>30,154</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, 2019

	Business-type Activities - Enterprise Funds
	Food Service
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 5,487
Intergovernmental Accounts Receivable:	
State	62
Federal	1,475
Inventories	1,892
Total Current Assets	8,916
Non-Current Assets:	
Capital Assets	26,600
Less: Accumulated Depreciation	(23,391)
Total Non-Current Assets	3,209
Total Assets	12,125
<u>LIABILITIES:</u>	
Current Liabilities:	
Accounts Payable	3,790
Unearned Revenue - Prepaid Sales	1,245
Unearned Revenue - Donated Commodities	1,361
Total Liabilities	6,396
<u>NET POSITION:</u>	
Investment in Capital Assets	3,209
Unrestricted	2,520
Total Net Position	\$ 5,729

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, 2019

	Business-type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 42,731
Daily Sales - Non-Reimbursable Programs	11,854
	54,585
Total Operating Revenue	54,585
Operating Expenses:	
Cost of Sales - Reimbursable Programs	24,053
Cost of Sales - Non-Reimbursable Programs	5,280
Salaries, Benefits & Payroll Taxes	33,417
Supplies, Insurance & Other Costs	8,421
Management Fee	7,411
Depreciation Expense	1,283
	79,865
Total Operating Expenses	79,865
Operating Loss	(25,280)
Non-Operating Revenue:	
Local Sources:	
Interest Income	157
State Sources:	
State School Lunch Program	942
Federal Sources:	
National School Lunch Program	22,297
Food Distribution Program	5,784
	29,180
Total Non-Operating Income	29,180
Change in Net Position	3,900
Net Position - Beginning of Year	1,829
Net Position - End of Year	\$ 5,729

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, 2019

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 53,628
Payments to Employees	(33,417)
Payments to Food Service Contractor	(48,264)
	(28,053)
Net Cash Used for Operating Activities	(28,053)
Cash Flows from Investing Activities:	
Interest Income	157
Net Cash Provided by Investing Activities	157
Cash Flows by Noncapital Financing Activities:	
Interfund Returned - General Fund	(13,224)
State Sources	1,113
Federal Sources	26,786
	14,675
Net Cash Provided by Noncapital Financing Activities	14,675
Net Decrease in Cash and Cash Equivalents	(13,221)
Cash and Cash Equivalents, July 1	18,708
Cash and Cash Equivalents, June 30	\$ 5,487
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (25,280)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,283
Food Distribution Program	5,784
Changes in Assets and Liabilities:	
(Decrease) in Prepaid Sales	(957)
Increase in Unearned Revenue	51
(Decrease) in Accounts Payable	(8,740)
(Decrease) in Inventory	(194)
	(194)
Net Cash Used for Operating Activities	\$ (28,053)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities Through the Food Distribution Program Valued at \$5,835 and Utilized Commodities Valued at \$5,784.

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, 2019

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 62,126	\$ 5,170	\$ 67,296
Total Assets	<u>\$ 62,126</u>	<u>\$ 5,170</u>	<u>\$ 67,296</u>
<u>LIABILITIES:</u>			
Interfund Payable - General Fund	\$ 10,967		\$ 10,967
Payroll Deductions and Withholdings	27,265		27,265
Due to Student Groups	23,894		23,894
Total Liabilities	<u>62,126</u>		<u>62,126</u>
<u>NET POSITION:</u>			
Held in Trust for:			
Flexible Spending Claims		\$ 5,170	5,170
Total Net Position	<u>\$ -0-</u>	<u>\$ 5,170</u>	<u>\$ 5,170</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, 2019

	<u>Flexible Spending Trust</u>
ADDITIONS:	
Contributions:	
Plan Members	\$ 14,125
Total Additions	<u>14,125</u>
DEDUCTIONS:	
Flexible Spending Claims	<u>10,624</u>
Total Deductions	<u>10,624</u>
Change in Net Position	3,501
Net Position - Beginning of the Year	<u>\$ 1,669</u>
Net Position - End of the Year	<u><u>\$ 5,170</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, 2019

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, 2019
(Continued)

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

B. Basis of Presentation (Cont'd)

District-Wide Financial Statements: (Cont'd)

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, 2019
(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, 2019
(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, 2019, 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, 2019
(Continued)

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

D. Budgets/Budgetary Control (Cont'd)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 6,735,715	\$ 129,989
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		14,280
Current Year Encumbrances		(956)
Prior Year State Aid Payments Recognized for GAAP Purposes, Not recognized for Budgetary Statements	144,247	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(142,979)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 6,736,983</u>	<u>\$ 143,313</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 6,973,172	\$ 129,989
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		14,280
Current Year Encumbrances		(956)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 6,973,172</u>	<u>\$ 143,313</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2019
(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, 2019.

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, 2019
(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, 2019.

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, 2019
(Continued)

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

P. Fund Balance Appropriated

General Fund: Of the \$705,965 General Fund fund balance at June 30, 2019, \$3,741 is assigned for year end encumbrances; \$286,356 is restricted in the capital reserve account; the \$58,261 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, 2021; \$209,377 is restricted as prior year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2020; and \$148,230 is unassigned, which is \$142,979 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, 2020.

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.

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 \$1,008,563 in governmental activities, which is primarily due to compensated absences payable, net pension liability and the related deferred inflows and outflows. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources 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, 2019
(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, 2019 for pensions. The District had deferred outflows of resources for the deferred amount on refunding and pensions at June 30, 2019.

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, 2019.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

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

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances at June 30, 2019.

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, 2019
(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, 2019
(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, 2019
(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, 2019, cash and cash equivalents of the District consisted of the following:

	<u>Restricted Cash and Cash Equivalents</u>	<u>Cash and Cash Equivalents</u>	<u>Total</u>
Checking Accounts	<u>\$ 286,356</u>	<u>\$ 480,640</u>	<u>\$ 766,996</u>

During the period ended June 30, 2019, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2019, was \$766,996 and the bank balance was \$945,731.

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, 2019
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

Beginning Balance, July 1, 2018	\$	326,507
Add:		
Interest Earned on Capital Reserve		178
Transfer by Board Resolution		50,000
Less:		
Budgeted Withdrawal		(55,349)
Withdrawal by Board Resolution		(34,980)
Ending Balance, June 30, 2019	\$	286,356

The balance in the capital reserve account at June 30, 2019 does not exceed the LRFP balance of local support costs of uncompleted capital projects.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 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	\$ 69,475		261,555
Buildings and Building Improvements	8,701,369			8,701,369
Machinery and Equipment	272,720		\$ (2,900)	269,820
Total Capital Assets Being Depreciated	9,166,169	69,475	(2,900)	9,232,744
Governmental Activities Capital Assets	9,692,469	69,475	(2,900)	9,759,044
Less Accumulated Depreciation for:				
Site Improvements	(107,808)	(8,521)		(116,329)
Buildings and Building Improvements	(3,058,850)	(182,597)		(3,241,447)
Machinery and Equipment	(210,394)	(13,401)	1,740	(222,055)
	(3,377,052)	(204,519)	1,740	(3,579,831)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 6,315,417	\$ (135,044)	\$ (1,160)	\$ 6,179,213
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 26,600			\$ 26,600
Less: Accumulated Depreciation	(22,108)	\$ (1,283)		(23,391)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 4,492	\$ (1,283)	\$ -0-	\$ 3,209

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 1,377
Student and Other Instruction Related Services	6,329
Operations and Maintenance of Plant	1,575
Pupil Transportation	4,120
Unallocated	191,118
	\$ 204,519

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2019, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2018</u>	<u>Issued/</u> <u>Accrued</u>	<u>Matured</u>	<u>Balance</u> <u>6/30/2019</u>
Serial Bonds Payable	\$ 1,510,000		\$ 280,000	\$ 1,230,000
Net Pension Liability	1,258,309		449,174	809,135
Capital Leases	171,882	\$ 98,000	103,531	166,351
Compensated Absences Payable	42,558	485	5,750	37,293
	\$ 2,982,749	\$ 98,485	\$ 838,455	\$ 2,242,779

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 \$295,000 and the long term portion is \$935,000.

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, 2019 as follows:

<u>Purpose</u>	<u>Final Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
Refunding School Bonds	4/15/2023	4.00%	\$ 1,230,000

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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>
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>\$ 1,230,000</u>	<u>\$ 124,400</u>	<u>\$ 1,354,400</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2019, 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, a \$300,000 lease purchase agreement in 2015 for the partial roof replacement project and a \$98,000 lease purchase agreement for technology equipment in 2018. The capital leases have terms of four to five years. The District capital leases total \$557,851 of which \$391,500 has been liquidated as of June 30, 2019. 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, 2019.

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 107,306
2021	34,208
2022	32,631
	174,145
Less: Amount representing interest	(7,794)
Present value of net minimum lease payments	<u>\$ 166,351</u>

The current portion of Capital Leases payable at June 30, 2019 is \$102,351 and the long-term portion is \$64,000.

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 \$- and the long-term liability balance of compensated absences is \$37,293.

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, 2019, 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, 2019
(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, 2019 is \$-0- and the long-term portion is \$809,135. 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 tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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 is being paid by the employer in level annual payments over a period of 15 years, which began 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 \$41,204 for fiscal year 2019.

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

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

At June 30, 2019, the District reported a liability of \$809,135 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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, 2018, the District's proportion was 0.0041%, which was a decrease of 0.001% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$20,454. At June 30, 2019, 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, 2019
(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)

	Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 6,404	
	2015	5.72	28,905	
	2016	5.57	98,023	
	2017	5.48		\$ (149,158)
	2018	5.63		(109,560)
			<u>133,332</u>	<u>(258,718)</u>
Difference Between Expected and Actual Experience	2015	5.72	8,019	
	2016	5.57	2,975	
	2017	5.48	4,436	
	2018	5.63		(4,172)
			<u>15,430</u>	<u>(4,172)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5.00		4,889
	2016	5.00		27,334
	2017	5.00		(24,602)
	2018	5.00		(15,211)
				<u>(7,590)</u>
Changes in Proportion	2014	6.44	28,512	
	2015	5.72		(38,338)
	2016	5.57	92,514	
	2017	5.48		(22,388)
	2018	5.63		(240,388)
			<u>121,026</u>	<u>(301,114)</u>
District Contribution Subsequent to the Measurement Date	2018	1.00	58,651	
			<u>\$ 328,439</u>	<u>\$ (571,594)</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, 2019
(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
2019	\$ 5,616
2020	(7,775)
2021	(55,754)
2022	(48,329)
2023	(15,476)
	\$ (121,718)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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 Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2017 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, 2019
(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, 2018) 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, 2018 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>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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, 2019
(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 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, 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, 2018 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, 2018		
	At 1% Decrease (4.66%)	Current Discount Rate (5.66%)	At 1% Increase (6.66%)
District's proportionate share of the Net Pension Liability	\$ 1,017,394	\$ 809,135	\$ 634,419

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, 2019
(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.state.nj.us/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, 2019
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2019, the State of New Jersey contributed \$455,864 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$808,485.

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

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

At June 30, 2019, the State's proportionate share of the net pension liability associated with the District was \$13,868,504. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. 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, 2018, the District's proportion was 0.0218%, which was an increase of 0.001% from its proportion measured as of June 30, 2017.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	13,868,504
Total	\$ 13,868,504

For the fiscal year ended June 30, 2019, the State recognized pension expense on behalf of the District in the amount of \$808,485 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2019 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, 2019
(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	\$ 1,076,424,469	
	2015	8.3	3,063,649,492	
	2016	8.3	6,913,685,892	
	2017	8.3		\$ 10,084,192,916
	2018	8.29		5,994,557,085
			<u>11,053,759,853</u>	<u>16,078,750,001</u>
Difference Between Expected and Actual Experience	2014	8.5		10,252,211
	2015	8.3	189,214,650	
	2016	8.3		85,977,601
	2017	8.3	179,419,108	
	2018	8.29	1,051,605,259	
			<u>1,420,239,017</u>	<u>96,229,812</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5		(192,642,062)
	2016	5		(863,710,381)
	2017	5		678,024,787
	2018	5		384,121,486
				<u>5,793,830</u>
			<u>\$ 12,473,998,870</u>	<u>\$ 16,180,773,643</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:

Fiscal Year Ending June 30,	Total
2019	\$ 401,574,312
2020	208,932,249
2021	(222,922,941)
2022	(149,225,008)
2023	(735,040,983)
Thereafter	(3,210,092,402)
	<u>\$ (3,706,774,773)</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55 – 4.55%
Thereafter	2.00 – 5.45%
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2017 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, 2018) 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, 2018 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, 2019
(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>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 4.86% as of June 30, 2018. 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 3.87% as of June 30, 2018 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 50% 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 2040. Therefore, the long-term expected rate of return on pension 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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2018 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, 2018		
	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
State's Proportionate Share of the Net Pension Associated with the District	\$ 16,392,309	\$ 13,868,504	\$ 11,776,332

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 \$11,425 for the fiscal year ended June 30, 2019. Employee contributions to DCRP amounted to \$16,418 for the year ended June 30, 2019.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(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.

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

Employees Covered by Benefit Terms

At June 30, 2017, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	145,050
Active Plan Members	<u>217,131</u>
Total	<u><u>362,181</u></u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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.

Actuarial Assumptions and Other Inputs

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Mortality Rates

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

Health Care Trend Assumptions

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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 rates for June 30, 2018 and 2017 were 3.87% and 3.58%, respectively, a change of +.29%. 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 Proportionate Share of the Total OPEB Liability Associated with the District

	Total OPEB Liability
Balance at June 30, 2017	\$ 11,251,101
Changes for Year:	
Service Cost	391,661
Interest on the Total OPEB Liability	412,360
Changes of Assumptions	(1,115,138)
Differences between Expected and Actual Experience	(971,563)
Gross Benefit Payments by the State	(259,844)
Contributions from Members	8,981
Net Changes	(1,533,543)
Balance at June 30, 2018	\$ 9,717,558

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, 2018, 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, 2018		
	At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
Total OPEB Liability Attributable to the District	\$ 11,488,132	\$ 9,717,558	\$ 8,310,135

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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 Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018, 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, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 8,032,128	\$ 9,717,558	\$ 11,946,604

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

For the fiscal year ended June 30, 2019 the District recognized OPEB expense of \$428,817 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2018 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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)

	Year of Deferral	Original Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ (1,180,361)
Changes in Assumptions	2018	9.51		(997,879)
				<u>(2,178,240)</u>
Differences Between Expected and Actual Experience	2018	9.51		(943,306)
Changes in Proportion	N/A	N/A	\$ 55,785	
			<u>\$ 55,785</u>	<u>\$ (3,121,546)</u>

N/A - Not Available

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

Fiscal Year Ending June 30,	Total
2019	\$ (384,653)
2020	(384,653)
2021	(384,653)
2022	(384,653)
2023	(384,653)
Thereafter	<u>(1,198,282)</u>
	<u>\$ (3,121,546)</u>

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, 2019
(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, 2019 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, 2018 is as follows:

Total Assets	<u>\$ 45,062,979</u>
Net Position	<u>\$ 12,432,937</u>
Total Revenue	<u>\$ 42,084,945</u>
Total Expenses	<u>\$ 39,779,381</u>
Change in Net Position	<u>\$ 2,305,564</u>
Member Dividends	<u>\$ -0-</u>

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, 2019
(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	\$ 82,905	
Special Revenue Fund		\$ 71,938
Fiduciary Fund - Agency		855
Fiduciary Fund - Student Activities		10,112
	\$ 82,905	\$ 82,905

The interfund payable of \$71,938 in Special Revenue Fund is due to grant funds not being received during the fiscal year ended June 30, 2019. The \$855 interfund payable in Fiduciary Fund – Agency is due to monies not turned over to General Fund during the fiscal year ended June 30, 2019. The \$10,112 interfund payable in Fiduciary Fund – Student Activities is due to expenses paid by the General Fund on behalf of Student Activities and have not yet been reimbursed.

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, 2019
(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, 2019, 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
\$ 3,741	\$ 956	\$ 4,697

On the District's Governmental Funds Balance Sheet as of June 30, 2019, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$956 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, 2019 were:

	Governmental Funds	District Contribution	Total	Business-Type Activities
	General Fund	Special Revenue Fund	Subsequent to Measurement Date	Governmental Activities
				Proprietary Funds
Due to the State of New Jersey	\$ 30,000		\$ 58,651	\$ 88,651
Vendors	162,168	\$ 2,499		164,667
	\$ 192,168	\$ 2,499	\$ 58,651	\$ 253,318
				\$ 3,790

NOTE 16: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2019, the District made transfers to the capital outlay accounts in the amount of \$8,084 for equipment which did not require County Superintendent approval. The District transferred \$4,300 to construction services which required County Superintendent approval, which was obtained.

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 FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
District's proportion of the net pension liability	0.0052200088%	0.4557700400%	0.0055671764%	0.0054054801%	0.0041094750%
District's proportionate share of the net pension liability	\$ 977,328	\$ 1,023,112	\$ 1,648,838	\$ 1,258,309	\$ 809,135
District's covered employee payroll	\$ 319,417	\$ 376,364	\$ 375,600	\$ 330,943	\$ 361,735
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%	223.68%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%

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 FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 43,033	\$ 39,184	\$ 50,106	\$ 51,459	\$ 41,204
Contributions in relation to the contractually required contribution	(43,033)	(39,184)	(50,106)	(51,459)	(41,204)
Contribution deficiency/(excess)	<u>\$ -0-</u>	<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	\$ 330,943
Contributions as a percentage of covered employee payroll	13.74%	12.27%	13.31%	13.70%	12.45%

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 FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
State's proportion of the net pension liability attributable to the District	0.0202724339%	0.0188250296%	0.0187185590%	0.0207304719%	0.0217997051%
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	\$ 13,868,504
District's covered employee payroll	\$ 1,873,465	\$ 1,987,783	\$ 2,173,983	\$ 2,401,031	\$ 2,402,379
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%	577.28%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%

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 FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 583,022	\$ 726,494	\$ 1,106,395	\$ 968,272	\$ 808,485
Contributions in relation to the contractually required contribution	(101,775)	(149,868)	(225,024)	(321,032)	(455,864)
Contribution deficiency/(excess)	<u>\$ 481,247</u>	<u>\$ 576,626</u>	<u>\$ 881,371</u>	<u>\$ 647,240</u>	<u>\$ 352,621</u>
District's covered employee payroll	\$ 1,987,783	\$ 2,173,983	\$ 2,401,031	\$ 2,402,379	\$ 2,348,756
Contributions as a percentage of covered employee payroll	5.12%	6.89%	9.37%	13.36%	19.41%

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 CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY
ASSOCIATED WITH THE DISTRICT AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2017</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 472,283	\$ 391,661
Interest Cost	355,518	412,360
Changes in Assumptions	(1,452,339)	(1,115,138)
Differences between Expected and Actual Experience		(971,563)
Member Contributions	9,596	8,981
Gross Benefit Payments	<u>(260,599)</u>	<u>(259,844)</u>
Net Change in Total OPEB Liability	(875,541)	(1,533,543)
Total OPEB Liability - Beginning	<u>12,126,642</u>	<u>11,251,101</u>
Total OPEB Liability - Ending	<u>\$ 11,251,101</u>	<u>\$ 9,717,558</u>
District's Covered Employee Payroll *	\$ 2,549,583	\$ 2,731,974
Total OPEB Liability as a Percentage of Covered Employee Payroll	441%	356%

* - Covered payroll for the fiscal years ending June 30, 2017 and June 30, 2018 are based on the payroll on the June 30, 2016 and June 30, 2017 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, 2019
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018. The municipal bond rate changed from 3.58% to 3.87%.

The mortality rates utilized in the July 1, 2016 valuation were as follows: 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 mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 4.25% as of June 30, 2017 to 4.86% as of June 30, 2018. The municipal bond rate changed from 3.58 to 3.87%.

The salary increases in the July 1, 2016 valuation were as follows: 2012-2021 and thereafter – varies based on experience. The salary increases in the July 1, 2017 valuation are as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)
(Continued)

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

Changes of Actuarial Assumptions (Cont'd)

The mortality rates utilized in the July 1, 2016 valuation were as follows: 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-year average of Social Security data from 1953 to 2013.

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

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The mortality rates in the valuation as of June 30, 2017 were based on the following:

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

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)
(Continued)

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

Changes of Actuarial Assumptions (Cont'd)

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

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long term trend rate after eight 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 5.8% and decreases to a 5.0% long term rate after eight years. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The assumed Medicare Advantage trend rate is 4.5% in all future years.

The health care trend rates in the valuation as of June 30, 2017 were based on the following:

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

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 4,174,483		\$ 4,174,483	\$ 4,174,483	\$ 25,950
Tuition from Other LEAs	118,339		118,339	144,289	138
Interest Earned on Capital Reserve Funds	40		40	178	(9,860)
Unrestricted Miscellaneous Revenue	54,884		54,884	45,024	16,228
Total - Local Sources	4,347,746		4,347,746	4,363,974	
State Sources:					
Categorical Special Education Aid	241,435		241,435	241,435	
Equalization Aid	1,167,221		1,167,221	1,167,221	
Categorical Security Aid	33,994		33,994	33,994	
Adjustment Aid	36,321	\$ (36,321)			
Categorical Transportation Aid	34,061	(12,527)	21,534	21,534	39,213
Extraordinary Aid	7,000		7,000	46,213	1,996
Additional Nonpublic Transportation Aid				1,996	
Other State Aids	3,168	(3,168)			
On-Behalf TPAF Contributions:					
Pension (Non-Budgeted)				455,864	455,864
Post Retirement Contributions (Non-Budgeted)				211,107	211,107
Non-Contributory Insurance (Non-Budgeted)				9,542	9,542
Long-Term Disability Insurance (Non-Budgeted)				676	676
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				182,159	182,159
Total State Sources	1,523,200	(52,016)	1,471,184	2,371,741	900,557
TOTAL REVENUES	5,870,946	(52,016)	5,818,930	6,735,715	916,785

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 162,455	\$ 452	\$ 162,907	\$ 162,907	
Grades 1-5 - Salaries of Teachers	845,352	(1,888)	843,464	843,464	
Grades 6-8 - Salaries of Teachers	493,862	(10,324)	483,538	483,538	
Unused Sick Pay - Term/Retired Staff		1,918	1,918	1,918	
Regular Programs - Home Instruction:					
Salaries of Teachers	2,000	(1,545)	455	455	
Purchased Services	2,290	(1,285)	1,005	1,005	
Regular Programs - Undistributed Instruction:					
Other Purchased Services	79,754	6,455	86,209	86,209	
General Supplies	38,284	5,084	43,368	43,368	
Textbooks	100	(100)			
Other Objects	6,787	(1,076)	5,711	5,711	
Total Regular Programs - Instruction	1,630,884	(2,309)	1,628,575	1,628,575	
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	62,470	403	62,873	62,873	
Other Salaries for Instruction	1,491	2,334	3,825	3,825	
General Supplies	1,500	(693)	807	697	\$ 110
Total Learning and/or Language Disabilities	65,461	2,044	67,505	67,395	110
Resource Room/Resource Center:					
Salaries of Teachers	293,654	4,472	298,126	298,126	
Other Salaries for Instruction	85,054	(6,206)	78,848	77,555	1,293
General Supplies	2,831		2,831	2,536	295
Total Resource Room/Resource Center	381,539	(1,734)	379,805	378,217	1,588
Behavioral Disabilities:					
Salaries of Teachers	60,755	(138)	60,617	60,617	
Other Salaries for Instruction	2,000	51,446	53,446	52,115	1,331
General Supplies	1,978	(500)	1,478	1,421	57
Other Objects		100	100	69	31
Total Behavioral Disabilities	64,733	50,908	115,641	114,222	1,419

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Autism					
Salaries of Teachers	\$ 126,554	\$ 4,640	\$ 131,194	\$ 129,661	\$ 1,533
Other Salaries for Instruction	13,545	(13,545)			
General Supplies	2,000	1,301	3,301	2,500	801
Other Objects		52	52	52	
Total Autism - Instruction	142,099	(7,552)	134,547	132,213	2,334
Home Instruction:					
Salaries of Teachers	11,700	(10,120)	1,580	1,440	140
Professional Educational Services	11,974	(5,518)	6,456	6,456	
Total Home Instruction	23,674	(15,638)	8,036	7,896	140
Preschool Disabilities - Full-time - Instruction:					
Salaries of Teachers	62,115	200	62,315	61,743	572
Other Salaries for Instruction	39,231	(24,242)	14,989	14,228	761
General Supplies		1,000	1,000	946	54
Other Objects		55	55	55	
Total Preschool Disabilities - Full-time - Instruction	101,346	(22,987)	78,359	76,972	1,387
Total Special Education Instruction	778,852	5,041	783,893	776,915	6,978
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	77,384	10,287	87,671	87,176	495
General Supplies	500	2,969	3,469	3,151	318
Total Basic Skills/Remedial - Instruction	77,884	13,256	91,140	90,327	813
Bilingual Education - Instruction:					
Salaries of Teachers	200	13,869	13,869	13,869	
General Supplies		(200)			
Total Bilingual Education - Instruction	200	13,669	13,869	13,869	

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Co-Curricular Activities - Instruction:					
Salaries	\$ 20,025	\$ 4,141	\$ 24,166	\$ 24,166	
Supplies and Materials		71	71	71	
Other Objects	250	(250)			
Total School-Sponsored Co-Curricular Activities - Instruction	20,275	3,962	24,237	24,237	
School-Sponsored Co-Curricular Athletics - Instruction:					
Salaries	6,700	3,350	10,050	10,050	
Supplies and Materials	341	158	499	499	
Other Objects	231	1,189	1,420	1,420	
Total School-Sponsored Co-Curricular Athletics - Instruction	7,272	4,697	11,969	11,969	
Total Instruction	2,515,367	38,316	2,553,683	2,545,892	\$ 7,791
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	64,200	(44,940)	19,260	12,840	6,420
Tuition to Private Schools for the Handicapped - Within State	43,230	(7,617)	35,613	26,848	8,765
Total Undistributed Expenditures - Instruction	107,430	(52,557)	54,873	39,688	15,185

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 82,864	\$ (20,636)	\$ 62,228	\$ 62,227	\$ 1
Unused Sick Pay - Term/Retired Staff		85	85	85	
Purchased Professional and Technical Services	5,804	1,572	7,376	7,376	
Other Purchased Services	200	53	253	253	
Supplies and Materials	1,062	50	1,112	1,112	
Total Health Services	89,930	(18,876)	71,054	71,053	1
Speech, OT, PT and Related Services:					
Salaries	96,719	(17,608)	79,111	79,111	
Purchased Professional Services	105,840	17,133	122,973	122,973	
Supplies and Materials	500	627	1,127	1,127	
Total Speech, OT, PT and Related Services	203,059	152	203,211	203,211	
Other Support Services - Students - Extraordinary Services:					
Salaries	181,321	(54,254)	127,067	126,559	508
Total Other Support Services - Students - Extraordinary Services	181,321	(54,254)	127,067	126,559	508
Other Support Services - Students - Guidance:					
Salaries of Secretarial and Clerical Assistants	19,012		19,012	19,012	
Salaries of Other Professional Staff	62,245		62,245	62,245	
Purchased Professional - Educational Services	750	(750)			
Other Purchased Services	6,946	(83)	6,863	6,863	
Supplies and Materials	3,798	(2,863)	935	935	
Total Other Support Services - Students - Guidance	92,751	(3,696)	89,055	89,055	

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(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	\$ 124,977	\$ 19,772	\$ 144,749	\$ 144,749	
Salaries of Secretarial and Clerical Assistants	35,963	410	36,373	36,373	
Purchased Professional - Educational Services	294	(294)			
Other Purchased Services	15,659	2,784	18,443	18,443	
Miscellaneous Purchased Services	138	517	655	655	
Supplies and Materials	2,214	(1,331)	883	883	
Other Objects	150		150	150	
Total Other Support Services - Students - Child Study Team	<u>179,395</u>	<u>21,858</u>	<u>201,253</u>	<u>201,253</u>	
Improvement of Instructional Services:					
Salaries of Other Professional Staff	500		500	\$ 500	
Purchased Professional-Educational Services	37,077	(4,150)	32,927	31,225	1,702
Other Purchased Services	2,295	250	2,545	2,379	166
Total Improvement of Instructional Services	<u>39,872</u>	<u>(3,900)</u>	<u>35,972</u>	<u>33,604</u>	<u>2,368</u>
Educational Media Services/School Library:					
Salaries	10,283	3,061	13,344	13,344	
Salaries of Technology Coordinators	55,848		55,848	55,848	
Other Purchased Services	850	26	876	876	
Supplies and Materials	1,500	(2)	1,498	1,498	
Total Educational Media Services/School Library	<u>68,481</u>	<u>3,085</u>	<u>71,566</u>	<u>71,566</u>	
Instructional Staff Training Services:					
Purchased Professional-Educational Services	14,532	(4,560)	9,972	5,990	3,982
Other Purchased Services	5,807	2,560	8,367	5,417	2,950
Total Instructional Staff Training Services	<u>20,339</u>	<u>(2,000)</u>	<u>18,339</u>	<u>11,407</u>	<u>6,932</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration:					
Salaries	\$ 180,380		\$ 180,380	\$ 180,380	
Purchased Professional Services		2,475	2,475	2,475	
Legal Services	12,000	1,082	13,082	13,082	
Audit Fees	24,875		24,875	24,875	
Other Purchased Professional Services	6,490	(2,930)	3,560	3,560	
Communications/Telephone	16,501	796	17,297	17,297	
Board of Education Other Purchased Services	2,000	(736)	1,264	1,264	
Other Purchased Services	27,331	(609)	26,722	25,597	\$ 1,125
General Supplies	2,504	(761)	1,743	1,743	
Judgements Against the School District	30,000		30,000	30,000	
Miscellaneous Expenditures	7,165	(546)	6,619	6,619	
Board of Education Membership Dues and Fees	1,444	(1,444)			
Total Support Services - General Administration	310,690	(2,673)	308,017	306,892	1,125
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	92,475		92,475	92,475	
Salaries of Secretarial and Clerical Assistants	36,517	(2,000)	34,517	34,516	1
Purchased Professional and Technical Services		1,875	1,875	1,875	
Other Purchased Services	4,355	1,118	5,473	5,473	
Supplies and Materials	2,000	476	2,476	2,476	
Other Objects	2,204	(149)	2,055	2,055	
Total Support Services - School Administration	137,551	1,320	138,871	138,870	1
Central Services:					
Salaries	144,240	(8,664)	135,576	135,576	
Purchased Professional Services	14,101	20,911	35,012	35,012	
Other Purchased Services	1,246	(881)	365	365	
Supplies and Materials	2,000	(499)	1,501	1,501	
Interest on Lease Purchase Agreements	7,493	(4,071)	3,422	3,422	

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Central Services (Cont'd):					
Miscellaneous Expenditures	\$ 1,450	\$ 309	\$ 1,759	\$ 1,759	
Total Central Services	170,530	7,105	177,635	177,635	
Administrative Information Technology					
Salaries	21,016	(2,400)	18,616	18,616	
Other Purchased Services	1,996	142	2,138	2,138	
Supplies and Materials	100	1,255	1,355	1,355	
Total Administrative Information Technology	23,112	(1,003)	22,109	22,109	
Required Maintenance of School Facilities:					
Salaries	67,301	250	67,551	67,551	
Cleaning, Repair and Maintenance Services	36,771	566	37,337	35,937	\$ 1,400
General Supplies	5,829	520	6,349	6,349	
Total Required Maintenance of School Facilities	109,901	1,336	111,237	109,837	1,400
Custodial Services:					
Salaries	128,966	5,861	134,827	134,827	
Unused Sick Pay - Term/Retired Staff		104	104	104	
Purchased Professional and Technical Services	1,446	35,709	37,155	36,705	450
Cleaning, Repair, and Maintenance Services	12,674	(1,187)	11,487	11,487	
Other Purchased Property Services	4,265	(276)	3,989	3,989	
Insurance	42,500	(6,489)	36,011	36,011	
Miscellaneous Purchased Services	643	4,645	5,288	5,288	

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services (Cont'd):					
General Supplies	\$ 27,861	\$ 10,289	\$ 38,150	\$ 37,384	\$ 766
Energy (Electricity)	58,307	(9,191)	49,116	49,116	
Energy (Oil)	35,874	3,565	39,439	39,439	
Energy (Gasoline)	1,071	65	1,136	1,136	
Other Objects	833	789	1,622	1,622	
Total Custodial Services	314,440	43,884	358,324	357,108	1,216
Care and Upkeep of Grounds:					
Cleaning, Repair, and Maintenance Services	1,967	9,402	11,369	11,369	
General Supplies	1,637	5,245	6,882	6,877	5
Total Care and Upkeep of Grounds	3,604	14,647	18,251	18,246	5
Security:					
Cleaning, Repair, and Maintenance Services	500	(500)			
General Supplies	3,632	36,512	40,144	40,144	
Total Security	4,132	36,012	40,144	40,144	
Student Transportation Services:					
Contracted Services:					
Other than Between Home and School - Vendors	7,414	6,484	13,898	13,898	
Between Home and School - Joint Agreements	10,500	7,414	17,914	17,914	
Special Education - Joint Agreements	45,628	(2,360)	43,268	41,827	1,441
Aid in Lieu of Payments - Nonpublic Students	8,400	(1,700)	6,700	6,700	
Aid in Lieu of Payments - Charter Schools	3,150	(150)	3,000	3,000	
Total Student Transportation Services	75,092	9,688	84,780	83,339	1,441

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits :					
Social Security Contributions	\$ 78,014	\$ 16,704	\$ 94,718	\$ 94,718	
Other Retirement Contributions - PERS	51,716	(10,512)	41,204	41,204	
Other Retirement Contributions - Regular	9,535	1,890	11,425	11,425	
Unemployment Compensation	16,017	411	16,428	16,428	
Workmen's Compensation	35,986	(4,031)	31,955	31,955	
Health Benefits	909,296	(31,751)	877,545	877,545	
Tuition Reimbursement	11,500	(1,500)	10,000	10,000	
Other Employee Benefits	45,368	556	45,924	45,924	
Total Unallocated Benefits	<u>1,157,432</u>	<u>(28,233)</u>	<u>1,129,199</u>	<u>1,129,199</u>	
On-Behalf Contributions:					
Pension (non-budgeted)				455,864	\$ (455,864)
Post Retirement Contributions (non-budgeted)				211,107	(211,107)
Non-Contributory Insurance (Non-Budgeted)				9,542	(9,542)
Long-Term Disability Insurance (Non-Budgeted)				676	(676)
Reimbursed TPAF Social Security Contributions (non-budgeted)				182,159	(182,159)
Total On-Behalf and Reimbursed Contributions				<u>859,348</u>	<u>(859,348)</u>
Total Personal Services - Employee Benefits	<u>1,157,432</u>	<u>(28,233)</u>	<u>1,129,199</u>	<u>1,988,547</u>	<u>(859,348)</u>
Total Undistributed Expenses	<u>3,289,062</u>	<u>(28,105)</u>	<u>3,260,957</u>	<u>4,090,123</u>	<u>(829,166.00)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>5,804,429</u>	<u>10,211</u>	<u>5,814,640</u>	<u>6,636,015</u>	<u>(821,375)</u>
CAPITAL OUTLAY					
Equipment:					
Kindergarten		8,084	8,084		8,084
Total Equipment		<u>8,084</u>	<u>8,084</u>		<u>8,084</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Construction Services	\$ 55,349	\$ 4,300	\$ 59,649	\$ 59,363	\$ 286
Lease Purchase Agreements - Principal	68,415		68,415	68,415	
Assessment for Debt Service on SDA Funding	34,397		34,397	34,397	
Total Facilities Acquisition and Construction Services	<u>158,161</u>	<u>4,300</u>	<u>162,461</u>	<u>162,175</u>	<u>286</u>
Assets Acquired Under Capital Leases (non-budgeted):					
Regular Programs - Instruction				98,000	(98,000)
Assets Acquired Under Capital Leases (non-budgeted)				98,000	(98,000)
TOTAL CAPITAL OUTLAY	<u>158,161</u>	<u>12,384</u>	<u>170,545</u>	<u>260,175</u>	<u>(89,630)</u>
Transfer of Funds to Charter Schools	67,765	9,217	76,982	76,982	
TOTAL EXPENDITURES	<u>6,030,355</u>	<u>31,812</u>	<u>6,062,167</u>	<u>6,973,172</u>	<u>(911,005)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(159,409)	(83,828)	(243,237)	(237,457)	5,780
Other Financing Sources:					
Capital Leases (non-budgeted)				98,000	98,000
Total Other Financing Sources				98,000	98,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	<u>(159,409)</u>	<u>(83,828)</u>	<u>(243,237)</u>	<u>(139,457)</u>	<u>103,780</u>
Fund Balance, July 1	988,401		988,401	988,401	
Fund Balance, June 30	<u>\$ 828,992</u>	<u>\$ (83,828)</u>	<u>\$ 745,164</u>	<u>\$ 848,944</u>	<u>\$ 103,780</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation:					
Restricted:					
Capital Reserve				\$ 286,356	
Excess Surplus for 2020-2021				58,261	
Excess Surplus for 2019-2020				209,377	
Assigned Fund Balance:					
Year End Encumbrances				3,741	
Unassigned				291,209	
				<u>848,944</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last Two State Aid Payments not Recognized on GAAP basis				(142,979)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 705,965</u>	

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	\$ 164,865	\$ 22,724	\$ 187,589	\$ 129,989	\$ (57,600)
Total Revenues	<u>164,865</u>	<u>22,724</u>	<u>187,589</u>	<u>129,989</u>	<u>(57,600)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	38,886	(8,490)	30,396	28,838	1,558
Purchased Professional and Technical Services	5,424	(941)	4,483	1,600	2,883
Other Purchased Services	30,869	(270)	30,599	9,932	20,667
Tuition	37,210	(13,405)	23,805	23,776	29
General Supplies	19,608	20,630	40,238	20,471	19,767
Total Instruction	<u>131,997</u>	<u>(2,476)</u>	<u>129,521</u>	<u>84,617</u>	<u>44,904</u>
Support Services:					
Other Salaries	750	750	1,500	1,500	
Purchased Professional and Technical Services	21,171	26,885	48,056	40,270	7,786
Other Purchased Services	8,653	(699)	7,954	3,602	4,352
Supplies and Materials	2,294	(1,736)	558	558	
Total Support Services	<u>32,868</u>	<u>25,200</u>	<u>58,068</u>	<u>45,372</u>	<u>12,696</u>
Total Expenditures	<u>164,865</u>	<u>22,724</u>	<u>187,589</u>	<u>129,989</u>	<u>57,600</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 6,735,715	\$ 129,989
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		14,280
Current Year Encumbrances		(956)
Prior Year State Aid Payments Recognized for GAAP Purposes, Not Recognized for Budgetary Statements	144,247	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(142,979)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 6,736,983	\$ 143,313
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 6,973,172	\$ 129,989
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		14,280
Current Year Encumbrances		(956)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 6,973,172	\$ 143,313

BOROUGH OF STANHOPE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISION SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2019, 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, 2019

	Elementary and Secondary Education Act				I.D.E.A., Part B		Totals
	Title I	Title IIA	Title IV	Basic	Preschool		
REVENUES:							
Federal Sources	\$ 24,767	\$ 5,534	\$ 7,748	\$ 86,583	\$ 5,357	\$	\$ 129,989
Total Revenues	24,767	5,534	7,748	86,583	5,357		129,989
EXPENDITURES:							
Instruction:							
Salaries of Teachers	8,200			16,638	4,000		28,838
Purchased Professional and Technical Services			1,600				1,600
Other Purchased Services	8,893		1,039	23,776			9,932
Tuition	3,174		1,691	14,249	1,357		23,776
General Supplies							20,471
Total Instruction	20,267		4,330	54,663	5,357		84,617
Support Services:							
Other Salaries			1,500				1,500
Purchased Professional and Technical Services	4,500	4,400		31,370			40,270
Other Purchased Services		1,134	1,918	550			3,602
Total Support Services	4,500	5,534	3,418	31,920			45,372
Total Expenditures	\$ 24,767	\$ 5,534	\$ 7,748	\$ 86,583	\$ 5,357	\$	\$ 129,989

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 5,487
Intergovernmental Accounts Receivable:	
State	62
Federal	1,475
Inventories	1,892

Total Current Assets	<u>8,916</u>
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Non-Current Assets:

Capital Assets	26,600
Less: Accumulated Depreciation	<u>(23,391)</u>

Total Non-Current Assets	<u>3,209</u>
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Total Assets	<u>12,125</u>
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LIABILITIES:

Current Liabilities:

Accounts Payable	3,790
Unearned Revenue - Prepaid Sales	1,245
Unearned Revenue - Donated Commodities	1,361

Total Liabilities	<u>6,396</u>
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NET POSITION:

Investment in Capital Assets	3,209
Unrestricted	<u>2,520</u>

Total Net Position	<u><u>\$ 5,729</u></u>
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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, 2019

Operating Revenue:		
Local Sources:		
Daily Sales - Reimbursable Programs	\$	42,731
Daily Sales - Non-Reimbursable Programs		11,854
		<hr/>
Total Operating Revenue		54,585
		<hr/>
Operating Expenses:		
Cost of Sales - Reimbursable Programs		24,053
Cost of Sales - Non-Reimbursable Programs		5,280
Salaries, Benefits and Payroll Taxes		33,417
Supplies, Insurance and Other Costs		8,421
Management Fee		7,411
Depreciation Expense		1,283
		<hr/>
Total Operating Expenses		79,865
		<hr/>
Operating Loss		(25,280)
Non-Operating Revenue:		
Local Sources:		
Interest Income		157
State Sources:		
State School Lunch Program		942
Federal Sources:		
National School Lunch Program		22,297
Food Distribution Program		5,784
		<hr/>
Total Non-Operating Income		29,180
		<hr/>
Change in Net Position		3,900
Net Position - Beginning of Year		1,829
		<hr/>
Net Position - End of Year	\$	5,729
		<hr/> <hr/>

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 53,628
Payments to Employees	(33,417)
Payments to Food Service Contractor	(48,264)
	<hr/>
Net Cash Used for Operating Activities	(28,053)
Cash Flows from Investing Activities:	
Interest Income	157
	<hr/>
Net Cash Provided by Investing Activities	157
Cash Flows by Noncapital Financing Activities:	
Interfund Returned - General Fund	(13,224)
State Sources	1,113
Federal Sources	26,786
	<hr/>
Net Cash Provided by Noncapital Financing Activities	14,675
Net Decrease in Cash and Cash Equivalents	(13,221)
Cash and Cash Equivalents, July 1	18,708
	<hr/>
Cash and Cash Equivalents, June 30	\$ 5,487
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (25,280)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,283
Food Distribution Program	5,784
Changes in Assets and Liabilities:	
(Decrease) in Prepaid Sales	(957)
Increase in Unearned Revenue	51
(Decrease) in Accounts Payable	(8,740)
(Decrease) in Inventory	(194)
	<hr/>
Net Cash Used for Operating Activities	\$ (28,053)
	<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 \$5,835 and Utilized Commodities Valued at \$5,784.

FIDUCIARY FUNDS

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

	<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	\$ 34,006	\$ 28,120	\$ 5,170	\$ 67,296
Total Assets	<u>\$ 34,006</u>	<u>\$ 28,120</u>	<u>\$ 5,170</u>	<u>67,296</u>
<u>LIABILITIES:</u>				
Interfund Payable - General Fund	\$ 10,112	\$ 855		\$ 10,967
Payroll Deductions and Withholdings		27,265		27,265
Due to Student Groups	23,894			23,894
Total Liabilities	<u>34,006</u>	<u>28,120</u>		<u>62,126</u>
<u>NET POSITION:</u>				
Held in Trust for Flexible Spending Claims			\$ 5,170	5,170
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,170</u>	<u>\$ 5,170</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Flexible Spending Trust
ADDITIONS:	
Contributions:	
Plan Members	\$ 14,125
DEDUCTIONS:	
Flexible Spending Claims	10,624
Total Deductions	10,624
Change in Net Position	3,501
Net Position - Beginning of the Year	\$ 1,669
Net Position - End of the Year	\$ 5,170

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 25,719	\$ 30,148	\$ 21,861	\$ 34,006
Total Assets	<u>\$ 25,719</u>	<u>\$ 30,148</u>	<u>\$ 21,861</u>	<u>\$ 34,006</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Interfund Payable - General Fund		\$ 10,112		\$ 10,112
Due to Student Groups	\$ 25,719	20,036	\$ 21,861	23,894
Total Liabilities	<u>\$ 25,719</u>	<u>\$ 30,148</u>	<u>\$ 21,861</u>	<u>\$ 34,006</u>

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 110,831	\$ 4,170,079	\$ 4,252,790	\$ 28,120
Total Assets	<u>\$ 110,831</u>	<u>\$ 4,170,079</u>	<u>\$ 4,252,790</u>	<u>\$ 28,120</u>
<u>LIABILITIES:</u>				
Interfund Payable - General Fund	\$ 86,042	\$ 855	\$ 86,042	\$ 855
Payroll Deductions and Withholdings	<u>\$ 24,789</u>	<u>4,169,224</u>	<u>\$ 4,166,748</u>	<u>27,265</u>
Total Liabilities	<u>\$ 110,831</u>	<u>\$ 4,170,079</u>	<u>\$ 4,252,790</u>	<u>\$ 28,120</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, 2018	Matured	Balance June 30, 2019
			Bonds Outstanding		Interest Rate	Amount			
			Date	June 30, 2019					
Refunding Bonds	6/12/2012	\$ 2,805,000	4/15/20	\$ 295,000	4.000%	\$ 1,510,000	\$ 280,000	\$ 1,230,000	
			4/15/21	305,000	4.000%				
			4/15/22	315,000	4.000%				
			4/15/23	315,000	4.000%				
						<u>\$ 1,510,000</u>	<u>\$ 280,000</u>	<u>\$ 1,230,000</u>	

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

Purpose	Interest Rate	Original Issue	Balance July 1, 2018	Issued	Matured	Balance June 30, 2019
Technology Equipment	1.80%	\$ 159,851	\$ 33,116		\$ 33,116	
Partial Roof Replacement	2.81%	300,000	138,766		68,415	\$ 70,351
Technology Equipment	3.94%	98,000		\$ 98,000	2,000	96,000
			\$ 171,882	\$ 98,000	\$ 103,531	\$ 166,351

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 340,400		\$ 340,400	\$ 340,400	
Total Revenues	340,400		340,400	340,400	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	60,400		60,400	60,400	
Redemption of Principal	280,000		280,000	280,000	
Total Regular Debt Service	340,400		340,400	340,400	
Total Expenditures	340,400		340,400	340,400	
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

	Fiscal Year End June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in										
Capital Assets	\$ 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	\$ 4,822,526
Restricted	87,002	355,530	468,084	490,825	601,146	682,217	559,668	439,382	615,176	553,994
Unrestricted/(Deficit)	(3,169)	119,310	157,952	221,195	(637,439)	(661,743)	(767,629)	(814,700)	(960,489)	(1,008,563)
Total Governmental Activities Net Position	\$ 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	\$ 4,367,957
Business-type Activities										
Investment in Capital Assets	\$ 9,818	\$ 8,775	\$ 14,752	\$ 13,042	\$ 11,332	\$ 9,622	\$ 7,912	\$ 6,202	\$ 4,492	\$ 3,209
Unrestricted/(Deficit)	22,457	27,047	20,462	17,992	16,245	11,253	11,830	4,056	(2,663)	2,520
Total Business-type Activities Net Position	\$ 32,275	\$ 35,822	\$ 35,214	\$ 31,034	\$ 27,577	\$ 20,875	\$ 19,742	\$ 10,258	\$ 1,829	\$ 5,729
District-wide										
Net Investment in Capital Assets	\$ 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	\$ 4,825,735
Restricted	87,002	355,530	468,084	490,825	601,146	682,217	559,668	439,382	615,176	553,994
Unrestricted/(Deficit)	19,288	146,357	178,414	239,187	(621,194)	(650,490)	(755,799)	(810,644)	(963,152)	(1,006,043)
Total District Net Position	\$ 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	\$ 4,373,686

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 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	\$ 2,827,506
Special Education	939,636	1,094,839	833,890	803,698	847,698	847,673	926,715	1,280,300	1,405,898	1,441,530
Other Special Education	122,392	109,874	104,488	91,747	79,374	90,696	118,137	137,897	154,720	178,664
Other Instruction	64,125	390	33,326	22,984	33,742	35,539	43,202	51,391	60,112	69,081
Support Services:										
Tuition	625,018	292,257	237,864	297,299	363,287	366,406	388,432	242,976	255,276	39,688
Student & Instruction Related Services	627,464	489,702	671,503	842,460	960,171	1,175,469	1,224,637	1,424,227	1,308,238	1,179,300
General Administrative Services	294,536	412,143	398,635	349,117	298,575	312,004	349,508	366,587	424,786	428,106
School Administrative Services	183,637	117,036	138,928	151,265	127,806	194,638	206,968	210,637	224,824	222,730
Central Services	196,873	187,071	251,784	253,049	233,931	225,575	247,326	259,660	296,958	261,632
Administrative Information Technology	116,925	50,316	62,460	91,912	122,769	122,950	34,156	34,277	35,788	30,581
Plant Operations and Maintenance	331,466	332,052	419,827	451,059	479,072	476,473	433,983	540,996	541,528	624,584
Pupil Transportation	137,515	125,763	109,544	111,904	146,818	119,266	82,492	67,319	87,309	87,458
Transfer of Funds to Charter School	45,299	51,218	47,882	61,370	25,384	44,873	125,661	75,758	62,146	76,982
Interest on Long-term Debt	142,341	135,003	127,236	83,725	103,467	97,441	76,771	118,664	76,392	67,517
Capital Outlay	1,000	95,238	61,105					1,867	34,397	
Unallocated Depreciation	152,170	152,170	156,274	158,202	160,131	160,131	160,131	217,493	189,381	191,118
Total Governmental Activities Expenses	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	7,760,874
Business-type Activities:										
Food Service	111,361	102,761	112,760	104,931	111,939	103,663	92,164	98,106	93,920	79,865
Total Business-type Activities Expense	111,361	102,761	112,760	104,931	111,939	103,663	92,164	98,106	93,920	79,865
Total District Expenses	\$ 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	\$ 7,840,739
Program Revenues										
Governmental Activities:										
Charges for Services										
Instruction (Tuition)	\$ 781,492	\$ 743,390	\$ 841,490	\$ 824,339	\$ 785,976	\$ 33,140	\$ 33,415	\$ 31,953	\$ 147,761	\$ 144,289
Operating Grants and Contributions						1,313,710	1,484,447	1,959,207	2,315,466	1,881,162
Capital Grants and Contributions						147,024	192,076			
Total Governmental Activities Program Revenues	781,492	743,390	841,490	824,339	785,976	1,493,874	1,709,938	1,991,160	2,463,227	2,025,451
Business-type Activities:										
Charges for Services										
Food Service	73,769	75,235	75,290	69,099	74,963	66,417	59,866	57,707	52,808	54,585
Operating Grants and Contributions	30,064	26,539	29,148	31,630	33,493	30,520	31,140	30,880	32,615	29,023
Total Business-type Activities Program Revenues	103,833	101,774	104,438	100,729	108,456	96,937	91,006	88,587	85,423	83,608
Total District Program Revenues	\$ 885,325	\$ 845,164	\$ 945,928	\$ 925,068	\$ 894,432	\$ 1,590,811	\$ 1,800,944	\$ 2,079,747	\$ 2,548,650	\$ 2,109,059

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

	Fiscal Year End June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue										
Governmental Activities	\$ (5,447,707)	\$ (4,789,352)	\$ (4,873,812)	\$ (5,033,816)	\$ (5,387,814)	\$ (5,126,760)	\$ (5,145,364)	\$ (5,757,337)	\$ (5,614,719)	\$ (5,735,423)
Business-type Activities	(7,528)	(987)	(8,322)	(4,202)	(3,483)	(6,726)	(1,158)	(9,519)	(8,497)	3,743
Total District-wide Net Expense	\$ (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)	\$ (5,731,680)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 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	\$ 4,174,483
Taxes Levied for Debt Service	344,104	341,604	343,916	345,854	275,488	319,182	337,675	336,300	338,500	340,400
Federal and State aid not restricted	1,143,658	1,168,958	1,218,516	1,210,406	1,263,454	1,274,789	1,275,486	1,277,676	1,282,003	1,205,492
Tuition		20,826	27,764	36,343	57,312					
Investment Earnings	3,418	1,233	1,096	973	1,182	1,285	1,069	1,412	160	178
Miscellaneous Income	62,876	36,285	77,893	262,859	162,175	71,121	89,123	76,725	88,948	45,024
Other Item - Cancellation of Prior Year Accounts Payable	40,878									
Total Governmental Activities	4,945,499	5,017,494	5,286,555	5,444,346	5,464,943	5,468,505	5,598,055	5,704,496	5,802,242	5,765,577
Business-type Activities:										
Investment Earnings	40		27	22	26	24	25	35	68	157
Cancellation of Interfund Payable - General Fund	4,494									
Reappraisal of Assets			7,687							
Total Business-type Activities	4,534		7,714	22	26	24	25	35	68	157
Total District-wide	\$ 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	\$ 5,765,734
Change in Net Position										
Governmental Activities	\$ (502,208)	\$ 228,142	\$ 412,743	\$ 410,530	\$ 77,129	\$ 341,745	\$ 452,691	\$ (52,841)	\$ 187,523	\$ 30,154
Business-type Activities	(7,528)	3,547	(608)	(4,180)	(3,457)	(6,702)	(1,133)	(9,484)	(8,429)	3,900
Total District	\$ (509,736)	\$ 231,689	\$ 412,135	\$ 406,350	\$ 73,672	\$ 335,043	\$ 451,558	\$ (62,325)	\$ 179,094	\$ 34,054

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

	Fiscal Year End: June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved/Restricted	\$ 87,001	\$ 188,417	\$ 358,549	\$ 416,895	\$ 586,528	\$ 418,575	\$ 559,668	\$ 439,382	\$ 569,627	\$ 553,994
Assigned		35,719	97,593	48,599	67,583	78,917	53,312	114,411	70,357	3,741
Unassigned		136,888	128,736	130,258	139,884	123,187	147,787	193,844	204,170	148,230
Unreserved	81,376									
Total General Fund	\$ 168,377	\$ 361,024	\$ 584,878	\$ 595,752	\$ 793,995	\$ 620,679	\$ 760,767	\$ 747,637	\$ 844,154	\$ 705,965
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									
Total All Other Governmental Funds/(Deficit)	\$ 1	\$ 167,113	\$ 109,535	\$ 73,930	\$ 14,618	\$ 263,642				
Total Governmental Funds	\$ 168,378	\$ 528,137	\$ 694,413	\$ 669,682	\$ 808,613	\$ 884,321	\$ 760,767	\$ 747,637	\$ 844,154	\$ 705,965

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Tax Levy	\$ 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	\$ 4,514,883
Tuition Charges		20,826	27,764	36,343	57,312	33,140	33,415	31,953	147,761	144,289
Interest Earnings	3,418	1,233	1,096	973	1,182	1,278	1,037	1,412	160	178
Miscellaneous	62,876	36,285	77,893	114,776	162,175	71,128	89,155	76,725	86,967	45,024
State Sources	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	2,373,009
Federal Sources	401,810	190,611	139,327	137,113	135,069	138,861	120,492	129,056	142,419	143,313
Total Revenue	5,686,113	5,760,884	6,028,235	6,120,602	6,230,919	6,481,132	6,731,367	6,814,285	7,155,863	7,220,696
Expenditures										
Instruction										
Regular Instruction	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	1,664,000
Special Education Instruction	690,712	762,717	613,403	609,581	645,603	582,194	605,386	792,951	814,878	884,803
Other Special Instruction	83,195	78,897	83,631	70,201	58,125	56,880	74,601	79,758	82,415	104,196
Other Instruction	38,392	11,087	22,760	11,831	24,537	23,145	26,582	24,494	28,098	36,206
Support Services:										
Tuition	625,018	292,257	237,864	297,299	363,287	366,406	388,432	242,976	255,276	39,688
Student & Other Instruction Related Services	445,239	397,654	524,786	659,588	719,412	799,607	808,423	893,183	829,106	807,708
General Administrative Services	236,484	335,210	329,588	281,726	248,451	237,016	262,371	259,969	293,668	306,892
School Administrative Services	131,083	103,755	121,635	108,663	94,906	126,274	130,497	120,673	131,470	138,870
Central Services	139,999	139,810	188,697	189,170	187,750	188,054	188,116	168,929	173,833	177,635
Administrative Information Technology	107,918	50,316	62,460	67,684	97,208	110,889	22,445	19,667	19,892	22,109
Plant Operations and Maintenance	296,866	303,873	384,432	436,756	440,738	406,986	388,569	402,514	383,626	525,335
Pupil Transportation	137,515	125,763	109,544	111,904	146,818	119,266	82,492	67,319	83,189	83,339
Unallocated Benefits	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	1,988,547
Charter School	45,299	51,218	47,882	61,370	25,384	44,873	76,771	75,758	62,146	76,982
Capital Outlay	1,000	95,873	190,416	104,192	240,027	511,186	507,461	141,703	100,929	260,175
Debt Service:										
Principal	200,000	205,000	215,000	250,000	240,000	245,000	255,000	260,000	270,000	280,000
Interest and Other Charges	144,104	136,604	128,916	81,236	94,800	88,800	82,675	76,300	68,500	60,400
Total Expenditures	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	7,456,885
Excess/(Deficit) of Revenues	(555,670)	160,759	166,276	25,492	(20,920)	(224,292)	(123,554)	(13,130)	96,517	(236,189)

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other Financing Sources/(Uses)										
Transfers in		\$ 32	\$ 16	\$ 59,312			\$ 42,724	\$ 18		
Transfers out		(32)	(16)	(59,312)			(42,724)	(18)		
Lease Purchase Proceeds Returned				(50,223)						
School Refunding Bonds Issued				2,805,000						
School Bonds Defeased				(2,618,296)						
Bond Issuance Cost				(77,621)						
Deferred Amount on Refunding				(109,083)						
Cancellation of Prior Year Accounts Payable	\$ 40,878				\$ 159,851	\$ 300,000				\$ 98,000
Lease Purchase Agreement Proceeds	40,878	199,000		(50,223)	159,851	300,000				98,000
Total Other Financing Sources/(Uses)	\$ (514,792)	\$ 359,759	\$ 166,276	\$ (24,731)	\$ 138,931	\$ 75,708	\$ (123,554)	\$ (13,130)	\$ 96,517	\$ (138,189)
Net Change in Fund Balances										
Debt Service as a Percentage of Noncapital Expenditures	5.51%	6.21%	6.06%	5.53%	5.55%	5.39%	5.32%	5.03%	4.86%	4.73%

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	Tuition		Miscellaneous	Total
			Other LEA's			
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	
2019		178	144,289	45,024	189,491	

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)
2009	\$ 4,699,100	\$ 396,061,600	\$ 18,100	\$ 23,357,300	\$ 5,624,300	\$ 3,744,200	\$ 433,504,600	\$ 498,534	\$ 434,003,134	\$ 0.73	\$ 415,990,735
2010 *	3,867,500	315,145,600	18,100	22,409,100	5,490,300	3,430,500	350,361,100	494,678	350,855,778	1.07	419,493,289
2011	3,967,300	314,060,400	18,100	22,753,200	5,194,500	3,429,700	349,423,200	392,954	349,816,154	1.09	386,336,984
2012	3,670,600	307,560,200	18,100	22,724,800	4,598,900	3,376,100	341,948,700	388,422	342,337,122	1.14	370,101,092
2013	3,311,700	261,262,300	18,100	22,274,800	4,445,500	3,191,900	294,504,300	880	294,505,180	1.34	323,968,901
2014	2,744,000	261,244,700	18,100	22,286,500	4,445,500	3,191,900	293,930,700	758	293,931,458	1.38	329,032,732
2015	2,809,100	261,017,000	18,100	22,087,800	4,445,500	3,194,200	293,571,700	828	293,572,528	1.44	329,682,772
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
2018	2,653,900	261,299,400	19,300	22,153,800	4,445,500	3,194,200	293,766,100	651	293,766,751	1.52	315,261,868

* 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
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Municipality	Regional High School District	County	
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
2018	1.41	0.11	1.52	1.16	0.81	0.62	4.11

* 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	2018		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Metro SH 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	0.45%
Heritage Crossing, LLC	1,270,800	4	0.43%
AICHEM, Heinrich & Elke TIC	1,129,000	5	0.38%
Juntos Holdings LLC	979,300	6	0.33%
Lakeland Bank	953,600	7	0.32%
Kaczynski, Jacek & Maria	950,000	8	0.32%
Andrew Benjamin, LLC	851,500	9	0.29%
Normandie Lane, LLC	685,300	10	0.23%
Total	\$ 13,441,000		4.58%

Taxpayer	2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Paramont Self Storage	\$ 3,228,400	1	0.74%
U.S. Mineral Products	2,256,600	2	0.52%
Individual Taxpayer #1	1,665,900	3	0.38%
Netcong Development, LLC	1,465,300	4	0.34%
Individual Taxpayer #2	1,444,600	5	0.33%
Aichem, Heinrich & Elkle, LLC	1,358,700	6	0.31%
AHS Enterprises, LLC	1,320,600	7	0.30%
Individual Taxpayer #3	1,247,300	8	0.29%
Individual Taxpayer #4	1,142,100	9	0.26%
Lakeland Bank	1,103,300	10	0.25%
Total	\$ 16,232,800		3.45%

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	
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	4,232,377	4,232,377	100.00%	-0-
2018	4,431,131	4,431,131	100.00%	-0-
2019	4,514,883	4,514,883	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		Bond Anticipation Notes (BANs)	Business-Type Activities				
			Lease-Purchase Agreement			Capital	Leases			
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	
2019	1,230,000	-0-	166,351	-0-	-0-	-0-	1,396,351	0.71%	421.35	

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		
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
2019	1,230,000	-0-	1,230,000	0.42%	371.15

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, 2018
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	\$ 3,159,190	100.00%	\$ 3,159,190
Sussex County General Obligation Debt	102,675,174	1.86%	<u>1,907,147</u>
Subtotal, Overlapping Debt			5,066,337
Borough of Stanhope School District Direct Debt			<u>1,510,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 6,576,337</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 2019

2016	\$ 318,978,843
2017	313,985,775
2018	323,602,225
	<u>\$ 956,566,843</u>
	<u>\$ 318,855,614</u>
	\$ 9,565,668
	1,230,000
	<u>\$ 8,335,668</u>

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 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	\$ 9,565,668
Total Net Debt Applicable to Limit	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	1,230,000
Legal Debt Margin	<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>	<u>\$ 8,335,668</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	27.15%	26.52%	26.07%	25.00%	24.08%	22.78%	20.80%	18.32%	15.79%	12.86%

a Limit set by NISA 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

Year	Population ^a	Borough of Stanhope Personal Income ^b	Sussex County Per Capita Personal Income ^c	Unemployment Rate ^d
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	197,763,813	59,193	4.60%
2018	3,314	196,165,602	59,193 *	4.20%
2019	3,314 **	196,165,602 ***	59,193 *	N/A

* - Latest Sussex County per capita personal income available (2017) was used for calculation purposes.

** - Latest population data available (July 1, 2018) was used for calculation purposes.

***-Latest population data available (2018) and latest Sussex County per capita personal income available (2017) 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	2018		
	Employees	Rank	Percentage of Total Employment
Selective Insurance	1,000-4,999	1	N/A
Crystal Springs Golf and Spa Resort	1,000-4,999	2	N/A
Newton Medical Center	500-999	3	N/A
Sussex County Offices	500-999	4	N/A
Thorlabs	500-999	5	N/A
Mountain Creek Resort	500-999	6	N/A
Shop Rite	250-499	7	N/A
Sussex County Community College	250-499	8	N/A
United Methodist Community Bristol Glen	250-499	9	N/A
Andover Subacute & Rehab Center	100-249	10	N/A
	<u>N/A</u>		

Employer	2009		
	Employees	Rank	Percentage of Total Employment
Crystal Springs Golf and Spa Resort	2,000	1	N/A
Newton Memorial Hospital	1,490	2	N/A
Selective Insurance	900	3	N/A
County of Sussex	830	4	N/A
Mountain Creek/Intrawest	800	5	N/A
Shop Rite (Ronetco Supermarkets, Inc.)	697	6	N/A
Ames Rubber Corp.	445	7	N/A
Walmart	412	8	N/A
Andover Sub Acute Rehab Center	300	9	N/A
Sussex County Community College	300	10	N/A
	<u>8,174</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>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>	<u>2019</u>
Instruction										
Regular	31.0	27.0	22.2	22.7	21.7	21.6	22.2	22.2	21.6	21.6
Special education	3.0	3.0	13.7	8.8	9.2	9.7	10.7	14.2	19.3	18.2
Other instruction	3.0	3.0	1.0	1.0	1.0	1.0	1.4	1.4	1.4	1.4
Support Services:										
Student & instruction related services	2.5	2.0	10.6	13.3	16.3	15.5	15.1	15.5	19.9	19.8
General administrative services			2.0	0.9	1.1	1.4	1.4	1.4	1.4	1.0
School administrative services	2.5	2.0	1.0	1.2	1.2	1.5	1.5	1.5	2.5	1.8
Administrative Technology				1.0	1.0	0.3	0.3	0.3	0.3	0.3
Plant operations and maintenance	2.5	2.5	3.6	3.0	3.0	3.0	3.0	3.0	3.6	3.6
Business and other support services	1.0	1.0	2.0	1.7	1.2	1.2	1.5	2.0	2.0	2.0
Food Service	3.5	3.5	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Total	49.0	44.0	57.3	54.8	56.9	56.4	58.2	62.60	73.10	70.88

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 Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^e	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Elementary				
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%	
2019	308	6,856,310	22,261	4.92%	41	1:08	307	293	4.36%	95.44%	

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<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	364	378	375	361	358	319	317	316	312	308
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)	138	138	138	138	138	138	138	138	138	138
Enrollment	17	17	10							

Number of Schools at June 30, 2019
 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
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
2019	5,134	104,703	109,837

(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, 2019
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
Dr. Steven McHugh	175,000	None

SINGLE AUDIT



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-298-8500 | 973-298-8501 Fax

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

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 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.

November 8, 2019
Mount Arlington, New Jersey

NISIVOCIA LLP



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



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-298-8500 | 973-298-8501 Fax
 Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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, 2019. 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, 2019.

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.

November 8, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2018		Cash Received	Budgetary Expendi- tures	Balance at June 30, 2019		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:												
Food Distribution Program	10.555	N/A	7/1/18-6/30/19	\$ 5,835	\$	\$ 5,835	(4,474)	\$	\$ 1,361			
Food Distribution Program	10.555	N/A	7/1/17-6/30/18	6,801	\$	1,310	(1,310)					
National School Lunch Program	10.555	N/A	7/1/18-6/30/19	22,297		20,822	(22,297)	\$	(1,475)			
National School Lunch Program	10.555	N/A	7/1/17-6/30/18	24,534	\$ (5,964)	5,964						
Total Child Nutrition Cluster					\$ (5,964)	32,621	(28,081)		(1,475)	1,361		
Total U.S. Department of Agriculture					(5,964)	32,621	(28,081)		(1,475)	1,361		
U.S. Department of Education:												
Passed-through State Department of Education:												
Special Revenue:												
Elementary and Secondary Education Act:												
Title I	84.010A	ESEA546519	7/1/18-6/30/19	55,260		19,898	(24,767)		(4,869)			
Title I	84.010A	ESEA546518	7/1/17-6/30/18	66,604	(14,361)	14,361						
Subtotal - Title I					(14,361)	34,259	(24,767)		(4,869)			
Title IIA	84.367	ESEA546519	7/1/18-6/30/19	5,778		5,112	(5,534)		(422)			
Subtotal - Title IIA						5,112	(5,534)		(422)			
Title IV	84.424	ESEA546519	7/1/18-6/30/19	10,848		563	(7,748)		(7,185)			
Title IV	84.424	ESEA546518	7/1/17-6/30/18	10,000	(1,445)	1,445						
Subtotal - Title IV					(1,445)	2,008	(7,748)		(7,185)			
U.S. Department of Education:												
Passed-through State Department of Education:												
Special Education Cluster:												
ID.E.A. Part B, Basic	84.027A	IDEA546519	7/1/18-6/30/19	95,931		29,023	(86,583)		(57,560)			
ID.E.A. Part B, Basic	84.027A	IDEA546518	7/1/17-6/30/18	89,136	(21,508)	21,508						
ID.E.A. Part B, Preschool	84.173A	IDEA546519	7/1/18-6/30/19	5,492	(21,508)	50,531	(91,940)		(62,917)			
Total Special Education Cluster					(37,314)	91,910	(129,989)		(75,393)			
Subtotal - Special Revenue Fund					(37,314)	91,910	(129,989)		(75,393)			
Total U.S. Department of Education					(37,314)	91,910	(129,989)		(75,393)			
Total Federal Awards					(43,278)	124,531	(138,070)		(76,868)	1,361	\$ -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, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2018		Cash Received	Budgetary Expenditures	Balance at June 30, 2019		MEMO Cumulative Total Expenditures
				Budgetary Accounts Receivable	GAAP Accounts Receivable			Budgetary Accounts Receivable		
<u>State Department of Education:</u>										
<u>General Fund State Aid:</u>										
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	\$ 1,167,221	\$	\$ 1,053,241	\$ (1,167,221)	\$	\$ (113,980)	\$ 1,167,221	
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	21,534		19,431	(21,534)		(2,103)	21,534	
Special Education Categorical Aid	19-495-034-5120-089	7/1/18-6/30/19	241,435		217,859	(241,435)		(23,576)	241,435	
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	33,994		30,674	(33,994)		(3,320)	33,994	
Extraordinary Special Education Costs Aid	19-495-034-5120-044	7/1/18-6/30/19	46,213			(46,213)		(46,213)	46,213	
Reimbursement of Nonpublic School Transportation Costs	19-495-034-5120-014	7/1/18-6/30/19	1,996			(1,996)		(1,996)	1,996	
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18-6/30/19	182,159		146,233	(182,159)		(35,926)	182,159	
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/1/18-6/30/19	211,107		211,107	(211,107)			211,107	
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/1/18-6/30/19	455,864		455,864	(455,864)			455,864	
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19	9,542		9,542	(9,542)			9,542	
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/1/18-6/30/19	676		676	(676)			676	
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	1,167,221	\$	\$ (111,047)				1,167,221	
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	34,061		(3,240)				34,061	
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	204,219		(19,429)				204,219	
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	33,994		(3,234)				33,994	
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	66,645		(6,340)				66,645	
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	3,500		(333)				3,500	
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	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	
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	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	
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	179,263		(35,271)				179,263	
Subtotal - General Fund					(284,935)	2,429,562	(2,371,741)	(84,135)	(227,114)	4,338,458
<u>Food Service Fund:</u>										
State School Lunch Program	19-100-010-3350-023	7/1/18-6/30/19	942			(942)		(62)	942	
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	949		(233)				949	
Subtotal - Food Service Fund					(233)	1,113	(942)	(62)	1,891	
Total NJ Department of Education					(285,168)	2,430,675	(2,372,683)	(84,197)	(227,176)	4,340,349

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2018	Cash Received	Budgetary Expendi- tures	Balance at June 30, 2019	MEMO
				Budgetary Accounts Receivable	GAAP Accounts Receivable	Budgetary Accounts Receivable	GAAP Accounts Receivable	Cumulative Total Expenditures
				\$ (285,168)	\$ 2,430,675	\$ (2,372,683)	\$ (84,197)	\$ 4,340,349
Total State Department of Education								
Less: State Awards Not Subject to Single Audit Major Program Determination								
On-Behalf TPAF Pension System Contributions:								
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/1/18-6/30/19				211,107		
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/1/18-6/30/19				455,864		
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19				9,542		
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/1/18-6/30/19				676		
Subtotal - On-Behalf TPAF Pension System Contributions						677,189		
Total State Awards Subject to Single Audit Major Program Determination						\$ (1,695,494)		

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, 2019

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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, 2019. 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 \$1,268 for the general fund and \$13,324 for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and the special revenue funds.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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

Revenue from federal and state awards are reported in the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,373,009	\$ 2,373,009
Special Revenue Fund	\$ 143,313		143,313
Food Service Fund	28,081	942	29,023
Total Awards	<u>\$ 171,394</u>	<u>\$ 2,373,951</u>	<u>\$ 2,545,345</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, 2019.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 the 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 major state program 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, 2019 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	19-495-034-5120-078	7/1/18-6/30/19	\$ 1,167,221	\$ 1,167,221
Special Education Categorical Aid	19-495-034-5120-089	7/1/18-6/30/19	241,435	241,435
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	33,994	33,994
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18-6/30/19	182,159	182,159

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

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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Status of Prior Year Findings:

There were no prior year findings.