

SCHOOL DISTRICT
OF
BOROUGH OF STONE HARBOR

Borough of Stone Harbor Board of Education
Stone Harbor, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

Comprehensive Annual Financial Report

of the

Borough of Stone Harbor Board of Education

Stone Harbor, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

Borough of Stone Harbor Board of Education

Finance Department

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Introductory Section

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STONE HARBOR BOARD OF EDUCATION
275 93rd STREET STONE HARBOR, NJ 08247
PH #609-368-4596 X24 FAX #609-368-6545

DAVID RAUENZAHN
Chief School Administrator

STACEY LaROCCA-TRACY
Supervisor of Curriculum
& Instruction

HENRY BERMANN/LINDA FIORI
Business Administrator

August 30, 2011

Honorable President and
Members of the Board of Education
Borough of Stone Harbor School District
County of Cape May
Stone Harbor, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Borough of Stone Harbor School District (District) for the fiscal year ended June 30, 2011, 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 (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 financial position and results of operations of the various funds and account groups 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, 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 Management's Discussion and Analysis, basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is not required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and State Treasury Circular Letter 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. However, the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

The Borough of Stone Harbor School District is an independent reporting entity as set forth in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*. All funds and account groups of the District are included in this report. The Borough of Stone Harbor Board of Education and the school district constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8 and includes servicing Avalon kindergarten students as tuition students to the District. Additionally, it provides tuition for grades 9 through 12 to Middle Township High School and to the Cape May County Special Services School District. These include regular, as well as special education for handicapped students. The District completed the 2010-2011 fiscal year with an enrollment of 75 students, which is 12 students above the previous year's enrollment.

The following details the changes in the student enrollment of the District over the last ten years.

Fiscal Year	Average Daily Enrollment Student Enrollment	Percent Change
2010-2011	75	19.0%
2009-2010	63	(19.3%)
2008-2009	78	(7.1)%
2007-2008	84	(12.5)%
2006-2007	96	12.9%
2005-2006	85	2%
2004-2005	83	(4.6)%
2003-2004	87	(9.4)%
2002-2003	96	5.9%
2001-2002	90.6	(5.9)%

2) ECONOMIC CONDITION AND OUTLOOK:

Stone Harbor Borough is an affluent seashore community consisting primarily of residential properties. The estimated 958 permanent, year round resident population (1994 U.S. Bureau of Census, Population Division) swells to approximately 25,000 during the summer season. There is no major industry and very little room for growth in both the residential and business districts. Most residential properties are used for income purposes (summer rentals).

3) MAJOR INIATIVES:

Students continued to score above the state and national averages During the 2011-12 school year the district of Stone & Avalon will implement a shared instructional model for educating students on the island. Stone Harbor Elementary School will educate all the K-4 students & Avalon Elementary School will educate grades 5-8. We continue to align our curriculum syllabus K-8 with the New Jersey State Department's Common Core Content Standards and with the Work Place Readiness Standards. Technology continues to play a supplemental role in all academic areas.

4) INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control structure 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 statements in conformity with generally accepted accounting principles (GAAP). Internal control 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 the District management.

As a recipient of federal awards and state financial assistance, the District also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the District management.

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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2011.

6) ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7) CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) RISK MANAGEMENT:

The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability, hazard and theft insurance on property and contents, and fidelity bonds.

9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Swartz & Co., LLC, 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, OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10) ACKNOWLEDGMENTS:

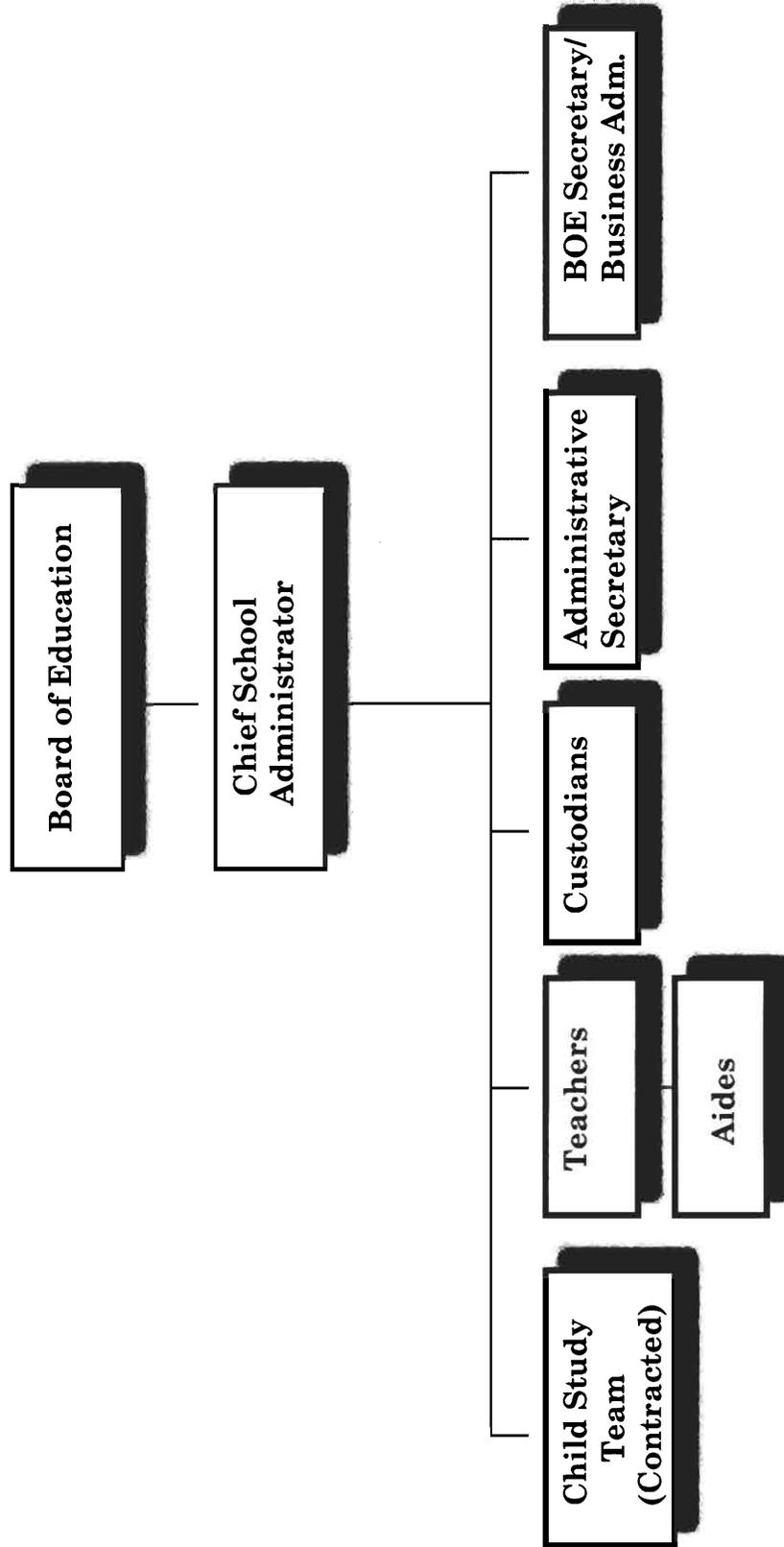
We would like to express our appreciation to the members of the Borough of Stone Harbor Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial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

Respectfully submitted,


David Rauenzahn
Superintendent


Henry Bermann
Business Administrator

**Stone Harbor Public School
Organizational Chart
As of June 30, 2008**



BOROUGH OF STONE HARBOR BOARD OF EDUCATION

STONE HARBOR, NEW JERSEY

ROSTER OF OFFICIALS

June 30, 2011

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Mr., John Atwood President	2014
Mr. David Hoy, Vice President	2014
Dr. John McAllister	2013
Mrs. Dede Harris (resigned 9/8/10)	2012
Mr. William Stump (appointed 10/13/10)	2012
Ms. Terri Hand	2012
Mr. Brian Heenan (Avalon Representative)	2014

Other Officials

Mr. David S. Rauenzahn, Chief School Administrator

Mr. Henry Berman, School Business Administrator

Ms. Patricia Wagner, Treasurer of School Monies

**BOROUGH OF STONE HARBOR BOARD OF EDUCATION
Consultants and Advisors**

Audit Firm

Swartz and Co., LLC
1409 Cantillon Boulevard
PO Box 548
Mays Landing, NJ 08330
(609) 625-0999

Attorney

Alan R. Schmoll, Esq.
Capehart Scatchard Attorneys at Law
Laurel Corporate Center
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Official Depository

Sturdy Savings Bank
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P.O. Box 98
Stone Harbor, New Jersey 08247

Financial Section

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Independent Auditor's Report

Honorable President and
Members of the Board of Education
Borough of Stone Harbor School District
County of Cape May, 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 Stone Harbor School District in the County of Cape May, State of New Jersey, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Stone Harbor 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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. 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 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, business-type activities, each major fund and the aggregate remaining fund information of the Borough of Stone Harbor Board of Education, in the County of Cape May, State of New Jersey, as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the 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 August 30, 2011 on our consideration of the Borough of Stone Harbor Board of Education'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 Discussion and Analysis and Budgetary Comparison Information as listed in the table of contents 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 Borough of Stone Harbor Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not a required part of the basic financial statements of the Borough of Stone Harbor Board of Education in the County of Cape May, State of New Jersey. The combining and individual fund financial statements and the schedules of expenditures of federal awards and state financial assistance 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 tables 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.



Robert E. Swartz, CPA
Licensed Public School Accountant
No. CS00667

Swartz and Co., LLC

Swartz and Co., LLC
Certified Public Accountants

August 30, 2011

Required Supplemental Information
Part I

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Borough of Stone Harbor School District ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statement.

FINANCIAL HIGHLIGHTS

- The net assets of the District increased over the prior year as a result of careful monitoring of expenditures.
- The State of New Jersey reimbursed the District \$79,915 during the fiscal year ended June 30, 2011 for the employer's share of social security contributions. The State of New Jersey also paid \$72,264 in pension contributions and retiree health coverage for TPAF members as calculated on their base salaries on behalf of the District. This amount, which is not budgeted, is included as both a revenue and appropriation in the financial statements.
- As indicated by New Jersey State Statutes, the unreserved fund balance of the general fund is limited to 2% of the total general fund expenditures or \$250,000, whichever is greater. Any excess is required to be designated as Reserved Fund Balance – Excess Surplus and included in the next year's budget as budgeted fund balance. As of June 30, 2011 the District had excess surplus of \$390,311, of which \$168,813 was required to be budgeted as a revenue for the year ending June 30, 2012 and \$221,498 is designated for subsequent year budgets.
- During the fiscal year ended June 30, 2011, the District's expenses were approximately \$257,000 less than total revenue realized in the fund financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis* (this section), the basic *financial statements, required supplementary information*, and an optional section that presents *combining statements for special revenue, proprietary, and fiduciary funds*. The basic financial statements include two kinds of statements that present different views of the District.

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

- *Fiduciary fund* statements provide information about the financial relationships – like the unemployment trust fund – in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the District’s financial statements, including the portion of the District’s government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of Borough of Stone Harbor Board of Education’s
Government-wide and Fund Financial Statements

	Government wide Statements	Fund 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 food service and student activities	Activities the District operates similar to private businesses; food service	Instances in which the District is the trustee or agent for someone else’s resources, such as payroll agency and student activities.
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, 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, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-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 government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-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 health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the City’s property tax base and the condition of the District’s facilities.

The government-wide financial statements of the District are divided into two categories:

- *Governmental activities* – most of the District’s basic services are included here, such as instruction, transportation, administration, and plant operations. Property taxes and state and federal grants finance most of these activities.

- *Business-type activities* – the District charges fees to customers to help it cover the costs of certain services it provides. The District’s milk fund program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District’s most significant *funds* – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which 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 government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, 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.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for other assets that - because of a trust arrangement – can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District’s governmental activities net assets increased between fiscal years 2011 and 2010 as a result of controlling costs and an increase in the Local tax levy to offset the loss in State Aid. The business-type activities net assets decreased slightly due to an excess of costs over revenues.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 1,293,792	1,042,028	690	1,424	1,294,482	1,043,452
Capital assets	1,794,232	1,854,129			1,794,232	1,854,129
Total assets	3,088,024	2,896,157	690	1,424	3,088,714	2,897,581
Other liabilities	116,855	188,817			116,855	188,817
Total liabilities	116,855	188,817	-	-	116,855	188,817
Net assets						
Invested in capital assets	1,794,232	1,854,129			1,794,232	1,854,129
Restricted	1,041,086	622,660			1,041,086	622,660
Unrestricted	135,851	230,551	690	1,424	136,541	231,975
Total net assets	\$ 2,971,169	2,707,340	690	1,424	2,971,859	2,708,764

Net assets of the District increased slightly due to decreased spending various costs and an increase in the Local tax levy. Also, included in long-term liabilities are amounts due to be paid on compensated absences.

As required by New Jersey Statutes, the unrestricted net assets of the District are not permitted to exceed 2% of total general fund expenditures, after reductions for On-behalf TPAF pension and social security. Any excess must be appropriated as budgeted fund balance in the subsequent years' budget. As of June 30, 2011, the District had excess fund balance in the amount of \$390,311 of which \$168,813 has been included in the 2011-2012 budget and the remaining \$221,498 will be included in the 2012-2013 budget.

Changes in net assets. The total general fund revenue of the District increased approximately \$71,000 due to an increase in property taxes offset by a decrease in general fund state aid.

Approximately 7% of the District's governmental funds revenue comes from the State of New Jersey in the form of non-restricted federal and state aid. This aid is based on the District's enrollment as well as other factors related to the District's formula aid which is a relationship of the adequacy budget and the Borough's property values and income of the residents. The District expenses are primarily related to instruction, administration, and plant operations.

	2011		2010	
	Amount	Percentage	Amount	Percentage
Property taxes	\$ 2,215,103	85.57%	2,129,907	84.05%
Unrestricted Federal and State aid	189,932	7.34%	239,464	9.45%
Tuition	170,849	6.60%	156,097	6.16%
Operating grants and contributions	3,144	0.12%	2,780	0.11%
Other	9,618	0.37%	5,740	0.23%
Totals	\$ 2,588,646	100.00%	2,533,988	100.00%

Governmental Activities

The following schedule summarizes the governmental and business-type activities of the District during the 2011 and 2010 fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenue						
Charges for services	\$ 276,376	255,196	1,111	1,421	277,487	256,617
State grants and entitlements	33,612	49,815			33,612	49,815
General revenues						
Property taxes	2,215,103	2,129,907			2,215,103	2,129,907
State aid entitlements	159,464	192,429			159,464	192,429
Other	9,618	5,740		808	9,618	6,548
Total revenues	2,694,173	2,633,087	1,111	2,229	2,695,284	2,635,316
Expenses						
Instruction:						
Regular	1,222,275	1,118,763			1,222,275	1,118,763
Special Education	54,763	86,445			54,763	86,445
Other Instruction	15,157	14,907			15,157	14,907
Support services:						
Tuition	196,793	240,719			196,793	240,719
Student & instruction related	367,940	422,926			367,940	422,926
School administration services	93,023	103,098			93,023	103,098
General & business admin	93,526	79,892			93,526	79,892
Plant operations & maintenance	238,060	273,800			238,060	273,800
Pupil transportation	43,280	44,447			43,280	44,447
Internal service fund	105,527	99,099				
Business-type activities			1,845	1,397	1,845	1,397
Total expenses	2,430,344	2,484,096	1,845	1,397	2,326,662	2,386,394
Increase/(Decrease) in net assets	263,829	148,991	(734)	832	368,622	248,922

Business-type Activities

Operating and non-operating revenues of the District’s business-type activities decreased \$1,118 from the previous year and expenses increased by \$448.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As of the year end, the governmental funds reported a combined fund balance of \$1,291,708 which is approximately \$257,000 higher than the beginning of the year.

General Fund Budgetary Highlights

As further explained in the Notes to the Financial Statements, annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County office and, as a Type II School District, are approved by the voters annually. Transfers of appropriations may be made by Board resolution at any time during the fiscal year. The District is permitted to encumber funds throughout the year for purchases ordered but not yet received. Any open encumbrances as of June 30th carry over to the next fiscal year and are added to the appropriation reflected in the certified budget.

After adjusting total revenue reported on Exhibit C-1 for the Reimbursed TPAF Social Security Contribution and on-behalf TPAF Pension Contributions, which are not budgeted, the District’s budget revenue exceeded the actual revenue by approximately \$12,600. This is a result of a decrease in tuition revenue. Again, after adjusting for the Reimbursed TPAF Social Security Contribution and on-behalf TPAF Pension Contributions, actual expenditures were below the budgeted appropriations by approximately \$298,000.

CAPITAL ASSET

Capital Assets

At the end of 2011, the District had invested \$1.79 million in a broad range of capital assets, including land, buildings, vehicles and machinery.

	Governmental Activities		Business-type Activities		Totals	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	410,630	410,630			410,630	410,630
Buildings and Bldg improvements	1,349,603	1,400,457			1,349,603	1,400,457
Machinery & equipment	33,999	43,041			33,999	43,041
					-	
Total	<u>1,794,232</u>	<u>1,854,128</u>	<u>-</u>	<u>-</u>	<u>1,794,232</u>	<u>1,854,128</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The student population in the District has fluctuated over the past 10 years, however state aid has remained fairly constant despite a decrease in student population.

The District budget for the 2012 fiscal year includes required supplies and anticipated contractual increases in salaries and employee benefits.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to present users (residents, receiving districts, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, contact the District's business administrator at 275 93rd Street, Stone Harbor, New Jersey, 08243.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the district's operation. These financial statements present the financial position and operating results of all funds as of June 30, 2011.

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DISTRICT-WIDE FINANCIAL STATEMENTS

The district-wide financial statements provide a financial overview of the district's operation. These financial statements present the financial position and operating results of the governmental and business-like funds as of June 30, 2011.

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,265,663	690	1,266,353
Receivables, net	1,645	-	1,645
Due from Agency Fund	533		533
Due from other governments	25,951		25,951
Capital assets, net			
Land and land improvements	410,630		410,630
Depreciable assets, net of depreciation	1,383,602	-	1,383,602
Total Assets	<u>3,088,024</u>	<u>690</u>	<u>3,088,714</u>
LIABILITIES			
Deferred revenue	2,084		2,084
Noncurrent liabilities:			
Due within one year	-		-
Due beyond one year	114,771		114,771
Total liabilities	<u>116,855</u>	<u>-</u>	<u>116,855</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,794,232	-	1,794,232
Restricted for:			
Other purposes	1,041,086		1,041,086
Unrestricted	135,851	690	136,541
Total net assets	<u>\$ 2,971,169</u>	<u>690</u>	<u>2,971,859</u>

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Activities
June 30, 2011

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
Instruction:								
Regular	\$ 943,992	278,283	170,849	33,612		(1,017,814)		(1,017,814)
Special education	38,115	16,648				(54,763)		(54,763)
Other instruction	12,040	3,117				(15,157)		(15,157)
Support services:								
Tuition	156,324	40,469				(196,793)		(196,793)
Student & instruction related services	284,196	83,744				(367,940)		(367,940)
School administrative services	68,507	24,516				(93,023)		(93,023)
Other administrative services	68,907	24,619				(93,526)		(93,526)
Plant operations and maintenance	186,412	51,648				(238,060)		(238,060)
Pupil transportation	34,380	8,900				(43,280)		(43,280)
Unallocated benefits	464,132	(464,132)				-		-
Unallocated Depreciation	67,812	(67,812)	105,527			-		-
Internal Service Fund	105,527					-		-
Total governmental activities	<u>2,430,344</u>	<u>-</u>	<u>276,376</u>	<u>33,612</u>	<u>-</u>	<u>(2,120,356)</u>	<u>-</u>	<u>(2,120,356)</u>
Business-type activities:								
Food Service	1,845	-	1,111			(734)		(734)
Total business-type activities	<u>1,845</u>	<u>-</u>	<u>1,111</u>	<u>-</u>	<u>-</u>	<u>(734)</u>	<u>(734)</u>	<u>(734)</u>
Total primary government	<u>\$ 2,432,189</u>	<u>-</u>	<u>277,487</u>	<u>33,612</u>	<u>-</u>	<u>(2,120,356)</u>	<u>(734)</u>	<u>(2,121,090)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net						2,215,103		2,215,103
Federal and State aid not restricted						159,464		159,464
Investment Earnings						100		100
Miscellaneous Income						9,518		9,518
Total general revenues, special items, extraordinary items and transfers						<u>2,384,185</u>	<u>-</u>	<u>2,384,185</u>
Change in Net Assets						<u>263,829</u>	<u>(734)</u>	<u>263,095</u>
Net Assets—beginning							1,424	2,708,764
Net Assets—ending						<u>2,971,169</u>	<u>690</u>	<u>2,971,859</u>

See Accompanying Notes to the Financial Statements

FUND FINANCIAL STATEMENTS

The combining and individual fund and account group statements and schedules present more detailed information for the individual funds in a format that segregates information by fund type. The statements are segregated as follows:

Governmental Funds - This section consists of the general and special revenue funds.

Proprietary Funds - This section consists of the milk program and the internal service fund. These funds are operated in a manner similar to a private business enterprise.

Fiduciary Funds - This section consists of the unemployment compensation insurance trust fund, the student activity and payroll agency funds and the scholarship expendable trust fund.

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2011

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,263,579	2,084	1,265,663
Due from other funds	533		533
Intergovernmental receivable - state	4,364		4,364
Intergovernmental receivable - other	21,587		21,587
Other Accounts Receivable	1,645		1,645
	<hr/>	<hr/>	<hr/>
Total Assets	<u>1,291,708</u>	<u>2,084</u>	<u>1,293,792</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Deferred revenue		2,084	2,084
	<hr/>	<hr/>	<hr/>
Total Liabilities	-	2,084	2,084
FUND BALANCES			
Restricted for:			
Excess surplus	221,498		221,498
Excess surplus - designated for subsequent year's expenditures	168,813		168,813
Committed to:			
Capital reserve account	210,104		210,104
Maintenance reserve account	140,000		140,000
Emergency reserve account	237,211		237,211
Designated for subsequent year's expenditures	25,000		25,000
Assigned to:			
Encumbrances	38,460		38,460
Unreserved, reported in:			
General fund	250,622		250,622
Special revenue fund			-
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,291,708</u>	<u>-</u>	<u>1,291,708</u>
Total Liabilities and Fund Balances	<u>\$ 1,291,708</u>	<u>2,084</u>	

Amounts reported for governmental activities in the statement
of net assets (A-1) are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds. 1,794,232

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds. (114,771)

Net assets of governmental activities 2,971,169

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year ended June 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES:			
Local tax levy	\$ 2,215,103		2,215,103
Interest earned on capital reserve funds	100		100
Tuition	170,849		170,849
Miscellaneous	9,518		9,518
Local sources		3,144	3,144
State sources	159,464		159,464
Federal sources		30,468	30,468
	<u>2,555,034</u>	<u>33,612</u>	<u>2,588,646</u>
EXPENDITURES:			
Current expense			
Instruction	896,086	11,662	907,748
Special education instruction	38,115		38,115
Other instruction	9,609		9,609
Support services and undistributed costs:			
Tuition	156,324		156,324
Student & instruction related services	369,521		369,521
School administrative services	37,979		37,979
Other administrative services	68,907		68,907
Central services	28,611		28,611
Plant operations and maintenance	186,557		186,557
Pupil transportation	34,380		34,380
Unallocated benefits	464,132		464,132
Capital outlay	7,915	21,950	29,865
	<u>2,298,136</u>	<u>33,612</u>	<u>2,331,748</u>
Excess (deficiency) of revenues over (under) expenditures	256,898	-	256,898
Net change in fund balances	<u>256,898</u>	<u>-</u>	<u>256,898</u>
Fund Balances, July 1	<u>1,034,810</u>		<u>1,034,810</u>
Fund Balances, June 30	<u><u>1,291,708</u></u>	<u><u>-</u></u>	<u><u>1,291,708</u></u>

See Accompanying Notes to the Financial Statements

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 for the Year Ended June 30, 2011

Total net change in fund balances - governmental funds (from B-2) \$ 256,898

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	(67,812)	
	Capital outlays	<u>7,915</u>	(59,897)

In the statement of activities, certain operating expenses, e.g., compensated absences
(vacations) 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 (retired). When the earned amount exceeds the retired amount, the difference is reduction in
the reconciliation (-); when the retired amount exceeds the earned amount the difference
is an addition to the reconciliation (+).

66,828

Change in net assets of governmental activities: \$ 263,829

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Statement of Net Assets

Proprietary Funds

June 30, 2011

	Non Major Funds	
	Business-type Activities - Enterprise Funds	Governmental Activities
	Milk Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 690	
Accounts receivable		
Inventories		
Total current assets	<u>690</u>	<u>-</u>
Noncurrent assets:		
Furniture, machinery & equipment		
Less accumulated depreciation		
Total noncurrent assets	<u>-</u>	<u>-</u>
Total assets	<u><u>690</u></u>	<u><u>-</u></u>
Liabilities		
Current liabilities		
Interfund payable		
Accounts payable	<u>-</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>-</u>
Total liabilities	# <u>-</u>	# <u>-</u>
NET ASSETS		
Invested in capital assets, net of related debt	-	-
Unrestricted	<u>690</u>	<u>-</u>
Total net assets	<u><u>\$ 690</u></u>	<u><u>-</u></u>

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
for the Fiscal Year ended June 30, 2011

	Non Major Funds	
	Business-type Activities - Enterprise Funds Milk Fund	Governmental Activities Internal Service Fund
OPERATING REVENUES:		
Local sources:		
Daily sales - Non-reimbursable programs	\$ 1,103	
Other revenue	8	105,527
Total Operating Revenues	<u>1,111</u>	<u>105,527</u>
OPERATING EXPENSES:		
Salaries		85,850
Employee Benefits		19,677
Cost of sales	1,845	
Total Operating Expenses	<u>1,845</u>	<u>105,527</u>
Operating (loss)	<u>(734)</u>	<u>-</u>
Net loss before contributions and transfers	(734)	-
OPERATING TRANSFERS:		
Transfers in - General Fund	<u>-</u>	<u>-</u>
Change in net assets	(734)	-
Total net assets - beginning	<u>1,424</u>	<u>-</u>
Total net assets - ending	<u>\$ 690</u>	<u>-</u>

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
for the Fiscal Year ended June 30, 2011

	Non Major Funds	
	Business-type Activities - Enterprise Funds	Governmental Activities Internal Service Fund
	Milk Fund	Fund
Cash Flows from Operating Activities		
Receipts from customers and others	\$ 1,111	105,527
Payments to employees		(85,850)
Payments for employee benefits		(19,677)
Payments to suppliers	(1,845)	
Net cash (used) by operating activities	<u>(734)</u>	<u>-</u>
Net (decrease) in cash and cash equivalent	(734)	
Balances - beginning of year	1,424	
Balances - end of year	<u>\$ 690</u>	<u>-</u>
Reconciliation of operating loss to net cash used by operating activitie		
Operating income	\$ (734)	-
Adjustments to reconcile operating loss to cash used by operating activitie		
Change in assets and liabilities		
None		
Total adjustments	<u>-</u>	<u>-</u>
Net cash (used) by operating activities	<u>\$ (734)</u>	<u>-</u>

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2011

	Scholarship Fund	Unemployment Compensation Trust	Agency Fund
ASSETS:			
Cash and Cash Equivalents	\$ 2,099	39,359	4,796
Total Assets	<u>2,099</u>	<u>39,359</u>	<u>4,796</u>
LIABILITIES:			
Payable to Student Groups			3,331
Payroll liabilities			932
Interfund Payable			533
Total Liabilities	<u>-</u>	<u>-</u>	<u>4,796</u>
NET ASSETS			
Held in trust for unemployment claims and other purposes	<u>\$ 2,099</u>	<u>39,359</u>	

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
for the Year Ended June 30, 2011

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>
ADDITIONS		
Contributions:		
Plan member	\$ 1,984	
Board		
Total Contributions	<u>1,984</u>	<u>-</u>
Investment earnings:		
Interest	80	4
Net investment earnings	<u>80</u>	<u>4</u>
Total additions	<u>2,064</u>	<u>4</u>
DEDUCTIONS		
Unemployment claims	1,186	
Total deductions	<u>1,186</u>	<u>-</u>
Change in net assets	878	4
Net assets—beginning of the year	38,481	2,095
Net assets—end of the year	<u>\$ 39,359</u>	<u>2,099</u>

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Borough of Stone Harbor School District 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.

The financial statements of the Board of Education (Board) of the Borough of Stone Harbor School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY:

The Borough of Stone Harbor School District is a Type II district located in the County of Cape May, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The board is comprised of five board members and 1 representative from Avalon elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Borough of Stone Harbor School District had an approximate enrollment at June 30, 2011 of 75 students.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS:

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's general and special revenue activities are classified as governmental activities. The District's milk fund program is classified as business-type activities. Fiduciary funds are excluded from the government-wide financial statements.

In the governmental-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities (milk fund). The functions are also supported by general government revenues (property taxes, tuition, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (regular instruction, student & instruction related services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, tuition, interest income, etc.).

- a. The District does allocate indirect costs such as depreciation expense, compensated absences, On-behalf TPAF Pension Contributions, and Reimbursed TPAF Social Security Contributions.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011

The following fund types are used by the District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District.

- a. **General fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special revenue** funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the District:

- a. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designated to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

**Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011**

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments), private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

For the purpose of determining cash equivalents the District considers all investments with an original maturity of three months or less as cash equivalents.

New Jersey school districts are limited as to the types 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.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011

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.

NJSA 17:9-41 et. 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 public 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 a market value 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 other public depositories, is available to pay the full amount of their deposits to the Governmental units.

2. Investments:

Investments, including deferred compensation and pension funds, are stated at fair value, (quoted market price or the best available estimate). Interest earned on investments in the Capital Projects Fund is recognized in the District’s General Fund.

3. Capital Assets:

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and equipment	5-10 years
Improvements	10-20 years

GASBS No. 34 requires the District to report and depreciate new infrastructure assets. Infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The District has included all infrastructure assets in the current fiscal year.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011

4. Fund Balances – Governmental Funds

Stone Harbor Board of Education elected to implement GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, ect.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District’s highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District’s policy, amounts may be assigned by the Business Administrator.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

5. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are susceptible to accrual and under New Jersey State Statutes a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. Subsidies and grants to

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011

proprietary funds, which finance either capital or current operations, are reported as non operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and recipient recognizes receivables and revenue when the applicable eligibility requirements, including requirements are met are reported as advances by the provider and deferred revenue by the recipient.

6. Expenditures:

Expenses are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

7. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the District-wide Financial Statements as a Governmental Activity.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

8. Interfund Activity:

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011**

9. 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 for approval 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, except for the special revenue fund as described later. 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. 6:23-2(g). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. No material transfers were made to/(from) budgetary line items 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 legally mandated revenue recognition of the last state aid payment for budgetary purposes only and 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 revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

10. 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 revenues 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.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011

11. Tuition Payable

Tuition charges for the fiscal years 2010-11 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

12. Tuition Receivable

Tuition is received through an interlocal agreement negotiated annually with the Avalon Board of Education

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those results.

14. Allocation of Costs

In the government-wide statement of activities, the District has allocated unallocated benefits to various programs based on the amended budget by program.

NOTE 2. INVESTMENTS

As of June 30, 2011, the District had no investments.

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investment to 397 days.

Credit Risk. New Jersey Statutes 18A:20-37 limits district investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the district or the local units in which the district is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The district places no limit on the amount the district may invest in any one issuer.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011

NOTE 3. CASH

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The district’s policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2011, \$0 of the government’s bank balance of \$1,452,060 was exposed to custodial credit risk.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Borough of Stone Harbor Board of Education by the inclusion of \$1 on October 11, 2000 for the accumulation of funds for the 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) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the department, 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 (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A 16:60-2. Pursuant to NJAC 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP. The activity is shown as follows:

		<u>6/30/11</u>
Beginning balance, July 1	\$	210,004
Interest		100
Ending balance, June 30	\$	<u>210,104</u>

NOTE 5. MAINTENANCE RESERVE

New Jersey Statute 18A:7G-9 permits districts to accumulate funds for the required maintenance of a facility in accordance with the Educational Facilities Construction and Financing Act (EFCFA). The balance may only be increased through an appropriation in the annual general fund budget certified for taxes. Upon completion of a school facilities project, districts are required to submit a plan for the maintenance of that facility. As of June 30, 2011 the District has reserved \$140,000 for maintenance.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011

NOTE 6. FIXED ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Disposals/ Adjustments	Balance June 30, 2011
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	\$ 410,630			410,630
Total capital assets not being depreciated	410,630	-	-	410,630
Bldg and bldg improve	2,290,307			2,290,307
Site improvements	86,965			86,965
Machinery and Equipment	577,762	7,915		585,677
Total at historical cost	2,955,034	7,915	-	2,962,949
Less: Accumulated depreciation	(1,511,535)	(67,812)		(1,579,347)
Total capital assets being depr, net of accum depr	1,443,499	(59,897)		1,383,602
Governmental activities capital assets, net	1,854,129	(59,897)	-	1,794,232

Depreciation expense as charged to governmental functions as follows:

Regular instruction	\$ 33,906
Special education	6,781
Student & instruction related services	10,172
School administrative expenses	6,781
General and business administration	6,781
Plant operations and maintenance	3,391
	<u>\$ 67,812</u>

**Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011**

NOTE 7. GENERAL LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Balance 6/30/2010	Issued	Retired	Balance 6/30/2011	One year
Governmental Activities \$					
Other liabilities:					
Compensated Absences Payable	181,599	78,670	145,498	114,771	-
Governmental activities long-term liabilities	\$ 181,599	78,670	145,498	114,771	-

NOTE 8. PENSION PLANS

Description of Plans

All required employees of the District are covered by either the Public Employees' Retirement System or the Teacher's Pension and Annuity Fund cost-sharing multiple-employer defined benefit pension plans which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the reports can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January, 1955 under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund 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 District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 5.5% and the PERS rate is 5.5% of covered payroll. The School District's contributions to TPAF for the years ending June 30, 2011, 2010 and 2009 were \$3,249, \$3,546, and \$3,468 respectively, and paid by the State of New Jersey on behalf of the board. The required contributions were not made by the State of New Jersey. The School District's contributions to PERS for the years ending June 30, 2011, 2010 and 2009 were \$13,820, \$10,813 and \$8,838 respectively, equal to the required contributions for each year.

During the fiscal years ended June 30, 2011, 2010 and 2009, the State of New Jersey contributed \$69,015, \$66,608, and \$63,402, respectively, to the TPAF for post-retirement medical benefits on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$79,915, \$78,058, \$74,929 during the same fiscal years for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts, which are not required to be budgeted, have been included in the financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance in GASB 27.

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (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, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011

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.

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 \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

NOTE 10. DEFERRED COMPENSATION

The Board offers its employees a deferred compensation plan 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:

Lincoln Investment Planning
Travelers Insurance Company

NOTE 11. COMPENSATED ABSENCES

The District accounts for compensated absences (e.g. 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 vacation and sick leave in varying amounts under the District's personnel policies. Unused sick leave may be accumulated and carried forward to subsequent years. Upon retirement for those who have not less than twenty (20) years of service in the District, the District shall pay the employee for unused sick leave in accordance with the District's agreements with the various employee unions. Vacation days not used during the year may only be carried forward with approval from the Superintendent.

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.

NOTE 12. LITIGATION

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District's management, the outcome of any present legal proceedings will not have any adverse material affect on the accompanying financial statements.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011

NOTE 13. FUND BALANCE APPROPRIATED

General Fund – Of the \$1,291,708 General Fund fund balance at June 30, 2011, \$38,460 is reserved for encumbrances; \$390,311 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$168,813 of the total reserve for excess surplus has been appropriated and also included as anticipated revenue for the year ending June 30, 2012); \$25,000 has been legally restricted and included as anticipated revenue for the year ending June 30, 2012; \$210,104 has been reserved in the Capital Reserve Account; \$140,000 has been reserved in the Maintenance Reserve Account. \$237,211 has been reserved in the Emergency Reserve Account and \$250,622 is unreserved and undesignated.

NOTE 14. CALCULATION OF EXCESS SURPLUS

In accordance with NJSA 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Reserved Fund Balance – Excess Surplus is a required calculation. 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 years' budget. The excess fund balance at June 30, 2011 is \$390,311, of which \$168,813 has been appropriated and included as anticipated revenue for the year ended June 30, 2012.

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2011, an interfund remained on the various balance sheets of the Borough of Stone Harbor Board of Education.

	<u>From</u>	<u>To</u>
General Fund:		
Agency Fund	\$ 533	
Agency Fund:		
General Fund		533
	<u>\$ 533</u>	<u>533</u>

Interfunds were created throughout the year due to short term borrowings to cover cash flow needs in the various funds. The fund financial interfunds were eliminated in the governmental-wide statements.

NOTE 16. 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.

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. During the fiscal year ended June 30, 2011

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2011

the District did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

New Jersey Unemployment Compensation Insurance –The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The School is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the School's expendable trust fund for the current and prior year:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ 0	2,064	1,186	39,359
2009-2010	\$ 0	1,963	297	38,481
2008-2009	\$ 0	2,176	77	36,815

Worker's Compensation Fund –The Board currently maintains traditional insurance for its worker's compensation coverage.

NOTE 17. ECONOMIC DEPENDENCY

The District is heavily reliant on local property taxation to fund District operations. Property taxes funded 87% of the Districts 2010-2011 governmental operations.

NOTE 18- SUBSEQUENT EVENTS

The District has evaluated subsequent events through August 30, 2011, the date on which the financial statements were available to be issued, and no items other than described below were identified that require disclosure:

Beginning in the 2011-12 school year the District will send all 5th through 8th grade students to Avalon Board of Education and all Kindergarten through 4th grade students will be send to Stone Harbor Board of Education.

Required Supplemental Information
Part II

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BUDGETARY COMPARISON SCHEDULES

The budgetary comparison schedules consist of the comparison of anticipated revenues and budgeted expenditures to actual results for the general and the special revenue funds.

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 2,215,103		2,215,103	2,215,103	-
Interest earned on capital reserve funds	100		100	100	-
Tuition	191,700		191,700	170,849	(20,851)
Miscellaneous	1,900		1,900	9,518	7,618
Total local sources	2,408,803	-	2,408,803	2,395,570	(13,233)
State sources:					
Other State Aid				622	622
On behalf TPAF Pension					
Contributions (non-budgeted)				72,264	72,264
Reimbursed TPAF Social Security					
Contributions (non-budgeted)				79,915	79,915
Total state sources	-	-	-	152,801	152,801
Total Revenues	2,408,803	-	2,408,803	2,548,371	139,568
EXPENDITURES:					
Current Expense:					
Regular programs - Instruction:					
Salaries of teachers:					
Preschool/kindergarten	96,778	1,936	98,714	98,714	-
Grades 1 - 5	407,378	(15,532)	391,846	391,836	10
Grades 6 -8	270,677	21,774	292,451	292,281	170
Regular programs - home instruction:					
Salaries of teachers	250		250		250
Other salaries for instruction	34,615	(34,614)	1		1
Purchased professional/educational services	1,670		1,670		1,670
Regular programs - undistributed instruction:					
Other salaries for instruction		34,917	34,917	34,917	-
Purchased professional/educational services		1,497	1,497	836	661
Purchased technical services		255	255	255	-

(Continued)

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Other purchased services	12,300	(2,045)	10,255	5,305	4,950
General supplies	76,354	(974)	75,380	57,139	18,241
Textbooks	10,000		10,000	660	9,340
Other objects	20,000		20,000	14,143	5,857
Total regular programs	930,022	7,214	937,236	896,086	41,150
Special Education - instruction:					
Resource room/Resource center:					
Salaries of teachers	70,155	(5,632)	64,523	38,001	26,522
General supplies	200	265	465	114	351
Textbooks	100	(2)	98		98
Total resource room/resource center	70,455	(5,369)	65,086	38,115	26,971
Total special education - instruction	70,455	(5,369)	65,086	38,115	26,971
School sponsored cocurricular activities - instruction:					
Salaries	12,929		12,929	8,001	4,928
Supplies and materials	3,000	(179)	2,821	1,608	1,213
Total school sponsored cocurricular activities - instruction	15,929	(179)	15,750	9,609	6,141
Community Service Salaries	8,000		8,000		8,000
Total other instructional programs - instruction	8,000	-	8,000	-	8,000
Total - Instruction	1,024,406	1,666	1,026,072	943,810	82,262

(Continued)

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed expenditures - Instruction:					
Tuition to other LEA's within the state - regular	139,476		139,476	139,300	176
Tuition to other LEA's within the state - special	46,741	(1,440)	45,301		45,301
Tuition to county voc. school dist. - regular	15,584		15,584	15,584	-
Tuition Other		1,440	1,440	1,440	-
Total undistributed expenditures - instruction	201,801	-	201,801	156,324	45,477
Undistributed expenditures - Attendance & Social Work					
Salaries	11,510	85	11,595	11,595	-
Purchased professional and technical services	13,028	(85)	12,943	10,562	2,381
Total undistributed expenditures - attendance & social work	24,538	-	24,538	22,157	2,381
Undistributed expenditures - Health services:					
Salaries	74,578	4,545	79,123	79,123	-
Purchased professional and technical services	500	(208)	292		292
Other purchased services	100	(4)	96	30	66
Supplies and materials	1,000	212	1,212	1,212	-
Total undistributed expenditures - health services	76,178	4,545	80,723	80,365	358
Undistributed expenditures - Other support services - students - related services:					
Purchased professional educational services	26,158	(4,545)	21,613	10,060	11,553
Total undistributed expenditures - other support services - students - related services	26,158	(4,545)	21,613	10,060	11,553
Undistributed expenditures - other support services: - extraordinary services:					
Salaries	13,525	4,819	18,344	18,344	-

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Total undistributed expenditures - other support services - extraordinary services	13,525	4,819	18,344	18,344	-
Undistributed expenditures - Other support services - Guidance					
Other professional technical services	500	340	840	640	200
Supplies and materials	1,000	(340)	660	494	166
Total undistributed expenditures - other support services - regular	1,500	-	1,500	1,134	366
Undistributed expenditures - other support services - students - Child Study Team:					
Salaries of secretaries and clerical assistants	7,673	1	7,674	7,674	-
Purchased professional educational services	32,535	(1)	32,534	31,693	841
Other purchased prof. and tech. services	4,495		4,495	4,271	224
Total undistributed expenditures - other support services - students - special services	44,703	-	44,703	43,638	1,065
Undistributed expenditures - Improvement of instruction services:					
Salaries of other professional staff	3,000	(1,928)	1,072	1,072	1,072
Purchased professional educational services	77,817	10,140	87,957	87,957	-
Other purchased prof. and tech. services	3,000	(2,000)	1,000	525	475
Supplies and materials	1,200		1,200	1,200	1,200
Total undistributed expenditures - improvement of instruction services	85,017	6,212	91,229	88,482	2,747
Undistributed expenditures - educational media services/school library:					
Salaries	82,362	3,247	85,609	85,609	-
Purchased professional and technical services	1,000	24	1,024	1,024	-
Other purchased services	2,000		2,000	1,080	920
Supplies and materials	11,500	(24)	11,476	10,556	920
Total undistributed expenditures - educational media services/school library	96,862	3,247	100,109	98,269	1,840

(Continued)

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed expenditures - instruction staff training services					
Other purchases professional and technical services	7,810	(5,000)	2,810	2,067	743
Other purchased services	8,000	4,065	12,065	5,005	7,060
Supplies and materials	500	(433)	67		67
Total undistributed expenditures - instructional staff training services	16,310	(1,368)	14,942	7,072	7,870
Undistributed expenditures - Support services - general administration:					
Salaries	32,858		32,858	32,858	-
Legal services	500	12,067	12,567	12,567	-
Audit fees	6,900	2,100	9,000	9,000	-
Other purchased professional services	225	236	461	461	-
Purchased technical services	200	140	340	285	55
Communications/telephone	2,250	(928)	1,322	1,301	21
BOE other purchased services	600	(315)	285	285	-
Other purchased services	6,101	2,376	8,477	8,477	-
Supplies and materials	500	236	736	736	-
Miscellaneous expenditures	1,500	(511)	989	989	-
BOE membership dues and fees		1,948	1,948	1,948	-
Total undistributed expenditures - support services - general administration	51,634	17,349	68,983	68,907	76
Undistributed expenditures - Support services school administration:					
Salaries of principals and assistants	30,503		30,503	30,503	-
Salaries of secretarial and clerical assistants	4,796		4,796	4,796	-
Other purchased services	200	540	740	717	23
Supplies and materials	100	217	317	317	-
Other objects	400	1,246	1,646	1,646	-
Total undistributed expenditures - support services school administration	35,999	2,003	38,002	37,979	23
Undistributed expenditures - Central services					
Purchased professional services	21,353	829	22,182	22,182	-
Purchased technical services	6,375	54	6,429	6,429	-
Misc. purchased services (400-500 series)	200	(200)	-	-	-
Supplies and materials	500	(500)	-	-	-
Total Undistributed expenditures - central services	28,428	183	28,611	28,611	-

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed expenditures - Maintenance of school property:					
Salaries	22,807	3,155	25,962	25,692	270
Cleaning, repair and maintenance	42,911	(7,312)	35,599	22,290	13,309
Supplies and materials	4,500	2,379	6,879	2,659	4,220
Total undistributed expenditures - maintenance of school property	70,218	(1,778)	68,440	50,641	17,799
Undistributed expenditures - Operation and maintenance of plant services:					
Salaries	43,461	(597)	42,864	37,573	5,291
Purchased professional and technical services	25,619	(185)	25,434	16,292	9,142
Cleaning, repair and maintenance services	5,653	(1,506)	4,147	2,961	1,186
Insurance	19,209	1,506	20,715	20,715	-
General supplies	4,000	185	4,185	4,185	-
Energy (natural gas)		16,000	16,000	14,785	1,215
Energy (electricity)	70,000	(16,000)	54,000	39,405	14,595
Total undistributed expenditures - operation and maintenance of plant services	167,942	(597)	167,345	135,916	31,429
Undistributed expenditures - student transportation services:					
Salaries for pupil transportation	959		959	959	-
(Between home and school) - regular					
Salaries for pupil transportation non-public	3,837		3,837	3,837	-
Other Purchased Prof. and technical Services	9,553	367	9,920	9,507	413
Aid in lieu - non public	5,500	(1,854)	3,646		3,646
Contracted services (between home and school) - vendors	10,000		10,000	8,073	1,927
Contracted services (bet. home & sch) joint agreements	13,269		13,269	12,004	1,265
Contracted services (special education students) - joint agreements	10,311	(6,887)	3,424	-	3,424
Total undistributed expenditures student transportation services	53,429	(8,374)	45,055	34,380	10,675

(Continued)

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Unallocated Benefits					
Social security	9,877	8,501	18,378	18,378	-
Other retirement contributions - regular	12,100	1,722	13,822	13,822	-
Unemployment compensation	200		200		200
Workmen's compensation	13,523	(1,286)	12,237	12,054	183
Health benefits	291,800	(49,778)	242,022	185,582	56,440
Tuition reimbursement	9,000		9,000	6,766	2,234
Other employee benefits	81,000	12,940	93,940	75,351	18,589
Total Regular Program Instruction Employee Benefits	417,500	(27,901)	389,599	311,953	77,646
On behalf TPAF Pension Contributions (non-budgeted)				72,264	(72,264)
Reimbursed TPAF Social Security Contributions (non-budgeted)				79,915	(79,915)
Total on-behalf contributions	-	-	-	152,179	(152,179)
Total undistributed expenditures	1,411,742	(6,205)	1,405,537	1,346,411	59,126
Total current expense	2,436,148	(4,539)	2,431,609	2,290,221	141,388
Capital Outlay:					
Instruction	8,000	4,539	12,539	7,915	4,624
Equipment	8,000	4,539	12,539	7,915	4,624
Total Capital Outlay	8,000	4,539	12,539	7,915	4,624
Transfer to charter school					
Total Expenditures	2,444,148	-	2,444,148	2,298,136	146,012
Excess (deficiency) of revenues over (under) expenditures	(35,345)	-	(35,345)	250,235	285,580

(Continued)

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Other Financing Sources/(Uses)					
Operating transfers in:					
Increase in Current Expense Emergency Reserve	(107,317)		(107,317)	(107,317)	-
Deposit Current Expense Emergency Reserve			-	107,317	(107,317)
Deposit Interest to Capital Reserve	(100)		(100)	100	(100)
Interest Deposit to Capital Reserve				(100)	-
Total other financing uses	(107,417)	-	(107,417)	-	(107,417)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(142,762)	-	(142,762)	250,235	178,163
Fund Balances, July 1	1,041,473		1,041,473	1,041,473	-
Fund Balances, June 30	898,711	-	898,711	1,291,708	178,163
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Reserve for Excess Surplus				221,498	
Excess Surplus Designated for Subsequent Years Expenditures				168,813	
Committed Fund Balance:					
Designated for Subsequent Years Expenditures				25,000	
Maintenance Reserve				140,000	
Capital Reserve				210,104	
Emergency Reserve				237,211	
Assigned Fund Balance:					
Reserve for Encumbrances				38,460	
Unassigned Fund Balance				250,622	
				<u>1,291,708</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid payment not recognized on GAAP basis				-	
Fund Balance per Governmental Funds (GAAP)				<u>1,291,708</u>	

(Concluded)

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Revenue Fund
 for the Fiscal Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
REVENUES:					
Local Sources					
Safety Grant - NJSBA		3,144	3,144	3,144	-
Total state sources	-	3,144	3,144	3,144	-
Federal sources:					
Small Rural Education Achievement Program		20,690	20,690	20,690	-
I.D.E.A., Part B		9,471	9,471	9,471	-
I.D.E.A., Preschool		2,191	2,191	2,191	-
Total federal sources	-	32,352	32,352	32,352	-
Total Revenues	-	35,496	35,496	35,496	-

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Revenue Fund
 for the Fiscal Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
EXPENDITURES:					
Instruction:					
Purchased Professional and Technical Services		11,662	11,662	11,662	-
Total instruction	-	11,662	11,662	11,662	-
Capital Outlay					
Instructional Equipment		20,690	20,690	20,690	-
Purchased Professional and Technical Services		3,144	3,144	3,144	-
Total capital outlay	-	23,834	23,834	23,834	-
Total Expenditures	-	35,496	35,496	35,496	-
Excess (deficiency) of revenues over (under) expenditures	\$ -	-	-	-	-

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Required Supplementary Information
 Budgetary Comparison Schedule
 Notes to Required Supplementary Information
 for the Fiscal Year Ended June 30, 2011

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

	General Fund	Special Revenue
	<u> </u>	<u> </u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 2,548,371	35,496
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		
Prior year		
Current year		(1,884)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	6,663	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u> </u>	<u> </u>
Total revenues reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>2,555,034</u>	<u>33,612</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	2,298,136	35,496
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		
Prior year		
Current year		(1,884)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,298,136</u>	<u>33,612</u>

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Supplementary Information

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SPECIAL REVENUE FUND

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Special Revenue Fund
 Combining Schedule of Revenues and Expenditures
 Budgetary Basis
 for the Fiscal Year ended June 30, 2011

	Small Rural Education Achievement Grant	I.D.E.A. Part B Preschool	I.D.E.A. Part B	Local Programs	Totals
REVENUES:					
Federal sources	20,690	2,191	9,471		32,352
State sources					
Local Sources				3,144	3,144
Total Revenue	<u>20,690</u>	<u>2,191</u>	<u>9,471</u>	<u>3,144</u>	<u>35,496</u>
EXPENDITURES:					
Instruction:					
Purchased professional and technical services	-	2,191	9,471		11,662
Total instruction		<u>2,191</u>	<u>9,471</u>	-	<u>11,662</u>
Capital Outlay					
Instructional Equipment	20,690				20,690
Purchased Professional and Technical Services				3,144	3,144
Total capital outlay	<u>20,690</u>	-	-	<u>3,144</u>	<u>23,834</u>
Total Expenditures	<u>20,690</u>	<u>2,191</u>	<u>9,471</u>	<u>3,144</u>	<u>35,496</u>

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FIDUCIARY FUNDS

Trust funds are used to account for gifts and bequests to the school district for a specific purpose.

Unemployment Compensation Insurance Trust Fund -

This is an expendable trust fund used to pay unemployment compensation insurance claims.

Agency funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

Agency Funds -

This agency funds are used to account for the payroll transactions of the school district and student activity funds

Scholarship Fund -

This fund is an expendable trust fund to provide for scholarships for district students

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Fiduciary Fund

Combining Statement of Fiduciary Net Assets

June 30, 2011

	Expendable Trust			Agency		Total
	NJ Unemployment Compensation Insurance	Scholarship Fund	Student Activity	Payroll		
ASSETS:						
Cash and cash equivalents	\$ 39,359	2,099	3,331	1,465		46,254
Total Assets	<u>39,359</u>	<u>2,099</u>	<u>3,331</u>	<u>1,465</u>		<u>46,254</u>
LIABILITIES AND NET ASSETS:						
Liabilities:						
Due to student groups			3,331			3,331
Payroll deductions and withholdings				932		932
Interfund payable - general fund				533		533
Total Liabilities	-	-	3,331	1,465		4,796
Net Assets:						
Reserved for future unemployment claims	39,359					39,359
Total Net Assets	<u>39,359</u>	<u>2,099</u>	<u>-</u>	<u>-</u>		<u>41,458</u>
Total Liabilities and Fund Balances	\$ <u>39,359</u>	<u>2,099</u>	<u>3,331</u>	<u>1,465</u>		<u>46,254</u>

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
for the Fiscal Year ended June 30, 2011

	Unemployment Compensation Trust	Scholarship Fund	Total
ADDITIONS:			
Contributions:			
Plan Members	\$ 1,984		1,984
Total Contributions	1,984	-	1,984
Investment Earnings			
Interest	80	4	84
Net investment earnings	80	4	84
Total additions	2,064	4	2,068
DEDUCTIONS:			
Unemployment Claims	1,186		1,186
Total deductions	1,186	-	1,186
Change in net assets	878	4	882
Net Assets, July 1	38,481	2,095	40,576
Net Assets, June 30	\$ 39,359	2,099	41,458

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2011

	<u>Balance June 30, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2011</u>
Petty Cash Account	\$ 2,247	3,568	3,477	2,338
School fund account	993			993
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 3,240</u>	<u>3,568</u>	<u>3,477</u>	<u>3,331</u>

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Payroll Agency Fund

Statement of Changes in Assets and Liabilities
for the Fiscal Year ended June 30, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS:				
Cash and cash equivalents	\$ 1,424	1,526,080	1,526,039	1,465
Total Assets	<u>1,424</u>	<u>1,526,080</u>	<u>1,526,039</u>	<u>1,465</u>
LIABILITIES:				
Net Payroll	-	884,564	884,564	-
Payroll deductions and withholdings	932	641,475	641,475	932
Interfunds payable	492	41		533
Total Liabilities	<u>\$ 1,424</u>	<u>1,526,080</u>	<u>1,526,039</u>	<u>1,465</u>

Statistical Section

Governmental Accounting Standards Board (GASB) requires 10 years of statistical information to be included in the CAFR. However, due to the change in the statistical requirements, information was unavailable for all 10 years.

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Net Assets by Component,
Last Eight Fiscal Years
Unaudited

	For the Year Ended June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	1,738,591	1,843,998	1,926,542	2,011,094	1,980,340	1,923,663	1,854,129	1,794,232
Restricted	81,505	63,549	80,040	432,764	242,118	365,814	622,660	1,041,086
Unrestricted	124,214	193,426	382,671	132,691	269,229	268,872	230,551	135,851
Total governmental activities net assets	<u>1,944,310</u>	<u>2,100,973</u>	<u>2,389,253</u>	<u>2,576,549</u>	<u>2,491,687</u>	<u>2,558,349</u>	<u>2,707,340</u>	<u>2,971,169</u>
Business-type activities								
Invested in capital assets, net of related debt								
Restricted	566	451	215	(56)	24	592	1,424	690
Unrestricted	<u>566</u>	<u>451</u>	<u>215</u>	<u>(56)</u>	<u>24</u>	<u>592</u>	<u>1,424</u>	<u>690</u>
Total business-type activities net assets								
District-wide								
Invested in capital assets, net of related debt	1,738,591	1,843,998	1,926,542	2,011,094	1,980,340	1,923,663	1,854,129	1,794,232
Restricted	81,505	63,549	80,040	432,764	242,118	365,814	622,660	1,041,086
Unrestricted	124,780	193,877	382,886	132,635	269,253	269,464	231,975	136,541
Total district net assets	<u>1,944,876</u>	<u>2,101,424</u>	<u>2,389,468</u>	<u>2,576,493</u>	<u>2,491,711</u>	<u>2,558,941</u>	<u>2,708,764</u>	<u>2,971,859</u>

Source: CAFR Schedule A-1

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Changes in Net Assets, Last Eight Fiscal Years
Unaudited

	For the Year Ended June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental activities								
Instruction								
Regular	725,127	741,256	792,390	859,731	927,887	898,873	1,118,763	1,222,275
Special education	35,072	35,153	42,777	62,345	67,452	71,918	86,445	54,763
Other special instruction		6,991						
Other instruction	6,880	4,814	7,193	12,003	15,951	14,749	14,907	15,157
Adult/continuing education programs			5,710					
Support Services:								
Tuition	250,904	222,360	224,090	228,045	259,942	258,407	240,719	196,793
Student & instruction related services	199,481	213,201	317,386	328,879	317,195	346,698	422,926	367,940
School administrative services	74,915	65,876	37,478	38,691	114,421	66,180	103,098	93,023
Other administrative services	161,577	160,703	181,723	97,086	75,635	92,706	79,892	93,526
Plant operations and maintenance	139,453	134,031	180,542	195,713	213,538	194,173	273,800	238,060
Pupil transportation	22,593	24,729	67,119	63,650	72,995	50,759	44,447	43,280
Employee benefits	328,131	342,086	362,182	458,411	487,250	384,340	-	105,527
Internal service				92,054	95,015	97,285	99,099	
Interest on long-term debt	23,541	17,978	9,690	3,608				
Total governmental activities expenses	1,967,674	1,969,178	2,228,280	2,440,216	2,647,281	2,476,088	2,484,096	2,430,344
Business-type activities:								
Milk Fund	1,447	1,234	1,049	1,762	1,739	985	1,397	1,845
Total business-type activities expense	1,447	1,234	1,049	1,762	1,739	985	1,397	1,845
Total district expenses	1,969,121	1,970,412	2,229,329	2,441,978	2,649,020	2,477,073	2,485,493	2,432,189
Program Revenues								
Governmental activities:								
Charges for Services								
Central and other support services			88,353	92,054	245,376	247,276	255,196	276,376
Operating grants and contributions	123,380	122,893	159,697	226,048	17,295	14,502	49,815	33,612
Total governmental activities program revenues	123,380	122,893	248,050	318,102	262,671	261,778	305,011	309,988
Business-type activities:								
Charges for services								
Milk Fund	1,712	1,119	813	1,491	1,819	1,553	2,229	1,111
Operating grants and contributions								
Capital grants and contributions								
Total business type activities program revenues	1,712	1,119	813	1,491	1,819	1,553	2,229	1,111
Total district program revenues	125,092	124,012	248,863	319,593	264,490	263,331	307,240	311,099

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Changes in Net Assets, Last Eight Fiscal Years
Unaudited

	For the Year Ended June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue								
Governmental activities	(1,844,294)	(1,846,285)	(1,980,230)	(2,122,114)	(2,384,610)	(2,214,310)	(2,179,085)	(2,120,356)
Business-type activities	265	(115)	(236)	(271)	80	568	832	(734)
Total district-wide net expense	<u>(1,844,029)</u>	<u>(1,846,400)</u>	<u>(1,980,466)</u>	<u>(2,122,385)</u>	<u>(2,384,530)</u>	<u>(2,213,742)</u>	<u>(2,178,253)</u>	<u>(2,121,090)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes levied for general purposes, net	1,547,150	1,598,538	1,868,883	1,880,724	1,969,219	2,047,988	2,129,907	2,215,103
Taxes levied for debt service	148,541	147,977	147,193	145,186	-	-	-	-
Unrestricted grants and contributions	91,170	123,686	104,105	103,252	299,785	200,391	192,429	159,464
Tuition	106,470	123,576	130,744	150,564	-	-	-	-
Investment earnings	3,140	5,506	19,664	100	10,474	8,778	5,740	100
Miscellaneous income	4,842	3,665	3,001	29,584	614	2,992	5,740	9,518
Adjustments			(5,080)		19,656	20,824		
Total governmental activities	<u>1,901,313</u>	<u>2,002,948</u>	<u>2,268,510</u>	<u>2,309,410</u>	<u>2,299,748</u>	<u>2,280,973</u>	<u>2,328,076</u>	<u>2,384,185</u>
Business-type activities:								
Investment earnings	-	-	-	-	-	-	-	-
Transfers								
Total business-type activities	<u>1,901,313</u>	<u>2,002,948</u>	<u>2,268,510</u>	<u>2,309,410</u>	<u>2,299,748</u>	<u>2,280,973</u>	<u>2,328,076</u>	<u>2,384,185</u>
Total district-wide								
Change in Net Assets								
Governmental activities	57,019	156,663	288,280	187,296	(84,862)	66,663	148,991	263,829
Business-type activities	265	(115)	(236)	(271)	80	568	832	(734)
Total district	<u>57,284</u>	<u>156,548</u>	<u>288,044</u>	<u>187,025</u>	<u>(84,782)</u>	<u>67,231</u>	<u>149,823</u>	<u>263,095</u>

Source: CAFR Schedule A-2

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Fund Balances, Governmental Funds,
Last Eight Fiscal Years
Unaudited

	2004	2005	2006	2007	2008	2009	2010	2011
General Fund								
Restricted								390,311
Committed								612,315
Assigned								38,460
Unassigned								250,622
Reserved	145,177	210,457	424,596	415,594	382,118	505,914	791,473	
Unreserved	105,812	96,932	97,275	212,029	249,235	243,907	243,337	
Total general fund	<u>250,989</u>	<u>307,389</u>	<u>521,871</u>	<u>627,623</u>	<u>631,353</u>	<u>749,821</u>	<u>1,034,810</u>	<u>1,291,708</u>
All Other Governmental Funds								
Reserved								
Unreserved, reported in:								
Capital projects fund	17,169	17,169	17,169	17,169	16,877	16,877	-	-
Debt service fund	1	-	-	-	-	-	-	-
Total all other governmental funds	<u>17,170</u>	<u>17,169</u>	<u>17,169</u>	<u>17,169</u>	<u>16,877</u>	<u>16,877</u>	<u>-</u>	<u>-</u>

Beginning with fiscal year ended June 30, 2011 the District was required to comply with GASB 54, which required a change in the method of presentation of fund balances.

Source: CAFR Schedule B-1

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
Unaudited

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Tax/levy	1,949,023	1,785,718	1,695,691	1,746,515	2,016,076	2,025,910	1,969,219	2,047,988	2,129,907	2,215,103
Tuition charges	103,597	100,766	106,470	123,576	130,744	150,564	150,361	149,991	156,097	170,849
Interest earning	9,692	8,915	3,140	5,506	19,664	100	10,474	8,778		100
Miscellaneous	13,736	16,287	4,842	3,665	3,001	29,584	1,214	3,178	8,520	12,662
State sources	358,821	320,631	188,406	197,635	228,299	292,470	299,785	200,391	192,429	159,464
Federal sources	8,982	24,823	26,144	48,944	35,503	36,830	36,367	35,140	47,035	30,468
Total revenue	2,443,851	2,257,140	2,024,693	2,125,841	2,433,287	2,535,458	2,467,420	2,445,466	2,533,988	2,588,646
Expenditures										
Instruction										
Regular Instruction	652,228	658,604	692,423	707,249	756,203	823,314	868,175	832,380	846,601	907,748
Special education instruction	25,516	25,775	28,531	28,352	35,540	55,062	59,257	63,092	65,923	38,115
Other instruction	11,482	8,003	6,880	11,805	12,903	12,003	15,951	13,534	10,108	9,609
Support Services:										
Tuition	141,656	223,618	250,904	222,360	224,090	228,045	259,942	258,407	199,628	156,324
Student & instruction related services	162,950	158,839	189,671	202,999	306,530	317,954	304,903	333,459	342,082	369,521
General administration	100,270	113,754	155,036	153,902	86,133	89,803	100,477	83,880	37,362	68,907
School administrative services	61,786	65,990	68,374	59,075	30,241	31,408	35,984	36,569	60,488	37,979
Plant operations and maintenance	135,077	123,239	136,183	134,031	176,922	192,071	207,843	188,823	31,682	186,557
Pupil transportation	17,185	17,872	22,593	21,328	67,119	63,650	72,995	50,759	222,862	34,380
Other support services	48,530	43,707						31,461	36,860	28,611
Unallocated employee benefits	213,189	276,915	321,171	336,943	356,013	452,825	487,250	384,340	395,253	464,132
Special Schools										
Charter Schools										
Capital outlay	101,551	603,941	401,251	43,420	19,918	18,385	51,190	50,294	17,027	29,865
Debt service:										
Principal										
Interest and other charges	110,000	120,000	125,000	130,000	135,000	139,000				
Total expenditures	33,776	28,880	23,541	17,978	12,193	6,185				
Total expenditures	1,815,196	2,469,137	2,421,558	2,069,442	2,218,805	2,429,705	2,463,967	2,326,998	2,265,876	2,331,748
Excess (Deficiency) of revenues over (under) expenditures	628,655	(211,997)	(396,865)	56,399	214,482	105,753	3,453	118,468	268,112	256,898
Other Financing sources (uses)										
Transfer in				19,305					16,877	
Transfers out	(27)			(19,305)					(16,877)	
Total other financing sources (uses)	(27)			-						
Net change in fund balances	628,628	(211,997)	(396,865)	56,399	214,482	105,753	3,453	118,468	268,112	256,898

Source: CAFR Schedule B-2

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
General Fund Other Local Revenue by Source
Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Tuition</u> <u>Revenue</u>	<u>Interest on</u> <u>Investments</u>	<u>Sale of</u> <u>Bus</u>	<u>Misc.</u>	<u>Total</u>
2002	103,597	9,602		12,993	126,192
2003	100,766	8,385		15,482	124,633
2004	106,470	3,140		4,342	113,952
2005	123,576	5,506		3,165	132,247
2006	130,744	19,664		2,501	152,909
2007	150,564	28,037		1,647	180,248
2008	150,361	10,374		614	161,349
2009	149,991	8,778		2,992	161,761
2010	156,097	-		5,740	161,837
2011	170,849	100		12,662	183,611

Source: District Records

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Clam	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2002		1,786,168,683						1,786,168,683			1,786,168,683		1,922,020,053
2003		1,801,888,963						1,801,888,963			1,801,888,963		2,185,284,484
2004		1,816,535,993						1,816,535,993			1,816,535,993		2,483,630,864
2005	*	3,567,039,533						3,567,039,533			3,567,039,533		2,927,465,846
2006		3,584,546,474						3,584,546,474			3,584,546,474		3,878,062,153
2007		3,607,791,890						3,607,791,890			3,607,791,890		4,645,963,491
2008		3,626,262,310						3,626,262,310			3,626,262,310		4,799,805,585
2009	70,404,000	4,177,373,459			161,782,800		4,370,200	4,413,930,459	295,268,500		4,118,661,959		4,856,819,777
2010	68,686,300	4,186,852,100			161,782,800		4,370,200	4,421,701,400	295,268,500		4,126,432,900		4,619,894,891
2011	67,064,000	4,491,489,600			161,489,800		4,370,200	4,724,413,600	295,268,500		4,429,145,100		4,498,890,590

Source: District records Tax list summary & 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 performed during the year.

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

^b Tax rates are per \$100

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Rate per \$100 of Assessed Value
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	BOROUGH OF STONE HARBOR SCHOOL DISTRICT			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General	Total Direct	Borough of Stone Harbor	Cape May County	
		Obligation Debt Service ^b				
2002	0.093	0.007	0.100	0.269	0.401	0.770
2003	0.087	0.008	0.095	0.277	0.408	0.780
2004	0.089	0.009	0.098	0.293	0.399	0.790
2005	0.053	0.005	0.058	0.186	0.206	0.450
2006	0.053	0.004	0.057	0.186	0.227	0.470
2007	0.053	0.002	0.055	0.206	0.249	0.510
2008	0.057	-	0.057	0.218	0.254	0.529
2009	0.049	-	0.049	0.190	0.224	0.463
2010	0.052	-	0.052	0.198	0.223	0.473
2011	0.051	-	0.051	0.202	0.226	0.479

Source: District Records and Municipal Tax Collector

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 calculation.

- 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.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Principal Property Tax Payers,
Current Year and Nine Years Ago
Unaudited

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Immaculate Heart of Mary convent	29,975,000	1	0.68%	14,167,700	1	0.79%
Taxpayer #1	15,408,600	2	0.35%	4,265,500	4	0.24%
NACL Associates	11,340,300	3	0.26%	4,908,700	3	0.27%
Famersham Associates	9,498,900	4	0.21%	3,249,200	9	0.18%
Taxpayer #2	9,180,900	5	0.21%	4,239,400	5	0.24%
Taxpayer #3	9,146,800	6	0.21%	3,896,600	6	0.22%
Taxpayer #4	8,038,600	7	0.18%	3,893,900	7	0.22%
100th Street LLC	7,790,700	8	0.18%			
Dove Holdings, LLC	7,548,700	9	0.17%			
Taxpayer #5	7,380,700	10	0.17%	3,105,200	10	0.17%
Harbor Square Properties				5,577,300	2	0.31%
JCC, LLC				3,612,600	8	0.20%
Total	115,309,200		2.60%	50,916,100		2.85%

1998 Information not available

Source: District CAFR & Municipal Tax Assessor

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Property Tax Levies and Collections,
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	1,949,023	1,949,023	100%	
2003	1,785,718	1,785,718	100%	
2004	1,695,691	1,695,691	100%	
2005	1,746,515	1,746,515	100%	
2006	2,016,076	2,016,076	100%	
2007	2,025,910	2,025,910	100%	
2008	1,969,219	1,969,219	100%	
2009	2,047,988	2,047,988	100%	
2010	2,129,907	2,129,907	100%	
2011	2,215,103	2,215,103	100%	

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

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANS)	Capital Leases			
2002	649,000	-	-	-	-	649,000	0.034%	
2003	529,000	-	-	-	-	529,000	0.024%	
2004	404,000	-	-	-	-	404,000	0.016%	
2005	274,000	-	-	-	-	274,000	0.009%	
2006	139,000	-	-	-	-	139,000	0.004%	
2007	-	-	-	-	-	-	0.000%	
2008	-	-	-	-	-	-	0.000%	
2009	-	-	-	-	-	-	0.000%	
2010	-	-	-	-	-	-	0.000%	
2011	-	-	-	-	-	-	0.000%	

No Debt for past 5 Years

Source: District CAFR Schedules I-1, I-2

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

^a See Exhibit NJ J-13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2002	649,000		649,000	0.034%	
2003	529,000		529,000	0.024%	
2004	404,000		404,000	0.016%	
2005	274,000		274,000	0.009%	
2006	139,000		139,000	0.004%	
2007	-		-	0.000%	
2008	-		-	0.000%	
2009	-		-	0.000%	
2010	-		-	0.000%	
2011	-		-	0.000%	

No Debt for past 4 Years

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

a See Exhibit NJ J-6 for property tax data.

b Population data can be found in Exhibit NJ J-13.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2010
Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Stone Harbor	32,978,593	100.00%	32,978,593
County of Cape May - Borough's share (8.68%)	81,583,963	8.68%	7,084,081
			<hr/>
Subtotal, overlapping debt			40,062,674
BOROUGH OF STONE HARBOR SCHOOL DISTRICT Direct Debt			<hr/>
Total direct and overlapping debt			-
			<hr/> <hr/>
			40,062,674

Sources: Borough of Stone Harbor Finance Officer

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 the Borough of Stone Harbor. This process recognizes that, when considering the District's ability to issue and repay long-term debt, 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 payment.

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Legal Debt Margin Information,
 Last Ten Fiscal Years
Unaudited

Legal Debt Margin Calculation for Fiscal Year 2010

	Equalized valuation basis
2010	4,487,670,151
2009	4,611,172,500
2008	4,829,960,304
	13,928,802,955
Average equalized valuation of taxable property	4,642,934,318
Debt limit (3% of average equalized value) ^a	139,288,030
Net bonded school debt	-
Legal debt margin	139,288,030

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	47,008,150	56,174,030	65,218,137	75,302,948	92,223,078	113,733,642	132,355,193	142,106,623	142,109,124	139,288,030
Total net debt applicable to limit	649,000	529,000	404,000	274,000	139,000	-	-	-	-	-
Legal debt margin	46,359,150	55,645,030	64,814,137	75,028,948	92,084,078	113,733,642	132,355,193	142,106,623	142,109,124	139,288,030
Total net debt applicable to the limit as a percentage of debt limit	1.38%	0.94%	0.62%	0.36%	0.15%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Abstract of Rates and District Records CAFR Schedule J-7

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Year	Population ^a	Personal Income (thousands of dollars) ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2002	1,110	40,019	36,053	5.90%
2003	1,102	40,214	36,492	6.10%
2004	1,078	41,762	38,740	4.10%
2005	1,054	42,493	40,316	3.30%
2006	1,037	43,888	42,322	5.10%
2007	1,020	45,467	44,575	4.90%
2008	1,012	46,553	46,001	6.00%
2009	1,016	46,737	46,001	8.70%
2010	1,016	46,737	46,001	8.70%
2011	1,016	47,070	46,329	9.10%

Source:

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

b Personal income provided by the US Dept. of Commerce, Bureau of Economic Analysis.

c Per Capita information provided by the US Dept. of Commerce, Bureau of Economic Analysis.

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years
Unaudited

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction	11.8	12.6	12.6	12.6	12.6	13.6	10.6	10.0	13.4	13.2
Regular										
Support Services:										
School administrative services	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Business administrative services	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Student & instruction related services	3.0	4.0	4.0	4.0	4.0	4.0	2.8	2.0	0.5	0.5
Central services	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.0	1.0	1.0
Total	17.8	19.6	19.6	19.6	19.6	20.6	14.9	14.5	16.4	16.2

Source: District Personnel Records

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2002	84	1,569,869	18,689	13.85%	11.8	7:1					
2003	89	1,716,316	19,284	3.19%	12.6	7:1					
2004	81	1,871,766	23,108	19.83%	12.6	6:1					
2005	85	1,878,044	22,095	-4.39%	12.6	6:1					
2006	96	2,051,694	21,372	-3.27%	12.6	8:1		95.95	92.05	-2.55%	95.94%
2007	96	2,266,135	23,606	10.45%	13.6	7:1		93.50	88.20	-11.55%	94.33%
2008	84	2,412,777	28,724	21.68%	10.6	8:1		82.70	78.80	-3.51%	95.28%
2009	80	2,276,704	28,459	-0.92%	10.0	8:1		79.80	74.20	-21.30%	92.98%
2010	61	2,248,849	36,866	29.54%	13.4	8:1		62.80	58.70		93.47%
2011	75	2,301,883	30,692	-16.75%	13.4	6:1		78.70	69.70	25.32%	88.56%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- 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 No break down between grades

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years
Unaudited

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>District Building</u>										
<u>Elementary</u>										
Stone Harbor Elementary	22,665	22,665	22,665	22,665	22,665	22,665	22,665	22,665	22,665	22,665
Square Feet	154	154	154	154	154	154	154	154	154	154
Capacity (students)	84	89	81	85	96	96	84	80	61	79
Enrollment										

Number of Schools at June 30, 2010
 Elementary = 1

Source: District records, ASSA

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

CITY OF BOROUGH OF STONE HARBOR SCHOOL DISTRICT
General Fund
Schedule of Required Maintenance for School Facilities
Last Nine Years
Unaudited

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

School Facilities	Project # (s)	2011	2010	2009	2008	2007	2006	2005	2004	2003
Stone Harbor Elementary	N/A	50,641	57,150	46,115	52,425	70,796	50,051	31,957	35,559	9,968
Total School Facilities		<u>50,641</u>	<u>57,150</u>	<u>46,115</u>	<u>52,425</u>	<u>70,796</u>	<u>50,051</u>	<u>31,957</u>	<u>35,559</u>	<u>9,968</u>
Other Facilities										
Grand Total		<u>50,641</u>	<u>57,150</u>	<u>46,115</u>	<u>52,425</u>	<u>70,796</u>	<u>50,051</u>	<u>31,957</u>	<u>35,559</u>	<u>9,968</u>

This was only a requirement since the fiscal year ended June 30, 2003

BOROUGH OF STONE HARBOR BOARD OF EDUCATION**Insurance Schedule****June 30, 2011*****Unaudited***

	<u>Coverage ^a</u>	<u>Deductible</u>
School package Policy - New Jersey School Board Association Insurance Group		
Property- Blanket Building & Contents	\$ 4,429,178	1,000
Comprehensive General Liability	11,000,000	
Comprehensive Automobile Liability	11,000,000	
Comprehensive Crime Coverage	50,000	500
Electronic Data Processing Equipment	267,730	1,000
Blanket Extra Expense	10,000,000	1,000
Blanket Valuable Papers and Records	10,000,000	1,000
Employee Benefits Liability	11,000,000	1,000
Workers' Compensation - New Jersey School Board Association Insurance Group	2,000,000	
School Board Legal Liability - New Jersey School Board Association Insurance Group Errors and Omissions Policy	11,000,000	
Flood Insurance - New Jersey School Board Building	500,000	5,000
Contents	500,000	5,000

Source: District Records

a - Coverage includes all schools covered by the New Jersey School Board Insurance Group.

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Single Audit Section

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Honorable President and
Members of the Board of Education
Borough of Stone Harbor School District
County of Cape May, New Jersey

We have audited the financial statements of the Board of Education of the Borough of Stone Harbor School District in the County of Cape May, State of New Jersey, as of and for the year ended June 30, 2011, and have issued our report thereon dated August 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Borough of Stone Harbor School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Stone Harbor School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Stone Harbor School District's internal control over financial reporting. According, we do not express an opinion on the effectiveness of the Borough of Stone Harbor School District'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

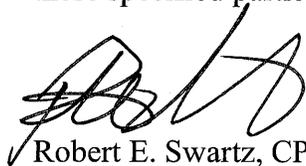
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over 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 Borough of Stone Harbor School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the requirements of the Division Finance, Department of Education, State of New Jersey.

We noted certain matters that were required to be reported to the Board of Education of the Borough of Stone Harbor in the separate *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated August 30, 2011.

This report is intended solely for the information and use of the audit committee, management, and the State of New Jersey, Department of Education (the cognizant audit agency) and other state and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Robert E. Swartz, CPA
Licensed Public School Accountant
No. CS00667

Swartz and Co., LLC

Swartz and Co., LLC
Certified Public Accountants

August 30, 2011

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Program or Award Amount	Balance 6/30/2010	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances/ Adjustments	(Accounts Receivable) 6/30/2011	Deferred Revenue 6/30/2011	Due to Grantor at 6/30/2011
U.S. Department of Education Special Revenue Fund												
Small Rural Education Achievement Program	84.358A		7/1/10-6/30/11	20,690	-	-	20,690	(20,690)	-	-	-	-
Passed-through State Department of Education: Special Revenue Fund:												
IDEA Part B, Basic Regular	84.027		7/1/10-6/30/11	9,471	-	-	9,471	(9,471)	-	-	-	-
IDEA Part B, Basic Preschool	84.027		7/1/10-6/30/11	2,191	-	-	2,191	(2,191)	-	-	-	-
Total Special Revenue Fund							11,662	(11,662)	-	-	-	-
Total Federal Awards							32,352	(32,352)	-	-	-	-

The Accompanying Notes to Schedules of Awards and Financial Assistance are an integral part of this schedule.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year Ended June 30, 2011

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period	Balance at 6/30/2010	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Years' Balances	Balance at June 30, 2011			MEMO	
									(Accounts Receivable)	Deferred Revenue	Due to Grantor		Budgetary Receivable
State Department of Education													
General Fund:													
Reimbursed Non Public Transportation Aid	N/A	622	7/1/10-6/30/11				(622)		(622)				622
Reimbursed TPAF		79,915	7/1/10-6/30/11			76,173	(79,915)		(3,742)				79,915
Social Security Contributions	495-034-5095-006												
Total General Fund				-	-	76,173	(80,537)	-	(4,364)	-	-	-	80,537
Total State Financial Assistance				-	-	76,173	(80,537)	-	(4,364)	-	-	-	80,537

The Accompanying Notes to Schedules of Awards and Financial Assistance are an integral part of this schedule.

Borough of Stone Harbor School District
Notes to the Schedules of Financial Assistance
June 30, 2011

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Board's basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE 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 payment in the current budget year, which is mandated pursuant to P.L. 2003, c.97 (A3521). For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment 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 revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from budgetary basis to GAAP basis is \$78,927 for the general fund and (\$1,884) for the special revenue fund. See the following schedule and Note 1(D) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

**Borough of Stone Harbor School District
Notes to the Schedules of Financial Assistance
June 30, 2011**

	<u>General fund</u>	<u>Total</u>
State Assistance:		
Actual amounts (budgetary) “revenues” from the Schedule of Expenditures of State Financial Assistance	\$ 80,537	80,537
Difference – budget to “GAAP”		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes	6,663	6,663
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	-	-
On Behalf TPAF payments recognized for GAAP statements not included in the Schedule of Expenditures of State Financial Assistance	72,264	72,264
Total State revenue as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 159,464</u>	<u>\$ 159,464</u>

**Borough of Stone Harbor School District
Notes to the Schedules of Financial Assistance
June 30, 2011**

	Special Revenue Fund	Total
Federal Assistance:		
Actual amounts (budgetary) "revenues" from the Schedule of Expenditures of Federal Awards	32,352	32,352
Difference - budget to "GAAP" Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	(1,884)	(1,884)
Total Federal revenue as reported on the statement of revenue, expenditures, and changes in fund balances	<u>30,468</u>	<u>30,468</u>

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

The amounts reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the district for the year ended June 30, 2010. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

**BOROUGH OF STONE HARBOR SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2011**

Part 2 – Schedule of Financial Statement Findings

NONE

Part 3 – Schedule of State Award Findings and Questioned Costs

NONE

STATUS OF PRIOR YEAR FINDINGS

NONE