

**Comprehensive Annual  
Financial Report**

**of the**

**City of Ocean City Board of Education**

**OCEAN CITY, NEW JERSEY**

**For the Year Ended June 30, 2016**



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## **INTRODUCTORY SECTION**





# OCEAN CITY BOARD OF EDUCATION

501 Atlantic Avenue, Suite 1  
Ocean City, New Jersey 08226-3891  
Phone: (609) 399-4161  
Fax: (609) 399-4656  
[www.oceancityschools.org](http://www.oceancityschools.org)

November 23, 2016

Honorable President and  
Members of the Board of Education  
City of Ocean City School District  
County of Cape May, New Jersey

Dear Board Members:

The comprehensive annual financial report of the City of Ocean City School District for the fiscal year ended June 30, 2016 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. 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 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 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 required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including 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 City of Ocean City School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds of the District are included in this report. The City of Ocean City Board of Education and all its schools constitute the District's reporting entity.

*Ocean City School District – Committed to Excellence*

Information on Harassment, Intimidation & Bullying located on our website at [www.oceancityschools.org](http://www.oceancityschools.org)  
Equal Opportunity Employer

**1. REPORTING ENTITY AND ITS SERVICES (Continued):**

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular, vocational, as well as special education for handicapped youngsters. The District completed the 2015-2016 fiscal year with an enrollment of 2,144 students, which is 19 students more than the previous year's enrollment. The following details the changes in the student enrollment of the District over the last five years:

Average Daily Enrollment

<u>Year</u>	<u>Enrollment</u>	<u>Change</u>
2015-16	2,144	0.89%
2014-15	2,125	1.58%
2013-14	2,092	1.31%
2012-13	2,065	0.00%
2011-12	2,065	0.63%

**2. ECONOMIC CONDITION AND OUTLOOK:**

The Ocean City area is experiencing no particular increase or decrease in its economic environment. This is a barrier island, resort community, which relies predominantly on tourism during the summer months for its economy. There is neither light nor heavy industry to contribute to the employment picture, construction of single family and duplex homes replacing other facilities is increasing, and ratables have shown an increase this past year.

**3. MAJOR INITIATIVES:**

The District has made a sustained effort to maintain the efficiency and use of the facilities for the Ocean City Schools. Additionally, the district has integrated improved security district-wide to better safeguard the students and staff. A public referendum held March 11, 2014 was approved by the voters of Ocean City authorizing the issuance of bonds to fund renovations to the Ocean City Primary School was completed during the 2016 fiscal year. The District maintained its focus on the utilization of technology in the classroom environment by implementing its hardware replacement schedule as well as continuing to install Interactive White Boards. The District acquired a large number of ChromeBooks during the current year to improve students' access to technology for instruction. Major network and wireless infrastructure improvements were planned in preparation of the 2017 budget. Additionally, the District successfully passed the NJ Department of Education Quality Single Accountability Continuum monitoring program and received designation as a High Performing District for the period from the 2013-2014 school year through the 2016-2017 school year.

An investment has been made in standardized testing materials to establish benchmark expectations in various grades and provide better insight to students' preparedness for state assessments and college via MAP, PSAT 9 & 10 and ACT Plan. We are reviewing how to engage students who are at risk by focusing on scaffolding and acceleration strategies and beyond the school day support program to afford success in the regular classroom rather than the more traditional remediation model encouraging a slower delivery and never quite catching-up students with grade level expectations. The District has also made an investment in professional development for the staff by focusing on curriculum, instruction and assessment.

#### **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). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

#### **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, 2016.

#### **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. These funds are explained in "Notes to the Financial Statements," Note 1.

#### **7. DEBT ADMINISTRATION:**

At June 30, 2016, the District's outstanding debt consists of \$14,316,000 in general obligation bonds. This balance consists of \$10,580,000 from the refunding bonds issued in March 23, 2016, \$1,464,000 from bonds issued on February 24, 2010 for improvements to the intermediate school and \$2,272,000 from bonds issued on May 15, 2014 for improvements and renovations to the primary school.

#### **8. CASH MANAGEMENT:**

The investment policy of the District is guided in a 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.

**9. RISK MANAGEMENT:**

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

**10. OTHER INFORMATION:**

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ford, Scott & Associates, L.L.C., CPAs, was selected by the Board of Education. 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 of 1996 and the related Uniform Guidance and New Jersey OMB's Circular 15-08. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is 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.

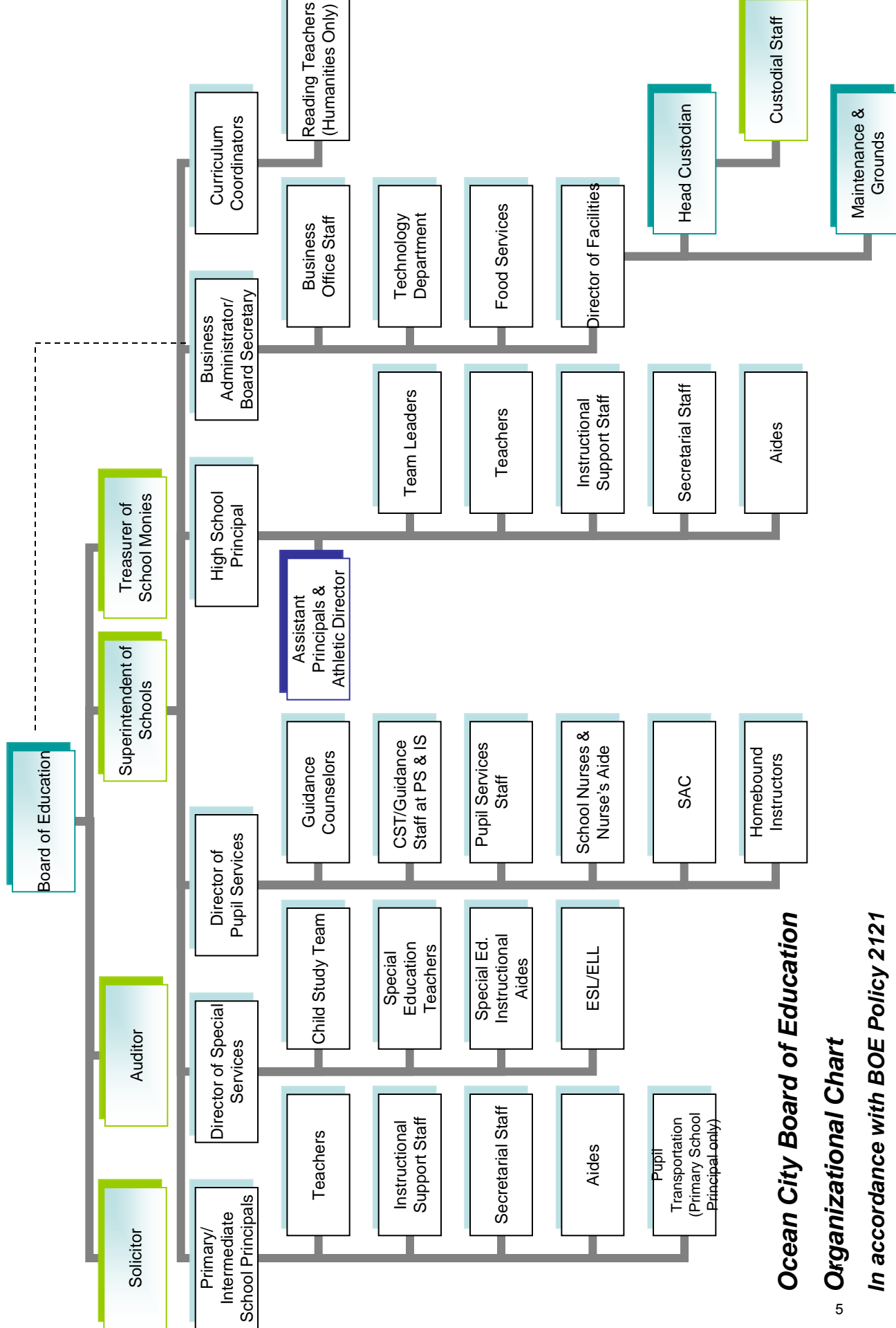
**11. ACKNOWLEDGMENTS:**

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

Respectfully submitted,

*Kathleen Taylor*  
Kathleen Taylor, Ed.D.  
Superintendent of Schools

*Timothy E. Kelley*  
Timothy E. Kelley  
Board Secretary/Business Administrator



**Ocean City Board of Education**  
**Organizational Chart**  
 In accordance with BOE Policy 2121

**CITY OF OCEAN CITY BOARD OF EDUCATION**  
**COUNTY OF CAPE MAY, NEW JERSEY**

**ROSTER OF OFFICIALS**  
**JUNE 30, 2016**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Joseph S. Clark, Jr., President	2018
Thomas R. Oves, Jr., Vice-President	2019
John D. Batistini	2017
H. James Bauer	2019
J. Tiffany Prettyman	2017
Cecelia Gallelli- Keyes	2018
Michael James	2018
Jacqueline McAlister	2019
Gregory Whelan	2017
Kristie Chisholm, Upper Township	2017
William Holmes, Upper Township	2017
Fran Newman, Upper Township	2017

**Other Officials**

Kathleen Taylor, Ed. D., Superintendent of Schools  
Timothy E. Kelley, Business Administrator/Board Secretary  
Michael P. Stanton, Esq., Solicitor

**CITY OF OCEAN CITY BOARD OF EDUCATION**  
**CONSULTANTS AND ADVISORS**

**ARCHITECT**

**RYEBREAD Architects**  
456 High Street  
Mount Holly, New Jersey 08060

**AUDIT FIRM**

**Ford, Scott & Associates, L.L.C.**  
Certified Public Accountants  
1535 Haven Avenue  
Ocean City, New Jersey 08226-0538

**ATTORNEY**

**Michael P. Stanton, Esq.**  
618 West Avenue  
2<sup>nd</sup> Floor  
Ocean City, New Jersey 08226

**OFFICIAL DEPOSITORIES**

**Ocean City Home Bank**  
1001 Asbury Avenue  
Ocean City, New Jersey 08226

**Bank of America**  
661 Asbury Avenue  
Ocean City, New Jersey 08226

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## **FINANCIAL SECTION**





# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

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## **Independent Auditor's Report**

The Honorable President and  
Members of the Board of Education  
City of Ocean City School District  
County of Cape May  
Ocean City, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocean City School District, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing and opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocean City School District, in the County of Cape May, State of New Jersey, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ocean City School District's basic financial statements. The combining and individual non-major fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of state financial assistance as required by NJ OMB 15-08 and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the schedule of federal awards and the schedule of state financial assistance as required by NJ OMB 15-08 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of state financial assistance as required by NJ OMB 15-08 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016 on our consideration of the City of Ocean City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ocean City School District's internal control over financial reporting and compliance.

*Ford, Scott & Associates, L.L.C.*

Ford, Scott & Associates, LLC.  
Certified Public Accountants

*Leon P. Costello*

Leon P. Costello, CPA  
Certified Public Accountant  
Licensed Public School Accountant  
No. 767

**November 23, 2016**

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**REQUIRED SUPPLEMENTARY INFORMATION – PART I**





**CITY OF OCEAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED**

The discussion and analysis of City of Ocean City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- In total, net position decreased \$1,312,560, which represents a decrease of approximately 4 percent from prior year.
- General revenues accounted for \$34,387,041 in revenue or 71 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$13,712,470 or 29 percent of total revenues of \$48,099,511.
- Total assets of governmental activities decreased \$1,831,871 as cash and cash equivalents decreased by \$1,415,208, receivables increased by \$672,409, and net capital assets decreased by \$1,314,398.
- The School District had \$56,454,650 in expenses; \$20,664,698 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$34,387,041 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$43,503,905 in revenues and \$40,496,377 in expenditures. In addition, \$400,000 was transferred from the General Fund to the Capital Projects Fund to partially fund a project for renovations to the District's primary school. The General Fund's fund balance increased \$3,007,528 from 2015.

**Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand City of Ocean City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School district, presenting both an aggregate view of the School district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School district's most significant funds with all other non-major funds presented in total in one column. In the case of City of Ocean City School District, the General Fund is by far the most significant fund.

**CITY OF OCEAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

**Reporting the School District as a Whole**

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the school district as a whole, the financial position of the School district have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental Activities - All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-Type Activity - This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

**Reporting the School District's Most Significant Funds**

Fund Financial Statements

Fund financial reports provide detailed information about the School District's funds. The School District uses many funds to account for a multitude of financial transaction. The School District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School district's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**CITY OF OCEAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

**Reporting the School District's Most Significant Funds (Continued)**

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Net Position may serve over time as a useful indicator of a government's financial position.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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**CITY OF OCEAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

Table 1 provides a summary of the School District's net position for 2016 and 2015.

**Table 1  
Net Position**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current and Other Assets	\$ 11,916,782	12,436,969
Capital Assets	46,714,433	48,031,365
	<u>58,631,215</u>	<u>60,468,334</u>
<b>Deferred Outflows of Resources</b>		
Deferred Outflows Related to Pensions	<u>1,468,120</u>	<u>1,675,848</u>
<b>Liabilities</b>		
Long-Term Liabilities	29,254,598	29,670,805
Other Liabilities	261,374	328,664
	<u>29,515,972</u>	<u>29,999,469</u>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows Related to Pensions	561,348	977,903
Gain on Refunding Bonds	<u>170,403</u>	<u>977,903</u>
	<u>731,751</u>	<u>977,903</u>
<b>Net Position</b>		
Net Investment in Capital Assets	30,038,674	30,362,135
Restricted	10,749,296	11,511,538
Unrestricted	(10,936,358)	(10,706,863)
	<u>29,851,612</u>	<u>31,166,810</u>
Total Net Position	\$ <u>29,851,612</u>	\$ <u>31,166,810</u>

The overall decrease in net position is the result of the operations in the current year. The variance in the restricted and unrestricted net position is primarily due to the classification of committed balances reflected as restricted in the prior year.

**CITY OF OCEAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

Table 2 shows changes in net position for fiscal year 2016 and 2015

**Table 2  
Changes in Net Position**

	2016	2015
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 13,178,061	10,834,025
Operating Grants and Contributions	7,486,637	5,815,226
General Revenues:		
Property Taxes	24,556,841	24,681,877
Grants and Entitlements	9,536,554	9,129,118
Other	381,359	410,215
Total Revenues	55,139,452	50,870,461
<b>Program Expenses</b>		
Instruction	32,990,867	30,734,536
Support Services:		
Tuition	329,177	275,748
Pupils and Instructional Staff	5,674,487	5,159,198
General and School Administration, Business Operations and Maintenance of Facilities	13,992,950	8,522,659
Pupil Transportation	904,599	896,924
Special Schools and Charter Schools	29,937	9,904
Interest on Debt	1,863,992	772,318
Food Service	668,641	642,339
Other		
Total Expenses	56,454,650	47,013,626
Increase in Net Position	\$ (1,315,198)	3,856,835

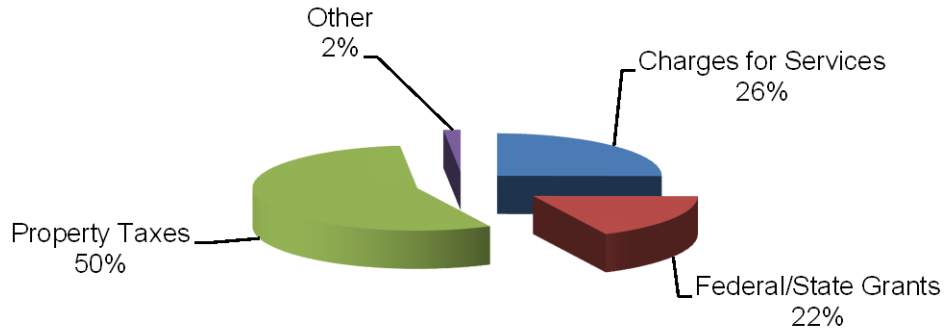
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**CITY OF OCEAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

**Governmental Activities**

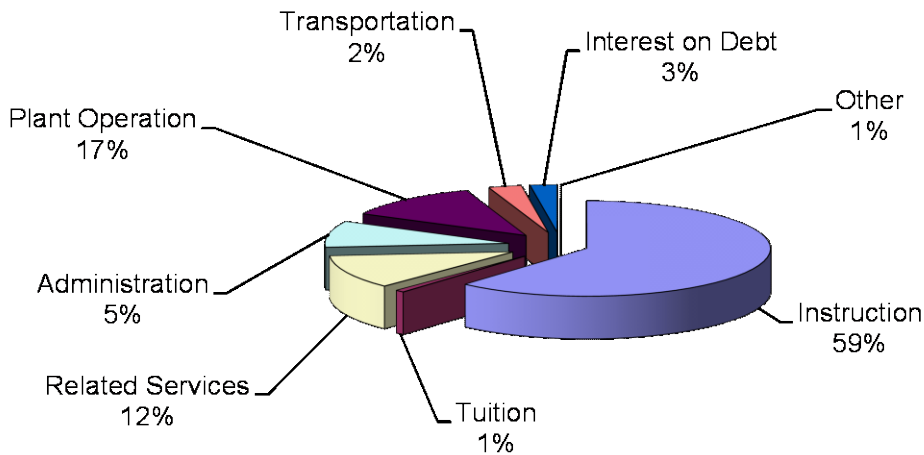
Property taxes made up 50 percent of revenues for governmental activities for the Ocean City School District for fiscal year 2016. The District's total governmental revenues were \$48,099,511 for the year ended June 30, 2016. Charges for services represents 26 percent of revenue and federal, state, and local grants accounted for another 22 percent of revenue.

**Sources of Revenue 2016**



The total cost of all program and services was \$55,786,009. Instruction comprises 59 percent of District expenses

**Expenses for 2016**



**CITY OF OCEAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

**Business-Type Activities**

Revenues for the District's business-type activities (food service program) were comprised of charges for services and federal and state reimbursements.

- Food service expenses exceeded revenues by \$89,547.
- Charges for services represent \$339,789 of revenue. This represents amounts paid by patrons for daily food service.
- Federal and state reimbursement for meals, including payments for free and reduced lunches and breakfast, and donated commodities was \$245,305.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Table 3**

	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>
Instruction	\$ 32,990,867	13,067,824	30,734,535	14,996,637
Support Services:				
Tuition	329,177	329,177	275,748	275,748
Pupils and Instructional Staff	6,543,970	6,380,605	5,159,198	4,964,544
General Administration and Business Services	1,047,717	1,047,717	1,805,595	1,805,595
School Administration	1,770,714	1,770,714	1,879,058	1,879,058
Operation of Plant	10,305,036	10,305,036	4,838,006	4,740,223
Pupil Transportation	904,599	904,599	896,924	896,924
Interest and Finance Charges	1,863,992	1,863,992	772,318	772,318
Other	29,937	29,937	9,904	9,904
Total Expenses	<u>\$ 55,786,009</u>	<u>35,699,601</u>	<u>46,371,286</u>	<u>30,340,951</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Tuition is predominately made up of charges for private schools for disabled students.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration, and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities involve keeping the school grounds, buildings, and equipment in an effective working condition.

**CITY OF OCEAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by State law.

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the School District.

"Other" includes special schools and a loss on the disposal of capital assets.

None of the variances are unusual or unexpected.

**The School District's Funds**

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$48,099,511 and expenditures were \$48,746,147. The net decrease in fund balance of operations for the year was \$646,635.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2016, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2015</u>	<u>Percent of Increase (Decrease)</u>
Local Sources	\$ 37,600,665	78.2%	1,995,468	5.2%
State Sources	9,527,934	19.8%	424,663	1.1%
Federal Sources	970,913	2.0%	(115,080)	-0.3%
Total	<u>\$ 48,099,512</u>	100.0%	<u>2,305,051</u>	6.1%

The increase in State funding is due to increased extraordinary aid and increased on-behalf TPAF Pension Contributions. The increase in local sources is mostly due to an increase in tuition revenue due Longport School District becoming a sending district.

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**CITY OF OCEAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

The following schedule represents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2016, and the percentage of increases and decreases in relation to prior year amounts.

<b>Expenditures</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2015</b>	<b>Percent of Increase (Decrease)</b>
Current expense:				
Instruction	\$ 18,973,473	38.9%	(120,047)	-0.6%
Undistributed expenditures	21,749,523	44.6%	1,041,401	5.4%
Capital Outlay	5,068,559	10.4%	624,717	251.5%
Special Schools & Charter Schools	29,937	0.1%	20,033	27.6%
Debt Service:				
Principal	2,210,000	4.5%	315,000	19.3%
Interest	714,655	1.5%	(82,625)	-8.4%
Total	<u>\$ 48,746,147</u>	100.0%	<u>1,798,479</u>	4.4%

Changes in expenditures were the results of varying factors. The significant change in Capital Outlay and Undistributed Expenditures is the result of construction expenses related to the primary school project and expenditures related to the final phases of the HVAC project in the high school.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

- On-behalf TPAF Pension contributions appear as both a revenue and an expense in the District's financial statements. The State of New Jersey made on behalf TPAF Pension Contributions of \$1,496,357 for FY 2016 and also made on-behalf TPAF post-retirements contributions for the District in the amount of \$1,781,747.
- The State of New Jersey reimbursed the District for TPAF Social Security contributions made during the school year. The amount of \$1,383,292 is reflected as both a revenue and expenditure in the District's financial statements.
- The District expended \$1,099,273 less than the amount originally budgeted for Health Benefits, \$238,500 of the unexpended balance was transferred to other accounts nearing over-expenditure.

**CITY OF OCEAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

**Capital Assets**

At the end of the fiscal year 2016, the School District had \$46,714,433 invested in land, building, furniture and equipment, and vehicles. Table 4 shows fiscal year 2016 balances compared to 2015.

**Table 4  
Capital Assets (Net of Depreciation) at June 30,**

	<u>2016</u>	<u>2015</u>
Land	\$ 879,750	879,750
Construction in Progress	-	5,909,785
Land Improvements	195,600	217,624
Sites, Buildings and Building Improvements	44,831,431	40,456,433
Machinery and Equipment	807,652	567,771
Total	<u>\$ 46,714,433</u>	<u>48,031,363</u>

The decrease in capital assets for construction in progress and other improvements of \$5,909,785 is due to the completion of the primary school renovations and high school HVAC project.

**Debt Administration**

At June 30, 2016, the School District had \$18,068,796 of outstanding long term liabilities. Of this amount, \$1,563,440 is for compensated absences, and \$2,189,356 of serial bonds net of unamortized premiums on bonds issued.

**Table 5  
Bonded Outstanding Debt at June 30,**

	<u>2016</u>	<u>2015</u>
2005 Refunding Bonds	\$ -	13,385,000
2010 General Obligation Bonds	1,464,000	1,809,000
2014 General Obligation Bonds	2,272,000	2,497,000
2016 Refunding Bonds	10,580,000	
Unamortized Bond Premium	2,189,356	946,414
Compensated Absences	1,563,440	1,657,438
Total	<u>\$ 18,068,796</u>	<u>20,294,852</u>

At June 30, 2016, the School District was within its overall legal debt margin.

**CITY OF OCEAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

**For the Future**

The City of Ocean City School District is in good financial condition presently.

In conclusion, the City of Ocean City School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue to identify operational efficiencies which will allow it to meet the challenges of declining or stable state aid.

**Contacting the School District's Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Business Administration/Board Secretary at Ocean City Board of Education, 501 Atlantic Avenue, Suite 1, Ocean City, NJ 08226-3891. Please visit our website at [www.oceancityschools.org](http://www.oceancityschools.org).

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## **BASIC FINANCIAL STATEMENTS**



## **DISTRICT WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.





**OCEAN CITY SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2016**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,223,775	659,153	8,882,928
Receivables, Net	2,965,540	63,053	3,028,593
Internal Balances	674,725	(674,725)	-
Inventory		5,260	5,260
Capital Assets			
Land	879,750		879,750
Capital Assets being Depreciated, net	45,761,213	73,471	45,834,684
Total Assets	<u>58,505,003</u>	<u>126,212</u>	<u>58,631,215</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	<u>1,468,120</u>		<u>1,468,120</u>
<b>LIABILITIES</b>			
Accounts Payable	94,717	20,456	115,173
Payable to State Government	1,694		1,694
Unearned Revenue	27,965	7,634	35,599
Accrued Interest	108,908		108,908
Noncurrent Liabilities			
Due Within One Year	2,170,000		2,170,000
Due Beyond One Year	15,898,797		15,898,797
Net Pension Liability	11,185,801		11,185,801
Total Liabilities	<u>29,487,882</u>	<u>28,090</u>	<u>29,515,972</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	561,348		561,348
Gain on Refunding Bonds	170,403		170,403
Total Deferred Outflows of Resources	<u>731,751</u>	<u>-</u>	<u>731,751</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	29,965,203	73,471	30,038,674
Restricted for:			
Capital Projects	4,202,713		4,202,713
Other Purposes	6,546,583		6,546,583
Unrestricted (Deficit)	(10,961,009)	24,651	(10,936,358)
Total Net Position (Deficit)	<u>\$ 29,753,490</u>	<u>98,122</u>	<u>29,851,612</u>

The accompanying Notes to Financial Statements are an integral part of this statement

**OCEAN CITY SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

Function/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Indirect Costs Allocation	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction:							
Regular	19,628,980	4,842,550	12,844,272	4,634,030	(6,993,228)	-	(6,993,228)
Special Education	4,676,872	1,153,804		1,935,605	(3,895,071)		(3,895,071)
Other Special Instruction	2,156,615	532,046		509,136	(2,179,525)		(2,179,525)
Support Services:							
Tuition	329,177				(329,177)		(329,177)
Student & Instruction Related Services	4,346,573	1,327,914		163,365	(5,511,122)		(5,511,122)
General Administration and Business Services	802,094	245,623			(1,047,717)		(1,047,717)
School Administrative Services	1,356,341	414,373			(1,770,714)		(1,770,714)
Plant Operation and Maintenance	8,915,260	1,389,776		-	(10,305,036)		(10,305,036)
Pupil Transportation	904,599				(904,599)		(904,599)
Central Services	666,453	203,030			(869,483)		(869,483)
Unallocated Benefits	10,109,116	(10,109,116)			-		-
Charter Schools	29,937				(29,937)		(29,937)
Interest on Long-Term Debt	1,863,992				(1,863,992)		(1,863,992)
<b>Total Governmental Activities</b>	<b>55,786,009</b>	<b>-</b>	<b>12,844,272</b>	<b>7,242,136</b>	<b>(35,699,601)</b>	<b>-</b>	<b>(35,699,601)</b>
<b>Business-Type Activities:</b>							
Food Service	668,641	-	333,789	244,501		(90,351)	(90,351)
<b>Total Business-Type Activities</b>	<b>668,641</b>	<b>-</b>	<b>333,789</b>	<b>244,501</b>	<b>-</b>	<b>(90,351)</b>	<b>(90,351)</b>
<b>Total Primary Government</b>	<b>56,454,650</b>	<b>-</b>	<b>13,178,061</b>	<b>7,486,637</b>	<b>(35,699,601)</b>	<b>(90,351)</b>	<b>(35,789,952)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes, Levied for General Pu					21,965,332		21,965,332
Taxes Levied for Debt Service					2,591,509		2,591,509
Federal and State Aid not Restricted					9,536,554		9,536,554
Investment Earnings					3,807	804	4,611
Miscellaneous Income					364,839		364,839
Transfers					(75,000)	75,000	-
Special Items:							
Bond Sale Premium						11,909	11,909
Contributed Fixed Assets						87,713	87,713
<b>Total General Revenues, Special Items, Extraordinary Items and Transfers</b>					<b>34,387,041</b>	<b>(2,638)</b>	<b>34,474,754</b>
<b>Change in Net Position</b>					<b>(1,312,560)</b>		<b>(1,315,198)</b>
<b>Net Position (Deficit) - Beginning</b>					<b>31,066,050</b>	<b>100,760</b>	<b>31,166,810</b>
<b>Net Position (Deficit) - Ending</b>					<b>29,753,490</b>	<b>98,122</b>	<b>29,851,612</b>

The accompanying Notes to Financial Statements are an integral part of this Statement

## **FUND FINANCIAL STATEMENTS**

The individual fund financial statements present more detailed information for the individual funds in a format that segregates information by fund type.



**OCEAN CITY SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 8,191,044		2,219	30,512	8,223,775
Due from Other Funds	2,415,107			583	2,415,690
Receivables from Other Governments	376,949	219,786	2,163,871		2,760,606
Other Receivables	1,284	2,000			3,284
<b>Total Assets</b>	<b>10,984,384</b>	<b>221,786</b>	<b>2,166,090</b>	<b>31,095</b>	<b>13,403,355</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	19,360	73,775	1,582		94,717
Due to Other Funds		118,352	1,622,613		1,740,965
Payable to State Government		1,694			1,694
Unearned Revenue		27,965			27,965
<b>Total Liabilities</b>	<b>19,360</b>	<b>221,786</b>	<b>1,624,195</b>	<b>-</b>	<b>1,865,341</b>
Fund Balances:					
Restricted for:					
Excess Surplus - Current Year	2,152,817				2,152,817
Excess Surplus - Prior Year - Designated for Subsequent Year's Expenditures	1,498,895				1,498,895
Capital Projects Fund			541,895		541,895
Debt Service				31,095	31,095
Committed to:					
Capital Reserve	3,660,818				3,660,818
Maintenance Reserve	2,116,684				2,116,684
Tuition Reserve	500,000				500,000
Emergency Reserve	356,000				356,000
Assigned to:					
Designated for Subsequent Year's Expenditures					-
Other Purposes	203,125				203,125
Unassigned					-
General Fund	476,685				476,685
	<u>10,965,024</u>	<u>-</u>	<u>541,895</u>	<u>31,095</u>	<u>11,538,014</u>
<b>Total Liabilities and Fund Balances</b>	<b>10,984,384</b>	<b>221,786</b>	<b>2,166,090</b>	<b>31,095</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$67,230,474 and the accumulated depreciation is \$20,589,511.	46,640,963
Deferred Inflows of Resources - Gain on Refunding Bond Issue is not a resource in the funds and therefore not reported as a debit in the funds.	(170,403)
Interest on long-term debt in the statement of activities is accrued, regardless of when due.	(108,908)
Pension Liabilities Net of Deferred Outflows & Inflows	(10,279,029)
Tuition due and payable from sending districts that will be paid in subsequent years	201,650
Long-term liabilities, including bonds and capital lease payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(18,068,797)
Net Position of governmental activities	<u>29,753,490</u>

The accompanying Notes to Financial Statements are an integral part of this statement

**OCEAN CITY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 21,965,332	-	-	2,591,509	24,556,841
Tuition Charges	12,642,622				12,642,622
Interest Earned on Investments	3,000		807		3,807
Miscellaneous	364,839	32,556			397,395
Total Local Sources	34,975,793	32,556	807	2,591,509	37,600,665
State Sources	8,514,593	4,899	1,008,442		9,527,934
Federal Sources	13,519	957,394			970,913
Total Revenues	<u>43,503,905</u>	<u>994,849</u>	<u>1,009,249</u>	<u>2,591,509</u>	<u>48,099,511</u>
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	14,073,893				14,073,893
Special Education Instruction	2,521,813	831,484			3,353,297
Other Special Instruction	1,546,283				1,546,283
Support Services:					
Tuition	329,177				329,177
Student & Instruction Related Serv.	3,695,948	163,365			3,859,313
General Administrative Services	713,854				713,854
School Administrative Services	1,204,293				1,204,293
Plant Operation and Maintenance	4,039,104				4,039,104
Pupil Transportation	904,599				904,599
Central Services	590,067				590,067
Unallocated Employee Benefits	10,109,116				10,109,116
Transfer to Charter School	29,937				29,937
Debt Service:					
Principal				2,210,000	2,210,000
Interest and Other Charges				714,655	714,655
Capital Outlay	738,293	-	4,330,266		5,068,559
Total Expenditures	<u>40,496,377</u>	<u>994,849</u>	<u>4,330,266</u>	<u>2,924,655</u>	<u>48,746,147</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,007,528</u>	<u>-</u>	<u>(3,321,017)</u>	<u>(333,146)</u>	<u>(646,635)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond Proceeds					-
Premium on Bond Sale					-
Transfer in			400,000	807	400,807
Transfer out	(475,000)		(807)		(475,807)
Total Other Financing Sources and Uses	<u>(475,000)</u>	<u>-</u>	<u>399,193</u>	<u>807</u>	<u>(75,000)</u>
Net Changes in Fund Balance	2,532,528	-	(2,921,824)	(332,339)	(721,635)
Fund Balance - July 1	8,432,496	-	3,463,719	363,434	12,259,649
Fund Balance - June 30	<u>\$ 10,965,024</u>	<u>-</u>	<u>541,895</u>	<u>31,095</u>	<u>11,538,014</u>

The accompanying Notes to Financial Statements are an integral part of this statement

**OCEAN CITY SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

Total Net Change in Fund Balance - Governmental Funds (from B-2)		(721,635)
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, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.		
Depreciation expense	(1,739,501)	
Capital Outlay	<u>425,102</u>	(1,314,399)
Repayment of bond principal and capital leases are expenditures in the governmental funds, but the repayment reduces long - term liabilities in the statement of Net Position and is not reported in the statement of activities.		
		2,210,000
Governmental funds report the effect of premiums, discounts and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the difference in the treatment of the long-term debt related items.		
Amortization of Bond Premium	(1,242,943)	
Amortization of Gain on Refunding Bonds	<u>26,414</u>	(1,216,529)
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of of employee contributions is reported as pension expense.		
District pension contributions - PERS	428,403	
Cost of benefits earned net of employee contributions	<u>(1,061,241)</u>	(632,838)
Tuition due and payable from sending disctricts that will be paid in subsequent years		
		201,650
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.		
		93,999
In the statement of activities, interest on long - term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is a deduction in the reconciliation.		
		67,192
Change in Net Position of Governmental Activities		<u><u>(1,312,560)</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement

**OCEAN CITY SCHOOL DISTRICT**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2016**

	Business-Type Activities - Enterprise Fund	
	Food Service	Totals
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	659,153	659,153
Other Accounts Receivable	26,138	26,138
Intergovernmental Accounts Receivable	36,915	36,915
Inventories	5,260	5,260
	<u>727,466</u>	<u>727,466</u>
Total Current Assets		
Noncurrent Assets:		
Furniture, Machinery & Equipment	226,966	226,966
Less: Accumulated Depreciation	(153,495)	(153,495)
Total Noncurrent Assets	<u>73,471</u>	<u>73,471</u>
	<u>800,937</u>	<u>800,937</u>
Total Assets		
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	20,456	20,456
Interfund Payable	674,725	674,725
Unearned Revenue	7,634	7,634
	<u>702,815</u>	<u>702,815</u>
Total Current Liabilities		
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Related Debt	73,471	73,471
Unrestricted	24,651	24,651
	<u>98,122</u>	<u>98,122</u>
Total Net Position		

The accompanying Notes to Financial Statements are an integral part of this statement



**OCEAN CITY SCHOOL DISTRICT**  
**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Fund	
	Food Service	Totals Enterprise
Operating Revenues:		
Charges for Services:		
Reimbursable Program Daily Sales	\$ 153,339	153,339
Other Daily Sales	162,843	162,843
Special Functions	13,935	13,935
Vending Machine Commissions	3,672	3,672
	<u>333,789</u>	<u>333,789</u>
Total Operating Revenue		
Operating Expenses:		
Cost of Sales	182,945	182,945
Salaries and Benefits	419,040	419,040
Direct Costs	46,680	46,680
Depreciation	14,442	14,442
Miscellaneous	5,534	5,534
Total Operating Expenses	<u>668,641</u>	<u>668,641</u>
Operating (Loss)	(334,852)	(334,852)
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	4,753	4,753
Federal Sources:		
National School Lunch Program	180,169	180,169
School Breakfast Program	25,413	25,413
Food Distribution Program	34,166	34,166
Interest and Investment Income	804	804
Total Nonoperating Revenues (Expenses)	<u>245,305</u>	<u>245,305</u>
Income (Loss) before Contributions & Transfers	(89,547)	(89,547)
Fixed Asset Contributions	11,909	11,909
Transfers In (Out)	<u>75,000</u>	<u>75,000</u>
Changes in Net Position	(2,638)	(2,638)
Total Net Position - Beginning	<u>100,760</u>	<u>100,760</u>
Total Net Deficit - Ending	<u>\$ 98,122</u>	<u>98,122</u>

The accompanying Notes to Financial Statements are an integral part of this statement

**OCEAN CITY SCHOOL DISTRICT**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Fund	
	Food Service	Totals Enterprise
	<u>          </u>	<u>          </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Other Income	335,963	335,963
Payments for Food and Supplies	(242,118)	(242,118)
Payments for Employees and Benefits	(193,714)	(193,714)
Net Cash Provided by Operating Activities	<u>(99,869)</u>	<u>(99,869)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Sources	4,922	4,922
Federal Sources	243,832	243,832
Interfunds	75,000	75,000
Net Cash Provided by Noncapital Financing Activities	<u>323,754</u>	<u>323,754</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest and Dividends	804	804
Net Cash Provided by Investing Activities	<u>804</u>	<u>804</u>
Net Increase in Cash and Cash Equivalents	224,689	224,689
Balance - Beginning of Year	434,464	434,464
Balance - End of Year	<u>659,153</u>	<u>659,153</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income	(334,852)	(334,852)
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation and Net Amortization	14,442	14,442
Food Distribution Program		-
(Increase) Decrease Accounts Receivable	471	471
(Increase) Decrease in Inventories	(2,647)	(2,647)
Increase (Decrease) in Accounts Payable	(4,784)	(4,784)
Increase (Decrease) in Unearned Revenue	2,175	2,175
Increase (Decrease) in Interfunds	225,326	225,326
Total Adjustments	<u>234,983</u>	<u>234,983</u>
Net Cash Provided by (Used for) Operating Activities	<u>(99,869)</u>	<u>(99,869)</u>

The accompanying Notes to Financial Statements are an integral part of this statement

**OCEAN CITY SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Net Position**  
**June 30, 2016**

	Unemployment Compensation	Private Purpose Scholarship Fund	Agency Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 161,447	75,599	344,406
Investments, at Fair Value:			
Certificates of Deposit	177,319	-	31,527
Total Investments	177,319	-	31,527
Interfund Receivable	-	-	-
Total Assets	338,766	75,599	375,933
<b>LIABILITIES</b>			
Accounts Payable	1,731		
Payable to Student Groups			282,671
Payroll Deductions and Withholdings			93,262
Total Liabilities	1,731	-	375,933
<b>NET POSITION</b>			
Held in Trust for Unemployment Claims and Other Purposes	\$ 337,035		
Reserved for Scholarships		75,599	

The accompanying Notes to Financial Statements are an integral part of this statement

**OCEAN CITY SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2016**

	<u>Unemployment Compensation</u>	<u>Private Purpose Scholarship Fund</u>
<b>ADDITIONS</b>		
Contributions:		
Plan Member	4,875	-
Other	-	111,702
Total Contributions	<u>32,763</u>	<u>111,702</u>
Investment Earnings:		
Interest	<u>271</u>	<u>129</u>
Total Additions	<u>5,146</u>	<u>111,831</u>
<b>DEDUCTIONS</b>		
Unemployment Claims	47,776	-
Scholarships Awarded	-	122,347
Total Deductions	<u>47,776</u>	<u>122,347</u>
Changes in Net Position	(42,630)	(10,516)
Net Position - Beginning of the Year	379,665	86,115
Net Position - End of the Year	<u><u>337,035</u></u>	<u><u>75,599</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement

## **NOTES TO THE FINANCIAL STATEMENTS**



**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Ocean City 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 Ocean City 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). The more significant accounting policies established in GAAP and used by the District are discussed below.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and Public Employee Retirement System (PERS) and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the TPAF and PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**A. REPORTING ENTITY**

The Ocean City 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 nine members elected to three-year terms. The members are elected during the general election held in November each year. As a receiving district for high school students from Upper Township, Upper Township is provided with Board representation to vote on issues related to Ocean City High School. The purpose of the district is to educate students in grades K-12. The Ocean City School District had an enrollment at June 30, 2016 of 2,144 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.

**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 food service program is classified as business-type activities.

**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

In the governmental-wide Statement of Net Position, 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 position are reported in three parts-invested in capital assets, net of related debt; restricted net position; and unrestricted net position. 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 (food service). 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, vocational programs, 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, 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 position resulting from the current year's activities. Fiduciary funds are not included in the government-wide statements.

**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.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB standards set 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 nonmajor funds are combined in a single column in the fund financial statements. The State of New Jersey Department of Education has mandated that all New Jersey School Districts must report all governmental funds as major, regardless of the fund meeting the GASB definition of a major fund. However, the criteria are applied to proprietary funds.

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.



**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

- 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. The special revenue fund is specifically used to account for state and federal grant monies that have been allocated to the District.
- c. **Capital projects** funds are used to account for all financial resources to be used for the acquisition or construction of major capital facilities. The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.
  
- d. **Debt service** funds are used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

**Fund Balances – Governmental Funds**

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, etc.) 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:

The details of the fund balances are included in the Governmental Funds Balance Sheet. 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.

**2. Proprietary Funds:**

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, 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

**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

fees and charges based on a pricing policy designated to recover similar costs. The District operates a food service fund to provide a child nutrition program for the students of the district.

**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 position and changes in net position, and are reported using accounting principles similar to proprietary funds.

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.

All fund internal activity is eliminated when carried to 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.

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.

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

**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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 as a reserve to pay future debt service or transferred to the general fund.

**3. Inventories:**

Inventories in the general fund consist of expendable supplies held for the District’s use and are carried at cost using the first-in, first-out method. Inventories in the enterprise fund are valued at cost, which approximates market, using the first-in, first –out method. As of June 30, 2016, the District did not have inventory in the general fund and had the following inventory in the enterprise fund:

Food	\$	4,878
Supplies		382
	\$	5,260

The value of Federal donated commodities is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements. The value of commodities included in the food inventory on June 30, 2016 is \$947.

**4. 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
Infrastructure Assests	50-65 years

Infrastructure assets include roads, parking lots, underground pipe, etc. The District includes all infrastructure assets as depreciable assets in the financial statements.

**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 certified, prior to the end of the school year. The District records the entire

**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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 proprietary funds, which finance either capital or current operations, are reported as non operating revenue. In respect to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient. Program revenues, including tuition revenue are reported as reductions to expenses in the statement of activities.

**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 both an expenditure and a 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 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.

**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, as long as the District budget is within State mandated CAPs, there is no public vote on the budget. If the budget exceeds State mandated CAPs, the voters have an opportunity to approve or reject the budget at the regular election held in November. 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 and are subject to two-thirds majority vote by the School Board and under certain circumstances require approval by the County Superintendent of Schools.

**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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Significant transfers approved by the Board of Education during the fiscal year were as follows:

Regular Programs-Instruction	
Grades 1-5 Salaries of Teachers	(82,100)
Special Education-Learning and/or Language Disabilities	
Salaries of Teachers	110,000
Resource Room/Resource Center	
Salaries of Teachers	(110,000)
Undistributed Expenditures-Guidance	
Salaries of Other Professional Staff	70,277
Undistributed Expenditures-Admin Info-Tech	
Salaries	(82,500)
Custodial Services-Other Oper & Maint of Plant	
Electricity	164,200
Undistributed Benefits-Employee Benefits	
Health Benefits	(238,500)

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 payments 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. Tuition Receivable:**

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined. The final cost is based on an agreement with various Boards of Education with a negotiated amount up to the final cost as determined by State of New Jersey.

**11. Tuition Payable:**

Tuition charges for the fiscal years 2015/16 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**12. 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.

**13. Allocation of Costs:**

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

**F. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE**

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement is effective for fiscal periods beginning after June 30, 2016 establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this statement will not have any effect on the District's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement is effective for fiscal periods beginning after June 30, 2017. Although not determinable, the impact of this statement on the net position of the entity is anticipated to be significant.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77, "Tax Abatement Disclosure". This statement is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the District's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans". This statement is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the District's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80, "Blending Requirements for Certain Component Units- an amendment of GASB No. Statement No. 14". This statement is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the District's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81, "Irrevocable Split-Interest Agreements". This statement is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the District's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, "Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73". This statement is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the District's financial reporting, however will affect the disclosure of pension related items.

**NOTE 2 – 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

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Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2016, \$856,738 of the District's bank balance of \$10,491,665 was exposed to custodial credit risk.

**NOTE 3 - INVESTMENTS**

As of June 30, 2016, the District had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
Certificate of Deposit	October 8, 2016	\$ 13,926
Certificate of Deposit	November 28, 2016	17,601
Total		<u>\$ 31,527</u>

**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.

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2016, consisted of accounts (extraordinary services), interfund, intergovernmental, and other revenues. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>Government Wide Financial Statements</u>
State Aid	\$ 2,819,606	3,028,594
Federal Aid		
Due from Other Funds	2,415,690	
Other	3,284	
Gross Receivables	<u>5,238,580</u>	<u>3,028,594</u>
Less: Allowance for Uncollectibles		
Total Receivables, Net	<u>\$ 5,238,580</u>	<u>3,028,594</u>

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**NOTE 5 – INTERFUND TRANSFERS AND BALANCES**

Transfers between funds are used to (1) move investment income earned in the Capital Projects Fund that is required to be expended in the Debt Service Fund; (2) repay expenses paid by another fund; and (3) make a Board contribution to the Unemployment Compensation Trust Fund; and (4) transfer federal and state food subsidies received in the General Fund to the Food Service Fund.

The following interfund balances remained on the fund financial statements at June 30, 2016:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 2,415,107	
Special Revenue Fund		(118,352)
Capital Projects Fund		(1,622,613)
Debt Service Fund	583	
Food Service Fund		(674,725)
	\$ 2,415,690	(2,415,690)

The general fund receivable is comprised of three interfunds. The first is due from the special revenue fund in the amount of \$118,352 which is a result of the general fund paying expenses for the special revenue fund. The second interfund of \$674,725 owed to the General Fund from the Food Service Fund for expenses paid by the general fund on behalf of the food service fund. The third interfund was created for interest earned in the Capital Projects Fund and for remaining proceeds in completed projects funded by debt.

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**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 879,750			879,750
Construction in Progress	5,909,785	-	(5,909,785)	-
Total capital assets not being depreciated	<u>6,789,535</u>	<u>-</u>	<u>(5,909,785)</u>	<u>879,750</u>
Capital assets being depreciated:				
Land Improvements	555,071	-		555,071
Buildings and building improvements	56,993,382	5,909,785		62,903,167
Machinery and Equipment	2,481,930	425,103	(14,547)	2,892,486
Total capital assets being depreciated at historical cost	<u>60,030,383</u>	<u>6,334,888</u>	<u>(14,547)</u>	<u>66,350,724</u>
Less accumulated depreciation for:				
Land Improvements	(337,447)	(22,024)		(359,471)
Buildings and improvements	(16,536,949)	(1,534,786)		(18,071,735)
Equipment	(1,990,162)	(182,690)	14,547	(2,158,305)
Total capital assets being depreciated, net of accumulated depreciation	<u>(18,864,558)</u>	<u>(1,739,500)</u>	<u>14,547</u>	<u>(20,589,511)</u>
Governmental activity capital assets, net	<u>47,955,360</u>	<u>4,595,388</u>	<u>(5,909,785)</u>	<u>46,640,963</u>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Equipment	215,057	11,909	-	226,966
Less accumulated depreciation	(139,054)	(14,442)	-	(153,496)
Enterprise Fund capital assets, net	<u>76,003</u>	<u>(2,533)</u>	<u>-</u>	<u>73,470</u>
Grand Total	<u>\$ 48,031,363</u>	<u>4,592,855</u>	<u>(5,909,785)</u>	<u>46,714,433</u>

Depreciation expense was charged to governmental functions:

Regular Instruction	\$ 966,085
Special Education Instruction	230,183
Other Special Instruction	106,143
Student and Instruction Related Services	264,918
School Administrative Services	82,667
General and Business Administrative Services	49,001
Central Services	40,504
	<u>\$ 1,739,501</u>

No interest on debt was capitalized during the year and the amount of interest expense paid on long term debt was \$714,655, for the entity wide statements this was modified by the change in accrued interest of

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(\$67,192); an amortization of premium on bond sale of (\$339,371); an amortization of gain on refunding \$26,414 and the state charge back to the District for debt service aid of \$150,466 for a total charge of \$1,863,992.

**NOTE 7 – LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2016 are as follows:

	Balance July 1, 2015	Issues or Additions	Payments or Expenditures	Balance June 30, 2016	Amounts Due Within One Year
Compensated Absences	\$ 1,657,438	82,512	176,511	1,563,439	-
Bonds Payable	17,691,000		3,375,000	14,316,000	2,170,000
Unamortized Costs:					
Bond Premiums	946,414	1,582,314	339,371	2,189,357	
	<u>\$ 20,294,852</u>	<u>1,664,826</u>	<u>3,890,882</u>	<u>18,068,796</u>	<u>2,170,000</u>

Compensated absences have been liquidated in the General Fund.

Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds.

At June 30, 2016 bonds payable consisted of the following issues:

\$3,469,000 School Bonds dated February 24, 2012, due in annual installments through September 15, 2019, bearing interest at rates ranging from 2.00% to 3.00%. The balance remaining as of June 30, 2016 is \$1,464,000.

\$2,497,000 School Bonds dated May 15, 2014, due in annual installments through May 15, 2024, bearing interest at rates ranging from 1.00% to 2.25%. The balance remaining as of June 30, 2016 is \$2,272,000.

\$10,580,000 School Refunding Bonds dated March 23, 2016, due in annual installments through April 1, 2022, bearing interest at rates ranging from 3.00% to 5.00%. The balance remaining as of June 30, 2016 is \$10,580,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old bonds of \$196,817. The difference is reported in the entity wide governmental-activities as a deferred outflow of resources and is being charged as an adjustment to interest expense in the statement of activities. The amount charged to interest in the year ended June 30, 2016 is \$26,414 and the remaining deferred inflow of resources is \$170,403.

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Debt service requirements on serial bonds payable at June 30, 2016 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	2,170,000	541,275	2,711,275
2018	2,255,000	482,565	2,737,565
2019	2,350,000	415,125	2,765,125
2020	2,484,000	326,190	2,810,190
2021	2,210,000	217,820	2,427,820
2022-2024	2,847,000	138,273	2,985,273
	<b>\$ 14,316,000</b>	<b>2,121,247</b>	<b>16,437,247</b>

**NOTE 8 – OPERATING LEASES**

The District has commitments to lease certain office equipment under operating leases that expire in fiscal year 2016. Total operating lease payments made during the year ended June 30, 2016 were \$142,129. Future minimum lease payments are as follows:

Year Ending June 30,	Principal
2017	75,789
2018	13,020
2019	
Total future minimum lease payments	<b>\$ 88,809</b>

**NOTE 9 – UNEARNED REVENUE**

The District has unearned revenue reflected on the Statement of Net Position in the District-Wide Financial Statements of \$35,599. This consists of unearned revenue of \$27,965 in the special revenue fund which is made up of grant proceeds on hand where the grant period overlaps the district's fiscal year and encumbrances payable at year end and \$7,634 in the food service fund for student meals prepaid.

**NOTE 10 – PENSION PLANS**

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund 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 Pension 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/achive.htm>.

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Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 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.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System (PERS) was established as of January 1, 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 of New Jersey 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.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist. In addition to the employee contributions, the School District's contribution amounts for each pay period are required to be transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The School District has no employees enrolled in the Defined Contribution Retirement Program (DCRP) during the fiscal year ended June 30, 2016.

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 6.92% 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 6.92% and the PERS rate is 6.92% of covered payroll. The School District's contributions to TPAF for the years ending June 30, 2016, 2015 and 2014 were \$1,010,746, \$1,016,783 and \$806,313 respectively, and paid by the State of New Jersey on behalf of the board, equal to the required contributions for each year. The School District's contributions to PERS for the years ending June 30, 2016, 2015 and 2014 were \$428,403, \$412,835 and \$396,889 respectively, equal to the required contributions for each year.

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The Board's total payroll for the year ended June 30, 2016 was \$22,072,701. The TPAF covered payroll was \$18,908,829 and the PERS covered payroll was \$3,163,872. Information for prior years was not available.

During the fiscal years ended June 30, 2016, 2015 and 2014, the State of New Jersey contributed \$1,781,747, \$1,614,144 and \$1,316,611, 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 \$1,496,357, \$1,372,823, and \$1,308,788, 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 with GASB standards.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected

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level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.

- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60<sup>th</sup> from 1/55<sup>th</sup>, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7<sup>th</sup> of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

**NOTE 11 – PUBLIC EMPLOYEES RETIREMENT SYSTEM**

At June 30, 2016, the District reported a liability of \$11,185,801 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was 0.04982894210%, which was a decrease of 0.50% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$648,406. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$ 266,854	
Changes of assumptions	1,201,266	
Net difference between projected and actual earnings on pension plan investments		179,846
Changes in proportion and differences between District contributions and proportionate share of contributions		381,502
District contributions subsequent to the measurement date	<u>428,403</u>	
Total	<u>\$ 1,896,523</u>	<u>561,348</u>

\$428,403 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,		
2017	\$	315,977
2018		315,977
2019		315,977
2020		315,977
2021		(248,011)
Thereafter		<u>(109,125)</u>
Total	\$	<u>906,772</u>

**Actuarial Assumptions**

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following assumptions, applied to all period in the measurement:

Inflation rate	3.01%
Salary increases:	
2012-2021	2.15% - 4.40% (based on age)
Thereafter	3.15% - 5.40% (based on age)
Investment rate of return:	7.90%

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Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projections Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	0.40%
REIT	4.25%	5.12%

*Discount Rate*

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of



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current plan members through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.90%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.90%) or 1-percentage point higher (5.90%) than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the net pension liability	\$ 13,495,177	11,185,801	9,252,850

*Pension plan fiduciary net position.*

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

**NOTE 12 – TEACHERS PENSION AND ANNUITY FUND (TPAF)**

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net position liability associated with the District	<u>129,159,095</u>
Total	<u>\$ 129,159,095</u>

The net pension liability was measured as of June 30, 2015 and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.1880714325%, which was a decrease of 0.89% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$7,258,033 and revenue of \$7,258,033 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to TPAF from the following sources:

**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expensed and actual experience	\$ 601,132	35,808
Changes of assumptions	13,541,432	
Net difference between projected and actual earnings on pension plan investments		1,006,858
Changes in proportion and differences between District contributions and proportionate share of contributions		5,144,959
District contributions subsequent to the measurement date	<u>\$ 1,010,746</u>	
Total	<u>\$ 15,153,310</u>	<u>6,187,625</u>

\$1,010,746 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date (June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	\$ (1,913,110)
2018	(1,913,110)
2019	(1,913,110)
2020	(1,913,110)
2021	4,459,251
Thereafter	<u>11,148,128</u>
Total	<u>\$ 7,954,939</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following assumptions, applied to all period included in the measurement:

Inflation Rate	2.50%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate with adjustments for mortality improvements based on Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of

**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimated ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return.
US Cash	5.00%	53.00%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign Developed Equity	12.00%	6.22%
Emerging market equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - Multi Strategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

*Discount rate.* The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.13% as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.13%) or 1-percentage point higher (5.13%) than the current rate:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net pension liability	\$ -	-	-

*Pension plan fiduciary net position.*

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

**NOTE 13 – POST-RETIREMENT BENEFITS**

The School District contributes to the New Jersey State Health Benefits Program (“the SHBP”), a cost sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program is found in the New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The Division of Pension and Benefits 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.

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2008, C. 103 amended the law to eliminate the funding and payment of post-retirement medical benefits for retired state employees through 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, 2015, there were 107,314 retirees eligible for post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. 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 P.L. 1992 c. 126 which provides free health benefits for members PERS and the Alternative Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

**NOTE 14 – COMPENSATED ABSENCES**

The liability for vested compensated absences for the governmental fund types is recorded in current and long-term liabilities. The current portion of the compensated absences balance of the governmental

**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

funds is not considered material to the applicable funds total liabilities, and therefore is not shown separately from the long-term liability of compensated absences.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016, no liability existed for compensated absences in the Food Service Enterprise Fund.

**NOTE 15 – DEFERRED COMPENSATION**

The District 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, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Vanguard Fiduciary Trust Co.	The Equitable
Lincoln Life	Retirement Annuity Consultants, Inc.
Lincoln Investment Planning, Inc.	Thomas Seely Agency
Washington National Insurance Co.	Siracusa Benefits Program
Prudential Investments	

**NOTE 16 – CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by City of Ocean City Board of Education by the inclusion of \$1.00 on September 27, 2001 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6:23A-2.13(g) 7*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve account for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance, July 1, 2015		\$	2,759,818
Deposits			
Interest earned	\$	1,000	
Board Resolution - June		<u>1,300,000</u>	
			<u>1,301,000</u>
Withdrawals:			
Transfer to Capital Outlay by Resolution			-
Transfer to Capital Projects Fund by Budget			<u>(400,000)</u>
Ending balance, June 30, 2016		\$	<u><u>3,660,818</u></u>

**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 17 – MAINTENANCE RESERVE ACCOUNT**

A maintenance reserve account was established by the Ocean City Board of Education for the accumulation of funds for use as required maintenance expenditures in subsequent fiscal years. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the Maintenance reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance, July 1, 2015	\$ 1,190,684
Budgeted Increase – FY 2016	1,000
Excess Surplus Transfer by Board Resolution	925,000
Withdrawals:	
Total Withdrawals	
Ending balance, June 30, 2016	<u><u>\$2,116,684</u></u>

**NOTE 18 – TUITION RESERVE ACCOUNT**

A tuition reserve account was established by the Ocean City Board of Education in accordance with N.J.A.C. 6A:23-3.1(f)(8). This reserve represents foreseeable future tuition adjustments up to a maximum of 10% of the estimated tuition cost of the respective year. The tuition reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the tuition reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance, July 1, 2015	\$ 675,000
Budgeted Increase – FY 2016	
Excess Surplus Transfer by Board Resolution	500,000
Withdrawals:	
Per Approved Budget:	<u>(675,000)</u>
Ending balance, June 30, 2016	<u><u>\$500,000</u></u>

Of the balance of \$675,000 in the reserve; \$675,000 was appropriated for tuition adjustments in the FY 2016 district budget and after the transfer, \$500,000 is available to be appropriated in the FY 2017 budget for tuition adjustments.

**OCEAN CITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 19 – EMERGENCY RESERVE ACCOUNT**

An emergency reserve account was established by the Ocean City Board of Education for the accumulation of funds for the purpose of financing unanticipated general fund expenditures required for a thorough and efficient education in accordance with N.J.S.A. 18A:7F-41c(1). The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the emergency reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance, July 1, 2015	\$ 355,000
Budgeted Increase – FY 2016	1,000
Withdrawals:	None
Total Withdrawals	
Ending balance, June 30, 2016	<u><u>\$356,000</u></u>

**NOTE 20 – COMMITMENTS**

The District did not have an encumbrance policy for the fiscal year end to determine significant encumbrances. All encumbrances are classified as either Assigned Fund Balance in the General Fund or Committed Fund Balance in the Capital Projects Fund. Encumbrances in the Special Revenue Fund are reflected as unearned revenue. Encumbrances at June 30<sup>th</sup> are as follows;

<u>Fund</u>	<u>Amount</u>
General Fund Encumbered Orders	\$ 203,125
Special Revenue Fund - Encumbered Orders	<u>4,880</u>
	<u><u>\$ 208,005</u></u>

Of the general fund encumbrances, \$165,810 is for capital outlay.

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**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 21 – 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 and surety bonds.

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 District 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 District 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 District's expendable trust fund for the current and prior year:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest on Investments</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ 4,875	271	47,776	337,035
2014-2015	32,181	312	34,942	379,665
2013-2014	56,716	307	65,377	382,114

**NOTE 22 – CONTINGENT LIABILITIES**

Federal and State Grants

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

**NOTE 23 – FUND BALANCE APPROPRIATED**

General Fund – Of the \$11,291,067 General Fund fund balance, at June 30, 2016, \$203,125 is reserved for encumbrances; \$1,481,895 is reserved as excess surplus in accordance with NJSA 18A:7F-7 (\$2,152,817 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2016), \$3,660,818 has been reserved in the Capital Reserve Account; \$2,116,684 has been reserved in a Maintenance Reserve Account; \$500,000 has been reserved in a Tuition Reserve Account; \$356,000 has been reserved in an Emergency Reserve Account; and \$802,728 is classified as Unassigned.

**NOTE 24 – CALCULATION OF EXCESS SURPLUS**

In accordance with NJSA 18A:7F-7, as amended by P.L. 2004, c.73, 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, 2016 is \$3,651,712, of which \$1,498,895 has been included in the 2017 fiscal year budget.



**OCEAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 25 – LITIGATION**

As of the date of this report, the Ocean City Board of Education is currently involved in various matters of litigation. In all cases if it is believed that the outcome, or exposure to the Board of Education, from such litigation is either unknown or potential losses, if any would not be material to the financial statements.

**NOTE 26 – ECONOMIC DEPENDENCY**

The District receives support from the federal and state governments. A significant reduction in the level of support, if this were to occur, would have an effect on the District's programs and activities.

**NOTE 27 – SUBSEQUENT EVENT**

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2016 through November 23, 2016, the date that the financial statements were available to be issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

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**REQUIRED SUPPLEMENTARY INFORMATION – PART II**



**BUDGETARY COMPARISON SCHEDULES**



**OCEAN CITY SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 21,965,332		21,965,332	21,965,332	-
Tuition	12,701,622		12,701,622	12,642,622	(59,000)
Interest Earned on Maintenance Reserve	1,000		1,000	1,000	-
Interest Earned on Emergency Reserve	1,000		1,000	1,000	-
Interest Earned on Capital Reserve	1,000		1,000	1,000	-
Unrestricted Miscellaneous	125,000		125,000	364,839	239,839
Total Local Sources	<u>34,794,954</u>	<u>-</u>	<u>34,794,954</u>	<u>34,975,793</u>	<u>180,839</u>
State Sources:					
Categorical Special Education Aid	664,280		664,280	664,280	-
School Choice Aid	2,682,050		2,682,050	2,682,050	-
Security Aid	159,991		159,991	159,991	-
Transportation Aid	232,648		232,648	232,648	-
Extraordinary Aid			-	74,548	74,548
Non Public Transportation Aid			-	3,480	3,480
PARCC Aid	13,740		13,740	13,740	-
Pupil Growth Aid	13,740		13,740	13,740	-
TPAF Pension (On-Behalf - Non-Budgeted)			-	1,496,357	1,496,357
TPAF Post-retirement (On-Behalf - Non-Budgeted)			-	1,781,747	1,781,747
TPAF Social Security (Reimbursed- Non-Budgeted)			-	1,383,292	1,383,292
Total State Sources	<u>3,766,449</u>	<u>-</u>	<u>3,766,449</u>	<u>8,505,873</u>	<u>4,739,424</u>
Federal Sources:					
Medicaid Reimbursement	7,803		7,803	13,519	5,716
Total Federal Sources	<u>7,803</u>	<u>-</u>	<u>7,803</u>	<u>13,519</u>	<u>5,716</u>
Total Revenues	<u>38,569,206</u>	<u>-</u>	<u>38,569,206</u>	<u>43,495,185</u>	<u>4,925,979</u>

**OCEAN CITY SCHOOL DISTRICT  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>REGULAR PROGRAMS - INSTRUCTION</b>					
Kindergarten - Salaries of Teachers	392,507		392,507	371,209	21,298
Grades 1 - 5 Salaries of Teachers	3,064,847	(82,100)	2,982,747	2,704,472	278,275
Grades 6 - 8 Salaries of Teachers	2,048,454	-	2,048,454	1,950,932	97,522
Grades 9 - 12 Salaries of Teachers	7,849,271	59,100	7,908,371	7,787,751	120,620
Regular Programs - Home Instruction				-	760
Salaries of Teachers	125,000	13,000	138,000	137,240	502
Purchased Professional - Educational Services	30,000	10,000	40,000	39,498	1,227
Other Purchased Services (400-500 series)	5,000		5,000	3,773	700
Regular Programs - Undistributed Instruction					
Purchased Professional - Educational Services	3,500		3,500	2,800	85,764
Purchased Technical Services	194,650		194,650	108,886	92,920
Other Purchased Services (400-500 series)	268,480	-	268,480	175,560	368,089
General Supplies	1,098,745	57	1,098,802	730,713	31,027
Textbooks	91,884		91,884	60,857	10,370
Other Objects	10,572		10,572	202	1,109,074
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>15,182,910</b>	<b>57</b>	<b>15,182,967</b>	<b>14,073,893</b>	
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
Learning and or Language Disabilities					
Salaries of Teachers	96,585	110,000	206,585	205,359	1,226
Other Salaries for Instruction	22,639	-	22,639	2,400	20,239
General Supplies	1,532		1,532	773	759
<b>Total Learning and or Language Disabilities</b>	<b>120,756</b>	<b>110,000</b>	<b>230,756</b>	<b>208,532</b>	<b>22,224</b>
Behavioral Disabilities					
Salaries of Teachers	108,954	100	109,054	108,974	80
Other Salaries for Instruction	23,376	(100)	23,276	-	23,276
General Supplies	500		500	-	500
<b>Total Behavioral Disabilities</b>	<b>132,830</b>	<b>-</b>	<b>132,830</b>	<b>108,974</b>	<b>23,856</b>



**OCEAN CITY SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Multiple Disabilities					
Salaries of Teachers	289,330	-	289,330	285,340	3,990
Other Salaries for Instruction	50,745		50,745	1,627	49,118
General Supplies	5,099		5,099	2,718	2,381
Total Multiple Disabilities	345,174	-	345,174	289,685	55,489
Resource Room/Resource Center					
Salaries of Teachers	2,069,963	(110,000)	1,959,963	1,827,487	132,476
Other Salaries for Instruction	28,305		28,305	-	28,305
General Supplies	5,198		5,198	4,074	1,124
Total Resource Room/Resource Center	2,103,466	(110,000)	1,993,466	1,831,561	161,905
Preschool Disabilities - Part-Time					
Salaries of Teachers	88,884		88,884	78,404	10,480
Other Salaries for Instruction	27,545	-	27,545	4,657	22,888
General Supplies	1,800		1,800	-	1,800
Total Preschool Disabilities - Part-Time	118,229	-	118,229	83,061	35,168
TOTAL SPECIAL EDUCATION - INSTRUCTION	2,820,455	-	2,820,455	2,521,813	298,642
Basic Skills/Remedial - Instruction					
Salaries of Teachers	243,642		243,642	207,560	36,082
Total Basic Skills/Remedial - Instruction	243,642	-	243,642	207,560	36,082
Bilingual Education - Instruction					
Salaries of Teachers	178,509	-	178,509	131,387	47,122
General Supplies	3,200		3,200	1,466	1,734
Total Bilingual Education - Instruction	181,709	-	181,709	132,853	48,856
School-Spon. Coccricular Activities - Instruction					
Salaries	206,200	-	206,200	179,114	27,086
Supplies & Materials			-	-	-
Transfers to Cover Deficit (Agency Funds)	54,000		54,000	43,992	10,008
Total School-Spon. Coccricular Activities - Inst.	260,200	-	260,200	223,106	37,094

**OCEAN CITY SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
School-Spon. Cocurricular Athletics - Instruction					
Salaries	476,863	750	477,613	468,559	9,054
Other Purchased Services (400-500 series)	157,405	(750)	156,655	109,180	47,475
Supplies & Materials	132,400	1,938	134,338	101,950	32,388
Other Objects	4,375		4,375	4,320	55
Transfers to Cover Deficit (Agency Funds)	76,073		76,073	59,361	16,712
Total School-Spon. Cocurricular Athletics - Inst.	847,116	1,938	849,054	743,370	105,684
Other Instructional Programs - Instruction					
Other Purchased Services (400-500 series)	1,875		1,875	-	1,875
Supplies & Materials	3,636		3,636	3,120	516
Other Objects	439		439		439
Total Other Instructional Programs - Instruction	5,950	-	5,950	3,120	2,830
Alternative Education Program- Instruction					
Salaries of Teacher	320,671		320,671	236,274	84,397
Total Alternative Education Program-Instructional	320,671	-	320,671	236,274	84,397
<b>TOTAL INSTRUCTION</b>	<b>19,862,653</b>	<b>1,995</b>	<b>19,864,648</b>	<b>18,141,989</b>	<b>1,722,659</b>
<b>UNDISTRIBUTED EXPENDITURES</b>					
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State-Regular	35,800		35,800	15,972	19,828
Tuition to Other LEAs Within the State-Special	57,132	(9,913)	47,219	1,000	46,219
Tuition to County Voc. School Dist. - Regular	38,023		38,023	38,023	-
Tuition to CSSD & Regional Day Schools	241,000		241,000	204,706	36,294
Tuition to Private Schools for the Disabled - Within State	117,848		-	-	-
Tuition to State Facilities	69,112		117,848	364	117,484
Total Undistributed Expenditures - Instruction	558,915	(9,913)	549,002	69,112	-
				329,177	219,825

**OCEAN CITY SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed Expend. - Attend. & Social Worker					
Salaries	41,260		41,260	41,005	255
Purchased Professional and Technical Services	72,000		72,000	62,699	9,301
Supplies & Materials			-	-	-
Total Undist. Expend. - Attend. & Social Worker	<u>113,260</u>	<u>-</u>	<u>113,260</u>	<u>103,704</u>	<u>9,556</u>
Undistributed Expend. - Health Services					
Salaries	341,784	(2,130)	339,654	284,051	55,603
Purchased Professional and Technical Services	13,000	1,400	14,400	14,400	-
Other Purchased Services (400-500 series)	1,040		1,040	708	332
Supplies & Materials	6,000	730	6,730	6,656	74
Other Objects	400		400	380	20
Total Undistributed Expend. - Health Services	<u>362,224</u>	<u>-</u>	<u>362,224</u>	<u>306,195</u>	<u>56,029</u>
Undist. Expend. - Speech, PT, OT & Related Services					
Salaries	168,909		168,909	160,740	8,169
Purchased Professionals - Educational Services	188,000		188,000	83,018	104,982
Supplies & Materials	2,718		2,718	1,672	1,046
Total Undist. Expend.-Speech, PT, OT & Rel. Svces	<u>359,627</u>	<u>-</u>	<u>359,627</u>	<u>245,430</u>	<u>114,197</u>
Undist. Expend. - Other Support Serv. Students - Extraordinary Services					
Salaries	363,653		363,653	129,782	233,871
Other Purchased Services (400-500 series)	30,000		30,000	6,000	24,000
Total Undist. Expend. - Other Support Services	<u>393,653</u>	<u>-</u>	<u>393,653</u>	<u>135,782</u>	<u>257,871</u>

**OCEAN CITY SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undist. Expenditures - Guidance					
Salaries of Other Professional Staff	744,458	70,227	814,685	814,587	98
Salaries of Secretarial and Clerical Assistants	99,548	(5,127)	94,421	93,966	455
Other Purchased Services (400-500 series)	25,700	3,195	28,895	24,963	3,932
Supplies & Materials	9,850		9,850	7,517	2,333
Other Objects	300		300	-	300
<b>Total Undistributed Expend. - Guidance</b>	<b>879,856</b>	<b>68,295</b>	<b>948,151</b>	<b>941,033</b>	<b>7,118</b>
Undist. Expend. - Child Study Teams					
Salaries of Other Professional Staff	627,374	5,550	632,924	627,192	5,732
Salaries of Secretarial and Clerical Assistants	139,425	(28,550)	110,875	107,664	3,211
Purchased Professional - Education Services	87,200	28,500	115,700	115,527	173
Other Purchased Prof. And Tech. Services	18,500	(5,500)	13,000	12,782	218
Miscellaneous Purchased Services (400-500 series)	17,000	(2,000)	15,000	4,216	10,784
Supplies & Materials	17,475		17,475	12,358	5,117
Other Objects	950	2,000	2,950	1,670	1,280
<b>Total Undist. Expend. - Child Study Teams</b>	<b>907,924</b>	<b>-</b>	<b>907,924</b>	<b>881,409</b>	<b>26,515</b>
Undist. Expend. - Improvement of Inst. Services					
Salaries of Supervisor of Instruction	108,588	(500)	108,088	81,266	26,822
Salaries of Secr and Clerical Assist.	36,286	500	36,786	36,688	98
Other Salaries	40,000		40,000	4,620	35,380
Other Purch Prof. and Tech. Services	25,000	(533)	24,467	16,128	8,339
Other Purchased Services (400-500 series)	11,605	533	12,138	-	12,138
Supplies & Materials	3,000		3,000	1,201	1,799
Other Objects	2,500		2,500	2,460	40
<b>Total Undist. Expend. - Improvement of Inst. Serv.</b>	<b>226,979</b>	<b>-</b>	<b>226,979</b>	<b>142,363</b>	<b>84,616</b>

**OCEAN CITY SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	699,678	-	699,678	659,012	40,666
Purchased Professional and Technical Services	104,696	-	104,696	90,433	14,263
Other Purchased Services (400-500 series)	400		400	-	400
Supplies & Materials	40,004		40,004	35,023	4,981
Other Objects	2,500		2,500	377	2,123
<b>Total Undistributed Expenditures - Educational Media Services - School Library</b>	<b>847,278</b>	<b>-</b>	<b>847,278</b>	<b>784,845</b>	<b>62,433</b>
Undist. Expend. - Instructional Staff Training Serv.					
Salaries of Supervisors Inst.	103,700	15,100	118,800	118,734	66
Purchased Professional - Educational Services	99,470	(15,100)	84,370	25,847	58,523
Other Purchased Services (400-500 series)	15,700	-	15,700	9,813	5,887
Supplies and Materials	1,000		1,000	793	207
<b>Total Undistributed Expenditures - Instructional Staff Training Services</b>	<b>219,870</b>	<b>-</b>	<b>219,870</b>	<b>155,187</b>	<b>64,683</b>
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	261,843		261,843	226,499	35,344
Legal Services	160,000		160,000	110,205	49,795
Audit Fees	30,000	(1,100)	28,900	23,900	5,000
Architectural/Engineering Services	34,000	(7,500)	26,500	18,304	8,196
Other Purchased Professional Services	14,000	(3,042)	10,958	9,638	1,320
Purchased Technical Services	13,500	42	13,542	13,541	1
Communications/Telephone	157,000	20,800	177,800	166,944	10,856
BOE Other Purchased Services	6,300	(300)	6,000	5,870	130
Admin/Equipment Leases	1,500	(500)	1,000	-	1,000
Insurance Premiums	36,000	12,500	48,500	48,478	22
Other Purchased Services (400-500 series)	42,000	15,300	57,300	57,296	4
Travel	1,000	300	1,300	1,293	7
General Supplies	7,500	1,100	8,600	8,575	25
BOE In-house Train/Meeting Supplies	500		500	-	500
Judgments Against the School	5,000	(2,500)	2,500	-	2,500
Miscellaneous Expenditures	5,000		5,000	4,245	755
BOE Membership Dues/Fees	19,500		19,500	19,066	434

**OCEAN CITY SCHOOL DISTRICT  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Total Undistributed Expenditures - Support Services - General Administration	794,643	35,100	829,743	713,854	115,889
Undist. Expend. - Supp. Serv. - School Admin. Salaries of Principals/Asst.	992,702	(67,100)	925,602	882,781	42,821
Salaries of Secretarial Asst.	259,210		259,210	247,197	12,013
Purchased Professional and Technical Services	1,000		1,000	250	750
Other Purchased Services (400-500 series)	41,200		41,200	19,361	21,839
Supplies and Materials	57,515		57,515	48,022	9,493
Other Objects	5,800	2,000	7,800	6,682	1,118
Total Undistributed Expenditures - Support Services - School Administration	1,357,427	(65,100)	1,292,327	1,204,293	88,034
Undist. Expend. - Central Services	452,992		452,992	436,331	16,661
Salaries	16,300		23,800	16,774	7,026
Purchased Professional Services	19,500	7,500	19,500	14,476	5,024
Purchased Technical Services	15,750		15,750	7,470	8,280
Miscellaneous Purchased Services	10,000		10,000	8,649	1,351
Supplies and Materials	4,200		4,200	2,460	1,740
Miscellaneous Expenditures					
Total Undistributed Expenditures - Central Services	518,742	7,500	526,242	486,160	40,082
Undist. Expend. - Admin Info Tech.	99,912	(82,500)	17,412	8,194	9,218
Salaries	32,045		114,545	95,369	19,176
Purchased Technical Services	400		400	344	56
Other Purchased Services (400-500 series)	5,000		5,000	-	5,000
Supplies and Materials					
Total Undistributed Expenditures - Admin Info. Tech.	137,357	-	137,357	103,907	33,450

**OCEAN CITY SCHOOL DISTRICT  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undist. Expend. - Required Maint. School Fac.					
Salaries	292,305	4,000	296,305	279,827	16,478
Cleaning, Repair and Maintenance Services	458,181	(31,059)	427,122	332,438	94,684
General Supplies	87,500	30,891	118,391	100,653	17,738
<b>Total Undistributed Expenditures - Required Maintenance for School Facilities</b>	<b>837,986</b>	<b>3,832</b>	<b>841,818</b>	<b>712,918</b>	<b>128,900</b>
Custodial Services					
Salaries	1,189,114	(36,900)	1,152,214	1,143,304	8,910
Salaries - Non- Instructional Aides	116,562	22,700	139,262	134,218	5,044
Purchased Professional and Technical Services	89,810	(26,400)	63,410	58,219	5,191
Cleaning, Repair and Maintenance Services	72,392	(36,000)	36,392	32,064	4,328
Rental of Land and Buildings	2,000		2,000	534	1,466
Other Purchased Property Services	107,000	(12,800)	94,200	89,078	5,122
Insurance	302,500	(15,000)	287,500	252,622	34,878
Miscellaneous Purchased Services	8,000		8,000	4,430	3,570
General Supplies	169,075	990	170,065	161,321	8,744
Energy (Electricity)	735,000	164,200	899,200	898,360	840
Other Objects	6,000	1,121	7,121	6,466	655
Energy (Natural Gas)	198,000	46,500	244,500	221,621	22,879
<b>Total Undistributed Expenditures - Custodial Services</b>	<b>2,995,453</b>	<b>108,411</b>	<b>3,103,864</b>	<b>3,002,237</b>	<b>101,627</b>
Undist. Expend- Care & Upkeep of Grounds					
Salaries	109,180	5,200	114,380	114,336	44
Cleaning, Repair, and Maintenance Services	50,300	12,500	62,800	46,009	16,791
General Supplies	60,700	(12,400)	48,300	47,866	434
<b>Total Care and Upkeep of Grounds</b>	<b>220,180</b>	<b>5,300</b>	<b>225,480</b>	<b>208,211</b>	<b>17,269</b>

**OCEAN CITY SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undist. Expend. - Security					
Salaries	118,765	(4,300)	114,465	112,623	1,842
Purchased Professional and Technical Services	27,000	(1,000)	26,000	3,115	22,885
Total Security	145,765	(5,300)	140,465	115,738	24,727
Total Undistributed Expenditures					
Operations and Maintenance of Plant	4,199,384	112,243	4,311,627	4,039,104	272,523
Undist. Expend. - Student Transportation Serv.					
Salaries - (Other than Home & Sch)	46,208		46,208	9,848	36,360
Contracted Services (Bet. Home & School)- Vendors	498,618	29,000	527,618	527,117	501
Contracted Services - (Other than Home & Sch)-Ven.	208,449	5,900	214,349	171,504	42,845
Contr. Serv. - (Spc Ed. Students) - Vendors	268,732	(34,000)	234,732	174,287	60,445
Contr. Serv. - (Spc Ed. Students) - Joint Agrmt	25,000	(900)	24,100	17,698	6,402
Contr. Serv. - Aid in Lieu Payments - NonPub Sch	9,000		9,000	4,145	4,855
Total Undistributed Expenditures - Student Transportation Services	1,056,007	-	1,056,007	904,599	151,408
Unallocated Benefits - Employee Benefits					
Social Security Contribution	490,000		490,000	370,681	119,319
Other Retirement Contributions - PERS	520,000		520,000	451,872	68,128
Workmen's Compensation	340,000	40,000	380,000	379,693	307
Health Benefits	5,129,500	(238,500)	4,891,000	4,030,227	860,773
Tuition Reimbursement	55,000	2,817	57,817	30,381	27,436
Other Employee Benefits		57,000	57,000	56,611	389
Unused Sick Payment to Terminated/Retired	192,950	(57,000)	135,950	128,255	7,695
Total Unallocated Benefits	6,727,450	(195,683)	6,531,767	5,447,720	1,084,047



**OCEAN CITY SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
On-Behalf Contributions					
On-Behalf TPAF Pension Contribution (non-bud)				1,496,357	(1,496,357)
On-Behalf TPAF Post-retir. Contribution (non-bud)	-			1,781,747	(1,781,747)
Reimbursed TPAF Social Security Cont. (non-bud)				1,383,292	(1,383,292)
Total On-Behalf Contributions				4,661,396	(4,661,396)
Total Personal Services - Employee Benefits	6,727,450	(195,683)	6,531,767	10,109,116	(3,577,349)
TOTAL UNDISTRIBUTED EXPENDITURES	19,660,596	(47,558)	19,613,038	21,586,158	(1,973,120)
TOTAL GENERAL CURRENT EXPENSE	39,523,249	(45,563)	39,477,686	39,728,147	(250,461)
<b>CAPITAL OUTLAY</b>					
Equipment					
Regular Programs - Instruction					
Grades 1 - 5					
Undistributed Exp. - Instruction	178,500	(31,325)	147,175	117,210	29,965
Undistributed Exp. - Supp Service					
Undistributed Exp. - Custodial	85,400	(12,250)	73,150	69,280	3,870
Undistributed Exp. - Care and Upkeep of Grounds	55,525	12,250	67,775	62,954	4,821
Undistributed Exp. - Non-Inst. Serv	15,000		15,000	11,909	3,091
Undistributed Exp. - Admin. Info. Tech.	87,000	28,000	115,000	42,975	72,025
School Buses-Regular	90,000	3,325	93,325	93,325	-
Total Equipment	511,425	-	511,425	397,653	113,772
Facilities Acquisition and Construction Services					
Construction Services	367,130	55,153	422,283	176,530	245,753
Architectural/Engineering Services	40,000	500	40,500	13,644	26,856
Assessment for Debt Service on SDA Funding	150,466		150,466	150,466	-
Total Facilities Acquisition and Construction Services	557,596	55,653	613,249	340,640	272,609
TOTAL CAPITAL OUTLAY	1,069,021	55,653	1,124,674	738,293	386,381

**OCEAN CITY SCHOOL DISTRICT  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
<b>SPECIAL SCHOOLS</b>					
Summer School - Instruction	10,000	-	10,000	-	10,000
Salaries of Teachers	10,000	-	10,000	-	10,000
Total Summer School - Instruction	10,000	-	10,000	-	10,000
<b>TOTAL SPECIAL SCHOOLS</b>					
Transfer of Funds to Charter Schools	20,024	9,913	29,937	29,937	-
<b>TOTAL EXPENDITURES</b>	<u>40,622,294</u>	<u>20,003</u>	<u>40,642,297</u>	<u>40,496,377</u>	<u>145,920</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,053,088)</u>	<u>(20,003)</u>	<u>(2,073,091)</u>	<u>2,998,808</u>	<u>5,071,899</u>
Other Financing Sources/(Uses):					
Operating Transfers Out:					
Transfer to Capital Project	(400,000)		(400,000)	(400,000)	-
Transfer to Cover Deficit - Food Service Fund	(400,000)	(75,000)	(75,000)	(75,000)	-
Total Other Financing Sources/(Uses):	<u>(400,000)</u>	<u>(75,000)</u>	<u>(475,000)</u>	<u>(475,000)</u>	<u>-</u>

**OCEAN CITY SCHOOL DISTRICT  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(2,453,088)	(95,003)	(2,548,091)	2,523,808	5,071,899
Fund Balance July 1	8,767,259		8,767,259	8,767,259	-
Fund Balance June 30	6,314,171	(95,003)	6,219,168	11,291,067	5,071,899
Recapitulation:					
Restricted Fund Balance:					
Excess Surplus - Designated for Subsequent Year's Expenditures				1,498,895	
Excess Surplus - Current Year				2,152,817	
Committed Fund Balance:					
Capital Reserve				3,660,818	
Maintenance Reserve				2,116,684	
Tuition Reserve				500,000	
Emergency Reserve				356,000	
Assigned Fund Balance:					
Year-End Encumbrances				203,125	
Unassigned Fund Balance					
General Fund				802,728	
				11,291,067	
Reconciliation to Governmental Funds Statements (GAAP):					
Last Two State Aid Payments not recognized on GAAP Basis				(326,043)	
				10,965,024	

**OCEAN CITY SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
<b>REVENUES:</b>					
Local Sources	\$ -	53,717	53,717	32,556	(21,161)
State Sources		6,594	6,594	4,899	(1,695)
Federal Sources	678,056	281,630	959,686	956,184	(3,502)
<b>Total Revenues</b>	<b>678,056</b>	<b>341,941</b>	<b>1,019,997</b>	<b>993,639</b>	<b>(26,358)</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	276,373	4,605	280,978	279,988	990
Salaries of Other Professional Staff		316,856	316,856	316,856	-
Other Purchased Services (400-500 series)	401,683	(227,079)	174,604	170,235	4,369
General Supplies		81,381	81,381	59,854	21,527
Textbooks		3,483	3,483	3,341	142
<b>Total Instruction</b>	<b>678,056</b>	<b>179,246</b>	<b>857,302</b>	<b>830,274</b>	<b>27,028</b>
Support Services:					
Salaries of Other Professional Staff		140	140	-	140
Personal Services - Employee Benefits		136,294	136,294	136,294	-
Purchased Professional Technical Services		13,674	13,674	13,674	-
Other Purchased Services (400-500 series)		7,029	7,029	11,364	(4,335)
General Supplies		3,558	3,558	2,033	1,525
Other Objects		-	-	-	-
<b>Total Support Services</b>	<b>-</b>	<b>160,695</b>	<b>160,695</b>	<b>163,365</b>	<b>(2,670)</b>
Contribution to Charter Schools					
Facilities Acquisition & Construction Services:					
Instructional Equipment		2,000	2,000	-	2,000
<b>Total Expenditures</b>	<b>678,056</b>	<b>341,941</b>	<b>1,019,997</b>	<b>993,639</b>	<b>26,358</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	-	-	-	0

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**



**OCEAN CITY SCHOOL DISTRICT  
Required Supplementary Information  
Budget-to-GAAP Reconciliation  
Note to RSI  
For the Year Ended June 30, 2016**

Note A - Explanation of Differences Between Budgetary Inflows and Outflows GAAP Revenue and Expenditures

	General Fund	Special Revenue Fund
Sources / inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 43,495,185	993,639
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		6,090
Current Year		(4,880)
The Final State Aid payments for the Year Ended June 30, 2015 that was delayed until July 2015 was recorded as budgetary revenue for the Year Ended June 30, 2015. but is not recognized under GAAP until the Year Ended June 30, 2016.	334,763	
The Final State Aid payment for the Year Ended June 30, 2016 that was delayed until July 2016 was recorded as budgetary revenue for the Year Ended June 30, 2016 but is not recognized under GAAP until the Year Ended June 30, 2017.	(326,043)	-
	43,503,905	994,849
Uses / outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	40,496,377	993,639
Difference - 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 GAAP financial reporting purposes.		
Prior Year		6,090
Current Year		(4,880)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds.	\$ 40,496,377	994,849

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**REQUIRED SUPPLEMENTARY INFORMATION – PART III**



**OCEAN CITY SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Public Employee Retirement System**  
**Last Three Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.0498289421%	0.0500779018%	0.0526741551%
District's proportionate of the net pension liability (asset)	\$ 11,185,801	\$ 9,375,953	\$ 10,067,078
District's covered payroll	\$ 3,359,550	\$ 3,285,998	\$ 3,412,544
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	332.96%	285.33%	295.00%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%	48.72%

Source: GASB 68 report on Public Employees' Retirement System; District records

Note: This schedule is required by GASB 68 to be show information for a 10 year period. However, information is only currently available for two years. Additional years will be presented as they become available.

**OCEAN CITY SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Public Employee Retirement System**  
**Last Three Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 428,403	\$ 396,889	\$ 402,251
Contributions in relation to the contractually required contribution	<u>428,403</u>	<u>396,889</u>	<u>402,251</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,359,550	\$ 3,285,998	\$ 3,412,544
Contributions as a percentage of covered-employee payroll	12.75%	12.08%	11.79%

Source: GASB 68 report on Public Employees' Retirement System; District records

Note: This schedule is required by GASB 68 to be show information for a 10 year period.  
However, information is only currently available for two years.  
Additional years will be presented as they become available.

**OCEAN CITY SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Public Employee Retirement System**  
**Last Three Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%
District's proportionate of the net pension liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>129,159,095</u>	<u>101,449,991</u>	<u>101,028,085</u>
Total	<u>\$ 129,159,095</u>	<u>\$ 101,449,991</u>	<u>\$ 101,028,085</u>
District's covered payroll	\$ 18,854,793	\$ 18,744,912	\$ 18,534,219
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%

Source: GASB 68 report on Public Employees' Retirement System; District records

Note: This schedule is required by GASB 68 to be show information for a 10 year period. However, information is only currently available for two years. Additional years will be presented as they become available.

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**OTHER SUPPLEMENTARY INFORMATION**





## **SPECIAL REVENUE FUND DETAIL STATEMENTS**

The Special Revenue Fund is 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.



**OCEAN CITY SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Schedule of Program Revenues and Expenditures - Budgetary Basis**  
**For the Year Ended June 30, 2016**

	Ocean City Education Foundation	Shore Med Center Donation	Ocean City PTA	Atlanticare Grant	Sustainable Jersey	OC Gardens Civic	Somers Point Jazz
<b>REVENUES:</b>							
Local Sources	10,044	2,000	14,169	3,254	1,180	100	500
State Sources							
Federal Sources							
Total Revenues	<u>10,044</u>	<u>2,000</u>	<u>14,169</u>	<u>3,254</u>	<u>1,180</u>	<u>100</u>	<u>500</u>
<b>EXPENDITURES:</b>							
Instruction:							
Salaries of Teachers							
Salaries of Other Professional Staff							
Other Purchased Services (400-500 series)							
General Supplies	10,044	2,000	9,799	3,254	1,180	100	500
Textbooks							
Other Objects							
Total Instruction	<u>10,044</u>	<u>2,000</u>	<u>9,799</u>	<u>3,254</u>	<u>1,180</u>	<u>100</u>	<u>500</u>
Support Services:							
Salaries of Other Professional Staff							
Personal Services - Employee Benefits							
Purchased Professional - Educational Services							
Purchased Technical Services			4,370				
Other Purchased Services (400-500 series)							
General Supplies							
Other Objects							
Total Support Services	<u>-</u>	<u>-</u>	<u>4,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Outlay:							
Instructional Equipment							
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>10,044</u>	<u>2,000</u>	<u>14,169</u>	<u>3,254</u>	<u>1,180</u>	<u>100</u>	<u>500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**OCEAN CITY SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Schedule of Program Revenues and Expenditures - Budgetary Basis**  
**For the Year Ended June 30, 2016**

	IIS Competitive	Title I Part A	I.D.E.A. Part B	I.D.E.A. Preschool	Title IIA	MAC SADD
<b>REVENUES:</b>						
Local Sources		-	-	-	-	390
State Sources	13,674	279,554	565,845	15,079	82,032	
Federal Sources	13,674	279,554	565,845	15,079	82,032	390
Total Revenues						
<b>EXPENDITURES:</b>						
Instruction:						
Salaries of Teachers		200,434	10,000	10,000	59,554	
Salaries of Other Professional Staff			316,856			
Other Purchased Services (400-500 series)		28,370	170,235	1,740		390
General Supplies						
Textbooks						
Other Objects						
Total Instruction	-	228,804	497,091	11,740	59,554	390
Support Services:						
Salaries of Other Professional Staff						
Personal Services - Employee Benefits		48,717	68,754	3,339	15,484	
Purchased Professional - Educational Services	13,674					
Purchased Technical Services					6,994	
Other Purchased Services (400-500 series)		2,033				
General Supplies						
Other Objects						
Total Support Services	13,674	50,750	68,754	3,339	22,478	-
Capital Outlay:						
Equipment						
Total Capital Outlay	-	-	-	-	-	-
Total Expenditure	13,674	279,554	565,845	15,079	82,032	390
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-	-	-

**OCEAN CITY SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Schedule of Program Revenues and Expenditures - Budgetary Basis**  
**For the Year Ended June 30, 2016**

	MAC Intramural	MAC SCAT	MAC Misc	Non Public Textbook Aid	Non Public Technical Aid	Totals 2016
<b>REVENUES:</b>						
Local Sources	396	400	123			32,556
State Sources				3,341	1,558	4,899
Federal Sources						956,184
<b>Total Revenues</b>	<b>396</b>	<b>400</b>	<b>123</b>	<b>3,341</b>	<b>1,558</b>	<b>993,639</b>
<b>EXPENDITURES:</b>						
Instruction:						
Salaries of Teachers						279,988
Salaries of Other Professional Staff						316,856
Other Purchased Services (400-500 series)						170,235
General Supplies	396	400	123		1,558	59,854
Textbooks				3,341		3,341
Other Objects						-
<b>Total Instruction</b>	<b>396</b>	<b>400</b>	<b>123</b>	<b>3,341</b>	<b>1,558</b>	<b>830,274</b>
Support Services:						
Salaries of Other Professional Staff						136,294
Personal Services - Employee Benefits						-
Purchased Professional - Educational Services						13,674
Purchased Technical Services						11,364
Other Purchased Services (400-500 series)						2,033
General Supplies						-
Other Objects						-
<b>Total Support Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>163,365</b>
Capital Outlay:						
Other Equipment						-
Instructional Equipment						-
<b>Total Capital Outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures</b>	<b>396</b>	<b>400</b>	<b>123</b>	<b>3,341</b>	<b>1,558</b>	<b>993,639</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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## **CAPITAL PROJECTS FUND DETAIL STATEMENTS**

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.





**OCEAN CITY SCHOOL DISTRICT**  
**Capital Projects Funds**  
**Summary Statement of Project Expenditures**  
**For the Year Ended June 30, 2016**

Project Title/Issue	Date	Original Appropriations	GAAP Expenditures to Date Prior Years	Current Years	Authorizations Canceled	Unexpended Balance June 30, 2016
Acquisition of Property and Construction of New High School	4/1/2002	\$ 40,058,849	39,735,259		323,590	-
Improvements and Renovations to Intermediate School	9/29/2009	8,514,528	8,491,096		23,432	-
Improvements and Renovations to Primary School	3/11/2014	7,052,946	6,304,296	206,755		541,895
		<u>\$ 55,626,323</u>	<u>54,530,651</u>	<u>206,755</u>	<u>347,022</u>	<u>541,895</u>

**OCEAN CITY SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis**  
**For the Year Ended June 30, 2016**

**REVENUES AND OTHER FINANCING SOURCES:**

## State Sources:

SDA Grants

\$ -

## Local Sources

Transfer from Capital Reserve

400,000

Interest Earned on Deposits

807

Total Revenues

400,807**EXPENDITURES**

Purchased Professional and Technical Services

165,459

Construction Services

41,296

Total Expenditures

206,755

Excess (Deficiency) of Revenues Over (Under) Expenditures

194,052

## Other Financing Sources(Uses):

## Operating Transfers Out:

Transfer to Debt Service Fund

(807)

Excess (Deficiency) of Revenues and

Other Financing Sources Over(Under)

Expenditures

193,245

Fund Balances, July 1

348,650

Fund Balances, June 30

\$ 541,895

**OCEAN CITY SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis**  
**Improvements and Renovations to the Primary School**  
**From Inception and for the Year Ended June 30, 2016**

	Prior Periods	Current Year	Totals	Revised Authorized Costs
<b>REVENUES AND OTHER FINANCING SOURCES:</b>				
State Sources:				
SDA Grant	\$ 2,399,279		2,399,279	2,399,279
Local Sources				
Transfer from Capital Reserve	1,756,667	400,000	2,156,667	2,156,667
Bond proceeds and transfers	2,497,000		2,497,000	2,497,000
Total Revenues	<u>6,652,946</u>	<u>400,000</u>	<u>7,052,946</u>	<u>7,052,946</u>
<b>EXPENDITURES AND OTHER FINANCING USES:</b>				
Purchased professional/technical services	623,145	165,459	788,604	833,845
Construction services	5,681,151	41,296	5,722,447	6,219,101
Total Expenditures	<u>6,304,296</u>	<u>206,755</u>	<u>6,511,051</u>	<u>7,052,946</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 348,650</u>	<u>193,245</u>	<u>541,895</u>	<u>-</u>
<b>ADDITIONAL PROJECT INFORMATION:</b>				
Project Number	G5-6231			
Grant Date	5/2/2014			
Bond Authorization Date	3/11/2014			
Bonds Authorized	2,497,000			
Bonds Issued	2,497,000			
Original Cost Authorized	5,997,776			
Additional Authorized Cost	1,055,170			
Revised Authorized Cost	7,052,946			
Percentage Increase over Original Authorized Cost	18%			
Percentage Completion	92%			
Original Target Completion Date	6/30/2015			
Revised Target Completion Date	9/30/2017			

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## FIDUCIARY FUNDS DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

**Scholarship Fund** – This is an expendable trust fund.

**Unemployment Compensation Fund** – This is an expendable trust fund and limits expenses set aside for this purpose in current and prior budgets and contributions from employee withholdings in prior years.

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.

**Student Activity Fund** – This agency fund is used to account for student funds held at the schools.

**Payroll Fund** – This agency fund is used to account for the payroll transactions of the school district.



**OCEAN CITY SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Combining Statement of Fiduciary Net Position**  
**June 30, 2016**

	Unemployment Compensation Trust	Private Purpose Trust	Agency Funds	Totals
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 161,447	75,599	344,406	581,452
Investments, at Fair Value:				
Certificate of Deposit	177,319		31,527	208,846
Total Cash and Investments	338,766	75,599	375,933	790,298
Interfund Receivable		-		-
Total Assets	338,766	75,599	375,933	790,298
<b>LIABILITIES</b>				
Accounts Payable	1,731			1,731
Interfunds Payable				-
Payable to Student Groups			282,671	282,671
Payroll Deductions & Withholdings			93,262	93,262
Total Liabilities	1,731	-	375,933	377,664
<b>Net Position</b>				
Held in Trust for Unemployment Claims and Other Purposes	\$ 337,035			337,035
Reserve for Scholarships		\$ 75,599		75,599
Total Net Position	\$ 337,035	\$ 75,599		412,634
Total Liabilities and Net Position			\$	790,298

**OCEAN CITY SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Combining Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2016**

	Unemployment Compensation Trust	Private Purpose Trust	Totals
<b>ADDITIONS</b>			
Contributions:			
Plan Member	\$ 32,763	-	32,763
Other	(27,888)	111,702	83,814
Total Contributions	4,875	111,702	116,577
Investments Earnings:			
Interest	271	129	400
Net Investment Earnings	271	129	400
Total Additions	5,146	111,831	116,977
Deductions			
Unemployment Claims	47,776		47,776
Scholarships Awarded		122,347	122,347
Total Deductions	47,776	122,347	170,123
Change in Net Position	(42,630)	(10,516)	(53,146)
Net Position - Beginning of the Year	379,665	86,115	465,780
Net Position - End of the Year	\$ 337,035	75,599	412,634



**OCEAN CITY SCHOOL DISTRICT**  
**Student Activity Agency Fund**  
**Schedule of Receipts and Disbursements**  
**As of June 30, 2016**

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Primary School Activity Account	\$ 10,251	3,142.00	4,590.00	8,803
Intermediate School Activity Account	25,781	79,436	79,536	25,681
High School Activity Account	262,642	388,312	404,961	245,993
High School Red & White Account	3,028	84,929	85,763	2,194
Total Assets	<u>\$ 301,702</u>	<u>555,819</u>	<u>574,850</u>	<u>282,671</u>

**OCEAN CITY SCHOOL DISTRICT**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**As of June 30, 2016**

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 105,994	26,833,669	26,846,401	93,262
Total Assets	<u>105,994</u>	<u>26,833,669</u>	<u>26,846,401</u>	<u>93,262</u>
<b>LIABILITIES:</b>				
Payroll Deductions & Withholding	78,106	12,219,073	12,203,917	93,262
Net Payroll	-	14,642,485	14,642,485	-
Interfund Payable	27,888		27,888	-
Total Liabilities	<u>\$ 105,994</u>	<u>26,861,558</u>	<u>26,874,290</u>	<u>93,262</u>

## **LONG-TERM DEBT SCHEDULES**

The Long-term Debt Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.



**OCEAN CITY SCHOOL DISTRICT**  
**Schedule of General Serial Bonds**  
**As of June 30, 2016**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding June 30, 2015				Balance June 30, 2015	Decreased	Refunded	Balance June 30, 2016
			Date	Amount	Interest Rate	Amount				
Refunding Bonds, Series 2005	9/1/2005	\$ 19,510,000				\$ 13,385,000	1,640,000	(11,745,000)	-	
Various Improvements at the Intermediate School	2/24/2010	3,469,000	9/15/2016	355,000	2.250%	1,809,000	345,000		1,464,000	
			9/15/2017	370,000	2.600%					
			9/15/2018	360,000	2.800%					
Various Improvement and Renovations to Primary School	5/15/2014	2,497,000	9/15/2019	379,000	3.000%					
			5/15/2017	240,000	1.000%	2,497,000	225,000		2,272,000	
			5/15/2018	250,000	1.000%					
			5/15/2019	265,000	1.500%					
			5/15/2020	275,000	2.000%					
			5/15/2021	290,000	2.000%					
			5/15/2022	300,000	2.200%					
Refunding Bonds, Series 2016	3/23/2016	10,580,000	5/15/2023	315,000	2.250%					
			5/15/2024	337,000	2.250%					
			4/1/2017	1,575,000	3.000%	10,580,000		10,580,000		
			4/1/2018	1,635,000	4.000%					
			4/1/2019	1,725,000	5.000%					
			4/1/2020	1,830,000	5.000%					
		4/1/2021	1,920,000	5.000%						
		4/1/2022	1,895,000	5.000%						
						<u>\$ 17,691,000</u>	<u>2,210,000</u>	<u>(1,165,000)</u>	<u>14,316,000</u>	

**OCEAN CITY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Debt Service Fund**  
**For the Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 2,591,509		2,591,509	2,591,509	-
Total - Local Sources	2,591,509	-	2,591,509	2,591,509	-
Total Revenues	2,591,509	-	2,591,509	2,591,509	-
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Redemption of Principal	2,210,000		2,210,000	2,210,000	-
Interest on Bonds	715,108		715,108	714,655	453
Total Regular Debt Service	2,925,108	-	2,925,108	2,924,655	453
Total Expenditures	2,925,108	-	2,925,108	2,924,655	453
Excess (Deficiency) of Revenues Over (Under) Expenditures	(333,599)	-	(333,599)	(333,146)	453
Other Financing Sources(Uses):					
Operating Transfers In:					
Transfers in from Other Funds			-	807	807
Excess (Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures	(333,599)	-	(333,599)	(332,339)	1,260
Fund Balance, July 1	363,434	-	363,434	363,434	-
Fund Balance, June 30	29,835	-	29,835	31,095	1,260
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ (333,599)	-	(333,599)	(332,339)	1,260

**STATISTICAL SECTION**





**Ocean City School District  
Net Position by Component,  
Last Ten Fiscal Years**  
*(accrual basis of accounting)*

Exhibit J-1

	Fiscal Year ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Net investment in capital assets	20,446,909	20,890,288	20,928,514	19,266,385	26,003,285	25,882,531	24,960,564	25,325,131	30,286,131	29,965,203
Restricted	5,669,317	5,270,049	5,163,189	9,724,692	6,126,935	9,333,567	10,372,280	9,962,939	11,511,538	10,749,296
Unrestricted	(1,770,684)	(1,273,549)	(2,807,807)	(1,008,182)	(2,055,144)	(2,109,267)	(503,206)	1,707,816	(10,731,619)	(10,961,009)
Total governmental activities net position	24,345,542	24,886,788	23,283,896	27,982,894	30,075,077	33,206,831	34,829,638	36,995,886	31,066,050	29,753,490
<b>Business-type activities</b>										
Net investment in capital assets	153,253	139,634	130,776	117,756	107,057	94,197	81,337	75,268	76,004	73,471
Restricted	77,353	53,253	49,745	46,591	9,313	29,461	(72,991)	(90,990)	24,756	24,651
Total business-type activities net position	230,606	192,887	180,521	164,347	116,370	123,658	8,346	(15,722)	100,760	98,122
<b>District-wide</b>										
Net investment in capital assets	20,600,162	21,029,922	21,059,290	19,384,141	26,110,342	26,076,728	25,041,901	25,400,399	30,362,135	30,038,674
Restricted	5,669,317	5,270,049	5,163,189	9,724,692	6,126,935	9,333,567	10,372,280	9,962,939	11,511,538	10,749,296
Unrestricted	(1,693,331)	(1,220,299)	(2,758,092)	(961,591)	(2,045,831)	(2,079,809)	(576,197)	1,616,826	(10,706,863)	(10,936,359)
Total district net position	24,576,148	25,079,675	23,464,417	28,147,241	30,191,446	33,330,488	34,837,984	36,980,164	31,166,810	29,851,612

Source: CAFR Schedule A-1

**Ocean City School District  
Changes in Net Position,  
Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
Instruction:										
Regular	20,736,504	19,662,740	20,511,306	19,001,560	18,862,396	18,690,896	20,028,740	18,890,343	22,589,476	24,471,530
Special education	4,102,180	4,296,868	4,739,710	4,588,999	4,659,772	4,654,783	4,750,874	4,693,907	5,696,127	5,830,676
Other special education	2,194,283	2,281,307	2,163,831	2,235,270	2,172,481	1,991,674	1,982,505	1,926,487	2,448,933	2,688,661
Support Services:										
Tuition	680,669	436,352	169,351	195,864	136,328	356,510	304,527	329,485	275,748	329,177
Student & instruction related services	5,350,975	5,125,681	5,458,226	5,280,238	5,171,935	4,747,828	4,897,511	4,726,324	5,159,198	5,674,487
School administrative services	2,571,754	2,434,304	2,228,400	1,808,912	1,824,061	1,806,159	1,821,997	1,782,691	1,879,058	1,770,714
General Administration and Business Services	986,669	1,063,256	1,557,577	1,645,113	1,478,865	1,573,079	1,664,901	1,914,406	1,805,596	1,917,200
Plant operations and maintenance	4,949,240	5,066,059	4,201,377	4,765,229	4,132,487	4,252,785	4,917,742	5,049,216	4,838,006	10,305,036
Pupil transportation	842,233	876,900	941,514	913,898	887,414	867,421	944,321	1,209,151	896,924	904,599
Special schools	128,247	121,009	143,960	66,001	16,402	13,506	-	-	-	-
Charter Schools	35,191	33,077	71,840	75,224	52,169	62,899	42,374	3,716	9,904	29,987
Interest on long-term debt	1,159,700	1,120,564	1,091,185	1,021,506	939,859	964,837	998,171	971,712	772,318	1,863,992
Unallocated depreciation	-	-	-	-	-	20,151	-	-	-	-
Total governmental activities expenses	43,737,644	42,518,117	43,278,277	41,597,815	40,332,158	40,002,527	42,553,663	41,503,438	46,371,288	55,786,009
Business-type activities:										
Food service	733,992	754,460	778,956	740,086	729,478	698,153	697,500	618,209	642,339	688,641
Total business-type activities expenses	733,992	754,460	778,956	740,086	729,478	698,153	697,500	618,209	642,339	688,641
Total district expenses	44,471,636	43,272,576	44,057,233	42,337,900	41,061,637	40,700,680	43,251,163	42,121,647	47,013,627	56,454,650
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Instruction	15,745,641	15,366,212	13,887,901	14,464,451	13,959,021	13,602,146	12,922,719	10,959,443	10,458,451	12,844,272
Operating grants and contributions	6,538,676	6,612,800	3,621,913	866,859	4,306,864	5,042,105	5,974,914	4,389,293	5,571,884	7,242,136
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	22,284,317	21,981,012	17,509,814	15,331,310	18,265,886	18,644,251	18,897,633	15,347,736	16,030,335	20,086,408
Business-type activities:										
Charges for services:										
Food service	556,298	533,890	533,308	487,174	460,308	410,868	330,862	365,440	375,574	333,769
Operating grants and contributions	155,164	178,423	208,011	226,271	220,648	244,308	201,130	228,236	243,342	244,501
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenue	711,462	712,313	741,319	723,445	680,957	655,175	531,993	593,676	618,916	578,290
Total district program revenue	22,995,780	22,693,325	18,251,133	16,054,755	18,946,842	19,299,426	19,429,626	15,941,412	16,649,251	20,664,698
<b>Net (Expense)/Revenue</b>										
Governmental activities	(21,453,327)	(20,537,104)	(25,768,462)	(26,266,505)	(22,068,273)	(21,358,276)	(23,656,030)	(26,155,702)	(30,340,953)	(35,689,601)
Business-type activities	(22,530)	(42,147)	(37,637)	(16,641)	(48,522)	(42,978)	(165,807)	(24,533)	(23,423)	(80,361)
Total district-wide net expense	(21,475,857)	(20,579,251)	(25,806,100)	(26,283,146)	(22,114,794)	(21,401,254)	(23,821,837)	(26,180,235)	(30,364,376)	(35,769,962)

Ocean City School District  
 Changes in Net Position,  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes levied for general purposes, net	18,451,332	18,898,956	19,683,731	20,471,080	21,289,923	21,640,721	21,640,721	21,640,721	21,965,332	21,965,332
Taxes levied for debt service	2,099,140	2,109,195	2,180,439	2,215,880	2,572,195	2,613,155	2,640,851	2,640,851	2,716,545	2,591,509
Unrestricted grants and contributions	587,605	630,112	2,019,138	7,945,836	196,745	372,949	941,644	3,312,246	9,129,118	9,536,554
Investment earnings	304,158	162,011	10,020	69,988	65,887	22,449	11,979	12,885	8,489	3,807
Miscellaneous income	171,724	190,226	296,507	262,719	194,948	111,907	104,917	716,090	386,621	364,839
Special item - Loss on Disposal of Capital Assets	(133,439)				(161,243)					
Extraordinary item - Loss of Sale of Securities						(50,000)	(2,287)	(3,275)	(125,000)	(75,000)
Extraordinary item - Loss on Refunding Bonds						24,711,181	25,278,837	28,321,528	34,081,305	34,387,041
Transfers	(25,000)	(1,325)	(24,565)	30,965,503	24,158,456	(50,000)	(50,000)	-	(125,000)	-
<b>Total governmental activities</b>	<b>21,455,520</b>	<b>21,989,175</b>	<b>24,165,570</b>	<b>30,965,503</b>	<b>24,158,456</b>	<b>24,711,181</b>	<b>25,278,837</b>	<b>28,321,528</b>	<b>34,081,305</b>	<b>34,387,041</b>
Business-type activities:										
Investment earnings	3,944	3,103	487	467	544	266	195	465	522	804
Transfers	25,000	1,325	219			50,000	50,000	-	125,000	75,000
Loss on Disposal of Capital Assets										
<b>Total business-type activities</b>	<b>28,944</b>	<b>4,428</b>	<b>25,271</b>	<b>467</b>	<b>544</b>	<b>50,266</b>	<b>50,195</b>	<b>465</b>	<b>125,522</b>	<b>87,713</b>
<b>Total district-wide</b>	<b>21,484,464</b>	<b>21,993,603</b>	<b>24,190,841</b>	<b>30,965,971</b>	<b>24,158,999</b>	<b>24,761,447</b>	<b>25,329,032</b>	<b>28,321,993</b>	<b>34,206,827</b>	<b>34,474,754</b>
Changes in Net Position	2,193	1,452,070	(1,602,893)	4,688,998	2,092,183	3,352,905	1,622,807	2,165,826	3,740,352	(1,312,560)
Governmental activities	6,414	(37,718)	(12,366)	(16,174)	(47,978)	7,288	(112,312)	(24,068)	102,099	(2,638)
Business-type activities	8,607	1,414,352	(1,615,259)	4,682,825	2,044,205	3,360,193	1,507,495	2,141,758	3,642,451	(1,315,198)
<b>Total district</b>										

Source: CAFR Schedule A-2

Ocean City School District  
 Fund Balances, Governmental Funds,  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Year ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Fund</b>										
Restricted	-	-	-	-	2,767,494	3,271,787	3,004,924	2,668,937	2,879,983	3,651,712
Committed					3,222,684	4,770,684	6,695,262	4,492,672	4,980,502	6,633,502
Assigned					142,896	911,879	324,779	2,103,548	95,002	203,125
Unassigned					689,972	665,448	572,865	458,858	477,009	476,685
Reserved	4,519,440	4,997,909	5,080,191	4,542,113						
Unreserved	1,121,372	858,785	609,853	565,497						
<b>Total general fund</b>	<b>5,640,812</b>	<b>5,856,694</b>	<b>5,690,044</b>	<b>5,107,610</b>	<b>6,823,046</b>	<b>9,619,798</b>	<b>10,597,830</b>	<b>9,724,015</b>	<b>8,432,496</b>	<b>10,965,024</b>
<b>All Other Governmental Funds</b>										
Restricted:										
Reported in Capital Projects Fund	-	-	-	-	359,217	359,217	347,022	3,480,161	(659,792)	541,895
Reported in Debt Service Fund					8	212	283	333,680	29,835	31,095
Committed:										
Reported in Capital Projects Fund					20,000	20,000	-	-	-	-
Assigned										
Unassigned										
Reserved										
Unreserved, reported in:										
Special revenue fund	(9,251)	(9,251)	66,359	6,300,905						
Capital projects fund	1,336,711	511,206	330,074	924,744						
Debt service fund	96,439	31,679	20	8						
<b>Total all other governmental funds</b>	<b>1,423,900</b>	<b>533,634</b>	<b>\$ 396,452</b>	<b>7,225,658</b>	<b>379,225</b>	<b>379,429</b>	<b>347,315</b>	<b>3,813,841</b>	<b>(629,957)</b>	<b>572,990</b>

Source: CAFR Schedule B-1

**Ocean City School District**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**

Exhibit J-4

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Tax Levy	20,601,713	20,550,472	21,035,859	21,864,170	22,686,960	23,862,118	24,272,584	24,281,572	24,681,877	24,556,841
Tuition charges	14,300,985	14,302,265	15,368,212	14,883,119	14,623,934	13,959,021	12,922,719	10,959,443	10,458,451	12,642,622
Interest earnings	263,541	304,158	162,011	10,020	69,988	65,887	11,979	773,196	8,489	3,807
Miscellaneous	277,536	186,377	200,509	408,850	330,601	294,365	185,611	773,196	456,380	397,395
State sources	4,971,055	6,423,100	6,483,919	4,895,945	7,924,713	3,349,730	6,027,668	6,794,166	9,103,271	9,527,934
Federal sources	1,002,396	688,528	721,001	633,062	819,654	1,054,462	808,195	851,267	1,085,983	970,913
Total revenue	41,417,226	42,454,900	43,971,511	42,695,167	46,455,849	42,585,583	44,228,757	43,672,539	45,794,461	48,099,511
<b>Expenditures</b>										
Instruction:										
Regular instruction	14,581,039	14,882,973	14,497,395	14,919,367	14,607,714	13,811,632	14,179,593	14,084,865	14,033,484	14,073,893
Special education instruction	3,348,468	3,188,107	3,382,051	3,532,771	3,514,445	3,561,120	3,495,186	3,521,092	3,538,661	3,353,297
Other special education instruction	1,500,630	1,638,694	1,705,850	1,703,900	1,711,862	1,600,474	1,441,084	1,443,292	1,521,375	1,546,283
Support Services:										
Tuition	757,887	680,669	436,352	169,351	195,864	135,328	304,527	254,820	275,748	329,177
Student & instruction related services	4,096,476	3,959,153	3,910,322	4,046,528	4,043,824	3,763,095	3,611,511	3,540,884	3,753,069	3,859,313
General administrative services	748,854	873,004	923,834	750,296	708,249	641,089	730,877	816,184	721,212	713,854
School administrative services	1,340,590	1,409,321	1,333,122	1,458,754	1,385,339	1,325,203	1,356,087	1,335,563	1,366,924	1,204,293
Business administrative/central services	492,169	503,349	497,761	494,971	551,647	533,812	577,858	571,873	582,272	590,067
Plant operations and maintenance	3,192,680	3,335,642	3,513,907	3,540,250	3,662,257	3,393,675	3,760,381	3,716,281	3,694,793	4,039,104
Pupil transportation	761,834	832,124	861,650	925,984	913,898	876,972	931,832	905,876	896,924	904,599
Unallocated employee benefits	7,248,640	8,898,332	9,671,476	8,614,557	8,285,830	8,383,266	9,645,095	8,846,788	9,407,182	10,109,116
Special schools	97,210	92,003	89,622	103,597	50,546	11,745	-	-	9,904	29,937
Charter schools	13,346	35,191	33,077	71,840	75,224	52,159	42,374	3,716	9,904	29,937
Capital outlay	1,048,012	592,260	1,600,059	446,287	1,741,809	7,018,218	524,570	1,892,953	4,443,842	5,068,559
Debt service:										
Principal	1,405,000	1,030,000	1,055,000	1,115,000	1,200,000	1,555,000	1,720,000	1,805,000	1,895,000	2,210,000
Interest and other charges	783,062	1,182,018	1,133,093	1,082,980	1,030,018	1,053,793	911,863	836,063	797,280	714,655
Total Expenditures	41,415,897	43,132,840	44,644,569	42,974,434	43,678,525	47,716,581	43,232,839	43,577,250	46,947,670	48,746,147
Excess (Deficiency) of revenues over (under) expenditures	1,328	(677,940)	(673,058)	(279,267)	2,777,325	(5,130,998)	995,918	95,289	(1,153,209)	(646,635)
<b>Other Financing Sources (Uses)</b>										
Transfer in	52,404	44,035	14,137	20	1,661,900	36,578	81	1,435,096	661,081	400,807
Transfer out	(77,404)	(69,035)	(15,463)	(24,585)	(1,661,900)	(36,578)	(50,081)	(1,435,096)	(786,081)	(475,807)
Bond Proceeds					3,469,447			2,497,422		
Grant Revenue										
Canceled Prior Year Payable										
Total other financing sources (uses)	(25,000)	(25,000)	(1,325)	(24,565)	3,469,447	-	(50,000)	2,497,422	(125,000)	(75,000)
<b>Extraordinary Item</b>										
Loss on Sale of Securities										
Net change in fund balances	(23,672)	(702,940)	(674,353)	(303,832)	6,246,772	(5,130,998)	945,918	2,592,711	(1,278,209)	(721,635)
Debt service as a percentage of noncapital expenditures	5.42%	5.20%	5.08%	5.17%	5.32%	6.41%	6.16%	6.34%	6.33%	6.70%

Source: CAFR Schedule B-2

**Exhibit J-5**

**Ocean City School District  
General Fund Other Local Revenue by Source,  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year Ended June 30,	Interest on Investments	Retroactive EDA Grant	Refunds/ Rebates	Miscellaneous	Totals
2007	260,123		52,354	119,370	431,847
2008	162,011		97,751	102,758	362,520
2009	61,805		4,320	240,682	306,807
2010	45,925		74,125	194,139	314,189
2011	54,985		-	194,948	249,933
2012	22,238		50,555	61,352	134,145
2013	11,898		74,014	30,903	116,815
2014	12,429			718,090	730,519
2015	3,000			386,821	389,821
2016	3,000			364,839	367,839

Source: District Records

Ocean City School District  
Assessed Value and Actual Value of Taxable Property,  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Less Tax-exempt Property	Public Utilities	Net Valuation Taxable	Total District School Tax Rate	County Equalized Value
2007	170,213,100	7,699,559,700	349,838,900	533,600	25,958,100	8,246,103,400	-	3,253,364	8,249,356,764	0.172	14,003,892,330
2008	241,947,700	11,883,281,300	554,733,747	733,300	54,122,800	12,734,818,847	-	5,667,086	12,740,485,933	0.172	13,548,158,262
2009	203,206,600	12,005,892,900	551,146,947	733,300	54,122,800	12,815,102,547	-	5,227,845	12,820,330,392	0.177	13,340,913,388
2010	173,362,600	12,082,661,200	537,615,447	733,300	53,204,200	12,847,576,747	-	5,039,299	12,852,616,046	0.186	13,122,348,497
2011	191,622,200	12,053,938,400	549,540,300	733,300	52,427,400	12,848,261,600	-	4,667,892	12,852,929,492	0.189	12,795,982,792
2012	157,997,800	11,417,205,300	541,596,800	733,300	49,640,800	12,167,174,000	-	4,615,847	12,171,789,847	0.200	11,618,651,176
2013	134,356,700	10,627,028,800	504,758,500	733,300	45,772,100	11,312,649,400	-	3,792,665	11,316,442,065	0.215	10,846,162,015
2014	181,287,700	10,453,740,400	498,012,200	733,300	44,750,900	11,178,524,500	-	2,984,429	11,181,508,929	0.221	11,313,881,341
2015	186,321,900	10,563,070,500	499,505,300	733,300	43,872,100	11,293,503,100	-	3,010,198	11,296,513,298	0.218	11,430,247,190
2016	160,014,800	10,734,629,900	495,865,000	733,300	43,206,000	11,434,449,000	-	2,873,724	11,437,322,724	0.217	11,572,723,590

Source: County Abstract of Ratables & Municipal Tax Assessor

Exhibit J-7

Ocean City School District  
 Direct and Overlapping Property Tax Rates,  
 Last Ten Fiscal Years  
 (rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Ocean City School District			Overlapping Rates					Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct	County General	County Open Space	County Other	Municipal Library	Municipal Local Purpose	
2007	0.146	0.026	0.172	0.161	0.011			0.332	0.676
2008	0.160	0.017	0.177	0.169	0.011			0.349	0.706
2009	0.169	0.017	0.186	0.177	0.011			0.359	0.733
2010	0.169	0.017	0.186	0.181	0.010		0.034	0.338	0.749
2011	0.180	0.020	0.200	0.183	0.010		0.034	0.356	0.783
2012	0.194	0.021	0.215	0.196	0.010		0.035	0.386	0.842
2013	0.192	0.023	0.215	0.196	0.010		0.035	0.386	0.842
2014	0.197	0.024	0.221	0.214	0.011		0.035	0.401	0.882
2015	0.195	0.023	0.218	0.222	0.011		0.034	0.410	0.895
2016	0.194	0.023	0.217	0.225	0.011		0.034	0.420	0.907

Source: District Records and Municipal Tax Collector



Exhibit J-8

Ocean City School District  
Principal Property Tax Payers,  
Current Year and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Gilamco, Inc.	\$ 12,672,600	1	0.001108004	\$ 11,058,800	5	0.13%
Berman H & 1200 Boardwalk Shop	11,806,100	2	0.10%	15,409,100	1	0.19%
Port-O-Call Associates	9,890,000	3	0.09%	8,281,900	8	0.10%
Magton, Inc.	9,856,900	4	0.09%	13,244,100	3	0.16%
YFP Ocean City LLC	6,800,000	5	0.06%			
Gillian Brothers, Inc.	6,370,500	6	0.06%	7,237,700	9	0.09%
Holloway, Gary & Patricia	6,368,000	7	0.06%	10,097,900	6	0.12%
OC 34 Associates, LLC	6,249,000	8	0.05%			
Mita, Eustace W & Susanne E	6,184,900	9	0.05%	11,681,900	4	0.14%
Raab Family, LLC	5,847,200	10	0.05%	14,850,000	2	0.18%
JWR Construction, Co. Inc				9,231,700	7	0.11%
Warren North				6,927,100	10	0.08%
<b>Totals</b>	<b>\$ 82,045,200</b>		<b>0.72%</b>	<b>\$ 108,020,200</b>		<b>1.30%</b>
	District Assessed Value		\$ 11,437,322,724			\$ 8,249,356,764

Source: District CAFR & Municipal Tax Assessor

**Ocean City School District  
Property Tax Levies and Collections,  
Last Ten Fiscal Years**

**Exhibit J-9**

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	
2007	20,550,472	20,550,472	100%	-
2008	21,035,859	21,035,859	100%	-
2009	21,864,170	21,864,170	100%	-
2010	22,686,960	22,686,960	100%	-
2011	23,862,118	23,862,118	100%	-
2012	24,253,876	24,253,876	100%	-
2013	24,272,584	21,403,654	88%	2,850,222.00
2014	24,281,572	24,281,572	100%	-
2015	24,681,877	24,681,877	100%	-
2016	24,556,841	24,556,841	100%	-

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

Exhibit J-10

Ocean City School District  
Ratios of Outstanding Debt by Type,  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income	Debt Per Capita *
	General Obligation Bonds	Certificates of Participation	Bond Anticipation Notes (BANs)	Capital Leases	Capital Leases			
2007	23,700,000.00	-	-	-	-	23,700,000.00	3.96%	1,565
2008	22,645,000.00	-	-	-	-	22,645,000.00	3.74%	1,513
2009	21,530,000.00	-	-	226,344.42	-	21,756,344.42	3.54%	1,464
2010	23,799,000.00	-	-	153,828.16	-	23,952,828.16	3.79%	1,629
2011	22,244,000.00	-	-	74,418.60	-	22,318,418.60	4.33%	1,907
2012	20,614,000.00	-	-	-	-	20,614,000.00	3.95%	1,775
2013	18,894,000.00	-	-	-	-	18,894,000.00	3.43%	1,632
2014	19,586,000.00	-	-	-	-	19,586,000.00	3.47%	1,709
2015	17,691,000.00	-	-	-	-	17,691,000.00	3.13%	1,555
2016	17,346,000.00	-	-	-	-	17,346,000.00	2.95%	1,528

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

\* = Per Capital Income data presented is for the entire County of Cape May, not only the City of Ocean City.

**Ocean City School District  
Ratios of Net General Bonded Debt Outstanding,  
Last Ten Fiscal Years**

**Exhibit J-11**

Fiscal Year Ended June 30,	Governmental Activities			Percentage of Actual Taxable Value of Property	* Per Capita Personal Income
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	23,700,000	-	23,700,000	0.29%	39,566
2008	22,645,000	-	22,645,000	0.18%	40,497
2009	23,700,000	-	23,700,000	0.18%	41,366
2010	23,799,000	-	23,799,000	0.19%	43,026
2011	22,244,000	-	22,244,000	0.17%	44,017
2012	20,614,000	-	20,614,000	0.17%	44,965
2013	18,894,000	-	18,894,000	0.17%	47,611
2014	19,586,000	-	19,586,000	0.18%	49,307
2015	17,691,000	-	17,691,000	0.16%	49,716
2016	17,346,000	-	17,346,000	0.15%	51,812

Source: School District records; New Jersey Department of Labor and Workforce Development.

\* = Per Capital Income data presented is for the entire County of Cape May, not only the City of Ocean City.

**Ocean City School District  
 Direct and Overlapping Governmental Activities Bonded Debt,  
 As of December 31, 2015 for overlapping debt**

**Exhibit J-12**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt Repaid with Property Taxes</b>			
City of Ocean City	96,778,338	100.00%	96,778,338
<b>Other Debt</b>			
County of Cape May	181,290,404	22.99%	41,670,939
Subtotal, Overlapping Debt			138,449,277
<b>City of Ocean City School District Direct Debt</b>			17,346,000
<b>Total Direct and Overlapping Debt</b>			<u>155,795,277</u>

Sources: City of Ocean City, County of Cape May.

Ocean City School District  
 Legal Debt Margin Information,  
 Last Ten Fiscal Years

Exhibit J-13

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	453,593,831	510,193,652	535,306,056	528,416,662	520,374,880	507,250,828	488,327,706	481,306,487	461,272,824	461,213,038
Total net debt applicable to limit	23,700,000	22,645,000	21,530,000	23,799,000	22,244,000	20,614,000	18,894,000	19,586,000	17,691,000	17,346,000
Legal debt margin	429,893,831	487,548,652	513,776,056	504,617,662	498,130,880	486,636,828	469,433,706	461,720,487	443,581,824	443,867,038
Total net debt applicable to the limit as a percentage of debt limit	5.22%	4.44%	4.02%	4.50%	4.27%	4.06%	3.87%	4.07%	3.84%	3.76%

	2015	2014	2013
Equalized valuation basis	\$ 11,634,390,749	\$ 11,510,012,817	\$ 11,446,574,320
Average equalized valuation of taxable property	\$ 11,530,325,962		
Debt limit (4% of average)	461,213,038		
Net bonded school debt	17,346,000		
Legal debt margin	\$ 443,867,038		

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

**Ocean City School District  
Demographic and Economic Statistics,  
Last Ten Fiscal Years**

**Exhibit J-14**

<u>Fiscal Year Ended June 30,</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	15,142	599,108,372	39,566	4.6%
2008	14,970	606,240,090	40,497	5.7%
2009	14,863	614,822,858	41,366	8.2%
2010	14,702	632,568,252	43,026	8.6%
2011	11,702	515,086,934	44,017	9.0%
2012	11,615	522,268,475	44,965	9.8%
2013	11,576	551,144,936	47,611	9.8%
2014	11,462	565,156,834	49,307	11.1%
2015	11,380	565,768,080	49,716	11.1%
2016	11,355	588,325,260	51,812	7.1%

Source: New Jersey Department of Labor and Workforce Development.  
Income is for Cape May County

Exhibit J-15

Ocean City School District  
Principal Employers,  
Current Year and Nine Years Ago

Employer	2016			2007		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Ocean City Board of Education				370	1	35.92%
City of Ocean City				284	2	27.57%
Methodist Homes for the Aged				100	3	9.71%
Super Fresh Market				86	4	8.35%
Port-O-Call Hotel				45	5	4.37%
Perry-Egan Chevrolet				39	6	3.79%
Acme Markets				36	7	3.50%
Ford Scott & Associates				35	8	3.40%
McDonald's Restaurant				35	9	3.40%
Totals	-		0.00%	1,030		100.00%

*Information not available*

Source: District Records (2016) and City of Ocean City (2007)



**Ocean City School District  
Full-time Equivalent District Employees by Function/Program,  
Last Ten Fiscal Years**

Exhibit J-16

<u>Function/Program</u>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction:										
Regular instruction	208.0	212.0	211.0	213.0	204.0	145.0	138.0	138.0	138.0	138.0
Other instruction	47.0	36.2	36.2	39.0	38.0	49.0	45.3	45.3	45.3	45.3
Support Services:										
Student & instruction related services	34.0	35.9	35.9	37.0	35.0	60.0	49.4	49.4	49.4	49.4
General administrative services	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
School administrative services	15.8	15.8	15.8	15.8	16.0	16.0	17.0	17.0	17.0	16.0
Business administrative services	6.0	6.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0
Plant operations and maintenance	35.5	35.5	33.5	34.0	32.0	41.0	35.0	35.0	35.0	35.0
Pupil transportation	0.7	0.7	0.7	0.7	1.0	1.0	1.0	1.0	1.0	1.0
Food Service										
<b>Total</b>	<b>349.0</b>	<b>345.1</b>	<b>342.1</b>	<b>348.5</b>	<b>335.0</b>	<b>321.0</b>	<b>295.7</b>	<b>295.7</b>	<b>295.7</b>	<b>294.7</b>

Source: District Personnel Records

Ocean City School District  
Operating Statistics,  
Last Ten Fiscal Years

Exhibit J-17

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Cost per Pupil	% Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School	High School				
2007	2,121.0	40,328,563	19,014	6.57%	208.0	8.2:1	8.4:1	11.9:1	2,120	2,003	#DIV/0!	94.48%
2008	2,077.0	40,856,418	19,671	3.46%	208.0	7.5:1	7.8:1	11.7:1	2,088	1,985	-1.51%	95.07%
2009	2,103.0	40,331,168	19,178	-2.51%	208.0	8.3:1	8.6:1	11.6:1	2,132	2,019	2.11%	94.70%
2010	2,102.0	39,706,698	18,890	-1.50%	201.0	8.8:1	9.6:1	11.3:1	2,095	1,987	-1.76%	94.85%
2011	2,049.0	38,089,570	18,589	-1.59%	190.0	9.6:1	9.6:1	11.6:1	2,052	1,940	-2.03%	94.54%
2012	2,034.0	37,696,873	18,533	-0.30%	193.0	10.1:1	9.7:1	11.0:1	2,065	1,967	0.63%	95.25%
2013	2,089.0	39,039,518	18,688	0.84%	183.0	10.9:1	10.8:1	11.8:1	2,065	1,977	0.00%	95.74%
2014	2,095.0	39,043,234	18,636	-0.28%	183.0	10.9:1	10.9:1	11.6:1	2,092	1,979	1.31%	94.60%
2015	2,151.0	39,811,546	18,508	-0.69%	183.0	10.9:1	10.9:1	11.6:1	2,145	2,025	2.53%	94.41%
2016	2,144.0	40,752,933	19,008	2.70%	183.0	10.9:1	10.9:1	11.6:1	2,125	1,977	-0.93%	93.04%

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

Ocean City School District  
School Building Information,  
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b><u>District Buildings</u></b>										
<b><u>Elementary</u></b>										
Ocean City Primary School	60,031	60,031	60,031	60,031	60,031	60,031	60,031	60,031	60,031	60,031
Square Feet	461	461	461	461	461	461	461	461	461	461
Capacity (students)	284	275	309	327	329	344	394	394	394	441
Enrollment										
<b><u>Middle School</u></b>										
Ocean City Intermediate School	93,846	93,846	93,846	93,846	102,448	102,448	102,448	102,448	102,448	102,448
Square Feet	707	707	707	707	707	707	707	707	707	707
Capacity (students)	408	413	454	488	483	465	477	485	485	451
Enrollment										
<b><u>High School</u></b>										
Ocean City High School	232,770	232,770	232,770	232,770	232,770	232,770	232,770	232,770	232,770	232,770
Square Feet	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338
Capacity (students)	1,427	1,399	1,340	1,282	1,240	1,255	1,228	1,216	1,216	1,252
Enrollment										
<b><u>Other</u></b>										
Administration	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Square Feet										

\*Administration moved to school buildings 2004 and 2006. Separate administration buildings no longer exist.

Number of Schools at June 30, 2016

Elementary -	1
Middle -	1
High School -	1
Other -	0

Source: District Records, ASSA

Ocean City School District  
 General Fund  
 Schedule of Required Maintenance for School Facilities,  
 Last Ten Fiscal Years  
 (Unaudited)

Undistributed Expenditures - Required Maintenance for School Facilities

School Facilities	Project # (s)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ocean City Primary School	N/A	116,396	119,152	107,761	101,969	73,483	70,889	36,205	83,779	54,439	84,915
Ocean City Intermediate School	N/A	191,711	196,251	171,677	175,293	158,087	130,825	175,978	247,406	226,432	211,416
Ocean City High School	N/A	376,575	385,493	348,891	347,014	203,673	335,213	706,247	381,647	466,045	416,587
Total School Facilities		684,682	700,896	628,329	624,276	435,243	536,927	918,429	712,832	746,916	712,918
Other Facilities						98,929	116,341				
Grand Total		684,682	700,896	628,329	624,276	534,172	653,268	918,429	712,832	746,916	712,918

Source: District Records

**Ocean City School District  
Insurance Schedule  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)**

**Exhibit J-20**

Company	Type of Coverage	Amount of Coverage	Deductible
New Jersey School Board Association Insurance Group	School Package Policy:		
	Property - Blanket Buildings & Contents	\$ -	\$ 5,000.00
	Blanket Extra Expense	50,000,000.00	5,000.00
	Blanket Valuable Papers and Records	-	5,000.00
	Flood	Various sub limits	500,000.00
	Terrorism	1,000,000.00	
	Electronic Data Processing Equipment:		
	Blanket Hardware/Software and Extra Expense	696,609.00	1,000.00
	Equipment Breakdown	100,000,000.00	5,000.00
	Crime Coverage:		
	Public Employee Dishonesty	25,000.00	500.00
	Money & Securities	25,000.00	500.00
	Money Orders/Counterfeit Currency	25,000.00	500.00
	Depositor's Forgery	25,000.00	500.00
	Comprehensive General Liability:		
	Bodily Injury & Property Damage	6,000,000.00	
	Bodily Injury from Products & Completed Operations	6,000,000.00	
	Sexual Abuse	6,000,000.00	
	Personal Injury & Advertising Injury	6,000,000.00	
	Employee Benefit Liability	6,000,000.00	1,000.00
	Premises Medical Payments	5,000.00	-
	Terrorism	1,000,000.00	
	Automobile:		
Bodily Injury & Property Damage	6,000,000.00		
Uninsured/Underinsured Motorists	1,000,000.00		
Personal Injury Protection	250,000.00		
Medical Payments	10,000.00		
Western Surety Company	Individual Bonds: Timothy Kelley - School Business Admin	300,000.00	

Source: District Records

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**SINGLE AUDIT SECTION**







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## K-1 INDEPENDENT AUDITOR'S REPORT

Honorable President and  
Members of the Board of Education  
City of Ocean City School District  
County of Cape May  
State of New Jersey

We have audited the basic financial statements of the Board of Education of the City of Ocean City, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated November 23, 2016. 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 presented by the Division of Finance, Department of Education, State of New Jersey.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Ocean City School District's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of City of Ocean City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Ocean City School District's basic 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 basic 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* and audit requirements prescribed by the Division of Finance, Department of Education, and State of New Jersey.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ford, Scott & Associates, L.L.C.*

Ford, Scott & Associates, LLC.  
Certified Public Accountants

*Leon P. Costello*

Leon P. Costello, CPA  
Certified Public Accountant  
Licensed Public School Accountant  
No. 767

November 23, 2016



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## K-2 INDEPENDENT AUDITOR'S REPORT

Honorable President and  
Members of the Board of Education  
City of Ocean City School District  
County of Cape May, New Jersey

### **Report on Compliance for Each Major Federal and State Program**

We have audited the Board of Education of the City of Ocean City School District in the County of Cape May, State of New Jersey's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the City of Ocean City School District's major federal and state programs for the year ended June 30, 2016. The City of Ocean City School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Ocean City School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Uniform Guidance and New Jersey OMB 15-08. Those standards, OMB Uniform Guidance and NJ OMB 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City of Ocean City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City of Ocean City School District's compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, the City of Ocean City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of the City of Ocean City School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Ocean City School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance and NJ OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ocean City School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and NJ OMB 15-08. Accordingly, this report is not suitable for any other purpose.

*Ford, Scott & Associates, L.L.C.*  
Ford, Scott & Associates, LLC.  
Certified Public Accountants

*Leon P. Costello*

Leon P. Costello, CPA  
Certified Public Accountant  
Licensed Public School Accountant  
No. 767

November 23, 2016

CITY OF OCEAN CITY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Financial Assistance  
for the Fiscal Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ U.S. Department of Agriculture	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015		Cash Received	Source		(MEMO) Pass Through to Sub-Recipients	Adjustments	Unearned Revenue	Balance at June 30, 2016 (Accounts Receivable)	Due to Grantor
						Accounts Receivable	Unearned Revenue		Pass Through	Direct					
<b>U.S. Department of Agriculture</b>															
<b>Passed-through State Department of Education:</b>															
Enterprise Fund:															
10550	1616N30-AN099		NA	7/1/15 - 6/30/16	34,166			34,166	(34,166)						
10553	1616N30-AN099		NA	7/1/15 - 6/30/16	25,413	(5,012)		20,525	(25,413)					(4,888)	
10555	1616N30-AN099		NA	7/1/14 - 6/30/15	25,315		5,012								
10555	1616N30-AN099		NA	7/1/14 - 6/30/15	188,289	(35,175)	35,175		(180,170)					(31,214)	
						(40,187)		243,834	(239,749)					(36,102)	
<b>U.S. Department of Health and Human Services</b>															
<b>Passed-through State Department of Health and Human Services</b>															
92776	1605NLSMAP		NA	7/1/15 - 6/30/16	13,519		13,519		(13,519)						
<b>U.S. Department of Education</b>															
<b>Passed-through State Department of Education:</b>															
Special Revenue Fund:															
84010A	5010A150000		NCLB	7/1/15 - 6/30/16	274,836	(112,022)	195,195		(274,836)					(79,641)	
84010A	5010A150000		NCLB	9/1/14-6/30/15	267,206		116,740		(4,718)						
84367A	S367A150029		NCLB	7/1/15 - 6/30/16	82,032		60,593		(82,032)					(21,439)	
84367A	S367A150029		NCLB	7/1/14 - 6/30/15	82,975	(27,905)	27,905								
84027	H027A150100		FT 05	7/1/15 - 6/30/16	565,845	(166,272)	466,134		(565,845)					(89,651)	
84027	H027A150100		FT 04	7/1/14 - 6/30/15	521,351		166,272								
84027	H027A150100		FT 04	7/1/14 - 6/30/15	378,077	(14,652)								(14,652)	
84173	H173A150114		FT 05	7/1/15 - 6/30/16	15,079	(4,788)	10,676		(15,079)					(4,403)	
84173	H173A150114		FT 06	7/1/14 - 6/30/15	14,226		4,788								
8413A	8413A12008		NA	7/1/14-6/30/15	150,000	(13,674)	13,674		(13,674)						
<b>IIS Competitive Grant (RTTT)</b>															
<b>Total Special Revenue Fund</b>															
						(339,213)	13,674	1,061,937	(956,184)					(219,769)	
<b>Total Federal Financial Assistance</b>															
						(379,400)	13,674	1,319,230	(1,209,452)					(255,888)	

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

CITY OF OCEAN CITY SCHOOL DISTRICT  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year ended June 30, 2016

State Grantor/Program Title	Grant or State Project Number	Program or Amount	Grant Period		Due to Grantor	Comptroller (Withdrawal) Amount	Cash Received	Budgetary Expenditures	Adjustments / Reimbursement Prior Year Balances	Balance at June 30, 2016		MEMO	Cumulative Total Expenditures
			From	To						(Accounts Receivable)	Due to Grantor		
<b>State Department of Education</b>													
General Fund:													
State Aid - Public Cluster:													
Transportation Aid	16-485-034-5120-088	654,280	7/1/2015	6/30/2016	-	-	606,777	(664,280)	-	-	(57,503)	664,280	
School Choice Aid	16-485-034-5120-088	2,692,050	7/1/2015	6/30/2016	-	-	2,449,878	(2,692,050)	-	-	(232,172)	2,692,050	
Security Aid	16-485-034-5120-084	159,991	7/1/2015	6/30/2016	-	-	146,141	(159,991)	-	-	(13,850)	159,991	
PARCC Aid	16-485-034-5120-088	13,740	7/1/2015	6/30/2016	-	-	12,551	(13,740)	-	-	(1,189)	13,740	
Per Pupil Growth Aid	16-485-034-5120-097	13,740	7/1/2015	6/30/2016	-	-	12,551	(13,740)	-	-	(1,189)	13,740	
Total State Aid Public Cluster							3,227,898	(3,533,801)	-	-	(305,903)	3,533,801	
Non-public Transportation Aid	16-485-034-5120-015	232,648	7/1/2015	6/30/2016	-	-	212,508	(232,648)	-	-	(20,140)	232,648	
Non-public Transportation Aid	16-485-034-5120-014	3,480	7/1/2015	6/30/2016	-	-	5,220	(3,480)	-	-	(3,480)	3,480	
Extracurricular Aid	15-100-034-5120-473	70,681	7/1/2014	6/30/2015	-	-	50,581	(74,548)	-	-	(74,548)	70,681	
Reimbursed TPAF Social Security	16-485-034-5095-003	1,383,232	7/1/2015	6/30/2016	-	-	1,313,972	(1,383,232)	-	-	(69,320)	1,383,232	
Reimbursed TPAF Social Security	15-485-034-5095-003	1,372,823	7/1/2014	6/30/2015	-	-	68,084	(68,084)	-	-	-	1,372,823	
Total General Fund							4,878,263	(5,227,769)	-	-	(473,391)	6,656,493	
Special Revenue Fund:													
NJ Nonpublic Aid:													
Textbook Aid	16-100-034-5120-084	3,483	7/1/2015	6/30/2016	-	-	3,483	(3,441)	-	142	-	3,441	
Technology Aid	15-100-034-5120-373	1,728	7/1/2014	6/30/2015	45	45	1,586	(1,559)	(45)	-	-	1,683	
Security Aid	16-100-034-5120-509	1,525	7/1/2015	6/30/2016	-	-	1,525	-	-	1,525	-	1,525	
Total Special Revenue Fund							6,594	(4,900)	(45)	1,694	-	7,688	
<b>New Jersey Economic Development Authority</b>													
Capital Projects Fund													
Improvements and Renovations to the Intermediate School	N/A	3,408,856	Open	Open	(597,245)	-	235,408	(1,008,442)	-	-	(597,245)	3,394,544	
Improvements and Renovations to the Primary School	N/A	2,399,279	Open	Open	(793,592)	-	235,408	(1,008,442)	-	-	(1,566,626)	1,029,000	
Total Capital Project Fund													
<b>State Department of Agriculture:</b>													
Enterprise Fund:													
National School Lunch Program (State Share)	16-100-010-3360-067	4,753	7/1/2015	6/30/2016	(885)	-	3,939	(4,753)	-	-	(814)	4,753	
National School Lunch Program (State Share)	15-100-010-3360-067	5,279	7/1/2014	6/30/2015	(953)	-	963	-	-	-	(814)	5,279	
Total Enterprise Fund													
Total State Financial Assistance													
							5,125,187	(6,245,864)	(45)	1,694	(2,636,076)	11,087,765	

The accompanying Notes to Schedules of Expenditures of Awards of Financial Assistance are an integral part of this schedule.

**OCEAN CITY SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS  
AND FINANCIAL ASSISTANCE  
JUNE 30, 2016**

**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, City of Ocean City School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, is included on the schedule 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 with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Uniform Guidance and NJ OMB 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has elected not to use the 10% de minimis indirect cost rate.

**Note 3: Relationship to Basic Financial Statements**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$8,720 for the general fund and \$1,210 for the special revenue fund. See the Notes to the Required Supplementary Information 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 presented on the following page:

	Federal	State	On-Behalf TPAF Pension	Total
General Fund	\$ 13,519	3,844,477	(3,278,104)	579,892
Special Revenue Fund	356,184	4,899		361,083
Capital Projects Fund		230,408		230,408
Food Service Fund	239,748	4,753		244,501
Total Financial Assistance	<u>\$ 609,451</u>	<u>4,084,537</u>	<u>(3,278,104)</u>	<u>1,415,884</u>

The On-Behalf Pension Contributions made for the District by the State of New Jersey are recognized as revenue in the basic financial statements, but are not considered in the major program determination.

**OCEAN CITY SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS  
AND FINANCIAL ASSISTANCE  
JUNE 30, 2016  
(CONTINUED)**

**Note 4: Relationship to Federal and State Financial Reports**

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

**Note 5: Other**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2016. 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, 2016.



**OCEAN CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING JUNE 30, 2016**

***Section I – Summary of Auditor’s Results***

**Financial Statements**

Type of auditor’s report issued:	Unmodified Opinion issued on the Basic Financial Statements, dated November 23, 2016
Internal control over financial reporting:	
1) Material weakness identified?	No
2) Significant deficiencies identified?	None reported
Noncompliance material to basic financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
1) Material weakness identified?	No
2) Significant deficiencies identified?	None reported
Type of auditor’s report issued on compliance for major programs:	An Unmodified Opinion was issued on compliance for major programs, dated November 23, 2016
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Uniform Guidance?	No

Identification of major programs:

<b><u>CFDA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
84.027	IDEA Basic

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**OCEAN CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING JUNE 30, 2016  
(CONTINUED)**

***Section I – Summary of Auditor’s Results (Continued)***

**State Awards**

Dollar threshold used to distinguish between type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes
Type of auditor’s report issued on compliance for major programs:	An Unmodified Opinion was issued on compliance for major programs, dated November 27, 2016
Internal Control over major programs:	
1) Material weakness identified?	No
2) Significant deficiencies identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08?	No

Identification of major programs:

<b><u>GMIS Number(s)</u></b>	<b><u>Name of State Program</u></b>
	<u>State Aid Public</u>
495-034-5120-089	Special Education Aid
495-034-5120-068	School Choice Aid
495-034-5120-084	Security Aid
495-034-5120-097	PARCC Aid
495-034-5120-098	Per Pupil Growth Aid

***Section II - Financial Statement Findings***

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements that are required to be reported under this section.

**OCEAN CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING JUNE 30, 2016  
(CONTINUED)**

***Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs***

**FEDERAL AWARDS**

Our audit disclosed no matters to be reported.

**STATE AWARDS**

Our audit disclosed no matters to be reported.

**STATUS OF PRIOR YEAR FINDINGS**

**Federal:**

No matters were reported.

**State:**

No matters were reports.