SCHOOL DISTRICT OF
BOROUGH OF STANHOPE

Borough of Stanhope School District
Stanhope, New Jersey

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

Comprehensive Annual Financial Report

of the

Borough of Stanhope School District
Board of Education

Stanhope, New Jersey

For the Fiscal Year Ended June 30, 2010

Prepared by

Borough of Stanhope School District
Board of Education

BOROUGH OF STANHOPE SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2010

INTRODUCTORY SECTION

Letter of Transmittal 1
Organizational Chart 5
Roster of Officials 6
Consultants and Advisors 7

FINANCIAL SECTION 8

Independent Auditors' Report 9

Required Supplementary Information 11
Management's Discussion and Analysis 12

Basic Financial Statements (Sections A and B) 20

A. District-Wide Financial Statements 21
A-1 Statement of Net Assets 22
A-2 Statement of Activities 23

B. Fund Financial Statements 25
B-1 Balance Sheet – Governmental Funds 26
B-2 Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds 27
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 28
B-4 Statement of Net Assets – Proprietary Funds 29
B-5 Statement of Revenue, Expenses and Changes in Fund Net Assets – Proprietary Funds 30
B-6 Statement of Cash Flows – Proprietary Funds 31
B-7 Statement of Fiduciary Net Assets – Fiduciary Funds 32
B-8 Statement of Changes in Fiduciary Net Assets – Fiduciary Funds (Not Applicable) 33

Notes to the Basic Financial Statements 34

Supplementary Schedules (C.-I.)

C. Budgetary Comparison Schedules 53
C-1 Budgetary Comparison Schedule – General Fund 54
C-2 Budgetary Comparison Schedule - Special Revenue Fund 64
C-3 Required Supplementary Information - Budgetary Comparison Schedule – Note to RSI 65

D. School Level Schedules (Not Applicable) 67

E. Special Revenue Fund 68
E-1 Combining Schedule of Program Revenue and Expenditures - Special Revenue Fund – Budgetary Basis 69
E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable) 71

BOROUGH OF STANHOPE SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

FINANCIAL SECTION (Cont'd)

F. Capital Projects Fund (Not Applicable) 72

G. Proprietary Funds (Enterprise Fund) 73
G-1 Statement of Net Assets 74
G-2 Statement of Revenue, Expenses and Changes in Fund Net Assets 75
G-3 Statement of Cash Flows 76

H. Fiduciary Funds 77
H-1 Combining Statement of Net Assets 78
H-2 Statement of Changes in Fiduciary Net Assets (Not Applicable) 79
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements 80
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements 81

I. Long-Term Debt 82
I-1 Schedule of Serial Bonds 83
I-2 Debt Service Fund Budgetary Comparison Schedule 84

Statistical Schedules

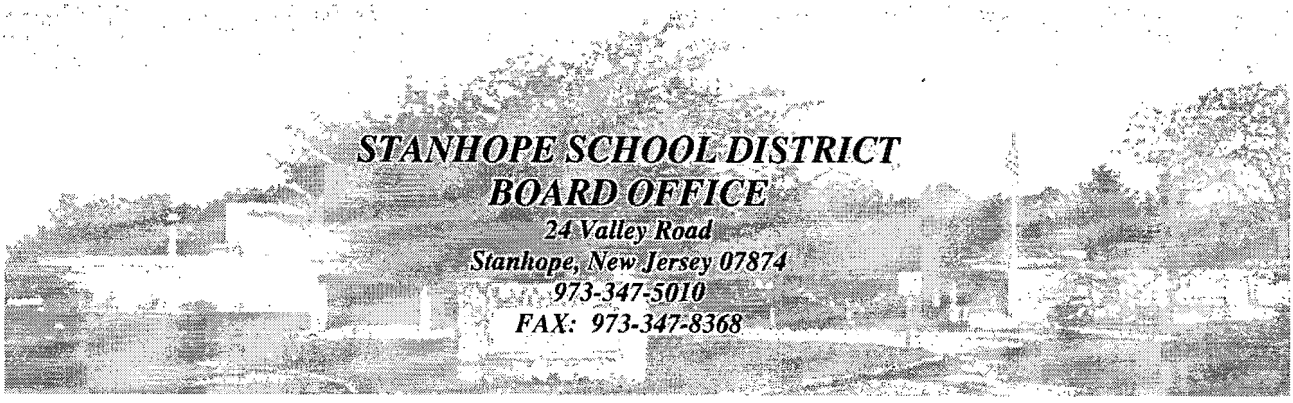
J. Statistical Section (Unaudited) 85
J-1 Net Assets by Component 86
J-2 Changes in Net Assets 87
J-3 Fund Balances - Governmental Funds 89
J-4 Changes in Fund Balances - Governmental Funds 90
J-5 General Fund Other Local Revenue by Source 91
J-6 Assessed Value and Actual Value of Taxable Property 92
J-7 Direct and Overlapping Property Tax Rates 93
J-8 Principal Property Taxpayers, Current Year and Nine Years Ago 94
J-9 Property Tax Levies and Collections 95
J-10 Ratios of Outstanding Debt by Type 96
J-11 Ratios of Net General Bonded Debt Outstanding 97
J-12 Ratios of Overlapping Governmental Activities Debt 98
J-13 Legal Debt Margin Information 99
J-14 Demographic and Economic Statistics 100
J-15 Principal Employers, Current Year and Nine Years Ago 101
J-16 Full-time Equivalent District Employees by Function/Program 102
J-17 Operating Statistics 103
J-18 School Building Information 104
J-19 Schedule of Required Maintenance 105
J-20 Insurance Schedule 106

BOROUGH OF STANHOPE SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

K. Single Audit Section 107

K-1 Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* 108
K-2 Independent Auditors' Report on Compliance with Requirements that could have a Direct and material effect on each Major Program and on Internal Control over Compliance In Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04 110
Schedule of Expenditures of Federal Awards 112
Schedule of Expenditures of State Awards 113
Notes to the Schedules of Expenditures of Federal and State Awards 114
Schedule of Findings and Questioned Costs 116
Summary Schedule of Prior Audit Findings 117

INTRODUCTORY SECTION



November 5, 2010

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, 2010, 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 the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on 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) <u>REPORTING ENTITY AND ITS SERVICES:</u> The Borough of Stanhope School District is an independent reporting entity within the criteria adopted by the Government 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, vocational, as well as special education for handicapped students. The District completed the 2009-2010 fiscal year with an enrollment of 393 students, which is 20 students more than the previous year's enrollment.

The Honorable President and Members of
the Board of Education
Borough of Stanhope School District
Page 2
November 5, 2010

The table below details the changes in the student enrollment of the District over the last six years:

Fiscal Year	Average Daily Enrollment	Percent Change
2009-2010	393	5.36%
2008-2009	373	-4.85%
2007-2008	392	-0.51%
2006-2007	394	-5.06%
2005-2006	415	4.53%
2004-2005	397	-8.94%

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 has been an effort to rejuvenate the Main Street shopping area by development proposals in the industrial area of the Borough. Industrial land use occupies a very small portion of the Borough, approximately 12 acres. There are currently 1,361 residences and 9 apartments in the Borough and 156 parcels of vacant land for a total net taxable value with improvements of $433,504,600.

3) MAJOR INITIATIVES: There are three primary initiatives for the upcoming school year. The Governor's budget cuts had a significant negative impact on our school's staffing which resulted in the elimination of both programs and teaching positions. One positive result, however, was the freeing up of some classrooms in the Valley Road School which had previously been fully utilized. As a result, a new in-district self-contained autism program has been planned and implemented. The result has been to return several students from out-of-district placements to the local school.

In addition to now educating students in a strong program at their local school, students no longer have to travel to school. Also, the Stanhope Board of Education has realized significant cost savings. A second initiative related to the expansion of the newly implemented Study Island software program for students in grades 3-8. While the focus will be on improving student's skills in mathematics and language arts, literacy will continue. We are also adding a new science module.

Finally, the district has adopted "Diversity" as a year-long theme to be worked on with students. This is a joint effort of the Stanhope Board of Education and the Home and School Association.

BEFORE & AFTER SCHOOL CARE: The Board of Education has provided the support, cooperation and facilities for before school and after school extended care programs. B.A.S.C. Inc., provides extended care for our students from 7:00 a.m. to the opening of school and from dismissal to 6:00 p.m. for working parents. This program will maintain these hours for the 2010-2011 school year at the Valley Road 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 are compiled to allow for the preparation of financial. The 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 the voters of the municipality. 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 reservations of fund balance at June 30, 2010.

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) DEBT ADMINISTRATION: At June 30, 2010, the District has $3,489,000 of outstanding bonded debt.

8) 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.

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

10) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia & Company 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 Single Audit Act Amendments of 1996 and the related OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the New Jersey's OMB Circular NJOMB 04-04, *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 are included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

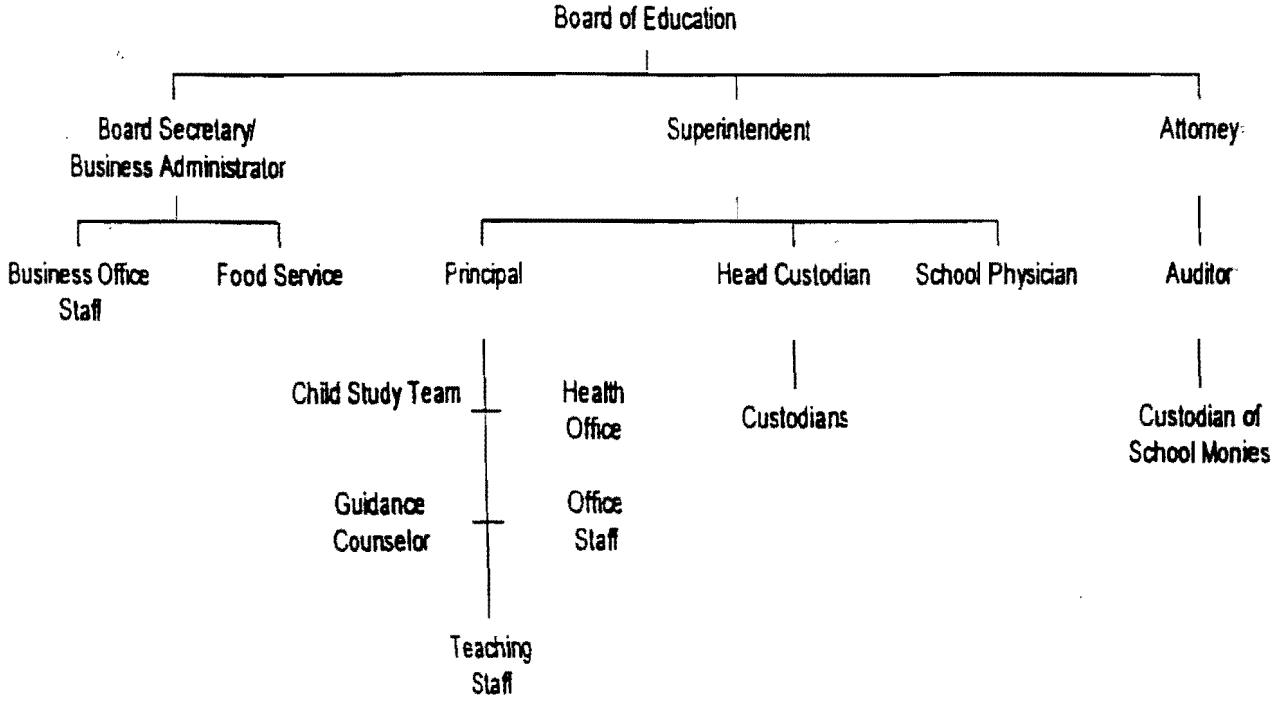
11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Borough of Stanhope School District Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance 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,

Dennis Fyffe
Interim Superintendent of Schools

Lorraine E. Snyder
Business Administrator/Board Secretary

STANHOPE BOROUGH BOARD OF EDUCATION
Organizational Chart



BOROUGH OF STANHOPE SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2010

Members of the Board of Education	Term Expires
Regina Thomas, President	2012
Gil Moscatello, Vice-President	2012
Michael Bender	2011
Gene Wronko	2013
Michael Stiner	2013
Michael Stricchiola	2013
William Sturdevant	2012

Other Officers	Title
Dennis Fyffe	Interim Superintendent of Schools
Lorraine E. Snyder	Business Administrator/Board Secretary
SallyAnn G. McCarty	Treasurer of School Monies

BOROUGH OF STANHOPE BOARD OF EDUCATION

Consultants and Advisors

Audit Firm

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

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

Attorney

Porzio, Bromberg & Newman, P.C.
100 Southgate Parkway
P. O. Box 1997
Morristown, New Jersey 07962

Architect of Record

Design Ideas Group
15 Bethany Street
New Brunswick, New Jersey 08901

Official Depository

TD Bank
56 Flanders- Bartley Road
Flanders, New Jersey 07836

Construction Management

MJA Construction Services
1 Iron Mountain Road
Mine Hill, NJ 07803

FINANCIAL SECTION

NISIVOCCIA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856-1320
Phone: 973-328-1825
Fax: 973-328-0507

Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860
Phone: 973-383-6699
Fax: 973-383-6555

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 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, 2010, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010 on our consideration of the Board of Education of the Borough of Stanhope School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information listed on Exhibits C-1 to C-3 and I-2 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Borough of Stanhope School District's basic financial statements. The accompanying introductory section, supplementary schedules such as the combining and individual fund financial statements and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations;* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary schedules and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

November 5, 2010
Mount Arlington, New Jersey

NISIVOCCIA & COMPANY LLP

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

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

This section of Borough of Stanhope School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial decreased this year primarily due to reductions in state aid.
- Overall revenue was $5.83 million.
- Overall expenses were $6.34 million.
- Enrollment in the District has increased approximately 5.36%.

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

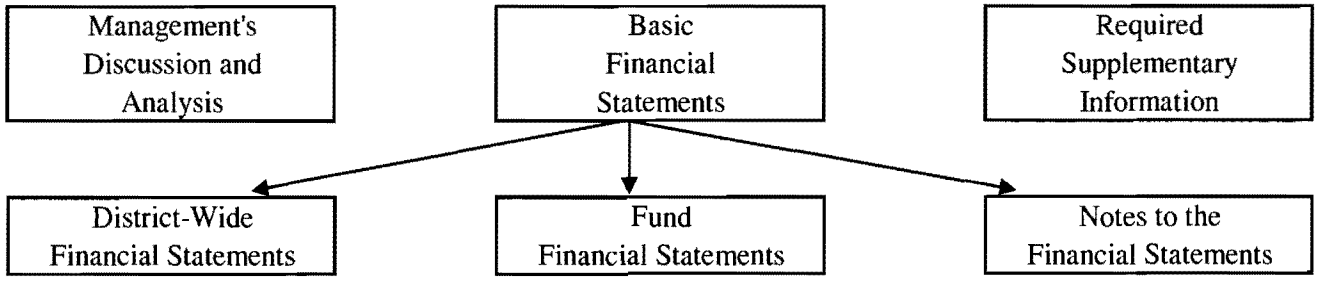


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents 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	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund balances	• Statement of net assets • Statement of revenue, expenses, and changes in net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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	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 assets includes all of the District's assets 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 assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets 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 is it 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 Financial Statements*: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets decreased by $509,685. Net assets from governmental activities decreased by $502,208 and net assets from business-type activities decreased by $7,477. Net assets invested in capital assets increased by $24,822, restricted net assets decreased by $254,158, and unrestricted net assets decreased by $280,349.

Figure A-3

Condensed Statement of Net Assets

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2009/10	2008/09*	2009/10	2008/09*	2009/10	2008/09*	2009/10
Current and Other Assets	$ 342,848	$ 817,638	$ 38,014	$ 34,583	$ 380,862	$ 852,221	-55.31%
Capital Assets	6,555,453	6,729,587	9,818	10,862	6,565,271	6,740,449	-2.60%
Total Assets	6,898,301	7,547,225	47,832	45,445	6,946,133	7,592,670	-8.52%
Long-Term Debt Outstanding	3,545,086	3,730,241			3,545,086	3,730,241	-4.96%
Other Liabilities	202,929	164,490	15,557	5,693	218,486	170,183	28.38%
Total Liabilities	3,748,015	3,894,731	15,557	5,693	3,763,572	3,900,424	3.64%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	3,066,453	3,040,587	9,818	10,862	3,076,271	3,051,449	0.81%
Restricted	87,002	341,160			87,002	341,160	-74.50%
Unrestricted/ (Deficit)	(3,169)	270,747	22,457	28,890	19,288	299,637	-93.56%
Total Net Assets	$ 3,150,286	$ 3,652,494	$ 32,275	$ 39,752	$ 3,182,561	$ 3,692,246	-13.80%

* Restated

Changes in Net Assets. The District's *combined* net assets were $3,182,561 on June 30, 2010, a decrease of $509,685 or 13.80% less than they were the year before primarily due to a reduction in state aid. (See Figure A-3).

Figure A-4

Changes in Net Assets from Operating Results

	Governmental Activities 2009/10	Business-Type Activities 2009/10	Governmental Activities 2008/09	Business-Type Activities 2008/09	Total School District 2009/10	Total School District 2008/09	Percentage Change 2009/10
Revenue:							
Program Revenue:							
Charges for Services		$ 73,769		$ 78,550	$ 73,769	$ 78,550	-6.09%
Operating Grants and Contributions	$ 781,492	30,064	$ 719,089	26,754	811,556	745,843	8.81%
General Revenue:							
Property Taxes	3,694,669		3,568,113		3,694,669	3,568,113	3.55%
Unrestricted State and Federal Aid	1,143,658		1,297,663		1,143,658	1,297,663	-11.87%
Transfers				8,652		8,652	
Other	107,172	51	72,745		107,223	72,745	47.40%
Total Revenue	5,726,991	103,884	5,657,610	113,956	5,830,875	5,771,566	1.03%
Expenses:							
Instruction	3,374,735		3,046,331		3,374,735	3,046,331	10.78%
Pupil and Instruction Services	1,252,482		1,256,893		1,252,482	1,256,893	-0.35%
Administrative and Business	791,991		703,274		791,991	703,274	12.61%
Maintenance and Operations	331,466		308,195		331,466	308,195	7.55%
Transportation	137,515		159,181		137,515	159,181	-13.61%
Capital Outlay	1,000		4,386		1,000	4,386	100.00%
Transfers			8,652			8,652	-100.00%
Other	340,010	111,361	234,046	117,448	451,371	351,494	28.41%
Total Expenses	6,229,199	111,361	5,720,958	117,448	6,340,560	5,838,406	8.60%
Increase/(Decrease) in Net Assets	$ (502,208)	$ (7,477)	$ (63,348)	$ (3,492)	$ (509,685)	$ (66,840)	-662.54%

Revenue Sources. The District's total revenue for the 2009/10 school year was $5,830,875. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for $3,694,669 of the total, or 63.36 percent. (See Figure A-5). Another 33.53 percent came from state and federal aid and the remainder from miscellaneous sources and charges for services.

Figure A-5

Sources of Revenue for Fiscal Year 2010

	Amount	Percentage
Sources of Income:		
State Formula Aid	$ 1,143,658	19.61%
Property Taxes	3,694,669	63.36%
Federal and State Categorical Grants	811,556	13.92%
Charges for Services	73,769	1.27%
Other	107,223	1.84%
	$ 5,830,875	100.00%

The total cost of all programs and services was $6,340,560. The District's expenses are predominantly related to instructing and providing pupil services (72.97 percent). (See Figure A-6). The District's administrative and business activities accounted for 12.49 percent of total costs. The most significant contributor to the cost of Maintenance and Operations was the increase in energy costs.

Figure A-6

Expenses for Fiscal Year 2010

Expense Category:	Amount	Percentage
Instruction	$ 3,374,735	53.22%
Pupil and Instruction Services	1,252,482	19.75%
Administrative and Business	791,991	12.49%
Maintenance and Operations	331,466	5.23%
Transportation	137,515	2.17%
Capital Outlay	1,000	0.02%
Other	451,371	7.12%
	$ 6,340,560	100.00%

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District decreased. Maintaining existing programs with a slight increase 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 implemented 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.

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

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

Figure A-7

Net Cost of Governmental Activities

	Total Cost of Services 2009/10	Net Cost of Services 2009/10	Total Cost of Services 2008/09	Net Cost of Services 2008/09
Instruction	$ 3,374,735	$ 2,713,387	$ 3,046,331	$ 2,530,585
Pupil and Instruction Services	1,252,482	1,181,754	1,256,893	1,106,247
Administrative and Business	791,991	759,790	703,274	669,438
Maintenance and Operations	331,466	331,466	308,195	308,195
Transportation	137,515	120,300	159,181	140,320
Capital Outlay	1,000	1,000	4,386	4,386
Other	340,010	340,010	242,698	207,256
	$ 6,229,199	$ 5,447,707	$ 5,720,958	$ 4,966,427

Business-Type Activities

Net assets from the District's business-type activity decreased by $7,477. (Refer to Figure A-4).

Business-Type Activities

Net assets from the District's business-type activity decreased by $7,477. (Refer to Figure A-4).

- Food services expenditures exceeded revenue, accounting for all of the decrease in the net assets of the business-type activities due to a decrease in student participation.

Financial Analysis of the District's Funds

The District's financial position decreased due to difficult economic times. As the demographics of our geographic area change, additional student needs and expenses arise. Difficult economic times have had a direct impact upon the District's revenue sources.

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

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2009/10	2008/09*	2009/10	2008/09*	2009/10	2008/09*	2009/10
Sites and Site Improvements	$ 526,817	$ 526,932			$ 526,817	$ 526,932	-0.02%
Buildings and Building Improvements	5,958,289	6,109,929			5,958,289	6,109,929	-2.48%
Machinery and Equipment	70,347	92,726	$ 9,818	$ 10,862	80,165	103,588	-22.61%
Total Capital Assets (Net of Depreciation)	$ 6,555,453	$ 6,729,587	$ 9,818	$ 10,862	$ 6,565,271	$ 6,740,449	-2.60%

*Restated

Long-term Debt

At year-end, the District had $3,489,000 in general obligation bonds outstanding – a decrease of $200,000 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

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

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The most significant factor is a highly negative one, that is, Governor Christie's draconian reduction in state aid. In 2010-2011 that meant elimination of the home economics and woodshop programs, reduced staff time in technology education and music and significant reductions to both certified and non-certified staff.
- A positive factor in 2010-2011 is the implementation of an in-district self-contained autistic program. The results in the return of a number of out-of-district students to the in-district program at a significant cost savings.
- The District will continue to use the Linden Avenue School to house its preschool special education program as well as the special education office.
- There are several staff members with many years of service in education. It is reasonable to expect some changes in the future. Those changes should be viewed as an opportunity to review resource allocation and structure.
- Shared services where possible are being used where cost savings are realized without impact to the importance of continuity, certification and performance.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 233,740	$ 47,090	$ 280,830
Internal Balances	12,713	(12,713)	
Receivables from State Government	60,130	112	60,242
Receivables from Federal Government	23,107	1,769	24,876
Receivables from Other Governments	10,787		10,787
Other Receivables	1,439		1,439
Inventories		1,756	1,756
Prepaid Expenses	931		931
Restricted Assets:			
Capital Reserve Account - Cash	1		1
Capital Assets, Net			
Sites (Land)	526,300		526,300
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	6,029,153	9,818	6,038,971
Total Assets	6,898,301	47,832	6,946,133
LIABILITIES			
Accrued Interest Payable	28,459		28,459
Accounts Payable	174,354	15,106	189,460
Payable to Federal Government	11		11
Deferred Revenue	105	451	556
Noncurrent Liabilities:			
Due Within One Year	205,000		205,000
Due Beyond One Year	3,340,086		3,340,086
Total Liabilities	3,748,015	15,557	3,763,572
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,066,453	9,818	3,076,271
Restricted for:			
Debt Service	1		1
Other Purposes	87,001		87,001
Unrestricted/ (Deficit)	(3,169)	22,457	19,288
Total Net Assets	$ 3,150,286	$ 32,275	$ 3,182,561

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, 2010

		Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	$ 2,248,582		$ 205,361	$ (2,043,221)		$ (2,043,221)
Special Education	939,636		440,487	(499,149)		(499,149)
Other Special Instruction	122,392		10,860	(111,532)		(111,532)
Other Instruction	64,125		4,640	(59,485)		(59,485)
Support Services:						
Tuition	625,018			(625,018)		(625,018)
Student & Instruction Related Services	627,464		70,728	(556,736)		(556,736)
General Administrative Services	294,556		10,474	(284,082)		(284,082)
School Administrative Services	183,637		10,398	(173,239)		(173,239)
Central Services	196,873		11,329	(185,544)		(185,544)
Administrative Information Technology	116,925			(116,925)		(116,925)
Plant Operations and Maintenance	331,466			(331,466)		(331,466)
Pupil Transportation	137,515		17,215	(120,300)		(120,300)
Interest on Long-Term Debt	142,541			(142,541)		(142,541)
Capital Outlay	1,000			(1,000)		(1,000)
Transfer of Funds to Charter School	45,299			(45,299)		(45,299)
Unallocated Depreciation	152,170			(152,170)		(152,170)
Total Governmental Activities	6,229,199		781,492	(5,447,707)		(5,447,707)
Business-Type Activities:						
Food Service	111,361	$ 73,769	30,064		$ (7,528)	$ (7,528)
Total Business-Type Activities	111,361	73,769	30,064		(7,528)	(7,528)
Total Primary Government	$ 6,340,560	$ 73,769	$ 811,556	(5,447,707)	(7,528)	(5,455,235)

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

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				$ 3,350,565		$ 3,350,565
Taxes Levied for Debt Service				344,104		344,104
Federal and State Aid not Restricted				1,143,658		1,143,658
Investment Earnings				3,418	$ 51	3,469
Miscellaneous Income				62,876		62,876
Cancellation of Prior Year Accounts Payable				40,878		40,878
Total General Revenue				4,945,499	51	4,945,550
Change in Net Assets				(502,208)	(7,477)	(509,685)
Net Assets - Beginning (Restated)				3,652,494	39,752	3,692,246
Net Assets - Ending				$ 3,150,286	$ 32,275	$ 3,182,561

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

BOROUGH OF STANHOPE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 233,739		$ 1	$ 233,740
Interfund Receivable	34,782			34,782
Receivables From State Government	60,130			60,130
Receivables From Federal Government		$ 23,107		23,107
Receivables From Other Governments	10,787			10,787
Other Receivables	1,439			1,439
Prepaid Expenses	931			931
Restricted Cash and Cash Equivalents	1			1
Total Assets	$ 341,809	$ 23,107	$ 1	$ 364,917
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable		$ 22,069		$ 22,069
Accounts Payable	$ 173,327	1,027		174,354
Payable to Federal Government		11		11
Deferred Revenue	105			105
Total Liabilities	173,432	23,107		196,539
Fund Balances:				
Reserved for:				
Capital Reserve Account	1			1
Excess Surplus - Designated for Subsequent Year's Expenditures	87,000			87,000
Fund Balances:				
Unreserved, Reported in:				
General Fund:				
Unreserved/Undesignated	81,376			81,376
Debt Service Fund:				
Unreserved/Undesignated			$ 1	1
Total Fund Balances	168,377		1	168,378
Total Liabilities and Fund Balances	$ 341,809	$ 23,107	$ 1	$ 364,917

Amounts Reported for *Governmental Activities* in the Statement of Net Assets (A-1) are Different Because:	
Total Fund Balances from above	168,378
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is $8,557,988 and the Accumulated Depreciation is $2,002,535.	6,555,453
Interest on Long-Term Debt is not Accrued in the Governmental Funds, but Rather is Recognized as an Expenditure When Due.	(28,459)
Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.	(3,545,086)
Net Assets of Governmental Activities	$ 3,150,286

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

Exhibit B-2

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local Sources:				
Local Tax Levy	$ 3,350,565		$ 344,104	$ 3,694,669
Unrestricted Miscellaneous Revenue	66,294			66,294
Total - Local Sources	3,416,859		344,104	3,760,963
State Sources	1,523,340			1,523,340
Federal Sources	224,705	$ 177,105		401,810
Total Revenues	5,164,904	177,105	344,104	5,686,113
EXPENDITURES:				
Current:				
Regular Instruction	1,524,772	15,400		1,540,172
Special Education Instruction	554,232	136,480		690,712
Other Special Instruction	83,195			83,195
School-Sponsored/Other Instruction	38,392			38,392
Support Services and Undistributed Costs:				
Tuition	625,018			625,018
Student and Other Instruction Related Services	420,014	25,225		445,239
General Administration Services	236,484			236,484
School Administration Services	131,083			131,083
Central Services	139,999			139,999
Administrative Information Technology	107,918			107,918
Plant Operations and Maintenance	296,866			296,866
Student Transportation	137,515			137,515
Unallocated Benefits	1,378,787			1,378,787
Debt Service:				
Principal			200,000	200,000
Interest and Other Charges			144,104	144,104
Capital Outlay	1,000			1,000
Transfer of Funds to Charter School	45,299			45,299
Total Expenditures	5,720,574	$ 177,105	344,104	6,241,783
Excess/(Deficit) of Revenue Over/(Under) Expenditures	(555,670)			(555,670)
OTHER FINANCING SOURCES/(USES):				
Cancellation of Prior Year Accounts Payable	40,878			40,878
Total Other Financing Sources/(Uses)	40,878			40,878
Net Change in Fund Balances	(514,792)			(514,792)
Fund Balance - July 1	683,169		1	683,170
Fund Balance - June 30	$ 168,377	$ -0-	$ 1	$ 168,378

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, 2010

Total Net Change in Fund Balances - Governmental Funds (from B-2)	$	(514,792)
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 depreciation exceeded capital outlays in the period.		
Depreciation expense		(174,134)
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 (+).		(14,845)
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		1,563
Repayment of serial bonds payable is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets and is not reported in the Statement of Activities.		200,000
Change in Net Assets of Governmental Activities	$	(502,208)

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-type Activities - Enterprise Funds Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 47,090
Intergovernmental Accounts Receivable:	
State	112
Federal	1,769
Inventories	1,756
Total Current Assets	50,727
Non-Current Assets:	
Capital Assets	29,438
Less: Accumulated Depreciation	(19,620)
Total Non-Current Assets	9,818
Total Assets	60,545
LIABILITIES:	
Current Liabilities:	
Interfund Payable	12,713
Accounts Payable	15,106
Deferred Revenue	451
Total Liabilities	28,270
NET ASSETS:	
Investment in Capital Assets Net of Related Debt	9,818
Unrestricted	22,457
Total Net Assets	$ 32,275

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

Exhibit B-5

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	$ 51,573
Daily Sales - Non-Reimbursable Programs	22,196
Total Operating Revenue	73,769
Operating Expenses:	
Cost of Sales	42,945
Salaries, Benefits & Payroll Taxes	52,415
Supplies, Insurance & Other Costs	7,629
Management Fee	7,328
Depreciation Expense	1,044
Total Operating Expenses	111,361
Operating Loss	(37,592)
Non-Operating Income:	
Local Sources:	
Interest Income	51
State Sources:	
State School Lunch Program	1,604
Federal Sources:	
National School Lunch Program	25,143
Food Distribution Program	3,317
Total Non-Operating Income	30,115
Change in Net Assets	(7,477)
Net Assets - Beginning of Year (Restated)	39,752
Net Assets - End of Year	$ 32,275

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

Exhibit B-6

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	$ 73,769
Payments to Food Service Contractor	(77,802)
Payments to Suppliers	(6,003)
Net Cash Used for Operating Activities	(10,036)
Cash Flows from Financing Activities:	
Interest Income	51
Net Cash Provided by Financing Activities	51
Cash Flows by Noncapital Financing Activities:	
Interfund Returned - General Fund	39,560
Net Cash Provided by Noncapital Financing Activities	39,560
Net Increase in Cash and Cash Equivalents	29,575
Cash and Cash Equivalents, July 1	17,515
Cash and Cash Equivalents, June 30	$ 47,090
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	$ (37,592)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	1,044
Food Distribution Program	3,317
Changes in Assets and Liabilities:	
Increase in Deferred Revenue	86
Increase in Accounts Payable	9,778
(Increase) in Inventory	(456)
Increase in Interfund Payable	13,787
Net Cash Used for Operating Activities	$ (10,036)

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 $3,403 and Utilized Commodities Valued at $3,317.

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

Exhibit B-7

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2010

	Agency
ASSETS:	
Cash and Cash Equivalents	$ 46,625
Total Assets	46,625
LIABILITIES:	
Payroll Deductions and Withholdings	39,724
Due to Student Groups	6,901
Total Liabilities	$ 46,625

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

B. Basis of Presentation (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for 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.

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

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

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

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts 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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

B. Basis of Presentation (Cont'd)

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 and Payroll Agency 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.

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 assets 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.

Reports for the District's Food Service Fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

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 budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. 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).

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

D. Budgets/Budgetary Control (Cont'd)

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 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 payment 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	$ 5,167,980	$ 190,676
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not.		
Current Year Encumbrances		(13,571)
Prior Year State Aid Payment Recognized for GAAP Purposes, Not recognized for Budgetary Statements	154,974	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(158,050)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	$ 5,164,904	$ 177,105

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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	$ 5,720,574	$ 190,676
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(13,571)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 5,720,574	$ 177,105

E. 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.

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

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

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing source/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 assets, except for amounts due between governmental and business-type activities which are presented as internal balances.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as deferred 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, 2010.

K. Capital Assets:

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

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

K. Capital Assets (Cont'd)

	Estimated Useful Life
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Fixed 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 assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable 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. In the fund financial statements, governmental fund types recognize bond issuance costs as expenditures in the current period. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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, 2010.

N. Compensated Absences

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

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

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

O. Deferred Revenue

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

P. Fund Balance Appropriated

General Fund: Of the $168,377 General Fund fund balance at June 30, 2010, $1 is reserved in the capital reserve account, the $87,000 of prior year excess surplus at June 30, 2010 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2011; and $81,376 is unreserved and undesignated, which is $158,050 less than the calculated maximum unreserved fund balance due to the final State Aid payments that are not recognized until the fiscal year ending June 30, 2011.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2010 of $1 is unreserved and undesignated.

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 Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus as noted above.

Unreserved and Undesignated fund balance in the General Fund is less on a GAAP basis than budgetary basis in the amount of $158,050 as of June 30, 2010 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment 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 the 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 two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments noted above.

Q. Deficit Net Assets:

The District has a deficit in the unrestricted net assets from governmental activities in the amount of $3,169. This is primarily due to the two final state aid payments of $158,050, which are not recognized on a GAAP basis until the fiscal year ended June 30, 2010.

R. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

S. Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for a capital reserve and excess surplus as defined by State law.

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.

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.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Deposits:

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

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

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

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;

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

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

Investments: (Cont'd)

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;

(5) Local government investment pools;

(6) Deposits with the State of New Jersey Cash Management Fund; or

(7) Agreements for the repurchase of fully collateralized securities if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in statute; and

(e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2010, cash and cash equivalents and investments of the District consisted of the following:

	Capital Reserve Account	Cash and Cash Equivalents	Total
Checking Accounts	$ 1	$ 327,455	$ 327,456

During the period ended June 30, 2010, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2010, was $327,456 and the bank balance was $477,953.

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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.

Beginning Balance, July 1, 2009	$ 1
Ending Balance, June 30, 2010	$ 1

The balance in the capital reserve account at June 30, 2010 does not exceed the LRFP balance of local support costs of uncompleted capital projects.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	Beginning Balance*	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	$ 526,300			$ 526,300
Total Capital Assets Not Being Depreciated	526,300			526,300
Capital Assets Being Depreciated:				
Site Improvements	48,100			48,100
Buildings and Building Improvements	7,706,753			7,706,753
Machinery and Equipment	276,835			276,835
Total Capital Assets Being Depreciated	8,031,688			8,031,688
Governmental Activities Capital Assets	8,557,988			8,557,988
Less Accumulated Depreciation for:				
Site Improvements	(47,468)	$ (115)		(47,583)
Buildings and Building Improvements	(1,596,824)	(151,640)		(1,748,464)
Machinery and Equipment	(184,109)	(22,379)		(206,488)
	(1,828,401)	(174,134)		(2,002,535)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	$ 6,729,587	$ (174,134)	$ -0-	$ 6,555,453
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	$ 29,438			$ 29,438
Less: Accumulated Depreciation	(18,576)	$ (1,044)		(19,620)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	$ 10,862	$ (1,044)	$ -0-	$ 9,818

*Restated

The District does not have any active construction projects as of June 30, 2010.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	$ 12,789
Support and Administration Services	2,005
General Administration	2,005
School Administration	2,005
Central Services	2,005
Operations and Maintenance of Plant	1,156
Unallocated	152,169
	$ 174,134

NOTE 6. OPERATING LEASES

The District has no commitments to lease equipment under operating leases.

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2010, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2009	Accrued	Retired	Balance 6/30/2010
Serial Bonds Payable	$ 3,689,000		$ 200,000	$ 3,489,000
Compensated Absences Payable	41,241	$ 14,845		56,086
	$ 3,730,241	$ 14,845	$ 200,000	$ 3,545,086

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 District had bonds outstanding as of June 30, 2010 as follows:

Serial Bonds		
Final Maturity Date	Interest Rate	Amount
4/15/2023	3.75%-4.25%	$ 3,489,000
		$ 3,489,000

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable (Cont'd)

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

Year Ending June 30,		Bonds Principal	Bonds Interest	Bonds Total
2011		$ 205,000	$ 136,604	$ 341,604
2012		215,000	128,916	343,916
2013		225,000	120,854	345,854
2014		235,000	112,416	347,416
2015		245,000	103,604	348,604
Thereafter 5 Years	(2016-2020)	1,395,000	371,148	1,766,148
Thereafter 5 Years	(2021-2023)	969,000	82,242	1,051,242
		$ 3,489,000	$ 1,055,784	$ 4,544,784

B. Bonds Authorized But Not Issued:

As of June 30, 2010, the Board had no bonds authorized but not issued.

C. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is $-0- and is separated from the long-term liability balance of compensated absences of $56,086.

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, 2010, no liability existed for compensated absences in the Proprietary Funds.

The General Fund will be used to liquidate the governmental funds Compensated Absences Payable. The bond payments will be paid from the Debt Service Fund.

NOTE 8. 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. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other noncontribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

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 each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

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

Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	$ -0-	100.00%	$ -0-
2009	-0-	100.00%	-0-
2008	174,871	100.00%	174,871

During the fiscal year ended June 30, 2010, the State of New Jersey contributed $-0- to the TPAF for normal pension benefits on behalf of the District.

Three-Year Trend for PERS

Year Funding June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	$ 32,941	100.00%	$ 32,941
2009	38,738	100.00%	38,738
2008	34,228	80.00%	27,382

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005-2008 are as follows:

20% for payments due in State fiscal year 2005
Not more than 40% for payments due in State fiscal year 2006
Not more than 60% for payments due in State fiscal year 2007
Not more than 80% for payments due in State fiscal year 2008

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 9. POST-RETIREMENT BENEFITS (Cont'd)

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid $116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to $149,061, $151,889, and $209,211 for 2010, 2009 and 2008, respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

NOTE 10. 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 Horizon Blue Cross/Blue Shield of NJ and dental insurance coverage through Delta Dental Plan of NJ.

Property and Liability Insurance

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.

Selected, summarized financial information for the Fund as of June 30, 2009 is as follows:

	School Alliance Insurance Fund
Total Assets	$ 33,656,794
Net Assets	$ 14,417,326
Total Revenue	$ 28,042,089
Total Expenses	$ 25,015,943
Change in Net Assets	$ 3,026,146
Net Assets Distribution to Participating Members	$ 3,005,614

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

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 11. 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 12. INTERFUND RECEIVABLES AND PAYABLES

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 34,782	
Special Revenue Fund		$ 22,069
Food Service Fund		12,713
	$ 34,782	$ 34,782

The interfund receivable of $12,713 in the General Fund is cafeteria employee benefits of $13,787 paid on-behalf of Food Service Fund by the General Fund; net of $1,074 of subsidy reimbursements received in the General Fund due to the Food Service Fund. Also, the interfund payable of $22,069 in Special Revenue Fund is due to grant funds not being received during the fiscal year ended June 30, 2010.

NOTE 13. 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, permits 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:

AXA Aquitable
Phoenix

NOTE 14. TAX CALENDAR

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

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

NOTE 16. ACCOUNTS PAYABLE

Payables as of June 30, 2010 were:

	Governmental Activities			Business-Type Activities
	General Fund	Special Revenue Fund	Total Governmental Funds	Proprietary Funds
Vendors	$ 173,327	$ 1,027	$ 174,354	$ 15,106

NOTE 17: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2010 the District did not make any transfers to the capital outlay accounts that require County Superintendent's approval.

NOTE 18: PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to correct the value of Capital Assets and Net Assets – Invested in Capital Assets, Net of Related Debt reported in its Governmental and Business-type activities as of June 30, 2009 due to a reappraisal of fixed assets. The financial statements for June 30, 2009 have been restated as follows:

	Balance 6/30/09 as Previously Reported	Retroactive Adjustments	Balance 6/30/09 as Restated
Statement of Net Assets:			
Governmental Activities:			
Assets:			
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	$ 13,438,681	$ (7,235,394)	$ 6,203,287
Net Assets:			
Invested in Capital Assets, Net of Related Debt	10,275,981	(7,235,394)	3,040,587

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 18: PRIOR PERIOD ADJUSTMENTS (Cont'd)

	Balance 6/30/09 as Previously Reported	Retroactive Adjustments	Balance 6/30/09 as Restated
Business-type Activities:			
Non-Current Assets:			
Capital Assets	$ -0-	$ 29,438	$ 29,438
Accumulated Depreciation	-0-	(18,576)	(18,576)
Total Assets	-0-	10,862	10,862
Net Assets:			
Investment in Capital Assets Net of Related Debt	-0-	10,862	10,862
Total Net Assets	28,890	10,862	39,752

BUDGETARY COMPARISON SCHEDULES

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 3,350,565		$ 3,350,565	$ 3,350,565	
Unrestricted Miscellaneous Revenue	40,000		40,000	66,294	$ 26,294
Total - Local Sources	3,390,565		3,390,565	3,416,859	26,294
State Sources:					
Extraordinary Aid	10,682		10,682	51,118	40,436
Categorical Special Education Aid	191,853		191,853	191,853	
Equalization Aid	1,238,412	$ (224,705)	1,013,707	821,634	(192,073)
Categorical Security Aid	30,718		30,718	19,967	(10,751)
Adjustment Aid	121,556		121,556	79,011	(42,545)
Categorical Transportation Aid	27,889		27,889	18,128	(9,761)
TPAF Non-Contributory Insurance (non-budgeted)				7,937	7,937
On-Behalf Post Retirement Contributions (non-budgeted)				149,061	149,061
Reimbursed TPAF Social Security Contributions (non-budgeted)				187,707	187,707
Total State Sources	1,621,110	(224,705)	1,396,405	1,526,416	130,011
Federal Sources:					
ARRA Equalization Aid:					
Education Stabilization Fund		216,331	216,331	216,331	
Government Services Fund		8,374	8,374	8,374	
Total Federal Sources		224,705	224,705	224,705	
TOTAL REVENUES	5,011,675		5,011,675	5,167,980	156,305

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	$ 151,737	$ 545	$ 152,282	$ 152,282	
Grades 1-5 - Salaries of Teachers	799,142	2,825	801,967	801,967	
Grades 6-8 - Salaries of Teachers	482,208	9,506	491,714	491,714	
Regular Programs - Home Instruction:					
Salaries of Teachers	8,277	(7,591)	686	686	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction		25,008	25,008	25,008	
Other Purchased Services	1,000	(770)	230	230	
General Supplies	9,098	27,715	36,813	36,813	
Textbooks	7,553	8,519	16,072	16,072	
Total Regular Programs - Instruction	1,459,015	65,757	1,524,772	1,524,772	
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	50,531		50,531	50,531	
Other Salaries for Instruction	51,100	(6,648)	44,452	44,452	
Total Learning and/or Language Disabilities	101,631	(6,648)	94,983	94,983	
Resource Room/Resource Center:					
Salaries of Teachers	311,417	2,590	314,007	314,007	
General Supplies		7,573	7,573	7,573	
Total Resource Room/Resource Center	311,417	10,163	321,580	321,580	
Preschool Disabilities - Part-time - Instruction:					
Salaries of Teachers	78,172	26,045	104,217	104,123	$ 94

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Part-time - Instruction (Cont'd):					
Other Salaries for Instruction	$ 31,014	$ 522	$ 31,536	$ 31,536	
General Supplies		2,010	2,010	2,010	
Total Preschool Disabilities - Part-time - Instruction	109,186	28,577	137,763	137,669	$ 94
Total Special Education Instruction	210,817	21,929	232,746	232,652	94
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	69,087	13,619	82,706	82,706	
General Supplies		449	449	449	
Total Basic Skills/Remedial - Instruction	69,087	14,068	83,155	83,155	
Bilingual Education - Instruction:					
General Supplies		40	40	40	
Total Bilingual Education - Instruction		40	40	40	
School-Sponsored Co curricular Activities - Instruction:					
Salaries	16,039	11,946	27,985	27,985	
Other Objects		297	297	297	
Total School-Sponsored Co curricular Activities - Instruction	16,039	12,243	28,282	28,282	
School-Sponsored Co curricular Athletics - Instruction:					
Salaries	4,700	2,650	7,350	7,350	
Purchased Services		1,760	1,760	1,760	
Supplies and Materials		200	200	200	
Other Objects		800	800	800	
Total School-Sponsored Co curricular Athletics - Instruction	4,700	5,410	10,110	10,110	

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Total Instruction	$ 2,071,075	$ 129,610	$ 2,200,685	$ 2,200,591	$ 94
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	363,381	(126,005)	237,376	237,376	
Tuition to Private Schools for the Handicapped - Within State	353,397	34,249	387,646	387,642	4
Total Undistributed Expenditures - Instruction	716,778	(91,756)	625,022	625,018	4
Attendance & Social Work:					
Salaries	35,000	6,556	41,556	41,556	
Total Attendance & Social Work	35,000	6,556	41,556	41,556	
Health Services:					
Salaries	58,171	1,200	59,371	59,371	
Purchased Professional and Technical Services	310	(285)	25	25	
Supplies and Materials		1,427	1,427	1,427	
Total Health Services	58,481	2,342	60,823	60,823	
Speech, OT, PT and Related Services:					
Salaries	80,906		80,906	80,906	
Total Speech, OT, PT and Related Services	80,906		80,906	80,906	
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	82,978	6,465	89,443	89,443	
Salaries of Secretarial and Clerical Assistants	35,996		35,996	35,996	
Purchased Professional - Educational Services		33,254	33,254	33,254	
Miscellaneous Purchased Services		108	108	108	

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Students - Child Study Team (Cont'd):					
Supplies and Materials	$ 75	$ 808	$ 883	$ 883	
Total Other Support Services - Students - Child Study Team	119,049	40,635	159,684	159,684	
Educational Media Services/School Library:					
Salaries	75,251		75,251	75,251	
Other Purchased Services		99	99	99	
Supplies and Materials	1,500	77	1,577	1,569	$ 8
Total Educational Media Services/School Library	76,751	176	76,927	76,919	8
Instructional Staff Training Services:					
Other Purchased Services	3,000	(2,874)	126	126	
Total Instructional Staff Training Services	3,000	(2,874)	126	126	
Support Services - General Administration:					
Salaries	148,304	(15,235)	133,069	133,069	
Legal Services	15,152	(4,409)	10,743	10,743	
Audit Fees	20,280		20,280	20,280	
Architectural/ Engineering Services	10,000		4,152	4,152	
Communications/Telephone	30,875	(16,803)	14,072	14,072	
Misc. Purchased Services	3,000	11,851	14,851	14,851	
Other Purchased Services		595	595	595	
General Supplies	4,200	(1,640)	2,560	2,560	
Judgements Against the School District	30,000		30,000	30,000	
Miscellaneous Expenditures	5,000	(3,412)	1,588	1,588	
Board of Education Membership Dues and Fees	7,000	(2,426)	4,574	4,574	
Total Support Services - General Administration	273,811	(31,479)	236,484	236,484	

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	$ 78,375	$ 813	$ 79,188	$ 79,188	
Salaries of Secretarial and Clerical Assistants	37,996		37,996	37,996	
Purchased Professional and Technical Services	1,500	(42)	1,458	1,458	
Other Purchased Services	500	4,439	4,939	4,895	$ 44
Supplies and Materials	5,128	271	5,399	5,399	
Other Objects	1,275	875	2,150	2,147	3
Total Support Services - School Administration	124,774	6,356	131,130	131,083	47
Central Services:					
Salaries	122,924	4,155	127,079	127,079	
Purchased Professional Services	8,000	1,596	9,596	9,596	
Miscellaneous Purchased Services	2,997	(1,684)	1,313	1,031	282
Supplies and Materials	1,500	(588)	912	912	
Miscellaneous Expenditures	4,150	(2,769)	1,381	1,381	
Total Central Services	139,571	710	140,281	139,999	282
Administrative Information Technology:					
Salaries	35,000	(8,712)	26,288	26,288	
Purchased Professional Services	5,000	(2,361)	2,639	2,639	
Purchased Technical Services	9,500	18,320	27,820	27,820	
Other Purchased Services	1,000	(101)	899	899	
Supplies and Materials	35,808	6,628	42,436	42,436	
Other Objects	12,741	(4,905)	7,836	7,836	
Total Administrative Information Technology	99,049	8,869	107,918	107,918	

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Required Maintenance of School Facilities:					
Salaries	$ 45,038		$ 45,038	$ 45,038	
Cleaning, Repair and Maintenance Services	34,200	$ (29,767)	4,433	4,433	
General Supplies	5,000	(5,000)			
Other Objects	1,150	1,038	2,188	2,188	
Total Required Maintenance of School Facilities	85,388	(33,729)	51,659	51,659	
Custodial Services:					
Salaries	54,880	(2,215)	52,665	52,572	$ 93
Purchased Professional and Technical Services	5,550	6,987	12,537	12,537	
Cleaning, Repair, and Maintenance Services	17,000	(13,636)	3,364	3,364	
Other Purchased Property Services	11,610	438	12,048	12,048	
Insurance	2,500	91	2,591	2,591	
Miscellaneous Purchased Services	5,910	6,348	12,258	12,258	
General Supplies	8,248	(418)	7,830	7,830	
Energy (Electricity)	104,925	(18,278)	86,647	86,647	
Energy (Oil)	45,000	10,100	55,100	55,100	
Other Objects	1,125	(865)	260	260	
Total Custodial Services	256,748	(11,448)	245,300	245,207	93
Student Transportation Services:					
Contracted Services:					
Special Education - Joint Agreements	147,800	(12,937)	134,863	134,863	
Aid in Lieu of Payments - Nonpublic Students	5,000	(2,348)	2,652	2,652	
Total Student Transportation Services	152,800	(15,285)	137,515	137,515	

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits:					
Social Security Contributions	$ 16,882	$ 32,501	$ 49,383	$ 49,383	
Other Retirement Contributions - Regular	21,856	11,085	32,941	32,941	
Unemployment Compensation	9,000	1,741	10,741	10,741	
Workmen's Compensation	95,723	(42,516)	53,207	53,206	$ 1
Health Benefits	894,750	(12,484)	882,266	882,266	
Tuition Reimbursement	6,500	(955)	5,545	5,545	
Total Unallocated Benefits	1,044,711	(10,628)	1,034,083	1,034,082	1
On-Behalf Contributions:					
TPAF Non-Contributory Insurance (non-budgeted)				7,937	(7,937)
On-Behalf Post Retirement Contributions (non-budgeted)				149,061	(149,061)
Reimbursed TPAF Social Security Contributions (non-budgeted)				187,707	(187,707)
Total On-Behalf Contributions				344,705	(344,705)
Total Personal Services - Employee Benefits	1,044,711	(10,628)	1,034,083	1,378,787	(344,704)
Total Undistributed Expenses	3,266,817	(131,555)	3,129,414	3,473,684	(344,270)
TOTAL GENERAL CURRENT EXPENSE	5,337,892	(1,945)	5,330,099	5,674,275	(344,176)

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
Operation and Maintenance of Plant		$ 1,000	$ 1,000	$ 1,000	
Total Equipment		1,000	1,000	1,000	
TOTAL CAPITAL OUTLAY		1,000	1,000	1,000	
Transfer of Funds to Charter Schools	$ 44,295	6,793	51,088	45,299	$ 5,789
TOTAL EXPENDITURES	5,382,187	5,848	5,382,187	5,720,574	(338,387)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(370,512)	(5,848)	(370,512)	(552,594)	(182,082)
Other Financing Sources:					
Cancellation of Prior Year Accounts Payable				40,878	(40,878)
Total Other Financing Sources				40,878	(40,878)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(370,512)	(5,848)	(370,512)	(511,716)	(222,960)
Fund Balance, July 1	838,143		838,143	838,143	
Fund Balance, June 30	$ 467,631	$ (5,848)	$ 467,631	$ 326,427	$ (222,960)

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation:					
Reserve for Excess Surplus - Designated for Subsequent Year Expenditures				$ 87,000	
Capital Reserve				1	
Unreserved/Undesignated				239,426	
				326,427	
Reconciliation to Governmental Funds Statement (GAAP):					
Last Two State Aid Payments not Recognized on GAAP basis				(158,050)	
Fund Balance per Governmental Funds (GAAP)				$ 168,377	

Exhibit C-2

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	$ 106,982	$ 112,505	$ 219,487	$ 190,676	$ (28,811)
Total Revenues	106,982	112,505	219,487	190,676	(28,811)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	8,065	46,391	54,456	33,005	21,451
Purchased Professional and Technical Services	500	4,576	5,076	5,076	
Other Purchased Services	79,545	13,292	92,837	92,837	
General Supplies	7,687	31,107	38,794	33,107	5,687
Other Objects	7,755	(7,582)	173		173
Total Instruction	103,552	87,784	191,336	164,025	27,311
Support Services:					
Other Salaries		11,238	11,238	10,724	514
Purchased Professional and Technical Services	1,500	500	2,000	2,000	
Other Purchased Services		5,276	5,276	5,276	
Supplies and Materials	1,930	7,558	9,488	8,502	986
Other Objects		149	149	149	
Total Support Services	3,430	24,721	28,151	26,651	1,500
Total Expenditures	$ 106,982	$ 112,505	$ 219,487	$ 190,676	$ 28,811
Deficit of Revenue Under Expenditures	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

Exhibit C-3
1 of 2

BOROUGH OF STANHOPE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISION SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	$ 5,167,980	$ 190,676
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures, Whereas the GAAP Basis does not		
Current Year Encumbrances		(13,571)
Prior Year State Aid Payment Recognized for GAAP Purposes, Not Recognized for Budgetary Statements	154,974	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(158,050)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	$ 5,164,904	$ 177,105
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	$ 5,720,574	$ 190,676
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes:		
Current Year Encumbrances		(13,571)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 5,720,574	$ 177,105

BOROUGH OF STANHOPE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISION SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. 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 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, 2010

	No Child Left Behind		I.D.E.A., Part B		ARRA
	Title I	Title IIA	Basic	Preschool	I.D.E.A., Part B
REVENUES:					
Federal Sources	$ 17,172	$ 8,390	$ 92,837	$ 4,845	$ 66,512
Total Revenues	17,172	8,390	92,837	4,845	66,512
EXPENDITURES:					
Instruction:					
Salaries of Teachers	11,400				21,605
Purchased Professional and Technical Services	500	1,500			3,076
Other Purchased Services			92,837		
General Supplies	2,000				31,107
Total Instruction	13,900	1,500	92,837		55,788
Support Services:					
Other Salaries					10,724
Purchased Professional and Technical Services	1,500	500			
Other Purchased Services		4,836			
Supplies and Materials	1,772	1,554		4,845	
Other Objects					
Total Support Services	3,272	6,890		4,845	10,724
Total Expenditures	$ 17,172	$ 8,390	$ 92,837	$ 4,845	$ 66,512

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

	No Child Left Behind			
	Title IID	Title IID Carryover	Title IV	Totals
REVENUES:				
Federal Sources	$ 36	$ 137	$ 747	$ 190,676
Total Revenues	36	137	747	190,676
EXPENDITURES:				
Instruction:				
Salaries of Teachers				33,005
Purchased Professional and Technical Services				5,076
Other Purchased Services				92,837
General Supplies				33,107
Total Instruction				164,025
Support Services:				
Other Salaries				10,724
Purchased Professional and Technical Services				2,000
Other Purchased Services			440	5,276
Supplies and Materials	36	137	158	8,502
Other Objects			149	149
Total Support Services	36	137	747	26,651
Total Expenditures	$ 36	$ 137	$ 747	$ 190,676

Exhibit E-2

BOROUGH OF STANHOPE SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

Exhibit G-1

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 47,090
Intergovernmental Accounts Receivable:	
State	112
Federal	1,769
Inventories	1,756
Total Current Assets	50,727
Non-Current Assets:	
Capital Assets	29,438
Less: Accumulated Depreciation	(19,620)
Total Non-Current Assets	9,818
Total Assets	60,545
LIABILITIES:	
Current Liabilities:	
Interfund Payable	12,713
Accounts Payable	15,106
Deferred Revenue	451
Total Liabilities	28,270
NET ASSETS:	
Investment in Capital Assets Net of Related Debt	9,818
Unrestricted	22,457
Total Net Assets	$ 32,275

Exhibit G-2

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating Revenue:		
Local Sources:		
Daily Sales - Reimbursable Programs	$	51,573
Daily Sales - Non-Reimbursable Programs		22,196
Total Operating Revenue		73,769
Operating Expenses:		
Cost of Sales		42,945
Salaries, Benefits and Payroll Taxes		52,415
Supplies, Insurance and Other Costs		7,629
Management Fee		7,328
Depreciation Expense		1,044
Total Operating Expenses		111,361
Operating Loss		(37,592)
Non-Operating Income:		
Local Sources:		
Interest Income		51
State Sources:		
State School Lunch Program		1,604
Federal Sources:		
National School Lunch Program		25,143
Food Distribution Program		3,317
Total Non-Operating Income		30,115
Change in Net Assets		(7,477)
Net Assets - Beginning of Year (Restated)		39,752
Net Assets - End of Year	$	32,275

Exhibit G-3

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash Flows from Operating Activities:		
Receipts from Customers	$	73,769
Payments to Food Service Contractor		(77,802)
Payments to Suppliers		(6,003)
Net Cash Used for Operating Activities		(10,036)
Cash Flows from Financing Activities:		
Interest Income		51
Net Cash Provided by Financing Activities		51
Cash Flows by Noncapital Financing Activities:		
Interfund Returned - General Fund		39,560
Net Cash Provided by Noncapital Financing Activities		39,560
Net Increase in Cash and Cash Equivalents		29,575
Cash and Cash Equivalents, July 1		17,515
Cash and Cash Equivalents, June 30	$	47,090
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Loss	$	(37,592)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:		
Depreciation		1,044
Food Distribution Program		3,317
Changes in Assets and Liabilities:		
Increase in Deferred Revenue		86
Increase in Accounts Payable		9,778
(Increase) in Inventory		(456)
Increase in Interfund Payable		13,787
Net Cash Used for Operating Activities	$	(10,036)

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 $3,403 and Utilized Commodities Valued at $3,317.

FIDUCIARY FUNDS

Exhibit H-1

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	Agency
ASSETS:	
Cash and Cash Equivalents	$ 46,625
Total Assets	46,625
LIABILITIES:	
Payroll Deductions and Withholdings	$ 39,724
Due to Student Groups	6,901
Total Liabilities	$ 46,625

Exhibit H-2

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

Exhibit H-3

BOROUGH OF STANHOPE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
ASSETS:				
Cash and Cash Equivalents	$ 12,722	$ 58,459	$ 64,280	$ 6,901
Total Assets	$ 12,722	$ 58,459	$ 64,280	$ 6,901
LIABILITIES:				
Liabilities:				
Accounts Payable	$ 5,349		$ 5,349	
Due to Student Groups	7,373	$ 58,459	58,931	$ 6,901
Total Liabilities	$ 12,722	$ 58,459	$ 64,280	$ 6,901

Exhibit H-4

BOROUGH OF STANHOPE SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
ASSETS:				
Cash and Cash Equivalents	$ 48,601	$ 3,533,587	$ 3,542,464	$ 39,724
Total Assets	$ 48,601	$ 3,533,587	$ 3,542,464	$ 39,724
LIABILITIES:				
Payroll Deductions and Withholdings	$ 48,601	$ 3,533,587	$ 3,542,464	$ 39,724
Total Liabilities	$ 48,601	$ 3,533,587	$ 3,542,464	$ 39,724

LONG-TERM DEBT

BOROUGH OF STANHOPE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2010 Date	Amount	Interest Rate	Balance July 1, 2009	Matured	Balance June 30, 2010
Additions and Renovations to Elementary Schools	4/15/03	$ 4,769,000	4/15/11	$ 205,000	3.75%			
			4/15/12	215,000	3.75%			
			4/15/13	225,000	3.75%			
			4/15/14	235,000	3.75%			
			4/15/15	245,000	3.75%			
			4/15/16	255,000	3.75%			
			4/15/17	265,000	3.75%			
			4/15/18	280,000	3.85%			
			4/15/19	290,000	3.90%			
			4/15/20	305,000	4.00%			
			4/15/21	315,000	4.13%			
			4/15/22	325,000	4.20%			
			4/15/23	329,000	4.25%			
						$ 3,689,000	$ 200,000	$ 3,489,000

Exhibit I-2

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 344,104		$ 344,104	$ 344,104	
Total Revenues	344,104		344,104	344,104	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	144,104		144,104	144,104	
Redemption of Principal	200,000		200,000	200,000	
Total Regular Debt Service	344,104		344,104	344,104	
Total Expenditures	344,104		344,104	344,104	
Excess/(Deficit) of Revenues Over/(Under) Expenditures					
Fund Balance, July 1	$ 1		$ 1	$ 1	
Fund Balance, June 30	$ 1	$ -0-	$ 1	$ 1	$ -0-
Recapitulation:					
Unreserved - Undesignated				$ 1	

STATISTICAL SECTION

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. The District implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

Exhibit J-1

BOROUGH OF STANHOPE SCHOOL DISTRICT
NET ASSETS BY COMPONENT,
LAST SEVEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
Governmental Activities							
Invested in Capital Assets, Net of Related Debt/(Deficit)	$ (2,482,474)	$ 8,811,687	$ 9,054,674	$ 10,143,495	$ 10,207,238	$ 3,040,587	$ 3,066,453
Restricted	6,066,648	1,429,860	1,575,513	704,089	419,773	341,160	87,002
Unrestricted/(Deficit)	(11,592)	(60,742)	(49,619)	133,768	324,225	270,747	(3,169)
Total Governmental Activities Net Assets	$ 3,572,582	$ 10,180,805	$ 10,580,568	$ 10,981,352	$ 10,951,236	$ 3,652,494	$ 3,150,286
Business-type Activities							
Invested in Capital Assets, Net of Related						$ 10,862	$ 9,818
Unrestricted	$ 6,225	$ 8,654	$ 16,714	$ 29,269	$ 32,382	28,890	22,457
Total Business-type Activities Net Assets	$ 6,225	$ 8,654	$ 16,714	$ 29,269	$ 32,382	$ 39,752	$ 32,275
District-wide							
Invested in Capital Assets, Net of Related Debt/(Deficit)	$ (2,482,474)	$ 8,811,687	$ 9,054,674	$ 10,143,495	$ 10,207,238	$ 3,051,449	$ 3,076,271
Restricted	6,066,648	1,429,860	1,575,513	704,089	419,773	341,160	87,002
Unrestricted/(Deficit)	(5,367)	(52,088)	(32,905)	163,037	356,607	299,637	19,288
Total District Net Assets	$ 3,578,807	$ 10,189,459	$ 10,597,282	$ 11,010,621	$ 10,983,618	$ 3,692,246	$ 3,182,561

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

Exhibit J-2
1 of 2

BOROUGH OF STANHOPE SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST SEVEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental Activities							
Instruction							
Regular	$ 2,074,420	$ 2,167,058	$ 2,306,265	$ 2,274,509	$ 2,720,650	$ 2,175,090	$ 2,248,582
Special Education	654,618	528,415	669,588	713,475	721,142	598,050	939,636
Other Special Education						220,275	122,392
Other Instruction	183,541	121,521	49,695	93,886		52,916	64,125
Support Services:							
Tuition	152,166	156,180	183,431	167,547	349,567	717,773	625,018
Student & Instruction Related Services	599,917	684,591	635,207	513,588	616,143	539,120	627,464
General Administrative Services					356,816	256,551	294,556
School Administrative Services	225,059	228,024	177,781	214,226	190,826	163,209	183,637
General and Business Administrative Services	338,264	381,024	461,493	513,305			
Central Services					179,247	162,182	196,873
Administrative Information Technology					61,183	121,332	116,925
Plant Operations and Maintenance	371,372	442,645	413,681	452,820	460,099	308,195	331,466
Pupil Transportation	189,990	86,882	50,549	61,733	110,418	159,181	137,515
Transfer of Funds to Charter School	4,526	11,365	21,095	76,836	34,439	44,745	45,299
Interest on Long-term Debt	183,044	191,584	170,674	164,034	144,439	162,511	142,541
Capital Outlay					14,292	4,386	1,000
Unallocated Depreciation							152,170
Total Governmental Activities Expenses	4,976,917	4,999,289	5,139,459	5,245,959	5,959,261	5,685,516	6,229,199
Business-type Activities:							
Food Service	37,767	29,704	122,292	110,085	106,079	117,448	111,361
Total Business-type Activities Expense	37,767	29,704	122,292	110,085	106,079	117,448	111,361
Total District Expenses	$ 5,014,684	$ 5,028,993	$ 5,261,751	$ 5,356,044	$ 6,065,340	$ 5,802,964	$ 6,340,560
Program Revenues							
Governmental Activities:							
Operating Grants and Contributions	$ 1,158,662	$ 1,068,156	$ 1,096,188	$ 1,154,111	$ 1,142,951	$ 719,089	$ 781,492
Total Governmental Activities Program Revenues	1,158,662	1,068,156	1,096,188	1,154,111	1,142,951	719,089	781,492
Business-type Activities:							
Charges for Services							
Food Service	16,546	11,919	86,950	78,148	83,449	78,550	73,769
Operating Grants and Contributions	9,744	7,330	24,044	25,964	25,197	26,754	30,115
Total Business-type Activities Program Revenues	26,290	19,249	110,994	104,112	108,646	105,304	103,884
Total District Program Revenues	$ 1,184,952	$ 1,087,405	$ 1,207,182	$ 1,258,223	$ 1,251,597	$ 824,393	$ 885,376
Net (Expense)/Revenue							
Governmental Activities	$ (3,818,255)	$ (3,931,133)	$ (4,043,271)	$ (4,091,848)	$ (4,816,310)	$ (4,966,427)	$ (5,447,707)
Business-type Activities	(11,477)	(10,455)	(11,298)	(5,973)	2,567	(12,144)	(7,477)
Total District-wide Net Expense	$ (3,829,732)	$ (3,941,588)	$ (4,054,569)	$ (4,097,821)	$ (4,813,743)	$ (4,978,571)	$ (5,455,184)
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Property Taxes Levied for General Purposes, Net	2,644,863	3,004,631	3,068,416	3,097,786	3,097,786	3,221,697	$ 3,350,565
Taxes Levied for Debt Service	191,924	156,408	176,367	186,445	348,542	346,416	344,104
Federal and State aid not restricted	1,150,156	1,110,079	1,121,096	1,110,696	1,156,954	1,297,663	1,143,658
Tuition	7,562						
Investment Earnings	49,744	35,746	36,250	39,216	33,185	15,724	3,418
Miscellaneous Income	28,023	14,442	60,263	103,219	150,273	57,021	62,876
Prior Year Adjustment - Capital Assets		6,230,934					
Transfers	(13,039)	(12,884)	(19,358)	(18,528)	(546)	(8,652)	
Adjustment to Local Tax Levy						(26,790)	
Cancellation of Prior Year Accounts Payable							40,878
Total Governmental Activities	4,059,233	10,539,356	4,443,034	4,518,834	4,786,194	4,903,079	4,945,499

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

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
Business-type Activities:							
Transfers	13,039	12,885	19,357	18,528	546	8,652	
Total Business-type Activities	13,039	12,885	19,357	18,528	546	8,652	
Total District-wide	$ 4,072,272	$ 10,552,241	$ 4,462,391	$ 4,537,362	$ 4,786,740	$ 4,911,731	$ 4,945,499
Change in Net Assets							
Governmental Activities	$ 240,978	$ 6,608,223	$ 399,763	$ 426,986	$ (30,116)	$ (63,348)	$ (502,208)
Business-type Activities	1,562	2,430	8,059	12,555	3,113	(3,492)	(7,477)
Total District	$ 242,540	$ 6,610,653	$ 407,822	$ 439,541	$ (27,003)	$ (66,840)	$ (509,685)

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

Exhibit J-3

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

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
General Fund							
Reserved	$ 31,608	$ 401,097	$ 716,479	$ 551,750	$ 419,772	$ 341,159	$ 87,001
Unreserved	54,479	36,758	71,527	192,998	389,708	342,010	81,376
Total General Fund	$ 86,087	$ 437,855	$ 788,006	$ 744,748	$ 809,480	$ 683,169	$ 168,377
All Other Governmental Funds							
Reserved		$ 131,447	$ 5,000				
Unreserved/(Deficit), Reported in:							
Special Revenue Fund	$ (171)	(170)	(170)	$ (170)			
Capital Projects Fund	6,031,259	907,126	862,476	(144,402)			
Debt Service Fund	26,202	26,202	1	1	$ 1	$ 1	$ 1
Total All Other Governmental Funds/(Deficit)	$ 6,057,290	$ 1,064,605	$ 867,307	$ (144,571)	$ 1	$ 1	$ 1
Total Governmental Funds	$ 6,143,377	$ 1,502,460	$ 1,655,313	$ 600,177	$ 809,481	$ 683,170	$ 168,378

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

Exhibit J-4

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

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
Revenues							
Tax Levy	$ 3,019,831	$ 3,352,623	$ 3,415,457	$ 3,448,265	$ 3,446,328	$ 3,568,113	$ 3,694,669
Tuition Charges	7,562						
Interest Earnings	49,744	35,746	36,250	39,215	33,185	15,724	3,418
Miscellaneous	31,172	14,442	61,263	103,219	150,273	57,021	62,876
State Sources	2,000,687	1,862,807	1,929,161	2,071,856	2,150,236	1,870,722	1,523,340
Federal Sources	121,938	123,845	116,449	28,918	149,669	146,030	401,810
Total Revenue	5,230,934	5,389,463	5,558,580	5,691,473	5,929,691	5,657,610	5,686,113
Expenditures							
Instruction							
Regular Instruction	1,574,899	1,524,056	1,600,308	1,587,767	1,794,935	1,473,563	1,540,172
Special Education Instruction	504,402	378,335	496,749	428,591	499,578	421,563	690,712
Other Special Instruction						156,594	83,195
Other Instruction	140,966	88,085	37,177	93,886	1,400	42,624	38,392
Support Services:							
Tuition	152,166	156,180	183,432	167,547	349,567	717,773	625,018
Student & Other Instruction Related Services	449,247	555,060	473,290	447,223	479,697	412,019	445,239
General Administrative Services					208,195	202,637	236,484
School Administrative Services	173,415	160,603	121,378	131,132	128,792	116,394	131,083
General & Business Administrative Services	268,578	310,534	353,550	386,327			
Central Services					132,354	122,446	139,999
Administrative Information Technology					53,285	101,858	107,918
Plant Operations and Maintenance	285,701	379,005	354,607	382,055	430,800	286,481	296,866
Pupil Transportation	187,032	83,925	47,591	58,775	107,460	156,223	137,515
Unallocated Benefits	1,011,720	1,011,037	1,155,908	1,231,243	1,466,445	1,142,757	1,378,787
Charter School	4,526	11,365	21,095	76,836	34,439	44,745	45,299
Capital Outlay	1,067,570	5,011,319	194,244	1,030,078	14,292	4,386	1,000
Debt Service:							
Principal	165,000	170,000	175,000	185,000	190,000	195,000	200,000
Interest and Other Charges	183,766	177,991	172,041	165,479	158,541	151,416	144,104
Total Expenditures	6,168,988	10,017,495	5,386,370	6,371,939	6,049,780	5,748,479	6,241,783
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(938,054)	(4,628,032)	172,210	(680,466)	(120,089)	(90,869)	(555,670)
Other Financing Sources/(Uses)							
Transfers in	48,136	27,297	10,540	17,304	144,401		
Transfers out	(61,175)	(40,182)	(29,898)	(35,832)	(144,947)	(8,652)	
Adjustment to Local Tax Levy						(26,790)	
Cancellation of Prior Year Accounts Payable							40,878
Total Other Financing Sources/(Uses)	(13,039)	(12,885)	(19,358)	(18,528)	(546)	(35,442)	40,878
Net Change in Fund Balances	$ (951,093)	$ (4,640,917)	$ 152,852	$ (698,994)	$ (120,635)	$ (126,311)	$ (514,792)
Debt Service as a Percentage of Noncapital Expenditures	6.84%	6.95%	6.68%	6.56%	5.77%	6.03%	5.51%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

Exhibit J-5

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

Fiscal Year Ending June 30,	Prior Year Refunds	Interest on Investments	Rental	Reimbursement for Roof Repairs	Miscellaneous	Total
2001		$ 11,805			$ 1,590	$ 13,395
2002		8,842		$ 100,000	3,805	112,647
2003		2,809			48,164	50,973
2004	$ 7,562	1,608			28,022	37,192
2005		8,449			14,442	22,891
2006	5,360	25,709	$ 45,000		9,903	85,972
2007	39,543	21,911	59,000		4,675	125,129
2008	59,483	33,185	82,000		8,790	183,458
2009	29,432	15,724	14,000		13,589	72,745
2010	36,027	3,418			26,849	66,294

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)
2000	$ 2,079,300	$ 143,452,400	$ 13,100	$ 9,475,200	$ 3,366,500	$ 1,441,700	$ 159,828,200	$ 448,074	$ 160,276,274	$ 1.43	$ 180,259,715
2001	2,139,500	145,363,400	13,100	9,475,200	3,111,800	1,441,700	161,544,700	429,932	161,974,632	1.46	190,860,303
2002	2,400,600	146,641,800	13,100	9,629,900	3,118,000	1,572,500	163,375,900	502,174	163,878,074	1.45	204,292,281
2003	2,387,400	147,373,000	17,100	9,629,900	3,111,800	1,572,500	164,091,700	433,291	164,524,991	1.68	231,221,758
2004	1,793,900	150,185,000	18,200	9,685,600	3,111,800	1,572,500	166,367,000	352,025	166,719,025	1.92	267,727,796
2005	1,834,700	152,249,100	18,200	9,866,000	3,111,800	1,572,500	168,652,300	279,699	168,931,999	1.97	322,730,949
2006 *	5,296,800	394,389,500	18,400	23,172,500	5,624,800	3,744,200	432,246,200	480,235	432,726,435	0.78	407,049,816
2007	5,067,100	394,458,500	18,400	23,181,600	5,624,800	3,744,200	432,094,600	476,760	432,571,360	0.80	410,232,962
2008	4,543,000	395,609,500	18,400	22,010,700	5,624,300	3,744,200	431,550,100	485,828	432,035,928	0.85	434,820,741
2009	4,699,100	396,061,600	18,100	23,357,300	5,624,300	3,744,200	433,504,600	498,534	434,003,134	0.73	415,990,735

* Year in which revaluation became effective.

Source: Municipal Tax Assessor

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

Exhibit J-7

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

	School District of the Borough of Stanhope Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
Year Ended December 31,	Basic Rate [a]	General Obligation Debt Service [b]	Total Direct	Municipailty	Regional High School District	County	
2000	$ 1.43		$ 1.43	$ 1.02	$ 0.72	$ 0.57	$ 3.74
2001	1.46		1.46	1.04	0.77	0.66	3.93
2002	1.45		1.45	1.07	0.86	0.69	4.07
2003	1.68		1.68	1.22	0.93	0.74	4.57
2004	1.71	$ 0.21	1.92	1.28	0.93	0.78	4.91
2005	1.77	0.21	1.98	1.35	0.97	0.85	5.15
2006 *	0.68	0.10	0.78	0.56	0.41	0.36	2.11
2007	0.72	0.08	0.80	0.62	0.45	0.38	2.25
2008	0.77	0.08	0.85	0.69	0.47	0.39	2.40
2009	0.66	0.07	0.73	0.69	0.58	0.39	2.39

* Year in which revaluation became effective.

Source: Municipal Tax Collector and School Business Administrator

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.

Exhibit J-8

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

	2009		
Taxpayer	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Paramount Self Storage, LLC	$ 3,228,400	1	0.74%
US 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 & Elke, TIC	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, Att: J. Fontaine	1,103,300	10	0.25%
Total	$ 16,232,800		3.72%

	2001		
Taxpayer	Taxable Assessed Value	Rank	% of Total District Net Assessed Value

INFORMATION NOT AVAILABLE

Source: Municipal Tax Assessor

Exhibit J-9

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

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy[a]		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	$ 3,415,457	$ 3,415,457	100.00%	$ -0-
2007	3,448,265	3,448,265	100.00%	-0-
2008	3,446,328	3,446,328	100.00%	-0-
2009	3,568,113	3,568,113	100.00%	-0-
2010	3,694,669	3,694,669	100.00%	-0-

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

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 SIX FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities: General Obligation Bonds	Governmental Activities: Certificates of Participation	Governmental Activities: Obligations Under Lease-Purchase Agreement	Governmental Activities: Bond Anticipation Notes (BANs)	Business-Type Activities: Capital Leases	Total District	Percentage of Personal Income [a]	Per Capita [a]
2005	$ 4,434,000	$ -0-	$ -0-	$ -0-	$ -0-	$ 4,434,000	2.98%	$ 1,216.13
2006	4,259,000	-0-	-0-	-0-	-0-	4,259,000	2.74%	1,163.66
2007	4,074,000	-0-	-0-	-0-	-0-	4,074,000	2.46%	1,118.92
2008	3,884,000	-0-	-0-	-0-	-0-	3,884,000	2.22%	1,074.41
2009	3,689,000	-0-	-0-	-0-	-0-	3,689,000	2.06%	1,025.29
2010	3,489,000	-0-	-0-	-0-	-0-	3,489,000	1.96%	975.40

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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.

Exhibit J-11

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding: General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Net Valuation [a] Taxable	Per Capita [b]
2005	$ 4,434,000	$ -0-	$ 4,434,000	2.78%	$ 1,216.13
2006	4,259,000	-0-	4,259,000	2.67%	1,163.66
2007	4,074,000	-0-	4,074,000	2.54%	1,118.92
2008	3,884,000	-0-	3,884,000	2.40%	1,074.41
2009	3,689,000	-0-	3,689,000	2.25%	1,025.29
2010	3,489,000	-0-	3,489,000	2.12%	975.40

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Reports

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

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

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

Exhibit J-12

BOROUGH OF STANHOPE SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2009
UNAUDITED

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Overlapping Debt
Debt Repaid With Property Taxes			
Lenape Valley Regional School District	$ 4,079,000	22.03%	$ 898,604
Borough of Stanhope	2,137,797	100.00%	2,137,797
Sussex County General Obligation Debt	77,111,415	2.04%	1,575,256
Subtotal, Overlapping Debt			4,611,656
Borough of Stanhope School District Direct Debt			3,489,000
Total Direct and Overlapping Debt			$ 8,100,656

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.

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.

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

Legal Debt Margin Calculation for Fiscal Year 2010

	Equalized valuation basis
2007	$ 431,361,286
2008	437,588,826
2009	415,990,735
	$ 1,284,940,847

Average Equalized Valuation of Taxable Property	$ 428,313,616	
Debt Limit (3% of average equalization value)	12,849,408	a
Net Bonded School Debt	3,489,000	
Legal Debt Margin	$ 9,360,408	

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	$ 5,929,130	$ 8,786,042	$ 8,070,444	$ 9,350,502	$ 10,795,953	$ 11,949,699	$ 12,759,999	$ 12,849,408
Total Net Debt Applicable to Limit		4,604,000	4,434,133	4,434,000	4,074,000	3,884,000	3,689,000	3,489,000
Legal Debt Margin	$ 5,929,130	$ 4,182,042	$ 3,636,311	$ 4,916,502	$ 6,721,953	$ 8,065,699	$ 9,070,999	$ 9,360,408
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	52.40%	54.94%	47.42%	37.74%	32.50%	28.91%	27.15%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts

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

Exhibit J-14

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

Year	Population [a]	Town of Stanhope Personal Income [b]	Sussex County Per Capita Personal Income [c]	Unemployment Rate [d]
2001	3,583	$ 138,221,391	$ 38,577	3.40%
2002	3,597	139,286,631	38,723	4.90%
2003	3,604	141,766,944	39,336	5.20%
2004	3,646	148,826,074	40,819	3.90%
2005	3,660	155,367,000	42,450	4.10%
2006	3,641	165,476,168	45,448	3.80%
2007	3,615	175,233,510	48,474	3.70%
2008	3,598	179,047,274	49,763	4.70%
2009	3,577	178,002,251	49,763 *	N/A
2010	3,566 **	177,454,858	49,763 *	N/A

* - Latest Sussex County per capita personal income available (2008) was used for calculation purposes.
** - Latest population data available (2009) was used for calculation purposes.

N/A - Information not available

Source:

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

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

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

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

Exhibit J-15

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

	2009		
Employer	Employees	Rank	Percentage of Total Employment
Crystal Springs Golf and Spa Resort	2,000	1	N/A
Newton Memorial Hospital	1,200	2	N/A
Selective Insurance	900	3	N/A
County of Sussex	830	4	N/A
Mountain Creek/Intrawest	800	5	N/A
Ames Rubber Corp.	445	6	N/A
Shop Rite (Ronetco Supermarkets, Inc.)	301	7	N/A
Andover Sub Acute & Rehab Center	300	8	N/A
Sussex County Community College	300	9	N/A
Newton Memorial Hospital	290	10	N/A
	7,366		

	1999		
Employer	Employees	Rank	Percentage of Total Employment

INFORMATION NOT AVAILABLE

Source: Sussex County Chamber of Commerce

Exhibit J-16

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

Function/Program	2008	2009	2010
Instruction			
Regular	24.0	31.0	31.0
Special education	5.0	5.0	3.0
Other instruction	2.5	3.0	3.0
Support Services:			
Student & instruction related services	4.2	1.4	2.5
School administrative services	2.5	3.5	2.5
Plant operations and maintenance	2.0	2.5	2.5
Business and other support services	1.0	1.0	1.0
Food Service	3.5	4.0	3.5
Total	44.7	51.4	49.0

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District of the Borough of Stanhope Personnel Records

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

Fiscal Year	Enrollment	Operating Expenditures [a]	Cost Per Pupil [d]	Percentage Change	Teaching Staff [b]	Pupil/ Teacher Ratio Elementary	Average Daily Enrollment (ADE) [c]	Average Daily Attendance (ADA) [c]	% Change in Average Daily Enrollment	Student Attendance Percentage
2001	414	$ 3,768,149	$ 9,102	6.02%	N/A	N/A	414	396	2.73%	95.65%
2002	389	4,003,823	10,293	13.08%	N/A	N/A	389	371	-6.04%	95.37%
2003	400	4,083,791	10,209	-0.81%	35	1:10.3	400	420	2.83%	105.00%
2004	436	4,559,070	10,457	2.42%	33	1:11.5	436	416	9.00%	95.41%
2005	397	4,546,593	11,452	9.52%	39	1:11	397	380	-8.94%	95.72%
2006	415	4,845,084	11,675	1.94%	37	1:11	415	398	4.53%	96.00%
2007	394	4,991,382	12,668	8.51%	38	1:11	394	376	-5.06%	95.43%
2008	392	5,686,947	14,508	14.52%	38	1:11	392	376	-0.51%	95.92%
2009	373	5,397,677	14,471	-0.25%	38	1:11	373	358	-4.85%	95.98%
2010	393	5,896,679	15,004	3.69%	38	1:11	393	375	5.36%	95.42%

Source: Borough of Stanhope District Records

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay.
b Teaching staff includes only full-time equivalents of 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.

N/A: Information not available

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
District Building										
Elementary										
Valley Road Elementary										
Square Feet	40,600	40,600	40,600	40,600	62,378	62,378	62,378	62,378	62,378	62,378
Capacity (students)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	536	536	536
Enrollment	326	347	350	348	437	431	431	407	578	364
Linden Avenue Elementary										
Square Feet	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768
Capacity (students)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	138
Enrollment	90	85	86	115	N/A	N/A	N/A	89	22	17

Number of Schools at June 30, 2010
Elementary = 2

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of alterations and additions. Enrollment is based on the annual October district count.

N/A: Information not available

Exhibit J-19

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

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

Fiscal Year Ended June 30,	Linden Avenue School	Valley Road School	Total
2002	$ 9,714	$ 50,995	$ 60,709
2003	6,184	32,467	38,652
2004	3,899	22,092	25,991
2005	9,514	53,913	63,427
2006	10,596	60,043	70,639
2007	9,309	52,752	62,061
2008	-0-	47,841	47,841
2009	-0-	50,616	50,616
2010	-0-	51,659	51,659

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

This schedule does not provide ten years of information as the State Department of Education required this information beginning with the fiscal year ended June 30, 2001.

Source: District Records

Exhibit J-20

BOROUGH OF STANHOPE SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2010
UNAUDITED

	Coverage	Deductible
School Alliance Insurance Fund (SAIF):		
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	NIL
	50,000,000 fund aggregate	
Employee Benefits	5,000,000	None
Excess General & Auto Liability	5,000,000	None
Sexual Abuse & Molestation	3,000,000	None
Physical Damage - Property	250,000,000 per occurrence	1,000
Physical Damage - Inland Marine & Auto	250,000,000	
Flood	25,000,000 per occurrence	None
	50,000,000 fund aggregate	None
Boiler & Machinery	100,000,000 each loss	1,000
Employee Dishonesty	400,000	None
Money & Securities	2,500,000 each loss	1,000
Environmental Impairment Liability	1,000,000 per incident	10,000
Critical Incident Management	250,000	None
School Leaders' Professional Liability	5,000,000 per person	5,000
Official Bonds - Western Surety Company:		
Lorraine E. Snyder	75,000	None
SallyAnn McCarty	175,000	None

Source: District's Records

SINGLE AUDIT

NISIVOCCIA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856-1320
Phone: 973-328-1825
Fax: 973-328-0507

Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860
Phone: 973-383-6699
Fax: 973-383-6555

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*

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

We have audited 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 School District, in the County of Sussex (the "Board"), a component unit of the County of Sussex, as of, and for the fiscal year ended, June 30, 2010 and have issued our report thereon dated November 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

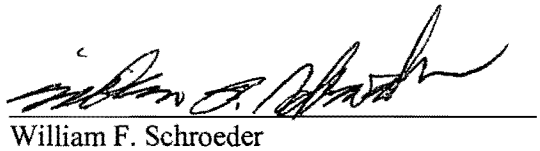
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to the Board in a separate report, the *Auditors' Management Report on Administrative Findings – Financial, Compliance, and Performance,* dated November 5, 2010.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

November 5, 2010
Mount Arlington, New Jersey

NISIVOCCIA & COMPANY LLP



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

NISIVOCCIA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856-1320
Phone: 973-328-1825
Fax: 973-328-0507

Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860
Phone: 973-383-6699
Fax: 973-383-6555

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect On Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04

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

Compliance

We have audited the compliance of the Board of Education of the Borough of Stanhope School District in the County of Sussex (the "Board"), a component unit of the County of Sussex, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2010. The Board's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*; and Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards, Federal OMB Circular A-133, and New Jersey's OMB Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/ Grant Compliance Supplement,* but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board'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 federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 5, 2010
Mount Arlington, New Jersey

NISIVOCCIA & COMPANY LLP

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

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

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, 2009 Budgetary Accounts Receivable	Balance at June 30, 2009 Budgetary Deferred Revenue	Balance at June 30, 2009 Due to Grantor	Carryover/ (Walkover) Amunt	Cash Received	Budgetary Expendi- tures	Repayment of Prior Years' Balances	Balance at June 30, 2010 Budgetary Accounts Receivable	Balance at June 30, 2010 Budgetary Deferred Revenue	Balance at June 30, 2010 Due to Grantor
U.S. Department of Agriculture:														
Passed-through State Department of Education:														
Child Nutrition Cluster:														
Food Distribution Program	10.555	N/A	7/1/09-6/30/10	$ 3,403					$ 3,403	$ (2,952)			$ 451	
Food Distribution Program	10.555	N/A	7/1/08-6/30/09	2,981		$ 365				(365)				
National School Lunch Program	10.555	N/A	7/1/09-6/30/10	25,143					23,374	(25,143)		$ (1,769)		
National School Lunch Program	10.555	N/A	7/1/08-6/30/09	22,084	$ (1,569)				1,569					
Total Child Nutrition Cluster					(1,569)	365			28,346	(28,460)		(1,769)	451	
Total U.S. Department of Agriculture					(1,569)	365			28,346	(28,460)		(1,769)	451	
U.S. Department of Education:														
Passed-through State Department of Education:														
General Fund:														
ARRA- SFSF (State Fiscal Stabilization Fund):														
ESF (Education State Grants)	84.394	N/A	7/1/09-6/30/10	216,331					216,331	(216,331)				
GSF (Government Services)	84.394	N/A	7/1/09-6/30/10	8,374					8,374	(8,374)				
Total SFSF Cluster									224,705	(224,705)				
No Child Left Behind:														
Title I	84.010A	NCLB546510	9/1/09-8/31/10	17,330					15,348	(17,172)		(1,824)		
Title I	84.010A	NCLB546509	9/1/08-8/31/09	27,284	(16,463)				16,463					
Subtotal - Title I					(16,463)				31,811	(17,172)		(1,824)		
Title IIA	84.367	NCLB546510	9/1/09-8/31/10	8,390					5,685	(8,390)		(2,705)		
Title IIA	84.367	NCLB546509	9/1/08-8/31/09	14,162	(7,950)				7,950					
Subtotal - Title IIA					(7,950)				13,635	(8,390)		(2,705)		
Title IID	84.318	NCLB546510	9/1/09-8/31/10	173						(36)		(36)		
Title IID	84.318	NCLB546509	9/1/08-8/31/10	137					137	(137)				
Subtotal - Title IID									137	(173)		(36)		
Title IV	84.186B	NCLB546510	9/1/09-8/31/10	747					747	(747)				
Title IV	84.186B	NCLB546509	9/1/08-8/31/09	796	(5)				5					
Title IV	84.186B	NCLB546508	9/1/07-8/31/08	1,001			$ 11				$ 11			
Subtotal - Title IV					(5)		11		752	(747)	11			
U.S. Department of Education:														
Passed-through State Department of Education:														
Special Education Cluster:														
I.D.E.A. Part B, Basic	84.027A	IDEA546510	9/1/09-8/31/10	92,837					78,680	(92,837)		(14,157)		
I.D.E.A. Part B, Preschool	84.173A	IDEA546510	9/1/09-8/31/10	4,845					679	(4,845)		(4,166)		
ARRA - I.D.E.A. Part B, Basic	84.391	ARRA54650	7/1/09-8/31/11	85,392					52,722	(66,512)		(13,790)		
Total Special Education Cluster									132,081	(164,194)		(32,113)		
Subtotal - Special Revenue Fund									132,081	(164,194)		(32,113)		
Total U.S. Department of Education					(24,418)		11		403,121	(415,381)	11	(36,678)		
Total Federal Awards					$ (25,987)	$ 365	$ 11	$ -0-	$ 431,467	$ (443,841)	$ 11	$ (38,447)	$ 451	$ -0-

N/A - Not Applicable

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, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009 Budgetary Accounts Receivable	Cash Received	Budgetary Expendi-tures	Balance at June 30, 2010 GAAP Accounts Receivable	Balance at June 30, 2010 Budgetary Accounts Receivable	MEMO Cumulative Total Expenditures
State Department of Education:									
General Fund State Aid:									
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	$ 821,634		$ 700,094	$ (821,634)		$ (121,540)	$ 821,634
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	18,128		15,391	(18,128)		(2,737)	18,128
Special Education Categorical Aid	10-495-034-5120-089	7/1/09-6/30/10	191,853		173,024	(191,853)		(18,829)	191,853
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	19,967		16,953	(19,967)		(3,014)	19,967
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	79,011		67,081	(79,011)		(11,930)	79,011
Extraordinary Special Education Costs Aid	10-100-034-5120-473	7/1/09-6/30/10	51,118			(51,118)	$ (51,118)	(51,118)	51,118
Reimbursed TPAF Social Security	10-495-034-5095-002	7/1/09-6/30/10	187,707		178,695	(187,707)	(9,012)	(9,012)	187,707
Equalization Aid	09-495-034-5120-078	7/1/08-6/30/09	1,277,878	$ (124,032)	124,032				1,277,878
Transportation Aid	09-495-034-5120-014	7/1/08-6/30/09	18,953	(1,824)	1,824				18,953
Special Education Categorical Aid	09-495-034-5120-089	7/1/08-6/30/09	190,423	(18,325)	18,325				190,423
Security Aid	09-495-034-5120-084	7/1/08-6/30/09	28,823	(2,774)	2,774				28,823
Adjustment Aid	09-495-034-5120-085	7/1/08-6/30/09	71,670	(8,019)	8,019				71,670
Extraordinary Special Education Costs Aid	09-100-034-5120-473	7/1/08-6/30/09	22,345	(10,682)	10,682				22,345
Reimbursed TPAF Social Security	09-495-034-5095-002	7/1/08-6/30/09	182,394	(9,100)	9,100				182,394
Subtotal - General Fund				(174,756)	1,325,994	(1,369,418)	(60,130)	(218,180)	3,161,904
Food Service Fund:									
State School Lunch Program	10-100-010-3350-023	7/1/09-6/30/10	1,604		1,492	(1,604)	(112)	(112)	1,604
State School Lunch Program	09-100-010-3350-023	7/1/08-6/30/09	1,623	(111)	111				1,623
Subtotal - Food Service Fund				(111)	1,603	(1,604)	(112)	(112)	3,227
Total NJ Department of Education				(174,867)	1,327,597	(1,371,022)	(60,242)	(218,292)	3,165,131
Total State Awards				$ (174,867)	$ 1,327,597	$ (1,371,022)	$ (60,242)	$ (218,292)	$ 3,165,131

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, 2010

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.* These bases of accounting are described in Note 1 to the Board's basic financial statements. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is ($3,076) for the general fund and ($13,571) 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. Additionally, the schedule of expenditures of state awards does not include the on-behalf Post Retirement Contributions revenue of $149,061 or the $7,937 of TPAF Non-Contributory Insurance. Revenue from federal and state awards are reported in the Board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	$ 224,705	$ 1,523,340	$ 1,748,045
Special Revenue Fund	177,105		177,105
Food Service Fund	28,460	1,604	30,064
Total Awards	$ 430,270	$ 1,524,944	$ 1,955,214

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. 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, 2010.

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

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major State programs.
- An unqualified report was issued on the District's compliance for major state programs.
- The audit did not disclose any audit findings which are required to be reported under Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.*
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for the fiscal year ended June 30, 2010 as federal grant expenditures were less than the single audit threshold of $500,000 identified in the Circular.
- The District's major state programs for the current fiscal year consisted of the following:

	Grant Number	Grant Period	Award Amount	Budgetary Expenditures
State:				
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	$ 821,634	$ 821,634
Special Education Aid	10-495-034-5120-089	7/1/09-6/30/10	191,853	191,853
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	19,967	19,967
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	79,011	79,011

- The threshold for distinguishing federal and state Type A and Type B programs was $300,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

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:

- The District was not subject to the federal requirements as expenditures for federal awards were below the single audit threshold identified in Federal OMB Circular A-133.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey's OMB Circular NJOMB 04-04.

BOROUGH OF STANHOPE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Status of Prior Year Findings:

There were no prior year findings.