

**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, 2020**

**Comprehensive Annual
Financial Report**

of the

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

Stanhope, New Jersey

For the Fiscal Year Ended June 30, 2020

Prepared by

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

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INTRODUCTORY SECTION
(UNAUDITED)



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

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www.stanhopeschools.org

December 14, 2020

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, 2020, 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 2019-2020 fiscal year with an enrollment of 308 students, which is the same as 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, math teachers worked with a math consultant to develop and enhance strategies to differentiate instruction to learners at different tiers. This year, they will collaborate with the same consultant to develop better understanding of commonly misunderstood standards. All three of these areas of professional development also support the District's Response to Intervention (Rtl) 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 (Rtl) program throughout the school. Staff is more consistently using data to identify specific weaknesses in students to plan and implement more targeted support and remediation. NJSLA results, standards based report card data, LinkIt Benchmark assessment data, and teacher observations and formative assessments are also being 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, 2020.

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.

The Honorable President and Members of
the Board of Education
Borough of Stanhope School District
Page 4
December 14, 2020

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,

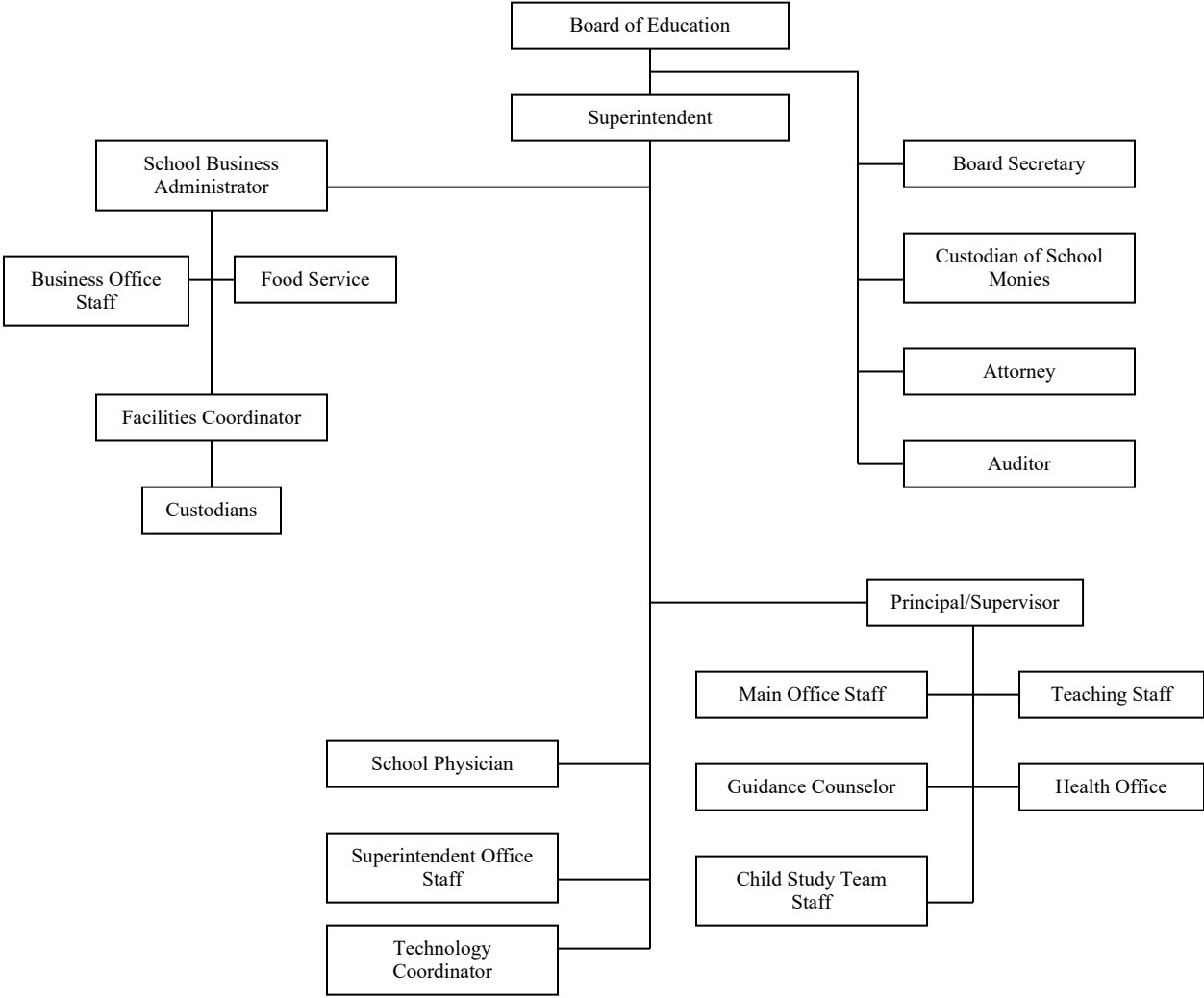


Mr. Steven Hagemann
Superintendent of Schools



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

**Stanhope Board of Education
Organizational Chart
2019-2020**



**BOROUGH OF STANHOPE SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2020**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Gilbert Moscatello, Board President	2021
Cynthia Percarpio, Vice- President (from 7/1/19 to 12/31/19)	2022
F. Francis Shay (from 1/1/20)	2021
Jonathan Clauson	2022
Daniele Ferrone (to 12/31/19)	2019
Najib Iftikhar	2020
Mattia Scharfstein	2020
Jennifer Herold (from 1/1/20)	2022

<u>Other Officers</u>	<u>Title</u>
Steven Hagemann	Superintendent
Dr. Steven E. McHugh, Sr.	Business Administrator/Board Secretary (from 7/15/19)
Mr. Robert Klinck	Interim Business Administrator (to 7/14/19)
Carissa Berkowicz	Interim Board Secretary (to 7/14/19)
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, Aferi, 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



200 Valley Road, Suite 300
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973.298.8500

11 Lawrence Road
Newton, NJ 07860
973.383.6699

nisivoccia.com

Independent Member
BKR International

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, 2020, 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, 2020, 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.

The accompanying other supplementary schedules 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 Honorable President and Members
of the Board of Education
Borough of Stanhope School District
Page 3

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 December 14, 2020 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.

December 14, 2020
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA, LLP

Man C Lee

Man C. Lee
Licensed Public School Accountant #2527
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

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, 2020. 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

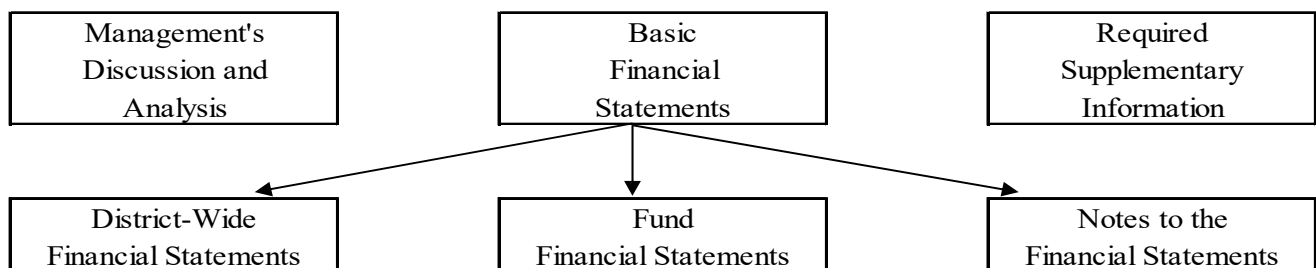


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents 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 2019/20
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	
Current and Other Assets	\$ 1,002,244	\$ 900,632	\$ 17,036	\$ 8,916	\$ 1,019,280	\$ 909,548	
Capital Assets, Net	6,077,986	6,179,213	2,352	3,209	6,080,338	6,182,422	
Total Assets	<u>7,080,230</u>	<u>7,079,845</u>	<u>19,388</u>	<u>12,125</u>	<u>7,099,618</u>	<u>7,091,970</u>	0.11%
Deferred Outflows of Resources	<u>634,411</u>	<u>368,103</u>			<u>634,411</u>	<u>368,103</u>	72.35%
Other Liabilities	305,326	265,618	13,888	6,396	319,214	272,014	
Long-Term Liabilities	2,124,836	2,242,779			2,124,836	2,242,779	
Total Liabilities	<u>2,430,162</u>	<u>2,508,397</u>	<u>13,888</u>	<u>6,396</u>	<u>2,444,050</u>	<u>2,514,793</u>	-2.81%
Deferred Inflows of Resources	<u>619,520</u>	<u>571,594</u>			<u>619,520</u>	<u>571,594</u>	8.38%
Net Position:							
Net Investment in Capital Assets	5,108,733	4,822,526	2,352	3,209	5,111,085	4,825,735	
Restricted	587,798	553,994			587,798	553,994	
Unrestricted/(Deficit)	<u>(1,031,572)</u>	<u>(1,008,563)</u>	<u>3,148</u>	<u>2,520</u>	<u>(1,028,424)</u>	<u>(1,006,043)</u>	-2.22%
Total Net Position	<u>\$ 4,664,959</u>	<u>\$ 4,367,957</u>	<u>\$ 5,500</u>	<u>\$ 5,729</u>	<u>\$ 4,670,459</u>	<u>\$ 4,373,686</u>	6.79%

Changes in Net Position. The District's *combined* net position was \$4,670,459 on June 30, 2020, an increase of \$296,773 or 6.79% more than it was the year before. Net investment in capital assets increased by \$285,350 primarily due to \$295,000 of serial bond matured, \$102,351 of capital leases payments and \$110,534 of capital assets additions, offset by \$212,618 in depreciation expense. Restricted net position increased by \$33,804 mainly due to increase in excess surplus. Unrestricted net position decreased by \$22,381 primarily due to change in pensions and related deferred outflows and inflows of resources.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities 2019/20	Business- Type Activities 2019/20	Governmental Activities 2018/19	Business- Type Activities 2018/19	Total School District 2019/20	Total School District 2018/19	Percentage Change 2019/20
Revenue:							
Program Revenue:							
Charges for Services	\$ 253,710	\$ 36,836	\$ 144,289	\$ 54,585	\$ 290,546	\$ 198,874	
Operating Grants and Contributions	1,753,579	29,044	1,881,162	29,023	1,782,623	1,910,185	
General Revenue:							
Property Taxes	4,602,173		4,514,883		4,602,173	4,514,883	
Unrestricted State and Federal Aid	1,141,354		1,205,492		1,141,354	1,205,492	
Other	45,581	76	45,202	157	45,657	45,359	
Total Revenue	7,796,397	65,956	7,791,028	83,765	7,862,353	7,874,793	-0.16%
Expenses:							
Instruction	4,621,224		4,516,781		4,621,224	4,516,781	
Pupil and Instruction Services	1,271,938		1,218,988		1,271,938	1,218,988	
Administrative and Business	869,779		943,049		869,779	943,049	
Maintenance and Operations	547,085		624,584		547,085	624,584	
Transportation	43,517		87,458		43,517	87,458	
Other	145,852	66,185	370,014	79,865	212,037	449,879	
Total Expenses	7,499,395	66,185	7,760,874	79,865	7,565,580	7,840,739	-3.51%
Increase/(Decrease) in Net Position	\$ 297,002	\$ (229)	\$ 30,154	\$ 3,900	\$ 296,773	\$ 34,054	771.48%

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	
	2019/20	2019/20	2018/19	2018/19
Instruction	\$ 4,621,224	\$ 2,688,733	\$ 4,516,781	\$ 2,903,390
Pupil and Instruction Services	1,271,938	1,370,067	1,218,988	1,027,521
Administrative and Business	869,779	741,841	943,049	784,196
Maintenance and Operations	547,085	523,952	624,584	587,512
Transportation	43,517	21,661	87,458	62,790
Other	145,852	145,852	370,014	370,014
	<u>\$ 7,499,395</u>	<u>\$ 5,492,106</u>	<u>\$ 7,760,874</u>	<u>\$ 5,735,423</u>

Business-Type Activities

Net position from the District’s business-type activity decreased by \$229 despite decrease in sales due to school closure as a result of the pandemic (Refer to Figure A-4).

Financial Analysis of the District’s Funds

The District’s financial position increased \$60,303 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)						Percentage Change 2019/20
	Government Activities		Business-Type Activities		Total School District		
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	
Sites	\$ 526,300	\$ 526,300			\$ 526,300	\$ 526,300	
Site Improvements	237,673	145,226			237,673	145,226	
Buildings and Building Improvements	5,277,325	5,459,922			5,277,325	5,459,922	
Machinery and Equipment	36,688	47,765	\$ 2,352	\$ 3,209	39,040	50,974	
Total Capital Assets (Net of Depreciation)	<u>\$ 6,077,986</u>	<u>\$ 6,179,213</u>	<u>\$ 2,352</u>	<u>\$ 3,209</u>	<u>\$ 6,080,338</u>	<u>\$ 6,182,422</u>	<u>-1.65%</u>

The District’s capital assets decreased by \$102,084, due to \$212,618 of depreciation expense offset by \$110,534 of site improvement additions. More detailed information regarding the District’s Capital Assets is presented in Note 5 to the basic financial statements.

Long-term Liabilities

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
	2019/20	2018/19	Change 2019/20
General Obligation Bonds (Financed with Property Taxes)	\$ 935,000	\$ 1,230,000	
Other Long-Term Liabilities	1,189,836	1,012,779	
	<u>\$ 2,124,836</u>	<u>\$ 2,242,779</u>	<u>-5.26%</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:

- Unbudgeted COVID-19 related expenses are required to operate the School District safely.
- AlphaBest, the District’s before and after care provider, generates additional revenue to the District based on enrollment in their program. Currently, enrollment is down due to the virtual/in-person hybrid model the school is operating under.
- The Stanhope Special Education program generates revenue by providing tuition based services to out of district students.
- The State of New Jersey’s use of the Funding Formula has decreased State Aid to the District for the past three years. This trend is expected to continue for the next four years.
- Linden Avenue School is an aging unused building that may require unexpected repairs and mold remediation. The District is in the process of liquidating this building.

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, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 426,521	\$ 5,245	\$ 431,766
Internal Balances	(1,261)	1,261	
Interfund Receivable - Fiduciary Fund	11,456		11,456
Receivables from State Government	92,327	323	92,650
Receivables from Federal Government	93,534	6,107	99,641
Receivables from Other Governments	64,276		64,276
Other Receivables	21,392		21,392
Inventories		4,100	4,100
Prepaid Expenses	17,262		17,262
Restricted Assets Cash and Cash Equivalents	276,737		276,737
Capital Assets, Net:			
Sites (Land)	526,300		526,300
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	5,551,686	2,352	5,554,038
Total Assets	<u>7,080,230</u>	<u>19,388</u>	<u>7,099,618</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	29,747		29,747
Deferred Outflows Related to Pensions	604,664		604,664
Total Deferred Outflows of Resources	<u>634,411</u>		<u>634,411</u>
LIABILITIES			
Accrued Interest Payable	9,350		9,350
Accounts Payable	280,231	8,430	288,661
Payable to Federal Government	15,745		15,745
Unearned Revenue - Prepaid Sales		4,253	4,253
Unearned Revenue - Donated Commodities		1,205	1,205
Noncurrent Liabilities:			
Due Within One Year	341,927		341,927
Due Beyond One Year	1,782,909		1,782,909
Total Liabilities	<u>2,430,162</u>	<u>13,888</u>	<u>2,444,050</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources Related to Pensions	619,520		619,520
Total Deferred Inflows of Resources	<u>619,520</u>		<u>619,520</u>
NET POSITION			
Net Investment in Capital Assets	5,108,733	2,352	5,111,085
Restricted for:			
Capital Projects	276,737		276,737
Excess Surplus	311,061		311,061
Unrestricted/(Deficit)	<u>(1,031,572)</u>	<u>3,148</u>	<u>(1,028,424)</u>
Total Net Position	<u>\$ 4,664,959</u>	<u>\$ 5,500</u>	<u>\$ 4,670,459</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, 2020

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 2,802,669	\$ 253,710	\$ 649,428		\$ (2,153,241)		\$ (2,153,241)
Special Education	1,549,576		715,985		(579,881)		(579,881)
Other Special Instruction	214,182		47,819		(166,363)		(166,363)
Other Instruction	54,797		11,839		(42,958)		(42,958)
Support Services:							
Tuition	54,495				(54,495)		(54,495)
Student & Instruction Related Services	1,217,443		155,581		(1,061,862)		(1,061,862)
General Administrative Services	298,590		35,307		(263,283)		(263,283)
School Administrative Services	280,076		52,321		(227,755)		(227,755)
Central Services	260,923		38,287		(222,636)		(222,636)
Administrative Information Technology	30,190		2,023		(28,167)		(28,167)
Plant Operations and Maintenance	547,085		23,133		(523,952)		(523,952)
Pupil Transportation	43,517		21,856		(21,661)		(21,661)
Interest on Long-Term Debt	56,167				(56,167)		(56,167)
Capital Outlay	34,397				(34,397)		(34,397)
Transfer of Funds to Charter School	55,288				(55,288)		(55,288)
Total Governmental Activities	7,499,395	253,710	1,753,579		(5,492,106)		(5,492,106)
Business-Type Activities:							
Food Service	66,185	36,836	29,044			\$ (305)	\$ (305)
Total Business-Type Activities	66,185	36,836	29,044			(305)	(305)
Total Primary Government	\$ 7,565,580	\$ 290,546	\$ 1,782,623	\$ -0-	(5,492,106)	(305)	(5,492,411)

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 4,257,973		\$ 4,257,973
Taxes Levied for Debt Service	344,200		344,200
Federal and State Aid not Restricted	1,141,354		1,141,354
Investment Earnings	915	\$ 76	991
Miscellaneous Income	44,666		44,666
Total General Revenue	5,789,108	76	5,789,184
Change in Net Position	297,002	(229)	296,773
Net Position - Beginning	4,367,957	5,729	4,373,686
Net Position - Ending	\$ 4,664,959	\$ 5,500	\$ 4,670,459

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, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 426,521			\$ 426,521
Interfund Receivable	88,380			88,380
Receivables From State Government	92,327			92,327
Receivables From Federal Government		\$ 93,534		93,534
Receivables From Other Governments	64,276			64,276
Other Receivables	21,392			21,392
Prepaid Expenses	17,262			17,262
Restricted Cash and Cash Equivalents	276,737			276,737
Total Assets	\$ 986,895	\$ 93,534	\$ -0-	\$ 1,080,429
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable	\$ 1,261	\$ 76,924		\$ 78,185
Accounts Payable	219,366	865		220,231
Payable to Federal Government		15,745		15,745
Total Liabilities	220,627	93,534		314,161
Fund Balances:				
Restricted:				
Capital Reserve Account	276,737			276,737
Excess Surplus for 2021-2022	252,800			252,800
Excess Surplus for 2020-2021	58,261			58,261
Assigned:				
Other Purposes	3,239			3,239
Unassigned	175,231			175,231
Total Fund Balances	766,268			766,268
Total Liabilities and Fund Balances	\$ 986,895	\$ 93,534	\$ -0-	\$ 1,080,429

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

Total Fund Balances from above	\$ 766,268
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds	6,077,986
Interest on Long-Term Debt is not Accrued in the Governmental Funds, but Rather is Recognized as an Expenditure When Due.	(9,350)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(1,086,438)
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	544,664
Deferred Inflows	(619,520)
Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.	(1,038,398)
Deferred amount on refunding is not reported as an expenditure in the governmental funds in the year of the expenditure.	29,747
Net Position of Governmental Activities (Exhibit A-1)	\$ 4,664,959

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, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local Sources:				
Local Tax Levy	\$ 4,257,973		\$ 344,200	\$ 4,602,173
Tuition from Other LEAs	253,710			253,710
Interest Earned on Investments	915			915
Unrestricted Miscellaneous Revenue	44,666			44,666
Total - Local Sources	4,557,264		344,200	4,901,464
State Sources	2,341,915			2,341,915
Federal Sources		\$ 148,762		148,762
Total Revenues	6,899,179	148,762	344,200	7,392,141
EXPENDITURES:				
Current:				
Regular Instruction	1,651,482	58,834		1,710,316
Special Education Instruction	849,683	89,928		939,611
Other Special Instruction	124,560			124,560
School-Sponsored/Other Instruction	30,840			30,840
Support Services and Undistributed Costs:				
Tuition	54,495			54,495
Student and Other Instruction Related Services	833,344			833,344
General Administration Services	213,384			213,384
School Administration Services	173,087			173,087
Central Services	173,292			173,292
Administrative Information Technology	21,489			21,489
Plant Operations and Maintenance	435,925			435,925
Student Transportation	35,877			35,877
Unallocated Benefits	1,970,848			1,970,848
Debt Service:				
Principal			295,000	295,000
Interest and Other Charges			49,200	49,200
Capital Outlay	215,282			215,282
Transfer of Funds to Charter School	55,288			55,288
Total Expenditures	6,838,876	148,762	344,200	7,331,838
Excess of Revenue Over Expenditures	60,303			60,303
Net Change in Fund Balances	60,303			60,303
Fund Balance - July 1	705,965			705,965
Fund Balance - June 30	\$ 766,268	\$ -0-	\$ -0-	\$ 766,268

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, 2020

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$	60,303
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	\$	(211,761)
Capital Outlays		<u>110,534</u>
		(101,227)
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 (+).		
		(2,105)
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 (+).		
		2,950
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.		
		295,000
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.		
		102,351
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		(277,303)
Change in Deferred Outflows		274,876
Change in Deferred Inflows		<u>(47,926)</u>
Change in Net Positon of Governmental Activities (A-2)	\$	<u><u>297,002</u></u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Business-type Activities - Enterprise Funds
	Food Service
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 5,245
Interfund Receivable	1,261
Intergovernmental Accounts Receivable:	
State	323
Federal	6,107
Inventories	4,100
	17,036
Total Current Assets	
Non-Current Assets:	
Capital Assets	26,600
Less: Accumulated Depreciation	(24,248)
	2,352
Total Non-Current Assets	
Total Assets	19,388
<u>LIABILITIES:</u>	
Current Liabilities:	
Accounts Payable	8,430
Unearned Revenue - Prepaid Sales	4,253
Unearned Revenue - Donated Commodities	1,205
	13,888
Total Liabilities	
<u>NET POSITION:</u>	
Investment in Capital Assets	2,352
Unrestricted	3,148
	5,500
Total Net Position	\$ 5,500

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, 2020

	Business-type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 26,462
Daily Sales - Non-Reimbursable Programs	10,374
	36,836
Total Operating Revenue	36,836
Operating Expenses:	
Cost of Sales - Reimbursable Programs	25,645
Cost of Sales - Non-Reimbursable Programs	6,015
Salaries, Benefits & Payroll Taxes	24,058
Supplies, Insurance & Other Costs	2,209
Management Fee	7,401
Depreciation Expense	857
	66,185
Total Operating Expenses	66,185
Operating Loss	(29,349)
Non-Operating Revenue:	
Local Sources:	
Interest Income	76
State Sources:	
State School Lunch Program	836
COVID-19 - Seamless Summer Option	132
Federal Sources:	
National School Lunch Program	14,288
COVID-19 - Seamless Summer Option	8,180
Food Distribution Program	5,608
	29,120
Total Non-Operating Income	29,120
Change in Net Position	(229)
Net Position - Beginning of Year	5,729
Net Position - End of Year	\$ 5,500

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, 2020

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 39,844
Payments to Employees	(24,058)
Payments to Food Service Contractor	(33,386)
Net Cash Used for Operating Activities	(17,600)
Cash Flows from Investing Activities:	
Interest Income	76
Net Cash Provided by Investing Activities	76
Cash Flows by Noncapital Financing Activities:	
Interfund Advanced - General Fund	5
State Sources:	
State School Lunch Program	672
COVID-19 - Seamless Summer Option	15
Federal Sources:	
National School Lunch Program	15,615
COVID-19 - Seamless Summer Option	975
Net Cash Provided by Noncapital Financing Activities	17,282
Net Decrease in Cash and Cash Equivalents	(242)
Cash and Cash Equivalents, July 1	5,487
Cash and Cash Equivalents, June 30	\$ 5,245
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (29,349)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	857
Food Distribution Program	5,608
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	3,008
Increase/(Decrease) in Accounts Payable	(156)
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	4,640
Increase/(Decrease) in Unearned Revenue - Donated Commodities	(2,208)
Net Cash Used for Operating Activities	\$ (17,600)

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 \$5,452 and Utilized Commodities Valued at \$5,608.

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, 2020

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 64,410	\$ -0-	\$ 64,410
Total Assets	<u>\$ 64,410</u>	<u>\$ -0-</u>	<u>\$ 64,410</u>
<u>LIABILITIES:</u>			
Interfund Payable - General Fund	\$ 11,456		\$ 11,456
Payroll Deductions and Withholdings	31,211		31,211
Due to Student Groups	21,743		21,743
Total Liabilities	<u>64,410</u>		<u>64,410</u>
<u>NET POSITION:</u>			
Held in Trust for:			
Flexible Spending Claims		\$ -0-	
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</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, 2020

	<u>Flexible Spending Trust</u>
ADDITIONS:	
Contributions:	
Plan Members	<u>\$ 13,836</u>
Total Additions	<u>13,836</u>
DEDUCTIONS:	
Flexible Spending Claims	<u>19,006</u>
Total Deductions	<u>19,006</u>
Change in Net Position	(5,170)
Net Position - Beginning of the Year	<u>\$ 5,170</u>
Net Position - End of the Year	<u><u>\$ -0-</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, 2020

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. 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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

B. Basis of Presentation (Cont'd)

District-Wide Financial Statements: (Cont'd)

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.

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

B. Basis of Presentation (Cont'd)

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.

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2020, 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.

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 6,887,361	\$ 165,620
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		957
Current Year Encumbrances		(17,815)
Prior Year State Aid Payments Recognized for GAAP Purposes, Not recognized for Budgetary Statements	142,979	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(131,161)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 6,899,179	\$ 148,762

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

D. Budgets/Budgetary Control (Cont'd)

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 6,838,876	\$ 165,620
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		957
Current Year Encumbrances		(17,815)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 6,838,876	\$ 148,762

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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.

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, 2020.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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:

	<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, 2020.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

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.

P. Fund Balance Appropriated:

General Fund: Of the \$766,268 General Fund fund balance at June 30, 2020, \$3,239 is assigned for year end encumbrances; \$276,737 is restricted in the capital reserve account; the \$252,800 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, 2022; \$58,261 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, 2021; and \$175,231 is unassigned, which is \$131,161 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, 2021.

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Q. Deficit Net Position:

The District has a deficit in unrestricted net position of \$1,031,572 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.

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, 2020 for pensions. The District had deferred outflows of resources for the deferred amount on refunding and pensions at June 30, 2020.

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

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

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, 2020.

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, 2020.

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

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.

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

Deposits: (Cont'd)

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

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

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

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

Investments:

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

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Investments: (Cont'd)

- (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;
 - (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, 2020, cash and cash equivalents of the District consisted of the following:

	Restricted Cash and Cash Equivalents	Cash and Cash Equivalents	Total
Checking Accounts	\$ 276,737	\$ 496,176	\$ 772,913

During the period ended June 30, 2020, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2020, was \$772,913 and the bank balance was \$897,724.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance, July 1, 2019	\$	286,356
Add:		
Interest Earned on Capital Reserve		915
Transfer by Board Resolution		100,000
Unexpended Funds of Completed Capital Projects		1
Less:		
Budgeted Withdrawal		<u>(110,535)</u>
Ending Balance, June 30, 2020	\$	<u><u>276,737</u></u>

The balance in the capital reserve account at June 30, 2020 does not exceed the LRFP balance of local support costs of uncompleted capital projects. The withdrawal from the capital reserve was for use in DOE approved facilities projects consistent with the District’s LRFP.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020 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	<u>526,300</u>			<u>526,300</u>
Capital Assets Being Depreciated:				
Site Improvements	261,555	\$ 110,534		372,089
Buildings and Building Improvements	8,701,369			8,701,369
Machinery and Equipment	269,820			269,820
Total Capital Assets Being Depreciated	<u>9,232,744</u>	<u>110,534</u>		<u>9,343,278</u>
Governmental Activities Capital Assets	<u>9,759,044</u>	<u>110,534</u>		<u>9,869,578</u>
Less Accumulated Depreciation for:				
Site Improvements	(116,329)	(18,087)		(134,416)
Buildings and Building Improvements	(3,241,447)	(182,597)		(3,424,044)
Machinery and Equipment	(222,055)	(11,077)		(233,132)
	<u>(3,579,831)</u>	<u>(211,761)</u>		<u>(3,791,592)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,179,213</u>	<u>\$ (101,227)</u>	<u>\$ -0-</u>	<u>\$ 6,077,986</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 26,600			\$ 26,600
Less: Accumulated Depreciation	(23,391)	\$ (857)		(24,248)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 3,209</u>	<u>\$ (857)</u>	<u>\$ -0-</u>	<u>\$ 2,352</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 70,892
Special Education	37,374
Other Special Instruction	4,401
Other Instruction	1,529
Support Services	38,991
General Administration	12,963
School Admin	5,866
Central Services	7,503
Admin Info Tech	934
Maintenance/Custodial	23,668
Pupil Transportation	7,640
	<u>\$ 211,761</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2020, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2019	Issued/ Accrued	Matured	Balance 6/30/2020
Serial Bonds Payable	\$ 1,230,000		\$ 295,000	\$ 935,000
Net Pension Liability	809,135	\$ 277,303		1,086,438
Capital Leases	166,351		102,351	64,000
Compensated Absences Payable	37,293	2,105		39,398
	<u>\$ 2,242,779</u>	<u>\$ 279,408</u>	<u>\$ 397,351</u>	<u>\$ 2,124,836</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The current portion of the bonds payable is \$305,000 and the long term portion is \$630,000.

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, 2020 as follows:

Purpose	Final Maturity Date	Interest Rate	Amount
Refunding School Bonds	4/15/2023	4.00%	<u>\$ 935,000</u>

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

Fiscal Year Ending June 30,	Bonds		
	Principal	Interest	Total
2021	\$ 305,000	\$ 37,400	\$ 342,400
2022	315,000	25,200	340,200
2023	315,000	12,600	327,600
	<u>\$ 935,000</u>	<u>\$ 75,200</u>	<u>\$ 1,010,200</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

A. Bonds Payable: (Cont'd)

The bond payments will be paid from the Debt Service Fund.

B. Bonds Authorized But Not Issued:

As of June 30, 2020, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District entered into 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 \$398,000 of which \$334,000 has been liquidated as of June 30, 2020. 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, 2020.

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 34,208
2022	32,631
	66,839
Less: Amount representing interest	(2,839)
Present value of net minimum lease payments	\$ 64,000

The current portion of Capital Leases payable at June 30, 2020 is \$32,000 and the long-term portion is \$32,000.

The General Fund will be used to liquidate the capital leases payable.

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 \$4,927 and the long-term liability balance of compensated absences is \$34,471.

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, 2020, no liability existed for compensated absences in the Proprietary Funds.

The General Fund will be used to liquidate the governmental funds compensated absences payable.

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, 2020 is \$-0- and the long-term portion is \$1,086,438. See Note 7 for further information on the PERS.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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/annual-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. 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. 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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$59,073 for fiscal year 2020.

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

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

At June 30, 2020, the District reported a liability of \$1,086,438 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the District's proportion was 0.006%, which was an increase of 0.002% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$109,003. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources on the next page:

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 2,871	
	2015	5.72	17,753	
	2016	5.57	87,861	
	2017	5.48		\$ 155,962
	2018	5.63		126,032
	2019	5.21		95,105
			<u>108,485</u>	<u>377,099</u>
Difference Between Expected and Actual Experience	2015	5.72	4,926	
	2016	5.57	2,666	
	2017	5.48	4,638	
	2018	5.63		4,799
	2019	5.21		
			<u>7,270</u>	
			<u>19,500</u>	<u>4,799</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual	2016	5.00		\$ (20,053)
Investment Earnings on Pension Plan Investments	2017	5.00		24,064
	2018	5.00		16,739
	2019	5.00		(3,600)
				17,150
Changes in Proportion	2014	6.44	\$ 8,714	
	2015	5.72		16,049
	2016	5.57	56,516	
	2017	5.48		15,955
	2018	5.63		188,468
	2019	5.21	351,449	
			416,679	220,472
District Contribution Subsequent to the Measurement Date	2019	1.00	60,000	
			\$ 604,664	\$ 619,520

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:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2020	\$ (31,371)
2021	(101,768)
2022	(90,873)
2023	(42,670)
2024	(4,381)
	\$ (271,063)

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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, 2019) 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, 2019 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, 2020

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (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 Management Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 100% of actuarially determined contributions for the local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, 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, 2019 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:

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

	June 30, 2019		
	At 1% Decrease (5.28%)	Current Discount Rate (6.28%)	At 1% Increase (7.28%)
<u>District's proportionate share of the Net Pension Liability</u>	\$ 1,381,895	\$ 1,086,438	\$ 851,400
<u>Pension Plan Fiduciary Net Position</u>			

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division).

For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annual-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. 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:

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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. For fiscal year 2020, the State's pension contribution was less than the actuarial determined amount.

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 2020, the State of New Jersey contributed \$485,731 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$839,019.

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

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

At June 30, 2020, the State's proportionate share of the net pension liability associated with the District was \$14,224,833. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the District's proportion was 0.0232%, which was an increase of 0.001% from its proportion measured as of June 30, 2018.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>14,224,833</u>
Total	\$	<u><u>14,224,833</u></u>

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the District in the amount of \$839,019 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2020 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:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 768,874,621	
	2015	8.3	2,351,172,865	
	2016	8.3	5,609,216,856	
	2017	8.3		\$ 8,483,527,374
	2018	8.29		5,172,258,445
	2019	8.04		3,507,345,617
				<u>8,729,264,342</u>
Difference Between Expected and Actual Experience	2014	8.5		7,323,009
	2015	8.3	145,211,243	
	2016	8.3		69,755,412
	2017	8.3	150,939,884	
	2018	8.29	907,352,137	
	2019	8.04		136,265,890
			<u>1,203,503,264</u>	<u>213,344,311</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5		(431,855,192)
	2017	5		452,016,524
	2018	5		288,091,115
	2019	5		(144,882,771)
			<u>163,369,676</u>	
			<u>\$ 9,932,767,606</u>	<u>\$ 17,539,845,423</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (272,405,510)
2021	(704,260,700)
2022	(630,562,767)
2023	(1,216,378,743)
2024	(2,381,316,232)
Thereafter	(2,402,153,865)
	\$ (7,607,077,817)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55 – 4.45% based on years of service
Thereafter	2.75 – 5.65% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) 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, 2019 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	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 on 70% of the actuarially determined contributions for the State. 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 2054. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2054, 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, 2020
(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, 2019 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, 2019		
	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
State's Proportionate Share of the Net Pension Associated with the District	\$ 16,774,227	\$ 14,224,833	\$ 12,109,641

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 \$23,149 for the fiscal year ended June 30, 2020. Employee contributions to DCRP amounted to \$31,478 for the year ended June 30, 2020.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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-notice-opeb.shtml>.

Employees Covered by Benefit Terms

At June 30, 2018, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	148,051
Active Plan Members	216,892
Total	364,943

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. 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.

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 - 3.05%	2.00 - 6.00%
	based on years of service	based on years of service
Thereafter	1.55 - 3.05%	3.00 - 7.00%
	based on years of service	based on years of service

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018 and July 1, 2014 – June 30, 2018 for TPAF and PERS, respectively.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

Discount Rate

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the State's Proportionate Share of the Total OPEB Liability Associated with the District

	Total OPEB Liability
Balance at June 30, 2018	\$ 9,717,558
Changes for Year:	
Service Cost	328,271
Interest on the Total OPEB Liability	383,545
Changes of Assumptions	136,555
Differences between Expected and Actual Experience	(1,134,529)
Gross Benefit Payments by the State	(281,141)
Contributions from Members	8,334
Net Changes	(558,965)
Balance at June 30, 2019	\$ 9,158,593

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, 2019, 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, 2019		
	At 1% Decrease (2.50%)	At Discount Rate (3.50%)	At 1% Increase (4.50%)
Total OPEB Liability Attributable to the District	\$ 10,819,918	\$ 9,158,593	\$ 7,838,928

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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, 2019, 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	\$ 7,546,272	\$ 9,158,593	\$ 11,292,974

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

For the fiscal year ended June 30, 2020 the District recognized OPEB expense of \$234,395 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, 2019 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

	Year of Deferral	Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ 1,066,245
	2018	9.51		917,115
	2019	9.29	\$ 121,856	
			121,856	1,983,361
Differences Between Expected and Actual Experience	2018	9.51		866,959
	2019	9.29		1,434,254
				2,301,214
Changes in Proportion	N/A	N/A	524,013	
			\$ 645,869	\$ 4,284,574

N/A - Not Available

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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 and Inflows of Resources Related to OPEB (Cont'd)

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
2020	\$ (558,905)
2021	(558,905)
2022	(558,905)
2023	(558,905)
2024	(558,905)
Thereafter	(1,368,192)
	\$ (4,162,718)

NOTE 9. RISK MANAGEMENT

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

Property and Liability and Health Benefits

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

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. RISK MANAGEMENT (Cont'd)

Property and Liability and Health Benefits (Cont'd)

Selected, summarized financial information for the Fund as of June 30, 2020 is as follows:

Total Assets	\$ 51,526,293
Net Position	\$ 20,539,909
Total Revenue	\$ 43,264,716
Total Expenses	\$ 41,642,794
Change in Net Position	\$ 1,621,922
Member Dividends	\$ -0-

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

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

New Jersey Unemployment Compensation Insurance

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

NOTE 10. ECONOMIC DEPENDENCY

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

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 88,380	\$ 1,261
Special Revenue Fund		76,924
Food Service Fund	1,261	
Fiduciary Fund - Agency		1,344
Fiduciary Fund - Student Activities		10,112
	<u>\$ 89,641</u>	<u>\$ 89,641</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES (Cont'd)

The interfund payable of \$76,924 in Special Revenue Fund is due to grant funds not being received during the fiscal year ended June 30, 2020. The interfund payable of \$1,261 in the General Fund is due to Federal and State lunch reimbursement subsidies received in the General Fund and not turned over to the Food Service Fund during the fiscal year ended June 30, 2020. The \$1,344 interfund payable in Fiduciary Fund – Agency is due to monies not turned over to General Fund during the fiscal year ended June 30, 2020. 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.

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 14. CONTINGENT LIABILITIES (Cont'd)

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, 2020, 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
\$ 3,239	\$ 17,815	\$ 21,054

On the District's Governmental Funds Balance Sheet as of June 30, 2020, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$17,815 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, 2020 were:

	Governmental Funds	Special Revenue Fund	District Contribution Subsequent to Measurement Date	Total Governmental Activities	Business-Type Activities Proprietary Funds
Due to the State of New Jersey			\$ 60,000	\$ 60,000	
Vendors	\$ 219,366	\$ 865		220,231	\$ 8,430
	\$ 219,366	\$ 865	\$ 60,000	\$ 280,231	\$ 8,430

NOTE 16: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2020, no transfers were made to the capital outlay accounts which required County Superintendent approval.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 17: SUBSEQUENT EVENT

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the District's normal financial operations. Though the impact on the District's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund other than state aid and the local tax levy. Also, there have been additional operating expenses in the General Fund not planned for or expected at the time of the adoption of the District's 2020-21 budget related to COVID-19.

Additionally, the District's cash flow in the Governmental Funds may be affected by the timing of the collection of the District's tax levy as well as certain State aid payments.

The District's Food Service Enterprise Fund has been impacted by COVID-19 for the fiscal year ending June 30, 2021 as the in-person school day has been shortened and a number of students are attending virtually, resulting in no onsite lunches being served. The District continues to serve the Free and Reduced Lunch population by delivering meals on the days students are not present. This food service model has proven to be problematic by way of limited revenue, increased costs, and staffing issues. The District feels these issues will not be mitigated until normal in-school lunch service resumes.

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 SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.0052200088%	0.4557700400%	0.0055671764%	0.0054054801%	0.0041094750%	0.0060295746%
District's proportionate share of the net pension liability	\$ 977,328	\$ 1,023,112	\$ 1,648,838	\$ 1,258,309	\$ 809,135	\$ 1,086,438
District's covered employee payroll	\$ 319,417	\$ 376,364	\$ 375,600	\$ 330,943	\$ 361,735	\$ 413,146
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%	262.97%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%

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 SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 43,033	\$ 39,184	\$ 50,106	\$ 51,459	\$ 41,204	\$ 59,073
Contributions in relation to the contractually required contribution	(43,033)	(39,184)	(50,106)	(51,459)	(41,204)	(59,073)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 376,364	\$ 375,600	\$ 330,943	\$ 361,735	\$ 413,146	\$ 445,424
Contributions as a percentage of covered employee payroll	11.43%	10.43%	15.14%	14.23%	9.97%	13.26%

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 SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
State's proportion of the net pension liability attributable to the District	0.0202724339%	0.0188250296%	0.0187185590%	0.0207304719%	0.0217997051%	0.0231784493%
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	\$ 14,224,833
District's covered employee payroll	\$ 1,873,465	\$ 1,987,783	\$ 2,173,983	\$ 2,401,031	\$ 2,402,379	\$ 2,348,756
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%	605.63%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%	26.95%

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 SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 583,022	\$ 726,494	\$ 1,106,395	\$ 968,272	\$ 808,485	\$ 839,019
Contributions in relation to the contractually required contribution	(101,775)	(149,868)	(225,024)	(321,032)	(455,864)	(485,731)
Contribution deficiency/(excess)	<u>\$ 481,247</u>	<u>\$ 576,626</u>	<u>\$ 881,371</u>	<u>\$ 647,240</u>	<u>\$ 352,621</u>	<u>\$ 353,288</u>
District's covered employee payroll	\$ 1,987,783	\$ 2,173,983	\$ 2,401,031	\$ 2,402,379	\$ 2,348,756	\$ 2,622,193
Contributions as a percentage of covered employee payroll	5.12%	6.89%	9.37%	13.36%	19.41%	18.52%

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

	Fiscal Year Ending June 30,		
	2017	2018	2019
Total OPEB Liability			
Service Cost	\$ 472,283	\$ 391,661	\$ 328,271
Interest Cost	355,518	412,360	383,545
Changes in Assumptions	(1,452,339)	(1,115,138)	136,555
Differences between Expected and Actual Experience		(971,563)	(1,134,529)
Member Contributions	9,596	8,981	8,334
Gross Benefit Payments	(260,599)	(259,844)	(281,141)
Net Change in Total OPEB Liability	(875,541)	(1,533,543)	(558,965)
Total OPEB Liability - Beginning	12,126,642	11,251,101	9,717,558
Total OPEB Liability - Ending	<u>\$ 11,251,101</u>	<u>\$ 9,717,558</u>	<u>\$ 9,158,593</u>
District's Covered Employee Payroll *	\$ 2,549,583	\$ 2,731,974	\$ 2,764,114
Total OPEB Liability as a Percentage of Covered Employee Payroll	441%	356%	331%

* - Covered payroll for the fiscal years ending June 30, 2017, 2018 and 2019 are based on the payroll on the June 30, 2016, 2017 and 2018 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, 2020

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%.

The inflation rate was 2.25% as of June 30, 2018. As of June 30, 2019, the inflation rate was as follows – Price – 2.75% and Wage – 3.25%. The salary increases as of June 30, 2018 were as follows: Through 2026 – 1.65% - 4.15% based on age and Thereafter – 2.65% - 5.15% based on age. The salary increases as of June 30, 2019 are as follows: Through 2026 – 2.00% - 6.00% based on years of service and Thereafter – 3.00% - 7.00% based on years of service.

The July 1, 2017 actuarial valuation utilized the following mortality rate assumptions:

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 plan actuary's modified MP-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 July 1, 2018 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

Changes of Actuarial Assumptions

The discount rate changed from 4.86% as of June 30, 2018 to 5.60% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%. The inflation rate as of June 30, 2018 was 2.25%. The inflation rate as of June 30, 2019 was as follows: Price – 2.75% and Wage – 3.25%.

The salary increases in the July 1, 2018 valuation were as follows: Through 2026 - 1.55 – 4.45% based on years of service and thereafter - 2.75 – 5.65% based on years of service. The salary increases in the July 1, 2017 valuation were as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

The mortality rates utilized in the July 1, 2018 valuation were as follows: Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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 for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Changes of Actuarial Assumptions (Cont'd)

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.

The mortality rates in the valuation as of June 30, 2019 were based on the following:

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

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 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.

The health care trend rates in the valuation as of June 30, 2019 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 4,257,973		\$ 4,257,973	\$ 4,257,973	
Tuition from Other LEAs	206,278		206,278	253,710	\$ 47,432
Interest Earned on Capital Reserve Funds	40		40	915	875
Unrestricted Miscellaneous Revenue	54,884		54,884	44,666	(10,218)
Total - Local Sources	4,519,175		4,519,175	4,557,264	38,089
State Sources:					
Categorical Special Education Aid	241,435		241,435	241,435	
Equalization Aid	1,096,468		1,096,468	1,096,468	
Categorical Security Aid	33,994		33,994	33,994	
Categorical Transportation Aid	21,534		21,534	21,534	
Extraordinary Aid	7,000		7,000	63,146	56,146
Additional Nonpublic Transportation Aid				246	246
On-Behalf TPAF Contributions:					
Pension (Non-Budgeted)				485,731	485,731
Post Retirement Contributions (Non-Budgeted)				183,427	183,427
Non-Contributory Insurance (Non-Budgeted)				8,706	8,706
Long-Term Disability Insurance (Non-Budgeted)				621	621
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				194,789	194,789
Total State Sources	1,400,431		1,400,431	2,330,097	929,666
TOTAL REVENUES	5,919,606		5,919,606	6,887,361	967,755

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 165,430	\$ (782)	\$ 164,648	\$ 164,648	
Grades 1-5 - Salaries of Teachers	863,072	3,029	866,101	866,101	
Grades 6-8 - Salaries of Teachers	509,176	(2,247)	506,929	506,858	\$ 71
Regular Programs - Home Instruction:					
Salaries of Teachers	2,000		2,000	805	1,195
Purchased Services	2,258	(1,085)	1,173	195	978
Regular Programs - Undistributed Instruction:					
Other Purchased Services	120,397	(6,454)	113,943	74,181	39,762
General Supplies	40,472	3,808	44,280	38,271	6,009
Textbooks	100	1,257	1,357		1,357
Other Objects	7,661		7,661	423	7,238
Total Regular Programs - Instruction	<u>1,710,566</u>	<u>(2,474)</u>	<u>1,708,092</u>	<u>1,651,482</u>	<u>56,610</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	65,674	(61,161)	4,513	4,513	
Other Salaries for Instruction	3,532	457	3,989	3,819	170
General Supplies	1,530	(1,530)			
Total Learning and/or Language Disabilities	<u>70,736</u>	<u>(62,234)</u>	<u>8,502</u>	<u>8,332</u>	<u>170</u>
Resource Room/Resource Center:					
Salaries of Teachers	303,181	(3,111)	300,070	300,070	
Other Salaries for Instruction	81,298	81,013	162,311	162,311	
General Supplies	2,780	224	3,004	2,997	7
Total Resource Room/Resource Center	<u>387,259</u>	<u>78,126</u>	<u>465,385</u>	<u>465,378</u>	<u>7</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Behavioral Disabilities:					
Salaries of Teachers	\$ 63,030	\$ 2,470	\$ 65,500	\$ 65,500	
Other Salaries for Instruction	54,453	(12,181)	42,272	41,191	\$ 1,081
General Supplies	2,650	(875)	1,775	1,132	643
Total Behavioral Disabilities	<u>120,133</u>	<u>(10,586)</u>	<u>109,547</u>	<u>107,823</u>	<u>1,724</u>
Autism:					
Salaries of Teachers	131,946	58,586	190,532	190,532	
General Supplies	7,800	(339)	7,461	4,877	2,584
Other Objects	52		52	52	52
Total Autism - Instruction	<u>139,798</u>	<u>58,247</u>	<u>198,045</u>	<u>195,409</u>	<u>2,636</u>
Home Instruction:					
Salaries of Teachers	12,500		12,500		12,500
Professional Educational Services	11,303		11,303	5,400	5,903
Total Home Instruction	<u>23,803</u>		<u>23,803</u>	<u>5,400</u>	<u>18,403</u>
Preschool Disabilities - Full-time - Instruction:					
Salaries of Teachers	64,430	(450)	63,980	62,343	1,637
Other Salaries for Instruction	24,823	(18,638)	6,185	4,907	1,278
General Supplies	3,510	2,000	5,510	91	5,419
Other Objects	55		55		55
Total Preschool Disabilities - Full-time - Instruction	<u>92,818</u>	<u>(17,088)</u>	<u>75,730</u>	<u>67,341</u>	<u>8,389</u>
Total Special Education Instruction	<u>834,547</u>	<u>46,465</u>	<u>881,012</u>	<u>849,683</u>	<u>31,329</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 117,855		\$ 117,855	\$ 110,043	\$ 7,812
General Supplies	1,510		1,510		1,510
Total Basic Skills/Remedial - Instruction	<u>119,365</u>		<u>119,365</u>	<u>110,043</u>	<u>9,322</u>
Bilingual Education - Instruction:					
Salaries of Teachers	13,921	\$ 596	14,517	14,517	
General Supplies	400	(256)	144		144
Total Bilingual Education - Instruction	<u>14,321</u>	<u>340</u>	<u>14,661</u>	<u>14,517</u>	<u>144</u>
School-Sponsored Co-Curricular Activities - Instruction:					
Salaries	21,525		21,525	20,790	735
Supplies and Materials	100		100		100
Other Objects	250		250		250
Total School-Sponsored Co-Curricular Activities - Instruction	<u>21,875</u>		<u>21,875</u>	<u>20,790</u>	<u>1,085</u>
School-Sponsored Co-Curricular Athletics - Instruction:					
Salaries	11,700		11,700	10,050	1,650
Supplies and Materials	2,800		2,800		2,800
Other Objects	1,575		1,575		1,575
Total School-Sponsored Co-Curricular Athletics - Instruction	<u>16,075</u>		<u>16,075</u>	<u>10,050</u>	<u>6,025</u>
Total Instruction	<u>2,716,749</u>	<u>44,331</u>	<u>2,761,080</u>	<u>2,656,565</u>	<u>104,515</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	9,122		9,122	9,122	
Tuition to Private Schools for the Handicapped - Within State	52,627		52,627	45,373	7,254
Total Undistributed Expenditures - Instruction	<u>61,749</u>		<u>61,749</u>	<u>54,495</u>	<u>7,254</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 64,429	\$ (304)	\$ 64,125	\$ 62,184	\$ 1,941
Purchased Professional and Technical Services	7,745	(289)	7,456	7,277	179
Other Purchased Services	200	384	584	37	547
Supplies and Materials	2,743		2,743	2,019	724
Other Objects		252	252	252	
Total Health Services	<u>75,117</u>	<u>43</u>	<u>75,160</u>	<u>71,769</u>	<u>3,391</u>
Speech, OT, PT and Related Services:					
Salaries	97,119	(13,729)	83,390	75,627	7,763
Purchased Professional Services	87,895	32,400	120,295	105,213	15,082
Supplies and Materials	1,355	2,035	3,390	2,629	761
Total Speech, OT, PT and Related Services	<u>186,369</u>	<u>20,706</u>	<u>207,075</u>	<u>183,469</u>	<u>23,606</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	205,147	(92,203)	112,944	97,942	15,002
Total Other Support Services - Students - Extraordinary Services	<u>205,147</u>	<u>(92,203)</u>	<u>112,944</u>	<u>97,942</u>	<u>15,002</u>
Other Support Services - Students - Guidance:					
Salaries of Secretarial and Clerical Assistants	19,535	123	19,658	19,658	
Salaries of Other Professional Staff	64,130		64,130	64,130	
Purchased Professional - Educational Services	750	(279)	471	471	471
Other Purchased Services	7,085	236	7,321	7,321	
Supplies and Materials	2,069	(10)	2,059	765	1,294
Total Other Support Services - Students - Guidance	<u>93,569</u>	<u>70</u>	<u>93,639</u>	<u>91,874</u>	<u>1,765</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	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	\$ 126,928	\$ 18,884	\$ 145,812	\$ 145,812	
Salaries of Secretarial and Clerical Assistants	36,951		36,951	36,887	\$ 64
Purchased Professional - Educational Services		4,200	4,200	4,200	
Other Purchased Prof. and Tech. Services	10,264	2,751	13,015	13,015	
Other Purchased Services (400-500 series)	526	(526)			
Supplies and Materials	5,026	(2,927)	2,099	2,099	
Other Objects	150	(150)			
Total Other Support Services - Students - Child Study Team	179,845	22,232	202,077	202,013	64
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	58,259		58,259	58,259	
Salaries of Other Professional Staff	500		500		500
Purchased Professional-Educational Services	42,375	125	42,500	42,500	
Other Purchased Services	3,163	(125)	3,038		3,038
Total Improvement of Instructional Services	104,297		104,297	100,759	3,538
Educational Media Services/School Library:					
Salaries	14,156	(182)	13,974	13,303	671
Salaries of Technology Coordinators	57,384		57,384	57,384	
Other Purchased Services	1,242	(636)	606		606
Supplies and Materials	1,530	641	2,171	2,157	14
Total Educational Media Services/School Library	74,312	(177)	74,135	72,844	1,291
Instructional Staff Training Services:					
Purchased Professional-Educational Services	6,250	4,210	10,460	9,760	700
Other Purchased Services	5,664	(1,415)	4,249	2,914	1,335
Total Instructional Staff Training Services	11,914	2,795	14,709	12,674	2,035

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration:					
Salaries	\$ 101,152	\$ 21,855	\$ 123,007	\$ 123,006	\$ 1
Legal Services	9,481	(1,546)	7,935	7,935	
Audit Fees	25,375		25,375	25,375	
Other Purchased Professional Services	6,280	(2,324)	3,956	3,505	451
Communications/Telephone	17,982	1,004	18,986	18,495	491
Board of Education Other Purchased Services	1,000	1,048	2,048	2,048	
Other Purchased Services	30,769	(2,963)	27,806	21,493	6,313
General Supplies	2,550		2,550	1,893	657
Miscellaneous Expenditures	4,500	3,235	7,735	7,735	
Board of Education Membership Dues and Fees	1,516	383	1,899	1,899	
Total Support Services - General Administration	200,605	20,692	221,297	213,384	7,913
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	126,316		126,316	126,316	
Salaries of Secretarial and Clerical Assistants	37,552	(635)	36,917	36,208	709
Purchased Professional and Technical Services	800	575	1,375	1,375	
Other Purchased Services	5,302	665	5,967	5,540	427
Supplies and Materials	1,599	(340)	1,259	1,203	56
Other Objects	1,250	1,195	2,445	2,445	
Total Support Services - School Administration	172,819	1,460	174,279	173,087	1,192
Central Services:					
Salaries	150,288	(9,319)	140,969	139,346	1,623
Purchased Professional Services	23,822	9,301	33,123	26,369	6,754
Other Purchased Services	1,271	1,044	2,315	1,515	800
Supplies and Materials	2,100	673	2,773	2,773	
Interest on Lease Purchase Agreements	1,486		1,486	1,486	
Miscellaneous Expenditures	1,730	73	1,803	1,803	
Total Central Services	180,697	1,772	182,469	173,292	9,177

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Administrative Information Technology:					
Salaries	\$ 23,028	\$ (1,579)	\$ 21,449	\$ 19,128	\$ 2,321
Other Purchased Services	761	942	1,703	1,703	
Supplies and Materials	1,377	(372)	1,005	658	347
Total Administrative Information Technology	<u>25,166</u>	<u>(1,009)</u>	<u>24,157</u>	<u>21,489</u>	<u>2,668</u>
Required Maintenance of School Facilities:					
Salaries	71,339	2,791	74,130	74,130	
Cleaning, Repair and Maintenance Services	51,829	(12,135)	39,694	32,235	7,459
General Supplies	12,632	(8,031)	4,601	4,601	
Total Required Maintenance of School Facilities	<u>135,800</u>	<u>(17,375)</u>	<u>118,425</u>	<u>110,966</u>	<u>7,459</u>
Custodial Services:					
Salaries	128,561	2,952	131,513	130,015	1,498
Salaries for Non-Instructional Aides	10,247	4,372	14,619	14,619	
Purchased Professional and Technical Services	2,433	5,472	7,905	7,332	573
Cleaning, Repair, and Maintenance Services	2,988	3,410	6,398	1,395	5,003
Other Purchased Property Services	5,849	5,538	11,387	11,387	
Insurance	42,343	9,427	51,770	51,770	
Miscellaneous Purchased Services	3,347	(2,113)	1,234	703	531
General Supplies	17,576	9,761	27,337	25,395	1,942
Energy (Electricity)	48,773	(1,277)	47,496	47,088	408
Energy (Oil)	41,569	(14,575)	26,994	26,994	
Energy (Gasoline)	776	15	791	791	
Other Objects	790	50	840	701	139
Total Custodial Services	<u>305,252</u>	<u>23,032</u>	<u>328,284</u>	<u>318,190</u>	<u>10,094</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Care and Upkeep of Grounds:					
Cleaning, Repair, and Maintenance Services	\$ 2,435	\$ 1,521	\$ 3,956	\$ 3,956	
General Supplies	3,305	(439)	2,866	2,663	\$ 203
Total Care and Upkeep of Grounds	5,740	1,082	6,822	6,619	203
Security:					
Cleaning, Repair, and Maintenance Services	500		500	150	500
General Supplies	5,252	(963)	4,289	150	4,139
Total Security	5,752	(963)	4,789	150	4,639
Student Transportation Services:					
Contracted Services:					
Other than Between Home and School - Vendors	7,785	649	8,434	8,284	150
Between Home and School - Joint Agreements	20,288	(3,649)	16,639	12,647	3,992
Special Education - Joint Agreements	21,471	(505)	20,966	6,096	14,870
Aid in Lieu of Payments - Nonpublic Students	8,000	2,000	10,000	6,350	3,650
Aid in Lieu of Payments - Charter Schools	2,195	505	2,700	2,000	700
Aid in Lieu of Payments - Choice Schools		1,000	1,000	500	500
Total Student Transportation Services	59,739		59,739	35,877	23,862
Unallocated Benefits :					
Social Security Contributions	86,525	11,334	97,859	97,859	
Other Retirement Contributions - PERS	59,058	15	59,073	59,073	
Other Retirement Contributions - Regular	11,732	11,417	23,149	23,149	
Unemployment Compensation	16,310	(117)	16,193	16,193	
Workmen's Compensation	38,346	(1,985)	36,361	36,361	

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits: (Cont'd)					
Health Benefits	\$ 918,750	\$ (71,137)	\$ 847,613	\$ 804,769	\$ 42,844
Tuition Reimbursement	11,500		11,500	6,396	5,104
Other Employee Benefits	38,545	15,229	53,774	53,774	
Total Unallocated Benefits	1,180,766	(35,244)	1,145,522	1,097,574	47,948
On-Behalf Contributions:					
Pension (non-budgeted)				485,731	(485,731)
Post Retirement Contributions (non-budgeted)				183,427	(183,427)
Non-Contributory Insurance (Non-Budgeted)				8,706	(8,706)
Long-Term Disability Insurance (Non-Budgeted)				621	(621)
Reimbursed TPAF Social Security Contributions (non-budgeted)				194,789	(194,789)
Total On-Behalf and Reimbursed Contributions				873,274	(873,274)
Total Personal Services - Employee Benefits	1,180,766	(35,244)	1,145,522	1,970,848	(825,326)
Total Undistributed Expenses	3,264,655	(53,087)	3,211,568	3,911,741	(700,173)
TOTAL GENERAL CURRENT EXPENSE	5,981,404	(8,756)	5,972,648	6,568,306	(595,658)
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Construction Services	110,535		110,535	110,534	1
Lease Purchase Agreements - Principal	70,351		70,351	70,351	
Assessment for Debt Service on SDA Funding	34,397		34,397	34,397	
Total Facilities Acquisition and Construction Services	215,283		215,283	215,282	1
TOTAL CAPITAL OUTLAY	215,283		215,283	215,282	1

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Transfer of Funds to Charter Schools	\$ 46,532	\$ 8,756	\$ 55,288	\$ 55,288	
TOTAL EXPENDITURES	<u>6,243,219</u>		<u>6,243,219</u>	<u>6,838,876</u>	<u>\$ (595,657)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(323,613)		(323,613)	48,485	372,098
Fund Balance, July 1	848,944		848,944	848,944	
Fund Balance, June 30	<u>\$ 525,331</u>	<u>\$ -0-</u>	<u>\$ 525,331</u>	<u>\$ 897,429</u>	<u>\$ 372,098</u>
Recapitulation:					
Restricted:				\$ 276,737	
Capital Reserve				252,800	
Excess Surplus for 2021-2022				58,261	
Excess Surplus for 2020-2021				3,239	
Assigned Fund Balance:				<u>306,392</u>	
Year End Encumbrances				897,429	
Unassigned				(131,161)	
Reconciliation to Governmental Funds Statement (GAAP):					
Last Two State Aid Payments not Recognized on GAAP basis				<u>\$ 766,268</u>	
Fund Balance per Governmental Funds (GAAP)					

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	\$ 139,218	\$ 71,333	\$ 210,551	\$ 165,620	\$ (44,931)
Total Revenues	139,218	71,333	210,551	165,620	(44,931)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	24,578	7,743	32,321	30,922	1,399
Purchased Professional and Technical Services	4,339	(4,339)			
Other Purchased Services	24,695	(13,695)	11,000	9,044	1,956
Tuition	18,684	4,672	23,356	23,355	1
General Supplies	28,343	3,357	31,700	20,661	11,039
Total Instruction	100,639	(2,262)	98,377	83,982	14,395
Support Services:					
Other Salaries	600	8,141	8,741	1,250	7,491
Personal Services - Employee Benefits		3,454	3,454		3,454
Purchased Professional and Educational Services		4,131	4,131	4,002	129
Purchased Professional and Technical Services	30,375	20,299	50,674	47,960	2,714
Other Purchased Services	7,158	12,081	19,239	15,944	3,295
Supplies and Materials	446	25,489	25,935	12,482	13,453
Total Support Services	38,579	73,595	112,174	81,638	30,536
Total Expenditures	139,218	71,333	210,551	165,620	44,931
Excess/(Deficit) of Revenue Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 6,887,361	\$ 165,620
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		957
Current Year Encumbrances		(17,815)
Prior Year State Aid Payments Recognized for GAAP Purposes, Not Recognized for Budgetary Statements	142,979	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(131,161)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 6,899,179</u>	<u>\$ 148,762</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 6,838,876	\$ 165,620
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		957
Current Year Encumbrances		(17,815)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 6,838,876</u>	<u>\$ 148,762</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020, 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, 2020

	Elementary and Secondary Education Act				I.D.E.A., Part B			CARES Act	Totals
	Title I	Title IIA	Title IV	Basic	Preschool	Act	Act		
REVENUES:									
Federal Sources	\$ 58,843	\$ 4,944	\$ 3,867	\$ 81,015	\$ 4,469	\$ 12,482	\$ 165,620		
Total Revenues	58,843	4,944	3,867	81,015	4,469	12,482	165,620		
EXPENDITURES:									
Instruction:									
Salaries of Teachers	7,460		1,110	18,352	4,000		30,922		
Other Purchased Services	9,044			23,355			9,044		
Tuition			1,507	1,346	469		23,355		
General Supplies	17,339						20,661		
Total Instruction	33,843		2,617	43,053	4,469		83,982		
Support Services:									
Other Salaries			1,250				1,250		
Purchased Professional and Technical Services	10,000	4,000		33,960			47,960		
Purchased Professional - Educational Services				4,002			4,002		
Other Purchased Services	15,000	944					15,944		
Supplies and Materials						12,482	12,482		
Total Support Services	25,000	4,944	1,250	37,962		12,482	81,638		
Total Expenditures	\$ 58,843	\$ 4,944	\$ 3,867	\$ 81,015	\$ 4,469	\$ 12,482	\$ 165,620		

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 5,245
Interfund Receivable	1,261
Intergovernmental Accounts Receivable:	
State	323
Federal	6,107
Inventories	4,100

Total Current Assets	<u>17,036</u>
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Non-Current Assets:

Capital Assets	26,600
Less: Accumulated Depreciation	<u>(24,248)</u>

Total Non-Current Assets	<u>2,352</u>
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Total Assets	<u>19,388</u>
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LIABILITIES:

Current Liabilities:

Accounts Payable	8,430
Unearned Revenue - Prepaid Sales	4,253
Unearned Revenue - Donated Commodities	1,205

Total Liabilities	<u>13,888</u>
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NET POSITION:

Investment in Capital Assets	2,352
Unrestricted	<u>3,148</u>

Total Net Position	<u>\$ 5,500</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, 2020

Operating Revenue:		
Local Sources:		
Daily Sales - Reimbursable Programs	\$	26,462
Daily Sales - Non-Reimbursable Programs		10,374
		<hr/>
Total Operating Revenue		36,836
		<hr/>
Operating Expenses:		
Cost of Sales - Reimbursable Programs		25,645
Cost of Sales - Non-Reimbursable Programs		6,015
Salaries, Benefits and Payroll Taxes		24,058
Supplies, Insurance and Other Costs		2,209
Management Fee		7,401
Depreciation Expense		857
		<hr/>
Total Operating Expenses		66,185
		<hr/>
Operating Loss		(29,349)
Non-Operating Revenue:		
Local Sources:		
Interest Income		76
State Sources:		
State School Lunch Program		836
COVID-19 - Seamless Summer Option		132
Federal Sources:		
National School Lunch Program		14,288
COVID-19 - Seamless Summer Option		8,180
Food Distribution Program		5,608
		<hr/>
Total Non-Operating Income		29,120
		<hr/>
Change in Net Position		(229)
Net Position - Beginning of Year		5,729
		<hr/>
Net Position - End of Year	\$	5,500
		<hr/> <hr/>

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 39,844
Payments to Employees	(24,058)
Payments to Food Service Contractor	(33,386)
	<hr/>
Net Cash Used for Operating Activities	(17,600)
	<hr/>
Cash Flows from Investing Activities:	
Interest Income	76
	<hr/>
Net Cash Provided by Investing Activities	76
	<hr/>
Cash Flows by Noncapital Financing Activities:	
Interfund Advanced - General Fund	5
State Sources:	
State School Lunch Program	672
COVID-19 - Seamless Summer Option	15
Federal Sources:	
National School Lunch Program	15,615
COVID-19 - Seamless Summer Option	975
	<hr/>
Net Cash Provided by Noncapital Financing Activities	17,282
	<hr/>
Net Decrease in Cash and Cash Equivalents	(242)
	<hr/>
Cash and Cash Equivalents, July 1	5,487
	<hr/>
Cash and Cash Equivalents, June 30	\$ 5,245
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (29,349)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	857
Food Distribution Program	5,608
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	(2,208)
Increase/(Decrease) in Accounts Payable	4,640
Increase/(Decrease) in Unearned Revenue - Prepaid Sales	3,008
Increase/(Decrease) in Unearned Revenue - Donated Commodities	(156)
	<hr/>
Net Cash Used for Operating Activities	\$ (17,600)
	<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 \$5,452 and Utilized Commodities Valued at \$5,608.

FIDUCIARY FUNDS

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Agency</u>			Flexible Spending Trust	Totals
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>		
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ 31,855	\$ 32,555	\$ 64,410	\$ -0-	\$ 64,410
Total Assets	<u>\$ 31,855</u>	<u>\$ 32,555</u>	<u>\$ 64,410</u>	<u>\$ -0-</u>	<u>64,410</u>
<u>LIABILITIES:</u>					
Interfund Payable - General Fund	\$ 10,112	\$ 1,344	\$ 11,456		\$ 11,456
Payroll Deductions and Withholdings		31,211	31,211		31,211
Due to Student Groups	21,743		21,743		21,743
Total Liabilities	<u>31,855</u>	<u>32,555</u>	<u>64,410</u>		<u>64,410</u>
<u>NET POSITION:</u>					
Held in Trust for Flexible Spending Claims				\$ -0-	
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Flexible Spending Trust</u>
ADDITIONS:	
Contributions:	
Plan Members	\$ 13,836
DEDUCTIONS:	
Flexible Spending Claims	<u>19,006</u>
Total Deductions	<u>19,006</u>
Change in Net Position	(5,170)
Net Position - Beginning of the Year	<u>\$ 5,170</u>
Net Position - End of the Year	<u><u>\$ -0-</u></u>

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 34,006	\$ 33,565	\$ 35,716	\$ 31,855
Total Assets	<u>\$ 34,006</u>	<u>\$ 33,565</u>	<u>\$ 35,716</u>	<u>\$ 31,855</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Interfund Payable - General Fund	\$ 10,112			\$ 10,112
Due to Student Groups	23,894	\$ 33,565	\$ 35,716	21,743
Total Liabilities	<u>\$ 34,006</u>	<u>\$ 33,565</u>	<u>\$ 35,716</u>	<u>\$ 31,855</u>

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 28,120	\$ 4,401,900	\$ 4,397,465	\$ 32,555
Total Assets	<u>\$ 28,120</u>	<u>\$ 4,401,900</u>	<u>\$ 4,397,465</u>	<u>\$ 32,555</u>
 <u>LIABILITIES:</u>				
Interfund Payable - General Fund	\$ 855	\$ 489		\$ 1,344
Payroll Deductions and Withholdings	<u>27,265</u>	<u>4,401,411</u>	<u>\$ 4,397,465</u>	<u>31,211</u>
Total Liabilities	<u>\$ 28,120</u>	<u>\$ 4,401,900</u>	<u>\$ 4,397,465</u>	<u>\$ 32,555</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			Interest Rate	Balance July 1, 2019	Matured	Balance June 30, 2020
			Date	Amount	Bonds Outstanding June 30, 2020				
Refunding Bonds	6/12/2012	\$ 2,805,000	4/15/21	\$ 305,000					
			4/15/22	315,000	4.000%	\$ 1,230,000	\$ 295,000	\$ 935,000	
			4/15/23	315,000	4.000%	<u>\$ 1,230,000</u>	<u>\$ 295,000</u>	<u>\$ 935,000</u>	

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2019</u>	<u>Matured</u>	<u>Balance June 30, 2020</u>
Partial Roof Replacement	2.81%	\$ 300,000	\$ 70,351	\$ 70,351	
Technology Equipment	3.94%	98,000	96,000	32,000	\$ 64,000
			<u>\$ 166,351</u>	<u>\$ 102,351</u>	<u>\$ 64,000</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 344,200		\$ 344,200	\$ 344,200	
Total Revenues	344,200		344,200	344,200	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	49,200		49,200	49,200	
Redemption of Principal	295,000		295,000	295,000	
Total Regular Debt Service	344,200		344,200	344,200	
Total Expenditures	344,200		344,200	344,200	
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
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in										
Capital Assets										
Restricted	\$ 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	\$ 5,108,733
Unrestricted/(Deficit)	355,530	468,084	490,825	601,146	682,217	559,668	439,382	615,176	553,994	587,798
Total Governmental Activities Net Position	119,310	157,952	221,195	(637,439)	(661,743)	(767,629)	(814,700)	(960,489)	(1,008,563)	(1,031,572)
	<u>\$ 3,378,428</u>	<u>\$ 3,791,171</u>	<u>\$ 4,201,701</u>	<u>\$ 3,408,685</u>	<u>\$ 3,750,430</u>	<u>\$ 4,203,121</u>	<u>\$ 4,150,280</u>	<u>\$ 4,337,803</u>	<u>\$ 4,367,957</u>	<u>\$ 4,664,959</u>
Business-type Activities										
Investment in Capital Assets										
Unrestricted/(Deficit)	\$ 8,775	\$ 14,752	\$ 13,042	\$ 11,332	\$ 9,622	\$ 7,912	\$ 6,202	\$ 4,492	\$ 3,209	\$ 2,352
Total Business-type Activities Net Position	27,047	20,462	17,992	16,245	11,253	11,830	4,056	(2,663)	2,520	3,148
	<u>\$ 35,822</u>	<u>\$ 35,214</u>	<u>\$ 31,034</u>	<u>\$ 27,577</u>	<u>\$ 20,875</u>	<u>\$ 19,742</u>	<u>\$ 10,258</u>	<u>\$ 1,829</u>	<u>\$ 5,729</u>	<u>\$ 5,500</u>
District-wide										
Net Investment in Capital Assets										
Restricted	\$ 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	\$ 5,111,085
Unrestricted/(Deficit)	355,530	468,084	490,825	601,146	682,217	559,668	439,382	615,176	553,994	587,798
Total District Net Position	146,357	178,414	239,187	(621,194)	(650,490)	(755,799)	(810,644)	(963,152)	(1,006,043)	(1,028,424)
	<u>\$ 3,414,250</u>	<u>\$ 3,826,385</u>	<u>\$ 4,232,735</u>	<u>\$ 3,436,262</u>	<u>\$ 3,771,305</u>	<u>\$ 4,222,863</u>	<u>\$ 4,160,538</u>	<u>\$ 4,339,632</u>	<u>\$ 4,373,686</u>	<u>\$ 4,670,459</u>

Source: School District Financial Reports

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

	Fiscal Year End June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 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	\$ 2,802,669
Special Education	1,004,839	833,890	803,698	847,698	847,673	926,715	1,280,300	1,405,898	1,441,530	1,549,576
Other Special Education	109,874	104,488	91,747	79,374	90,696	118,137	137,897	154,720	178,664	214,182
Other Instruction	390	33,326	22,984	33,742	35,539	43,202	51,391	60,112	69,081	54,797
Support Services:										
Tuition	292,257	237,864	297,299	363,287	366,406	388,432	242,976	255,276	39,688	54,495
Student & Instruction Related Services	489,702	671,503	842,460	960,171	1,175,469	1,224,637	1,424,227	1,308,238	1,179,300	1,217,443
General Administrative Services	412,143	398,635	349,117	298,575	312,004	349,508	366,587	424,786	428,106	298,590
School Administrative Services	117,036	138,928	151,265	127,806	194,638	206,968	210,637	224,824	222,730	280,076
Central Services	187,071	251,784	233,049	233,931	225,575	247,326	259,660	296,958	261,632	260,923
Administrative Information Technology	50,316	62,460	91,912	122,769	122,950	34,156	34,277	35,788	30,581	30,190
Plant Operations and Maintenance	332,052	419,827	451,059	479,072	476,473	433,983	540,996	541,528	624,584	547,085
Pupil Transportation	125,763	109,544	111,904	146,818	119,266	82,492	67,319	87,309	87,458	43,517
Transfer of Funds to Charter School	51,218	47,882	61,370	25,384	44,873	125,661	75,758	62,146	76,982	55,288
Interest on Long-term Debt	135,003	127,236	85,725	103,467	97,441	76,771	118,664	76,392	67,517	56,167
Capital Outlay	95,238	61,105						1,867	34,397	34,397
Unallocated Depreciation	152,170	156,274	158,202	160,131	160,131	160,131	217,493	189,381	191,118	
Total Governmental Activities Expenses	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	7,499,395
Business-type Activities:										
Food Service	102,761	112,760	104,931	111,939	103,663	92,164	98,106	93,920	79,865	66,185
Total Business-type Activities Expense	102,761	112,760	104,931	111,939	103,663	92,164	98,106	93,920	79,865	66,185
Total District Expenses	\$ 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	\$ 7,565,580
Program Revenues										
Governmental Activities:										
Charges for Services										
Instruction (Tuition)	\$ 743,390	\$ 841,490	\$ 824,339	\$ 785,976	\$ 33,140	\$ 33,415	\$ 31,953	\$ 147,761	\$ 144,289	\$ 253,710
Operating Grants and Contributions					1,313,710	1,484,447	1,959,207	2,315,466	1,881,162	1,753,579
Capital Grants and Contributions					147,024	192,076				
Total Governmental Activities Program Revenues	743,390	841,490	824,339	785,976	1,493,874	1,709,938	1,991,160	2,463,227	2,025,451	2,007,289
Business-type Activities:										
Charges for Services										
Food Service	75,235	75,290	69,099	74,963	66,417	59,866	57,707	52,808	54,585	36,836
Operating Grants and Contributions	26,539	29,148	31,630	33,493	30,520	31,140	30,880	32,615	29,023	29,044
Total Business-type Activities Program Revenues	101,774	104,438	100,729	108,456	96,937	91,006	88,587	85,423	83,608	65,880
Total District Program Revenues	\$ 845,164	\$ 945,928	\$ 925,068	\$ 894,432	\$ 1,590,811	\$ 1,800,944	\$ 2,079,747	\$ 2,548,650	\$ 2,109,059	\$ 2,073,169

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

UNAUDITED
(Continued)

	Fiscal Year End June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (5,492,106)
Business-type Activities	(987)	(8,322)	(4,202)	(3,483)	(6,726)	(1,158)	(9,519)	(8,497)	3,743	(305)
Total District-wide Net Expense	\$ (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)	\$ (5,492,411)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 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	\$ 4,257,973
Taxes Levied for Debt Service	341,604	343,916	345,854	275,488	319,182	337,675	336,300	338,500	340,400	344,200
Federal and State aid not restricted	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	1,141,354
Tuition	20,826	27,764	36,343	57,312						
Investment Earnings	1,233	1,096	973	1,182	1,285	1,069	1,412	160	178	915
Miscellaneous Income	36,285	77,893	262,859	162,175	71,121	89,123	76,725	88,948	45,024	44,666
Total Governmental Activities	\$ 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	\$ 5,789,108
Business-type Activities:										
Investment Earnings	40	27	22	26	24	25	35	68	157	76
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	\$ 76
Total District-wide	\$ 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	\$ 5,789,184
Change in Net Position										
Governmental Activities	\$ 228,142	\$ 412,743	\$ 410,530	\$ 77,129	\$ 341,745	\$ 452,691	\$ (52,841)	\$ 187,523	\$ 30,154	\$ 297,002
Business-type Activities	3,547	(608)	(4,180)	(3,457)	(6,702)	(1,133)	(9,484)	(8,429)	3,900	(229)
Total District	\$ 231,689	\$ 412,135	\$ 406,350	\$ 73,672	\$ 335,043	\$ 451,558	\$ (62,325)	\$ 179,094	\$ 34,054	\$ 296,773

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

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Restricted	\$ 188,417	\$ 358,549	\$ 416,895	\$ 586,528	\$ 418,575	\$ 559,668	\$ 439,382	\$ 569,627	\$ 553,994	\$ 587,798
Assigned	35,719	97,593	48,599	67,583	78,917	53,312	114,411	70,357	3,741	3,239
Unassigned	136,888	128,736	130,258	139,884	123,187	147,787	193,844	204,170	148,230	175,231
Total General Fund	\$ 361,024	\$ 584,878	\$ 595,752	\$ 793,995	\$ 620,679	\$ 760,767	\$ 747,637	\$ 844,154	\$ 705,965	\$ 766,268
All Other Governmental Funds										
Restricted	\$ 79,599	\$ 79,599	\$ 73,930	\$ 14,618						
Committed	87,514	29,936			\$ 263,642					
Total All Other Governmental Funds/(Deficit)	\$ 167,113	\$ 109,535	\$ 73,930	\$ 14,618	\$ 263,642					
Total Governmental Funds	\$ 528,137	\$ 694,413	\$ 669,682	\$ 808,613	\$ 884,321	\$ 760,767	\$ 747,637	\$ 844,154	\$ 705,965	\$ 766,268

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Tax Levy	\$ 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	\$ 4,602,173
Tuition Charges	20,826	27,764	36,343	57,312	33,140	33,415	31,953	147,761	144,289	253,710
Interest Earnings	1,233	1,096	973	1,182	1,278	1,037	1,412	160	178	915
Miscellaneous	36,285	77,893	114,776	162,175	71,128	89,155	76,725	86,967	45,024	44,666
State Sources	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	2,341,915
Federal Sources	190,611	139,327	137,113	135,069	138,861	120,492	129,056	142,419	143,313	148,762
Total Revenue	5,760,884	6,028,235	6,120,602	6,250,919	6,481,132	6,731,367	6,814,285	7,155,863	7,220,696	7,392,141
Expenditures										
Instruction										
Regular Instruction	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	1,710,316
Special Education Instruction	762,717	613,403	609,581	645,603	582,194	605,386	792,951	814,878	884,803	939,611
Other Special Instruction	78,897	83,631	70,201	58,125	56,880	74,601	79,758	82,415	104,196	124,560
Other Instruction	11,087	22,760	11,831	24,537	23,145	26,582	24,494	28,098	36,206	30,840
Support Services:										
Tuition	292,257	237,864	297,299	363,287	366,406	388,432	242,976	255,276	39,688	54,495
Student & Other Instruction Related Services	397,654	524,786	659,588	719,412	799,607	808,423	893,183	829,106	807,708	833,344
General Administrative Services	335,210	329,588	281,726	248,451	237,016	262,371	259,969	293,668	306,892	213,384
School Administrative Services	103,755	121,635	108,663	94,906	126,274	130,497	120,673	131,470	138,870	173,087
Central Services	139,810	188,697	189,170	187,750	188,054	188,116	168,929	173,833	177,635	173,292
Administrative Information Technology	50,316	62,460	67,684	97,208	110,889	22,445	19,667	19,892	22,109	21,489
Plant Operations and Maintenance	303,873	384,432	436,756	440,738	406,986	388,569	402,514	383,626	525,335	435,925
Pupil Transportation	125,763	109,544	111,904	146,818	119,266	82,492	67,319	83,189	83,339	35,877
Unallocated Benefits	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	1,970,848
Charter School	51,218	47,882	61,370	25,384	44,873	76,771	75,758	62,146	76,982	55,288
Capital Outlay	95,873	190,416	104,192	240,027	511,186	507,461	141,703	100,929	260,175	215,282
Debt Service:										
Principal	205,000	215,000	250,000	240,000	245,000	255,000	260,000	270,000	280,000	295,000
Interest and Other Charges	136,604	128,916	81,236	94,800	88,800	82,675	76,300	68,500	60,400	49,200
Total Expenditures	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	7,331,838
Excess/(Deficit) of Revenues Over/(Under) Expenditures	160,759	166,276	25,492	(20,920)	(224,292)	(123,554)	(13,130)	96,517	(236,189)	60,303

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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)							
Lease Purchase Agreement Proceeds	199,000			\$ 159,851	\$ 300,000				\$ 98,000	
Total Other Financing Sources/(Uses)	199,000		(50,223)	159,851	300,000				98,000	
Net Change in Fund Balances	\$ 359,759	\$ 166,276	\$ (24,731)	\$ 138,931	\$ 75,708	\$ (123,554)	\$ (13,130)	\$ 96,517	\$ (138,189)	\$ 60,303
Debt Service as a Percentage of Noncapital Expenditures	6.21%	6.06%	5.53%	5.55%	5.39%	5.32%	5.03%	4.86%	4.73%	4.84%

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			
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	
2020		915	253,710	44,666	299,291	

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)
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					
2019	2,653,900	261,808,300	19,300	22,104,800	4,445,500	3,194,200	294,226,000	552	294,226,552	1.55	325,155,173					

* 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	Debt Service ^b	Total Direct	Municipality	Regional High School District	County	
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
2019	1.43	0.12	1.55	1.17	0.80	0.64	4.16

* 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	2019		
	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	<u>\$ 13,441,000</u>		<u>4.58%</u>

Taxpayer	2010		
	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%
	<u>\$ 16,232,800</u>		<u>3.45%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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-
2020	4,602,173	4,602,173	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities							Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Obligations Under Lease-Purchase Agreement	Bond Anticipation Notes (BANs)	Business-Type Activities Capital Leases					
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	1.84%	902.59	
2013	2,780,000	-0-	88,363	-0-	-0-	-0-	2,868,363	1.59%	808.90	
2014	2,540,000	-0-	219,941	-0-	-0-	-0-	2,759,941	1.53%	786.98	
2015	2,295,000	-0-	459,630	-0-	-0-	-0-	2,754,630	1.47%	792.70	
2016	2,040,000	-0-	367,595	-0-	-0-	-0-	2,407,595	1.28%	711.25	
2017	1,780,000	-0-	270,944	-0-	-0-	-0-	2,050,944	1.07%	611.49	
2018	1,510,000	-0-	171,882	-0-	-0-	-0-	1,681,882	0.86%	504.46	
2019	1,230,000	-0-	166,351	-0-	-0-	-0-	1,396,351	0.68%	422.37	
2020	935,000	-0-	64,000	-0-	-0-	-0-	999,000	0.49%	302.18	

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		
2011	\$ 3,284,000	-0-	\$ 3,284,000	1.97%	\$ 910.20
2012	3,069,000	-0-	3,069,000	1.82%	857.26
2013	2,780,000	-0-	2,780,000	0.64%	783.98
2014	2,540,000	-0-	2,540,000	0.59%	724.27
2015	2,295,000	-0-	2,295,000	0.53%	660.43
2016	2,040,000	-0-	2,040,000	0.47%	602.66
2017	1,780,000	-0-	1,780,000	0.61%	530.71
2018	1,510,000	-0-	1,510,000	0.51%	452.91
2019	1,230,000	-0-	1,230,000	0.42%	372.05
2020	935,000	-0-	935,000	0.32%	282.82

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, 2019
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	\$ 3,229,284	100.00%	\$ 3,229,284
Sussex County General Obligation Debt	99,441,765	1.87%	<u>1,859,807</u>
Subtotal, Overlapping Debt			5,089,091
Borough of Stanhope School District Direct Debt			<u>1,230,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 6,319,091</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 2020

2017	\$ 313,985,775
2018	323,602,225
2019	330,665,318
	<u>\$ 968,253,318</u>
	<u>\$ 322,751,106</u>
	\$ 9,682,533
	<u>935,000</u>
	<u>\$ 8,747,533</u>

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$ 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	\$ 9,682,533
Total Net Debt Applicable to Limit	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	935,000
Legal Debt Margin	\$ 9,100,527	\$ 8,702,137	\$ 8,339,581	\$ 8,010,017	\$ 7,780,702	\$ 7,768,149	\$ 7,933,991	\$ 8,055,666	\$ 8,335,668	\$ 8,747,533
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	26.52%	26.07%	25.00%	24.08%	22.78%	20.80%	18.32%	15.79%	12.86%	9.66%

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
2011	3,580	\$ 175,752,940	\$ 49,093	8.10%
2012	3,546	180,292,824	50,844	8.10%
2013	3,507	180,456,192	51,456	5.60%
2014	3,475	187,017,550	53,818	5.90%
2015	3,385	188,466,645	55,677	5.50%
2016	3,354	190,889,556	56,914	4.60%
2017	3,334	195,762,478	58,717	4.60%
2018	3,318	204,909,726	61,757	4.20%
2019	3,306	204,168,642	61,757 *	3.30%
2020	3,306 **	204,168,642 ***	61,757 *	N/A

* - Latest Sussex County per capita personal income available (2018) was used for calculation purposes.

** - Latest population data available (July 1, 2019) was used for calculation purposes.

***-Latest population data available (2019) and latest Sussex County per capita personal income available (2018) 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

<u>Employer</u>	<u>2019</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Selective Insurance Group Inc.	1,000-4,999	1	1.43%-7.17%
Crystal Springs Resort	1,000-4,999	2	1.43%-7.17%
Newton Medical Center	500-999	3	0.72%-1.43%
Sussex County Offices	500-999	4	0.72%-1.43%
Thorlabs	500-999	5	0.72%-1.43%
Mountain Creek Resort	500-999	6	0.72%-1.43%
Shop Rite	250-499	7	0.36%-0.72%
Sussex County Community College	250-499	8	0.36%-0.72%
United Methodist Community Bristol Glen	250-499	9	0.36%-0.72%
Andover Subacute & Rehab Center	100-249	10	0.14%-0.36%
	<u>2,850-8,990</u>		<u>6.96%-22.59%</u>
Total County Employment	<u>69,689</u>		

<u>Employer</u>	<u>2010</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Crystal Springs Golf and Spa Resort	2,000	1	2.57%
Newton Memorial Hospital	1,490	2	1.91%
Selective Insurance	900	3	1.15%
County of Sussex	830	4	1.06%
Mountain Creek Resort	800	5	1.03%
Shop Rite (Ronetco)	697	6	0.89%
Ames Rubber Corp	445	7	0.57%
Walmart	412	8	0.53%
Andover Sub Acute & Rehab Center	300	9	0.38%
Sussex County Community College	300	10	0.38%
	<u>8,174</u>		<u>10.49%</u>
Total County Employment	<u>77,953</u>		

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>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>	<u>2020</u>
Instruction										
Regular	27.0	22.2	22.7	21.7	21.6	22.2	22.2	21.6	21.6	21.6
Special education	3.0	13.7	8.8	9.2	9.7	10.7	14.2	19.3	18.2	18.2
Other instruction	3.0	1.0	1.0	1.0	1.0	1.4	1.4	1.4	1.4	1.4
Support Services:										
Student & instruction related services	2.0	10.6	13.3	16.3	15.5	15.1	15.5	19.9	19.8	19.8
General administrative services		2.0	0.9	1.1	1.4	1.4	1.4	1.4	1.0	1.0
School administrative services	2.0	1.0	1.2	1.2	1.5	1.5	1.5	2.5	1.8	1.7
Administrative Technology			1.0	1.0	0.3	0.3	0.3	0.3	0.3	0.3
Plant operations and maintenance	2.5	3.6	3.0	3.0	3.0	3.0	3.0	3.6	3.6	3.6
Business and other support services	1.0	2.0	1.7	1.2	1.2	1.5	2.0	2.0	2.0	2.0
Food Service	3.5	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Total	44.0	57.3	54.8	56.9	56.4	58.2	62.60	73.10	70.88	70.80

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/		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Teacher Ratio	Elementary				
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%	
2020	308	6,772,356	21,988	-1.22%	41	1:08	318	306	-3.58%	96.23%	

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<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	378	375	361	358	319	317	316	312	308	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	10								

Number of Schools at June 30, 2020
 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
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
2020	1,979	108,987	110,966

(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, 2020
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		
SallyAnn McCarty	175,000	None
Dr. Steven McHugh	175,000	None

Source: District's Records

SINGLE AUDIT



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Independent Member
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Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Stanhope, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

Compliance and Other Matters

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

December 14, 2020
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP

Man C Lee

Man C. Lee
Licensed Public School Accountant #2527
Certified Public Accountant



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

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Borough of Stanhope's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2020. 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.

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

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, 2020.

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.

December 14, 2020
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCIA LLP

Man C Lee

Man C. Lee
Licensed Public School Accountant #2527
Certified Public Accountant

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2019		Balance at June 30, 2020				
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Budgetary Expenditures	Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture:</u>											
Passed-through State Department of Agriculture:											
Child Nutrition Cluster:											
Food Distribution Program	10.555	N/A	7/1/19-6/30/20	\$ 5,452			\$ 5,452	\$ (4,247)		\$ 1,205	
Food Distribution Program	10.555	N/A	7/1/18-6/30/19	5,835		\$ 1,361		(1,361)			
National School Lunch Program	10.555	N/A	7/1/19-6/30/20	14,288			14,165	(14,288)	\$ (123)		
National School Lunch Program	10.555	N/A	7/1/18-6/30/19	22,297		\$ (1,475)	1,475				
COVID - Seamless Summer Option	10.555	N/A	3/13/20-6/30/20	8,180			2,196	(8,180)	(5,984)		
Total Child Nutrition Cluster						(1,475)	23,288	(28,076)	(6,107)	1,205	
Total U.S. Department of Agriculture						(1,475)	23,288	(28,076)	(6,107)	1,205	
<u>U.S. Department of Education:</u>											
Passed-through State Department of Education:											
Special Revenue:											
Elementary and Secondary Education Act:											
Title I							19,100	(58,843)	(39,743)		
Title I	84.010	ESEA546520	7/1/19-9/30/20	67,696			11,458			\$ 6,589	
Subtotal - Title I	84.010	ESEA546519	7/1/18-9/30/19	55,260		(4,869)	30,558	(58,843)	(39,743)		6,589
Title IIA	84.367	ESEA546520	7/1/19-9/30/20	5,248		(422)	311	(4,944)	(4,633)		
Title IIA	84.367	ESEA546519	7/1/18-9/30/19	5,778		(422)	422	(4,944)	(4,633)		
Subtotal - Title IIA						(422)	733	(3,867)	(2,713)		
Title IV	84.424	ESEA546520	7/1/19-9/30/20	12,388		(7,185)	1,154				712
Title IV	84.424	ESEA546519	7/1/18-9/30/19	10,848		(7,185)	7,897	(3,867)	(2,713)		712
Subtotal - Title IV						(7,185)	9,051	(3,867)	(2,713)		
COVID 19 - CARES Emergency Relief Grant	84.425D	CARES546520	3/13/20-9/30/22	34,035				(12,482)	(12,482)		
<u>Special Education Cluster:</u>											
I.D.E.A. Part B, Basic	84.027	IDEA546520	7/1/19-9/30/20	82,255			33,706	(81,015)	(47,309)		
I.D.E.A. Part B, Basic	84.027	IDEA546519	7/1/18-9/30/19	95,931		(57,560)	66,004	(4,469)	(4,469)	8,444	
I.D.E.A. Part B, Preschool	84.173	IDEA546520	7/1/19-9/30/20	4,840		(5,357)	5,357				
I.D.E.A. Part B, Preschool	84.173	IDEA546519	7/1/18-9/30/19	5,492		(62,917)	105,067	(85,484)	(51,778)	8,444	
Total Special Education Cluster						(75,393)	145,409	(165,620)	(111,349)	15,745	
Subtotal - Special Revenue Fund						(75,393)	145,409	(165,620)	(111,349)	15,745	
Total U.S. Department of Education						(76,868)	168,697	(193,696)	(117,456)	1,205	\$ -0-
Total Federal Awards											
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, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2019		Cash Received	Budgetary Expenditures	Balance at June 30, 2020		MEMO Cumulative Total Expenditures
				Budgetary Accounts Receivable	GAAP Accounts Receivable			Budgetary Accounts Receivable		
<u>State Department of Education:</u>										
General Fund State Aid:										
Equalization Aid	20-495-034-5120-078	7/1/19-6/30/20	\$ 1,096,468		\$ 993,260	\$ (1,096,468)		\$ (103,208)	\$ 1,096,468	
Special Education Categorical Aid	20-495-034-5120-089	7/1/19-6/30/20	241,435		218,709	(241,435)		(22,726)	241,435	
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	33,994		30,794	(33,994)		(3,200)	33,994	
Transportation Aid	20-495-034-5120-014	7/1/19-6/30/20	21,534		19,507	(21,534)		(2,027)	21,534	
Extraordinary Special Education Costs Aid	20-495-034-5120-044	7/1/19-6/30/20	63,146			(63,146)		(63,146)	63,146	
Nonpublic School Transportation Costs	20-495-034-5120-014	7/1/19-6/30/20	246			(246)		(246)	246	
Reimbursed TPAF Social Security Contributions	20-495-034-5094-003	7/1/19-6/30/20	194,789		165,854	(194,789)		(28,935)	194,789	
On-Behalf TPAF Post Retirement Contributions	20-495-034-5094-001	7/1/19-6/30/20	183,427		183,427	(183,427)			183,427	
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	7/1/19-6/30/20	485,731		485,731	(485,731)			485,731	
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19-6/30/20	8,706		8,706	(8,706)			8,706	
On-Behalf TPAF Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	621		621	(621)			621	
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	1,167,221	\$ (113,980)	113,980				1,167,221	
Special Education Categorical Aid	19-495-034-5120-089	7/1/18-6/30/19	241,435	(23,576)	23,576				241,435	
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	33,994	(3,320)	3,320				33,994	
Transportation Aid	19-495-034-5120-014	7/1/18-6/30/19	21,534	(2,103)	2,103				21,534	
Extraordinary Special Education Costs Aid	19-495-034-5120-044	7/1/18-6/30/19	46,213	(46,213)	46,213				46,213	
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	(35,926)	35,926				182,159	
Subtotal - General Fund				(227,114)	2,333,723	(2,330,097)		(92,327)	4,190,486	
Total NJ Department of Education				(227,114)	2,333,723	(2,330,097)		(223,488)	4,190,486	
<u>N.J. Department of Agriculture:</u>										
Food Service Fund:										
State School Lunch Program	20-100-010-3350-023	7/1/19-6/30/20	836		610	(836)		(226)	836	
State School Lunch Program	19-100-010-3350-023	7/1/18-6/30/19	942	(62)	62				942	
COVID - Seamless Summer Option	20-100-010-3350-023	7/1/19-6/30/20	132		35	(132)		(97)	132	
Subtotal - Food Service Fund				(62)	707	(968)		(323)	1,910	
Total State Awards Subject to Single Audit Determination				(227,176)	2,334,430	(2,331,065)		(92,650)	4,192,396	
Less: State Awards Not Subject to Single Audit Major Program Determination										
On-Behalf TPAF Pension System Contributions:										
On-Behalf TPAF Post Retirement Contributions	20-495-034-5094-001	7/1/19-6/30/20	(183,427)		(183,427)	183,427				
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	7/1/19-6/30/20	(485,731)		(485,731)	485,731				
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19-6/30/20	(8,706)		(8,706)	8,706				
On-Behalf TPAF Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	(621)		(621)	621				
Subtotal - On-Behalf TPAF Pension System Contributions						678,485				
Total State Awards Subject to Single Audit Major Program Determination						\$ (1,652,580)				

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, 2020

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, 2020. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

The District has elected not 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 \$11,818 for the general fund and (\$16,858) 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, 2020

(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		\$ 2,341,915	\$ 2,341,915
Special Revenue Fund	\$ 148,762		148,762
Food Service Fund	28,076	968	29,044
Total Awards	<u>\$ 176,838</u>	<u>\$ 2,342,883</u>	<u>\$ 2,519,721</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, 2020.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020 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	20-495-034-5120-078	7/1/19-6/30/20	\$ 1,096,468	\$ 1,096,468
Special Education Categorical Aid	20-495-034-5120-089	7/1/19-6/30/20	241,435	241,435
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	33,994	33,994

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

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

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

Findings and Questioned Costs for Federal Awards:

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020

K-7

Status of Prior Year Findings:

There were no prior year findings.