

Comprehensive Annual Financial Report

of the

Borough of Stone Harbor Board of Education

Stone Harbor, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

Borough of Stone Harbor Board of Education

Finance Department

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Introductory Section

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

STACEY LaROCCA-TRACY
Chief School Administrator

DR. RENEE MURTAUGH
Supervisor of Curriculum
& Instruction

LINDA FIORI
Business Administrator

October 21, 2016

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

Dear Board Members:

The comprehensive annual financial report of the Borough of Stone Harbor School District (District) for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Management's Discussion and Analysis, basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is not required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, OMB Uniform Guidance, and State Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. However, the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

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

The District provides a full range of educational services appropriate to grade levels K through 4 and includes servicing Avalon students as tuition students to the District. Students in grade levels 5 through 8 attend Avalon School District. Additionally, it provides tuition for grades 9 through 12 to Middle Township High School and to the Cape May County Special Services School District. These include regular, as well as special education for handicapped students. The District completed the 2015-2016 fiscal year with an enrollment of 68 students, which is 4 students below the previous year's enrollment.

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

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2015-2016	68	(1.5)%
2014-2015	69	(6.8)%
2013-2014	74	(5.1)%
2012-2013	78	(1.3)%
2011-2012	79	5.3%
2010-2011	75	23.0%
2009-2010	61	(23.8)%
2008-2009	80	(4.8)%
2007-2008	84	(12.5)%
2006-2007	96	0.0%

2) ECONOMIC CONDITION AND OUTLOOK:

Stone Harbor Borough is an affluent seashore community consisting primarily of residential properties. The estimated 866 permanent, year round resident population (2010 U.S. Bureau of Census, Population Division) swells to approximately 25,000 during the summer season. There is no major industry and very little room for growth in both the residential and business districts. Most residential properties are used for income purposes (summer rentals).

3) MAJOR INIATIVES:

Students continued to score above the state and national averages. During the 2015-16 school year the district of Stone Harbor & Avalon continued a shared instructional model for educating students on the island. Stone Harbor Elementary School will educate all the K-4 students & Avalon Elementary School will educate grades 5-8. We continue to align our curriculum syllabus K-8 with the New Jersey State Department's Common Core Content Standards and with the Work Place Readiness Standards. Technology continues to play a supplemental role in all academic areas.

4) INTERNAL ACCOUNTING CONTROLS:

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

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

5) BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue 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 and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7) CASH MANAGEMENT:

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

8) RISK MANAGEMENT:

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

9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ford Scott & Associates, LLC, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act, OMB Uniform Guidance and State Treasury Circular Letter 15-08 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10) ACKNOWLEDGMENTS:

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

Respectfully submitted,

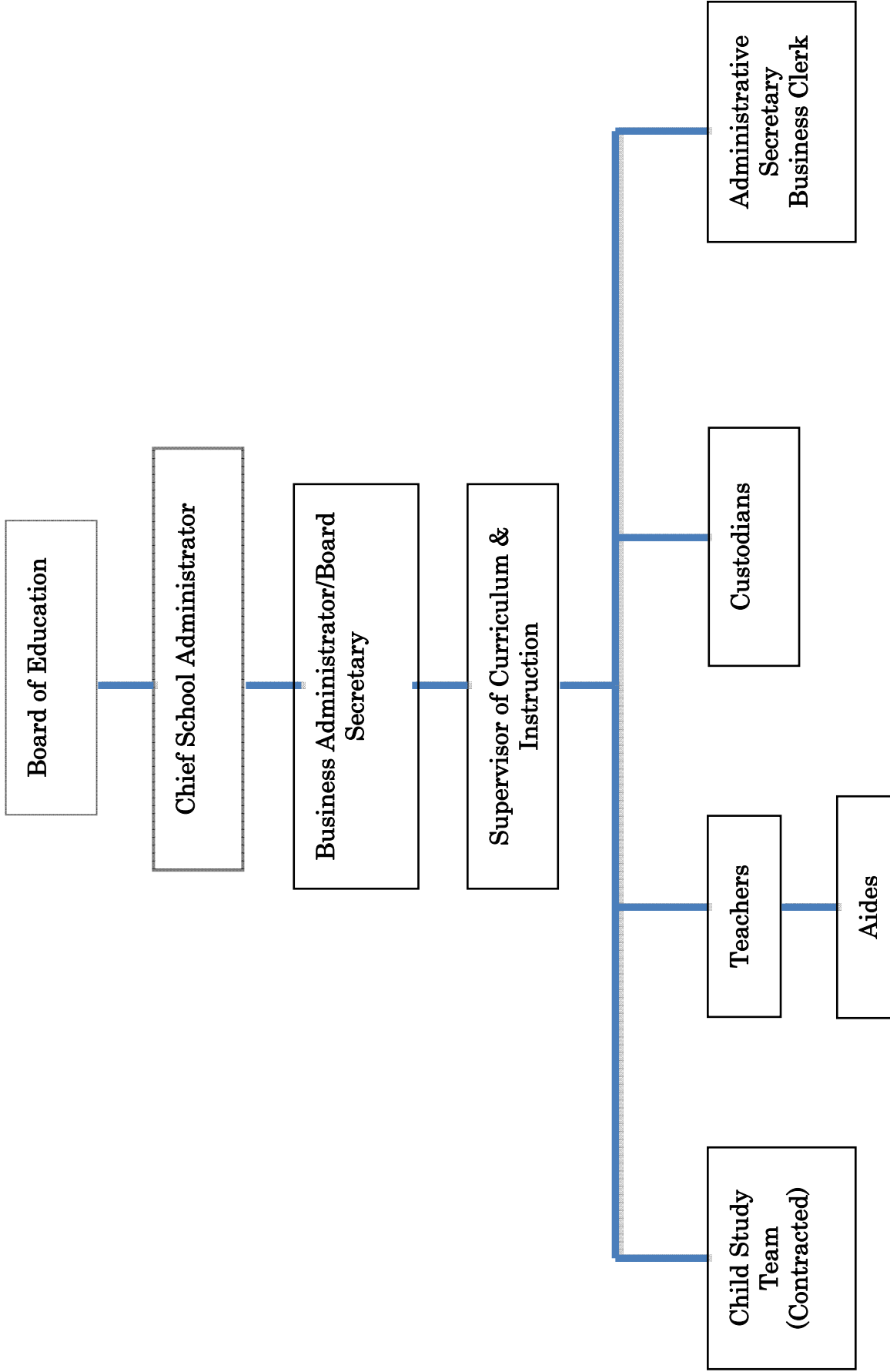
Stacey LaRocca-Tracy

Stacey LaRocca-Tracy
Superintendent

Linda Fiori

Linda Fiori
Business Administrator

**STONE HARBOR SCHOOL DISTRICT
ORGANIZATIONAL CHART**



BOROUGH OF STONE HARBOR BOARD OF EDUCATION

STONE HARBOR, NEW JERSEY

ROSTER OF OFFICIALS
June 30, 2016

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Mr. David Hoy, President	2017
Mr. Charles Krafczek	2017
Dr. John McAllister	2016
Mr. William Stump	2018
Ms. Maggie Day	2018
Mr. John Richardson (Avalon Representative)	2017

Other Officials

Mrs. Stacey LaRocca-Tracy, Chief School Administrator

Ms. Linda Fiori, School Business Administrator

Ms. Patricia Wagner, Treasurer of School Monies

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

Audit Firm

Ford Scott & Associates, LLC
1535 Haven Avenue
Ocean City, NJ 08226
(609) 399-6333

Attorney

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Parker McCay P.A.
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Mount Laurel, New Jersey 08054

Vito A. Gagliardi, Jr., Esq
Porzio, Bromberg & Newman, P.C.
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Morristown, NJ 07962

Official Depository

Sturdy Savings Bank
9417 Third Avenue
P.O. Box 98
Stone Harbor, New Jersey 08247

Financial Section

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

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 Borough of Stone Harbor School District, Borough of Stone Harbor, New Jersey, as of and for the fiscal 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 Borough of Stone Harbor School District's basic financial statements. The introductory section, 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 state financial assistance as required by NJ OMB 15-08, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, combining statements, 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 state financial assistance as required by NJ OMB 15-08, and statistical information 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), 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 October 21, 2016 on our consideration of the Borough of Stone Harbor 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 the Borough of Stone Harbor School District's internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Michael S. Garcia

Michael S. Garcia
Certified Public Accountant
Licensed Public School Accountant
No. 2080

October 21, 2016

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Required Supplemental Information
Part I

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Borough of Stone Harbor School District ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statement.

FINANCIAL HIGHLIGHTS

- The net position of the District increased compared to the prior year as a result of an excess of revenues over expenses.
- The State of New Jersey reimbursed the District \$66,153 during the fiscal year ended June 30, 2016 for the employer's share of social security contributions. The State of New Jersey also paid \$168,969 in pension contributions and retiree health coverage for TPAF members as calculated on their base salaries on behalf of the District. This amount, which is not budgeted, is included as both a revenue and appropriation in the financial statements.
- As indicated by New Jersey State Statutes, the unreserved fund balance of the general fund is limited to 2% of the total general fund expenditures or \$250,000, whichever is greater. Any excess is required to be designated as Reserved Fund Balance – Excess Surplus and included in the next year's budget as budgeted fund balance. As of June 30, 2016 the District had excess surplus of \$223,824, of which \$0 was required to be budgeted as a revenue for the year ending June 30, 2017 and \$223,824 is designated for subsequent year budgets.
- During the fiscal year ended June 30, 2016, the District's revenues were approximately \$8,750 more than total expenses in the fund financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the District operates like businesses, such as the milk program.
- *Fiduciary fund* statements provide information about the financial relationships – like the unemployment trust fund – in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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

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

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

	Government wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as food service and student activities	Activities the District operates similar to private businesses; food service	Instances in which the District is the trustee or agent for someone else’s resources, such as payroll agency and student activities.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position

Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health, or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the Borough's property tax base and the condition of the District's facilities.

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

- *Governmental activities* – most of the District's basic services are included here, such as instruction, transportation, administration, and plant operations. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* – the District charges fees to customers to help it cover the costs of certain services it provides. The District's milk fund program is included here. The District also has an internal service fund which provides for the Supervisor of Curriculum and Instruction. This fund is supported by payments from the District and Avalon Board of Education.

Fund Financial Statements

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

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for other assets that - because of a trust arrangement – can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in separate statement of fiduciary net position and a statement of

changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's governmental activities net position increased between fiscal years 2016 and 2015 as a result of an excess of revenues over expenses. The business-type activities net position remained the same.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$1,051,750	1,042,474	1,077	1,077	1,052,827	1,043,551
Capital assets	2,771,109	2,420,762			2,771,109	2,420,762
Total assets	3,822,859	3,463,236	1,077	1,077	3,823,936	3,464,313
Deferred outflows of resources	58,305	22,642	-	-	58,305	80,947
Other liabilities	515,138	457,457			515,138	457,457
Total liabilities	515,138	457,457	-	-	515,138	457,457
Deferred inflows of resources	43,194	63,454	-	-	43,194	63,454
Net position						
Net invested in capital assets	2,771,109	2,420,762			2,771,109	2,420,762
Restricted	780,486	758,704			780,486	758,704
Unrestricted	(228,763)	(214,499)	1,077	1,077	(227,686)	(213,422)
Total net assets	\$3,322,832	2,964,967	1,077	1,077	3,323,909	2,966,044

Net position of the District increased due to an excess of revenues over expenses. Also, included in long-term liabilities are amounts due to be paid on compensated absences and the unfunded pension liability.

As required by New Jersey Statutes, the unrestricted net position of the District are not permitted to exceed the greater of \$250,000 or 2% of total general fund expenditures, after reductions for On-behalf TPAF pension and social security. Any excess must be appropriated as budgeted fund balance in the subsequent years' budget. As of June 30, 2016, the District had excess fund balance in the amount of \$223,824 of which \$0 has been included in the 2016-2017 budget and the remaining \$223,824 will be included in the 2017-2018 budget.

Changes in net position. The total general fund revenue of the District increased approximately \$19,000 due to an increase in the miscellaneous revenue.

Approximately 8.99% of the District's governmental funds revenue comes from the State of New Jersey in the form of non-restricted federal and state aid. This aid is based on the District's enrollment as well as other factors related to the District's formula aid which is a relationship of the adequacy budget and the Borough's property values and income of the residents. The District expenses are primarily related to instruction, administration, and plant operations.

	2016		2015	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Property taxes	\$ 2,396,585	74.54%	2,396,585	72.08%
Unrestricted Federal and State aid	289,107	8.99%	413,381	12.43%
Tuition	484,050	15.06%	497,400	14.96%
Operating grants and contributions	29,226	0.91%	15,667	0.47%
Other	16,158	0.50%	1,651	0.05%
Totals	\$ <u>3,215,126</u>	<u>100.00%</u>	<u>3,324,684</u>	<u>100.00%</u>

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Governmental Activities

The following schedule summarizes the governmental and business-type activities of the District during the 2016 and 2015 fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenue						
Charges for services	\$ 647,414	569,522	-	-	647,414	569,522
State grants and entitlements	451,135	305,266			451,135	305,266
General revenues						
Property taxes	2,396,585	2,396,585			2,396,585	2,396,585
State aid entitlements	211,978	357,266			211,978	357,266
Other	20,562	1,651			20,562	1,651
Total revenues	3,727,674	3,630,290	-	-	3,727,674	3,630,290
Expenses						
Instruction:						
Regular	1,121,525	1,054,873			1,121,525	1,054,873
Special Education	149,805	160,655			149,805	160,655
Other Instruction	35,545	32,674			35,545	32,674
Support services:						
Tuition	722,129	745,152			722,129	745,152
Student & instruction related	434,731	404,955			434,731	404,955
School administration services	93,040	98,702			93,040	98,702
General & business admin	179,487	149,288			179,487	149,288
Plant operations & maintenance	399,244	563,572			399,244	563,572
Pupil transportation	67,197	55,572			67,197	55,572
Internal service fund	163,364	72,122			163,364	72,122
Special Schools	3,742	-			3,742	-
Business-type activities			-	-	-	-
Total expenses	3,369,809	3,337,565	-	-	3,369,809	3,337,565
Increase/(Decrease)						
in net assets	357,865	292,725	-	-	357,865	292,725

Business-type Activities

Operating and non-operating revenues of the District's business-type activities remained unchanged from the previous year and expenses also remained unchanged. The milk program was discontinued in the 2013 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As of the year end, the governmental funds reported a combined fund balance of \$1,026,029 which is approximately \$8,750 higher than the beginning of the year.

General Fund Budgetary Highlights

As further explained in the Notes to the Financial Statements, annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County office and, beginning with the 2012-2013 budget voter approval is no longer required if the budget meets certain statutory requirements. Transfers of appropriations may be made by Board resolution at any time during the fiscal year. The District is permitted to encumber funds throughout the year for purchases ordered but not yet received. Any open encumbrances as of June 30th carry over to the next fiscal year and are added to the appropriation reflected in the certified budget.

After adjusting total revenue reported on Exhibit C-1 for the Reimbursed TPAF Social Security Contribution and on-behalf TPAF Pension Contributions, which are not budgeted, the District's actual revenue exceeded the budgeted revenue by approximately \$5,700. This is a result of less tuition students than anticipated, offset by unanticipated miscellaneous revenue. Again, after adjusting for the Reimbursed TPAF Social Security Contribution and on-behalf TPAF Pension Contributions, actual expenditures were below the budgeted appropriations by approximately \$214,000.

CAPITAL ASSET

Capital Assets

At the end of 2016, the District had invested \$2.78 million in a broad range of capital assets, including land, buildings, vehicles and machinery.

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 410,630	410,630			410,630	410,630
Construction in Progress	-	-			-	-
Buildings and Bldg improvements	1,988,263	1,662,405			1,988,263	1,662,405
Machinery & equipment	372,216	347,727			372,216	347,727
					-	-
Total	\$ 2,771,109	2,420,762	-	-	2,771,109	2,420,762

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The District budget for the 2017 fiscal year includes required supplies and anticipated contractual increases in salaries and employee benefits.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the district's operation. These financial statements present the financial position and operating results of all activities as of June 30, 2016.

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DISTRICT-WIDE FINANCIAL STATEMENTS

The district-wide financial statements provide a financial overview of the district's operation. These financial statements present the financial position and operating results of the governmental and business-like activities as of June 30, 2016.

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 942,638	1,077	943,715
Receivables, net	65,866		65,866
Due from Agency Fund	628		628
Due from other governments	42,618		42,618
Capital assets, net			
Land and land improvements	410,630		410,630
Construction in Progress	-		-
Depreciable assets, net of depreciation	2,360,479		2,360,479
Total Assets	<u>3,822,859</u>	<u>1,077</u>	<u>3,823,936</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	58,305		58,305
Total Deferred Outflows of Resources	<u>58,305</u>	<u>-</u>	<u>58,305</u>
LIABILITIES			
Accounts payable	24,855	-	24,855
Unearned revenue	866		866
Noncurrent liabilities:			
Due within one year	-		-
Due beyond one year	116,507		116,507
Net Pension Liability	372,910		372,910
Total liabilities	<u>515,138</u>	<u>-</u>	<u>515,138</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	43,194		43,194
Total Deferred Inflows of Resources	<u>43,194</u>	<u>-</u>	<u>43,194</u>
NET POSITION			
Net investment in capital assets	2,771,109	-	2,771,109
Restricted for:			
Other purposes	780,486		780,486
Unrestricted	(228,763)	1,077	(227,686)
Total net position	<u>\$ 3,322,832</u>	<u>1,077</u>	<u>3,323,909</u>

The accompanying notes are an integral part of these financial statements.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Statement of Activities
June 30, 2016

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
Instruction:								
Regular	\$ 930,768	190,757	484,050	152,859		(484,616)		(484,616)
Special education	124,325	25,480		18,031		(131,774)		(131,774)
Other instruction	29,499	6,046		4,744		(30,801)		(30,801)
Support services:								
Tuition	599,304	122,825		124,469		(597,660)		(597,660)
Student & instruction related services	360,789	73,942		55,077		(379,654)		(379,654)
School administrative services	77,215	15,825		11,558		(81,482)		(81,482)
Other administrative services	148,959	30,528		21,992		(157,495)		(157,495)
Plant operations and maintenance	331,338	67,906		52,836		(346,408)		(346,408)
Pupil transportation	55,768	11,429		8,968		(58,229)		(58,229)
Unallocated benefits	544,738	(544,738)				-		-
Internal Service Fund	163,364		163,364			-		-
Special Schools	3,742			601		(3,141)		(3,141)
Total governmental activities	<u>3,369,809</u>	<u>-</u>	<u>647,414</u>	<u>451,135</u>	<u>-</u>	<u>(2,271,260)</u>	<u>-</u>	<u>(2,271,260)</u>
Business-type activities:								
Food Service	-	-	-	-		-		-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 3,369,809</u>	<u>-</u>	<u>647,414</u>	<u>451,135</u>	<u>-</u>	<u>(2,271,260)</u>	<u>-</u>	<u>(2,271,260)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net						2,396,585		2,396,585
Federal and State aid not restricted						211,978		211,978
Federal and State aid restricted						-		-
Investment Earnings						427		427
Miscellaneous Income						15,731		15,731
Cancellation of Prior Year Payable						4,404		4,404
Total general revenues, special items, extraordinary items and transfers						<u>2,629,125</u>		<u>2,629,125</u>
Change in Net Position						<u>357,865</u>		<u>357,865</u>
Net Position—beginning							1,077	2,966,044
Net Position—ending						<u>3,322,832</u>	<u>1,077</u>	<u>3,323,909</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

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

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

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

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

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2016

	General	Special Revenue	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 941,772	866	-	942,638
Tax levy receivable	-			-
Due from other funds	17,857		-	17,857
Intergovernmental receivable - state	3,768		-	3,768
Intergovernmental receivable - federal	-			-
Intergovernmental receivable - other	38,850			38,850
Other Accounts Receivable	48,637			48,637
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>1,050,884</u>	<u>866</u>	<u>-</u>	<u>1,051,750</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	24,855			24,855
Due to other funds	-	-	-	-
Due to other governments				-
Unearned revenue	-	866		866
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>24,855</u>	<u>866</u>	<u>-</u>	<u>25,721</u>
FUND BALANCES				
Restricted for:				
Excess surplus	223,824			223,824
Excess surplus - designated for subsequent year's expenditures	-			-
Committed to:				
Capital reserve account	165,206			165,206
Maintenance reserve account	140,000			140,000
Emergency reserve account	250,000			250,000
Assigned to:				
Encumbrances	1,456		-	1,456
Designated for subsequent year's expenditures	-			-
Unreserved, reported in:				
General fund	245,543			245,543
Special revenue fund		-		-
Capital Projects fund			-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,026,029</u>	<u>-</u>	<u>-</u>	<u>1,026,029</u>
Total Liabilities and Fund Balances	<u>\$ 1,050,884</u>	<u>866</u>	<u>-</u>	

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

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds. 2,771,109

Long-term pension liabilities are not due and payable in the current
period and therefore are not reported in the funds (357,799)

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds. (116,507)

Net position of governmental activities 3,322,832

The accompanying notes are an integral part of these financial statements.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Local tax levy	\$ 2,396,585			2,396,585
Interest	427			427
Tuition	484,050			484,050
Miscellaneous	15,731			15,731
Local sources		1,134		1,134
State sources	289,107		-	289,107
Federal sources	-	28,092		28,092
Total Revenues	3,185,900	29,226	-	3,215,126
EXPENDITURES:				
Current expense				
Instruction	812,241	1,134		813,375
Special education instruction	96,661			96,661
Other instruction	25,431			25,431
Support services and undistributed costs:				
Tuition	504,248	12,416		516,664
Student & instruction related services	279,581	15,676		295,257
School administrative services	30,202			30,202
Other administrative services	117,898			117,898
Central services	31,756			31,756
Plant operations and maintenance	283,245			283,245
Pupil transportation	48,078			48,078
Unallocated benefits	544,738			544,738
Capital outlay	391,898	-	12,351	404,249
Special Schools	3,226			3,226
Total Expenditures	3,169,203	29,226	12,351	3,210,780
Excess (deficiency) of revenues over (under) expenditures	16,697	-	(12,351)	4,346
Other financing sources (uses):				
Increase in Capital Reserve	(44,899)			(44,899)
Transfer to Capital Reserve	45,000			45,000
Interest earned on Capital Reserve	(101)			(101)
Cancellation of Prior Year Payable			4,404	4,404
Transfer	6,371		(6,371)	-
Total other financing sources (uses)	6,371	-	(1,967)	4,404
Net change in fund balances	23,068	-	(14,318)	8,750
Fund Balances, July 1	1,002,961	-	14,318	1,017,279
Fund Balances, June 30	\$ 1,026,029	-	-	1,026,029

The accompanying notes are an integral part of these financial statements.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 for the Year Ended June 30, 2016

Total net change in fund balances - governmental funds (from B-2) \$ 8,750

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.

	Depreciation expense	(122,034)	
	Capital outlays	<u>472,381</u>	350,347

In the statement of activities, certain operating expenses, e.g. pension expense are measured under full accrual accounting. In the governmental funds, however, expenditures are reported on the amounts actually billed by the State.

	District pension contributions	14,282	
	Cost of benefits earned, net of employee contributions	<u>(31,278)</u>	(16,996)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (retired). When the earned amount exceeds the retired amount, the difference is reduction in the reconciliation (-); when the retired amount exceeds the earned amount the difference is an addition to the reconciliation (+).

15,764

Change in net position of governmental activities

\$ 357,865

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2016

	Non Major Funds	
	Business-type Activities - Enterprise Funds	Governmental Activities
	Milk Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,077	
Accounts receivable		17,229
Inventories		
Total current assets	<u>1,077</u>	<u>17,229</u>
Noncurrent assets:		
Furniture, machinery & equipment		
Less accumulated depreciation		
Total noncurrent assets	<u>-</u>	<u>-</u>
Total assets	<u><u>1,077</u></u>	<u><u>17,229</u></u>
Liabilities		
Current liabilities		
Interfund payable		17,229
Accounts payable	-	-
Total current liabilities	<u>-</u>	<u>17,229</u>
Total liabilities	<u>-</u>	<u>17,229</u>
NET POSITION		
Invested in capital assets, net of related debt	-	-
Unrestricted	1,077	
Total net position	<u><u>\$ 1,077</u></u>	<u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 for the Fiscal Year ended June 30, 2016

	Non Major Funds	
	Business-type Activities - Enterprise Funds	Governmental Activities
	Milk Fund	Internal Service Fund
OPERATING REVENUES:		
Local sources:		
Other revenue		163,364
Total Operating Revenues	-	163,364
OPERATING EXPENSES:		
Salaries		111,298
Employee Benefits		52,066
Cost of sales		
Total Operating Expenses	-	163,364
Operating profit	-	-
Net loss before contributions and transfers	-	-
Change in net position	-	-
Total net position - beginning	1,077	-
Total net position - ending	\$ 1,077	-

The accompanying notes are an integral part of these financial statements.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
for the Fiscal Year ended June 30, 2016

	Non Major Funds	
	Business-type Activities - Enterprise Funds	Governmental Activities Internal Service Fund
	Milk Fund	Fund
Cash Flows from Operating Activities:		
Receipts from customers and others	\$ -	146,135
Payments to employees		(111,298)
Payments for employee benefits		(52,066)
Net cash provided by (used for) operating activities	-	(17,229)
Cash Flows from Noncapital Financing Activities		
Interfund Activity		17,229
Net cash provided by noncapital financing activities	-	17,229
Net increase in cash and cash equivalents	-	-
Balances - beginning of year	1,077	-
Balances - end of year	\$ 1,077	-
Reconciliation of operating loss to net cash used by operating activities:		
Operating income	\$ -	-
Adjustments to reconcile operating loss to cash used by operating activities		
Change in assets and liabilities:		
(Increase) in Accounts Receivable		(17,229)
Total adjustments	-	(17,229)
Net cash (used) by operating activities	\$ -	(17,229)

The accompanying notes are an integral part of these financial statements.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	Scholarship Fund	Unemployment Compensation Trust	Agency Fund
ASSETS:			
Cash and Cash Equivalents	\$ 2,105	39,807	6,473
Total Assets	<u>2,105</u>	<u>39,807</u>	<u>6,473</u>
LIABILITIES:			
Payable to Student Groups			2,954
Payroll liabilities			2,891
Interfund Payable			628
Total Liabilities	<u>-</u>	<u>-</u>	<u>6,473</u>
NET POSITION			
Held in trust for unemployment claims and other purposes	<u>\$ 2,105</u>	<u>39,807</u>	

The accompanying notes are an integral part of these financial statements.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
for the Year Ended June 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>
ADDITIONS		
Contributions:		
Plan member	\$ 1,573	
Board		
Total Contributions	<u>1,573</u>	<u>-</u>
Investment earnings:		
Interest	16	-
Net investment earnings	<u>16</u>	<u>-</u>
Total additions	<u>1,589</u>	<u>-</u>
DEDUCTIONS		
Unemployment claims	124	
Total deductions	<u>124</u>	<u>-</u>
Change in net position	1,465	-
Net position—beginning of the year	<u>38,342</u>	<u>-</u>
Net position—end of the year	<u>\$ 39,807</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the Board of Education (Board) of the Borough of Stone Harbor School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY:

The Borough of Stone Harbor School District is a Type II district located in the County of Cape May, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The board is comprised of five board members and 1 representative from Avalon elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Borough of Stone Harbor School District had an approximate enrollment at June 30, 2016 of 68 students.

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

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

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2016

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS:

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

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

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

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

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net positions 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

Borough of Stone Harbor School District
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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. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. 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.
- 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.
- c. **Capital project fund** is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds.)

Fund Balances – Governmental Funds

Stone Harbor Board of Education has implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

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

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 positions, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the District:

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

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- b. **Internal Service funds** are used to account for activities that service multiple funds or governmental agencies.

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 positions and changes in net positions 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.

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.

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E. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

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

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

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

2. Investments:

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

3. Capital Assets:

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported

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at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

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

4. 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 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.

5. 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.

6. 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

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employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

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

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

7. Interfund Activity:

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

8. 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. No material transfers were made to/(from) budgetary line items during the year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial

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differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

9. Encumbrances:

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

Open encumbrances in the special revenue fund, for which the District has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

10. 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.

11. Tuition Receivable

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

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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 amended budget by program.

14. 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.

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.

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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 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. INVESTMENTS

As of June 30, 2016, the District had no investments.

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

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

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

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NOTE 3. CASH

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The district's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholding or student activity funds. As of June 30, 2016, \$0 of the government's bank balance of \$1,063,781 was exposed to custodial credit risk.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Borough of Stone Harbor Board of Education by the inclusion of \$1 on October 11, 2000 for the accumulation of funds for the use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A 16:60-2. Pursuant to NJAC 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP. The activity is shown as follows:

Beginning balance, July 1	\$	210,105
Interest Earned		101
Appropriated	by	
Resolution		<u>(45,000)</u>
Ending balance, June 30	\$	<u>165,206</u>

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NOTE 5. MAINTENANCE RESERVE

New Jersey Statute 18A:7G-9 permits districts to accumulate funds for the required maintenance of a facility in accordance with the Educational Facilities Construction and Financing Act (EFCFA). The balance may be increased through an appropriation in the annual general fund budget certified for taxes or a resolution of the Board at the June meeting. This reserve may be used at any time during the year, by resolution, to transfer to the required maintenance budget lines for use on required maintenance activities for a school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted for use on required maintenance appropriations and may not be transferred to any other line-item account. As of June 30, 2016 the District has reserved \$140,000 for maintenance.

NOTE 6. FIXED ASSETS

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

	Balance June 30, 2015	Additions	Disposals/ Adjustments	Balance June 30, 2016
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	\$ 410,630			410,630
Total capital assets not being depreciated	410,630	-	-	410,630
Bldg and bldg improve	2,823,016	93,994		2,917,010
Site improvements	86,965	274,595		361,560
Machinery and Equipment	993,001	103,792	27,830	1,068,963
Total at historical cost	3,902,982	472,381	27,830	4,347,533
Less: Accumulated depreciation	(1,892,850)	(122,034)	(27,830)	(1,987,054)
Total capital assets being depr, net of accum depr	2,010,132	350,347	-	2,360,479
Governmental activities capital assets, net	\$2,420,762	350,347	-	2,771,109

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Depreciation expense as charged to governmental functions as follows:

Regular instruction	\$ 61,017
Special education	12,203
Student & instruction related services	18,305
School administrative expenses	12,203
General and business administration	12,203
Plant operations and maintenance	6,103
	<u>\$ 122,034</u>

NOTE 7. GENERAL LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>6/30/2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2016</u>	<u>Due in</u> <u>one year</u>
Governmental	\$				
Activities					
Other liabilities:					
Compensated Absences Payable	132,271	34,969	50,733	116,507	-
Governmental activities long-term liabilities	\$ 132,271	34,969	50,733	116,507	-

NOTE 8. PENSION PLANS

Description of Plans

All required employees of the District are covered by either the Public Employees' Retirement System or the Teacher's Pension and Annuity Fund cost-sharing multiple-employer defined benefit pension plans which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may

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be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the reports can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January, 1955 under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System

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

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 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 NJSA 43:15C-1 et seq.

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 7.06% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF

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rate is 8.32% and the PERS rate is 12.46% of covered payroll. The School District's contributions to TPAF for the years ending June 30, 2016, 2015 and 2014 were \$77,129, \$56,115, and \$42,599 respectively, and paid by the State of New Jersey on behalf of the board. The School District's contributions to PERS for the years ending June 30, 2016, 2015 and 2014 were \$15,537, \$13,209 and \$14,200 respectively, equal to the required contributions for each year.

During the fiscal years ended June 30, 2016, 2015 and 2014, the State of New Jersey contributed \$91,840, \$89,085, and \$69,845, 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 \$66,153, \$72,548, \$73,298 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.

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 Teacher's Pension and Annuity Fund (TPAF) 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 and TPAF 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 $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the systems is increased from age 63 to 65 for Tier 5 members.
- 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. For fiscal year 2013, the member contribution rates increased in October 2012. The phase-in of the additional incremental member contribution rates for PERS 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 level of coverage. The

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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, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS and TPAF from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS and TPAF to 1/60th from 1/55th, and it provided that new members of PERS and TPAF 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 and TPAF will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. The law also requires the State to make its full pension contribution, defined a 1/7th 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 and TPAF 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 9: Public Employees Retirement System

At June 30, 2016, the District reported a liability of \$372,910 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

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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 0.00166121570%, which was an increase of 3.68% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$16,996. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expended and actual experience	\$ 8,896	
Changes of assumptions	40,048	
Net difference between projected and actual earnings on pension plan investments		5,996
Changes in proportion and differences between District contributions and proportionate share of contributions	9,361	37,198
District contributions subsequent to the measurement date	<u>14,282</u>	
Total	<u>\$ 72,587</u>	<u>43,194</u>

\$14.282 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:

<u>Year ended June 30,</u>		
2017	\$	2,825
2018		2,825
2019		2,825
2020		4,240
2021		<u>2,396</u>
Total	<u>\$</u>	<u>15,111</u>

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2016

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	3.04%
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%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members 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 (7.9% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees, and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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 collective net pension liability of the participated employers as of June 30, 2015, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2016

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the net pension liability	\$ 449,900	372,910	308,470

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 10. Teachers Pensions 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		6,560,243
Total	\$	6,560,243

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 0.00%, which was no change from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$344,780 and revenue of \$344,780 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:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$ 33,341	1,976
Changes of assumptions	747,335	
Net difference between projected and actual earnings on pension plan investments		55,567
Changes in proportion and differences between District contributions and proportionate share of contributions	141,923	
District contributions subsequent to the measurement date	55,782	
Total	\$ 978,381	57,543

\$55,782 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	\$	101,621	
2018		101,621	
2019		101,621	
2020		155,671	
2021		131,752	
Thereafter		272,770	
Total	\$	865,056	

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used 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%

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2016

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 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 (7.90% at June 30, 2015) 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 rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return.</u>
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 7.90%, 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 employers' contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

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:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2016

	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 11. POST-RETIREMENT BENEFITS

P.L. 1987, Chapter 384 and P.L. 1990 Chapter 6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007 c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for funding and payment of post-retirement medical benefits for retired State employees and educational employees. As of June 30, 2015, there were 107,314 retirees receiving 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 for post-retirement medical benefits 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 employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Lincoln Investment Planning
Travelers Insurance Company

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2016

NOTE 13. COMPENSATED ABSENCES

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. Unused sick leave may be accumulated and carried forward to subsequent years. Upon retirement for those who have not less than fifteen (15) years of service in the District, the District shall pay the employee for unused sick leave in accordance with the District's agreements with the various employee unions. Vacation days not used during the year may only be carried forward with approval from the Superintendent.

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

NOTE 14. LITIGATION

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

NOTE 15. FUND BALANCE APPROPRIATED

General Fund – Of the \$1,026,029 General Fund fund balance at June 30, 2016, \$1,456 is reserved for encumbrances; \$223,824 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7; \$165,206 has been reserved in the Capital Reserve Account; \$140,000 has been reserved in the Maintenance Reserve Account. \$250,000 has been reserved in the Emergency Reserve Account and \$245,543 is unreserved and undesignated.

NOTE 16. CALCULATION OF EXCESS SURPLUS

In accordance with NJSA 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Reserved Fund Balance – Excess Surplus is a required calculation. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2016

June 30, 2016 is \$223,824, of which \$0 has been appropriated and included as anticipated revenue for the year ended June 30, 2017.

NOTE 17. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2016, an interfund remained on the various balance sheets of the Borough of Stone Harbor Board of Education.

	<u>From</u>	<u>To</u>
General Fund:		
Agency Fund	\$ 628	
Internal Service Fund	17,229	
Internal Service Fund		
General Fund		17,229
Agency Fund:		
General Fund		628
	\$ 17,857	17,857

Interfunds were created throughout the year due to short term borrowings to cover cash flow needs in the various funds. A permanent transfer in the amount of \$6,371 was made from the Capital Projects Fund to the General Fund to refund the local portion of the capital project previously transferred by the General Fund. The fund financial interfunds were eliminated in the governmental-wide statements.

NOTE 18. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. During the fiscal year ended June 30, 2016 the District did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2016

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest on Investments</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ 1,573	\$ 16	\$ 124	39,807
2014-2015	1,640	16	-	38,342
2013-2014	1,625	-	6,082	36,686

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

NOTE 19. ECONOMIC DEPENDENCY

The District is heavily reliant on local property taxation to fund District operations. Property taxes funded 75% of the Districts 2015-2016 governmental operations.

NOTE 20. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 21, 2016, the date on which the financial statements were available to be issued, and no items were identified that require disclosure.

Required Supplemental Information
Part II

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BUDGETARY COMPARISON SCHEDULES

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

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 2,396,585		2,396,585	2,396,585	-
Interest earned	101		101	427	326
Tuition - individuals	106,400		106,400	95,550	(10,850)
Tuition - other LEA's	388,500		388,500	388,500	-
Miscellaneous			-	15,731	15,731
Total local sources	2,891,586	-	2,891,586	2,896,793	5,207
State sources:					
Special Education Aid	23,240		23,240	23,240	-
Security Aid	2,817		2,817	2,817	-
Adjustment Aid	3,705	3,219	6,924	6,924	-
Transportation Aid	19,782		19,782	19,782	-
Other	3,919	(3,219)	700	1,222	522
On behalf TPAF Pension					
Contributions (non-budgeted)				168,969	168,969
Reimbursed TPAF Social Security					
Contributions (non-budgeted)				66,153	66,153
Total state sources	53,463	-	53,463	289,107	235,644
Total Revenues	2,945,049	-	2,945,049	3,185,900	240,851
EXPENDITURES:					
Current Expense:					
Regular programs - Instruction:					
Salaries of teachers:					
Preschool/Kindergarten	116,818		116,818	116,108	710
Grades 1 - 5	602,486	(43,998)	558,488	558,488	-
Grades 6 - 8			-		-
Regular programs - home instruction:					
Salaries of teachers	250		250		250
Regular programs - undistributed instruction:					
Other salaries for instruction	25,800	(1,659)	24,141	12,257	11,884
Purchased professional/educational services	50,057	6,294	56,351	56,350	1
Purchased technical services	500	-	500		500
Other purchased services	23,416	130	23,546	23,317	229

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
General supplies	85,000	(36,204)	48,796	40,217	8,579
Textbooks	10,000	(10,000)	-	-	-
Other objects	15,280	(1,500)	13,780	5,504	8,276
Total regular programs	929,607	(86,937)	842,670	812,241	30,429
Resource room/Resource center:					
Salaries of teachers	95,726	240	95,966	95,966	-
General supplies	2,500	(240)	2,260	695	1,565
Textbooks	100		100	-	100
Total resource room/resource center	98,326	-	98,326	96,661	1,665
Total special education - instruction	98,326	-	98,326	96,661	1,665
Basis Skills/Remedial - instruction:					
Salaries of teachers	23,819		23,819	23,819	-
General Supplies	5,000		5,000	-	5,000
Total resource room/resource center	28,819	-	28,819	23,819	5,000
School sponsored cocurricular activities - instruction:					
Salaries	4,875		4,875	1,612	3,263
Supplies and Materials	1,000		1,000		1,000
Total school sponsored cocurricular activities - instruction	5,875	-	5,875	1,612	4,263
Total - Instruction	1,062,627	(86,937)	975,690	934,333	41,357
Undistributed expenditures - Instruction:					
Tuition to other LEA's within the state - regular	482,904	(1,400)	481,504	471,404	10,100
Tuition to other LEA's within the state - special	-		-		-
Tuition to CSSD & Reg Day Schools	-		-		-
Tuition - County Voc. School District - Regular	32,844		32,844	32,844	-
Total undistributed expenditures - instruction	515,748	(1,400)	514,348	504,248	10,100

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed expenditures - Attendance & Social Work					
Salaries	7,718	-	7,718	7,718	-
Purchased professional and technical services	10,961	(1,828)	9,133	9,086	47
Other Purchased Services		1,532	1,532	1,531	1
Total undistributed expenditures - attendance & social work	18,679	(296)	18,383	18,335	48
Undistributed expenditures - Health services:					
Salaries	20,625	(19,961)	664	-	664
Purchased professional and technical services	54,110	18,545	72,655	72,655	-
Other purchased services	100	3,712	3,812	3,812	-
Supplies and materials	2,000	(2,000)	-	-	-
Total undistributed expenditures - health services	76,835	296	77,131	76,467	664
Undistributed expenditures - Other support services - students - related services:					
Purchased professional educational services	11,190	-	11,190	1,769	9,421
Supplies and Materials	-	-	-	-	-
Total undistributed expenditures - other support services - students - related services	11,190	-	11,190	1,769	9,421
Undistributed expenditures - other support services: - extraordinary services:					
Salaries of other professional staff			-		-
Purchased professional - educational services			-		-
Total undistributed expenditures - other support services - extraordinary services	-	-	-	-	-
Undistributed expenditures - Other support services - Guidance					
Other purchased prof. and tech. services	500	-	500	-	500
Supplies and materials	1,000	-	1,000	867	133
Total undistributed expenditures - other support services - Guidance	1,500	-	1,500	867	633

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed expenditures - other support services - students - Child Study Team:					
Salaries of secretaries and clerical assistants	4,812	1,020	5,832	5,832	-
Purchased professional educational services	35,535	(2,531)	33,004	24,346	8,658
Other purchased prof. and tech. services	2,961		2,961	2,961	-
Total undistributed expenditures - other support services - students - Child Study Teams	43,308	(1,511)	41,797	33,139	8,658
Undistributed expenditures - Improvement of instruction services:					
Salaries of Supervisor of Instruction	64,596	86	64,682	64,681	1
Salaries of Other Prof. Staff	1,000	-	1,000	1,000	1,000
Purchased professional educational services	10,441	4,705	4,705	4,705	-
Other purchased prof. and tech. services	7,500	(2,171)	8,270	7,441	829
Supplies and materials	750	(7,052)	448	-	448
Other Objects		-	750	314	436
Total undistributed expenditures - improvement of instruction services	84,287	(4,432)	79,855	77,141	2,714
Undistributed expenditures - educational media services/school library:					
Salaries	850	12,965	13,815	12,965	850
Salaries of Technology Coordinators	1,000	(1,000)	-	-	-
Purchased professional and technical services	35,480	(3,620)	31,860	31,779	81
Other purchased services	2,000	(1,120)	880	880	880
Supplies and materials	9,028	(471)	8,557	8,516	41
Total undistributed expenditures - educational media services/school library	48,358	6,754	55,112	53,260	1,852
Undistributed expenditures - instruction staff training services					
Other purchased prof. educational services	5,000	(419)	4,581	1,000	3,581
Other purchases professional and technical services	13,393		13,393	13,393	-
Other purchased services	4,500	-	4,500	4,210	290
Supplies and materials	500	-	500	-	500
Total undistributed expenditures - instructional staff training services	23,393	(419)	22,974	18,603	4,371
Undistributed expenditures - Support services - general administration:					
Salaries	21,271	-	21,271	21,271	-
Legal services	2,105	31,994	34,099	34,098	1
Audit fees	7,500	200	7,700	7,700	-
Other purchased professional services	37,133	186	37,319	37,318	1

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Purchased technical services	250	80	330	330	-
Communications/telephone	2,000	2,353	4,353	4,353	-
BOE other purchased services	500	(463)	37	-	37
Other purchased services	5,207	2,269	7,475	7,475	1
Supplies and materials	918	1,764	2,682	2,662	20
BOE In-House Training/Meeting Supplies	-	250	250	250	-
Miscellaneous expenditures	1,800	(1,750)	50	16	34
BOE membership dues and fees	2,000	425	2,425	2,425	-
Total undistributed expenditures - support services - general administration	80,684	37,308	117,992	117,898	94
Undistributed expenditures - Support services school administration:					
Salaries of secretarial and clerical assistants	29,762	-	29,762	29,762	-
Purchased professional and tech. services	750	-	750	30	720
Other purchased services	850	(727)	123	-	123
Supplies and materials	750	-	750	410	340
Total undistributed expenditures - support services school administration	32,112	(727)	31,385	30,202	1,183
Undistributed expenditures - Central services					
Purchased professional services	24,574	660	25,234	24,574	660
Purchased technical services	7,200	100	7,300	7,182	118
Miscellaneous purchased services	200	-	200	200	-
Supplies and materials	250	-	250	-	250
Total Undistributed expenditures - central services	32,224	760	32,984	31,756	1,228
Undistributed expenditures - Maintenance of school property:					
Salaries	23,866	-	23,866	16,210	7,656
Cleaning, repair and maintenance	98,605	(24,538)	74,067	42,532	31,535
Supplies and materials	4,500	-	4,500	-	4,500
Total undistributed expenditures - maintenance of school property	126,971	(24,538)	102,433	58,742	43,691
Undistributed expenditures - Operation and maintenance of plant services:					
Salaries	55,324	4,808	60,132	60,131	1
Purchased professional and technical services	38,287	(5,046)	33,241	33,068	173
Cleaning, repair and maintenance services	25,000	660	25,660	25,660	-
Insurance	28,805	5,146	33,951	33,951	-
Miscellaneous purchased services	3,000	5,085	8,085	8,084	1
General supplies	15,000	(270)	14,730	14,730	-

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Energy (natural gas)	20,000	-	20,000	10,035	9,965
Energy (electricity)	40,000	-	40,000	38,844	1,156
Total undistributed expenditures - operation and maintenance of plant services	225,416	10,383	235,799	224,503	11,296
Undistributed expenditures - student transportation services:					
Salaries for pupil transportation (Between home and school) - regular	1,203	326	1,529	1,528	1
Salaries for pupil transportation non-public	6,015	88	6,103	6,103	-
Other Purchased Prof. and technical Services	14,362	77	14,439	14,438	1
Contracted services (other than between home and school) - vendors	2,000	2,473	4,473	4,473	-
Contracted services (bet. home & sch) joint agreements	18,332	2,320	20,652	20,652	-
Contracted services - (aide in lieu) - non public	2,500	(1,573)	927	884	43
Total undistributed expenditures student transportation services	44,412	3,711	48,123	48,078	45
Unallocated Benefits					
Social security	17,500	-	17,500	16,011	1,489
Other retirement contributions - PERS	20,000	(113)	19,887	15,537	4,350
Unemployment compensation	2,000	622	2,622	2,622	-
Workmen's compensation	18,500	(130)	18,370	14,896	3,474
Health benefits	307,970	(7,378)	300,592	242,795	57,797
Tuition reimbursement	9,000	-	9,000	3,900	5,100
Other employee benefits	20,000	(1,497)	18,503	13,855	4,648
Total Regular Program Instruction Employee Benefits	394,970	(8,496)	386,474	309,616	76,858
On behalf TPAF Pension Contributions (non-budgeted)					
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	168,969	(168,969)
Total on-behalf contributions	-	-	-	235,122	(235,122)
Total undistributed expenditures	1,760,087	17,393	1,777,480	1,839,746	(62,266)
Total current expense	2,822,714	(69,544)	2,753,170	2,774,079	(20,909)
Capital Outlay:					

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Instruction					
Undist. Expend. - Instruction	-	86,258	86,258	86,258	-
Undist. Expend. - Required Maint. of School Fac.	-	-	-	-	-
Undist. Expend. - Student Transportation	-	-	-	-	-
Total equipment	-	86,258	86,258	86,258	-
Facilities Acquisition and Construction Services					
Other Purchased professional and technical services	-	27,381	27,381	27,381	-
Construction Services	275,155	(559)	274,596	274,595	1
Assessment for Debt Service on SDA funding	3,664	-	3,664	3,664	-
Total Facilities Acquisition and Construction Services	278,819	26,822	305,641	305,640	1
Interest Deposit to Capital Reserve	-	-	-	-	-
Total Capital Outlay	278,819	113,080	391,899	391,898	1
Transfer to charter school					
Special Schools:					
Summer School - Instruction	1,763	1,464	3,227	3,226	1
Salaries of teachers	250	-	250	-	250
General supplies					
Total summer school - instruction	2,013	1,464	3,477	3,226	251
Total Special Schools	2,013	1,464	3,477	3,226	251
Total Expenditures	3,103,546	45,000	3,148,546	3,169,203	(20,657)
Excess (deficiency) of revenues over (under) expenditures	(158,497)	(45,000)	(203,497)	16,697	220,194
Other Financing Sources/(Uses)					
Operating transfers in:					
Decrease in Capital Reserve	-	-	-	6,371	(6,371)
Transfer from Capital Reserve	-	-	-	(44,899)	44,899
Interest Deposit to Capital Reserve	(101)	(101)	(101)	45,000	(45,000)
Cancellation of prior year receivable				(101)	-
Total other financing uses	(101)	-	(101)	6,371	(6,472)

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal 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 uses	(158,598)	(45,000)	(203,598)	23,068	213,722
Fund Balances, July 1	1,007,940		1,007,940	1,007,940	-
Fund Balances, June 30	<u>\$ 849,342</u>	<u>(45,000)</u>	<u>804,342</u>	<u>1,031,008</u>	<u>213,722</u>
<u>Recapitulation of Fund Balance:</u>					
Restricted Fund Balance:					
Reserve for Excess Surplus				223,824	
Excess Surplus Designated for Subsequent Years Expenditures				-	
Committed Fund Balance:					
Maintenance Reserve				140,000	
Capital Reserve				165,206	
Emergency Reserve				250,000	
Assigned Fund Balance:					
Designated for Subsequent Years Expenditures				-	
Reserve for Encumbrances				1,456	
Unassigned Fund Balance				250,522	
				<u>1,031,008</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid payment not recognized on GAAP basis				(4,979)	
Fund Balance per Governmental Funds (GAAP)				<u>1,026,029</u>	

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Revenue Fund
 for the Fiscal Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
REVENUES:					
Local Sources					
AtlantiCare Garden Grant	\$ -	1,134	1,134	1,134	-
Total local sources	-	1,134	1,134	1,134	-
Federal sources:					
Small Rural Education Achievement Program	-	15,676	15,676	15,676	-
I.D.E.A., Part B	-	12,416	12,416	12,416	-
I.D.E.A., Preschool	-	2,207	2,207	-	(2,207)
Total federal sources	-	30,299	30,299	28,092	(2,207)
Total Revenues	-	31,433	31,433	29,226	(2,207)

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Revenue Fund
 for the Fiscal Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
EXPENDITURES:					
Instruction:					
Other Purchased Services	-	-	-	-	-
Purchased Professional and Technical Services	-	-	-	-	-
General Supplies	1,134	1,134	1,134	1,134	-
Total instruction	-	1,134	1,134	1,134	-
Support services					
Other Purchased Professional and Technical Services	14,623	14,623	14,623	12,416	2,207
General Supplies	15,676	15,676	15,676	15,676	-
Total support services	-	30,299	30,299	28,092	2,207
Capital Outlay					
Instructional Equipment			-	-	-
Total capital outlay	-	-	-	-	-
Total Expenditures	-	31,433	31,433	29,226	2,207
Excess (deficiency) of revenues over (under) expenditures	\$ -	-	-	-	-

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Required Supplementary Information
 Budgetary Comparison Schedule
 Notes to Required Supplementary Information
 for the Fiscal Year Ended June 30, 2016

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

	<u>General Fund</u>	<u>Special Revenue</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 3,185,900	29,226
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		
Prior year		
Current year		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	4,979	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(4,979)</u>	
Total revenues reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>3,185,900</u>	<u>29,226</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	3,169,203	29,226
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		
Prior year		
Current year		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,169,203</u>	<u>29,226</u>

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Required Supplemental Information
Part III

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BOROUGH OF STONE HARBOR 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)	0.0016612157%	0.0016022842%	0.1884589900%
District's proportionate of the net pension liability (asset)	\$ 340,803	\$ 299,991	\$ 360,183
District's covered payroll	\$ 146,513	\$ 114,350	\$ 101,934
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	232.61%	262.34%	353.35%
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 three years. Additional years will be presented as they become available.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Schedule of District Contributions
Public Employee Retirement System
Last Three Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 13,209	\$ 14,200	\$ 14,305
Contributions in relation to the contractually required contribution	<u>13,209</u>	<u>14,200</u>	<u>14,305</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 146,513	\$ 114,350	\$ 101,934
Contributions as a percentage of covered-employee payroll	9.02%	12.42%	14.03%

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 three years.
Additional years will be presented as they become available.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teachers' Pension and Annuity Fund
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>5,350,407</u>	<u>5,381,934</u>	<u>5,159,698</u>
Total	<u>\$ 5,350,407</u>	<u>\$ 5,381,934</u>	<u>\$ 5,159,698</u>
District's covered payroll	\$ 990,706	\$ 976,233	\$ 1,027,060
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 three years. Additional years will be presented as they become available.

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SPECIAL REVENUE FUND

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

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Special Revenue Fund
 Combining Schedule of Revenues and Expenditures
 Budgetary Basis

for the Fiscal Year ended June 30, 2016

	Small Rural Education Achievement	I.D.E.A. Part B	AtlantiCare Garden Grant	Totals
REVENUES:				
Federal sources	\$ 15,676	12,416		28,092
State sources				
Local Sources			1,134	1,134
Total Revenue	<u>15,676</u>	<u>12,416</u>	<u>1,134</u>	<u>29,226</u>
EXPENDITURES:				
Instruction:				
Other Purchased Services				-
Purchased professional and technical services				-
Supplies			1,134	1,134
Total instruction	<u>-</u>	<u>-</u>	<u>1,134</u>	<u>1,134</u>
Support services				
Other purchased professional and tech. services		12,416		12,416
Supplies	15,676			15,676
Total support services	<u>15,676</u>	<u>12,416</u>	<u>-</u>	<u>28,092</u>
Capital Outlay				
Instructional Equipment				-
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 15,676</u>	<u>12,416</u>	<u>1,134</u>	<u>29,226</u>

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CAPITAL PROJECTS FUND

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

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Capital Projects Fund
Summary Statement of Project Expenditures
For the Fiscal Year Ended June 30, 2016

Project Title/Issue	Original Date	Appropriations	Expenditures to Date		Unexpended Balance June 30, 2016
			Prior Years	Current Year	
Window Replacement Project		\$ 393,389	381,038	12,351	-
		<u>\$ 393,389</u>	<u>381,038</u>	<u>12,351</u>	<u>-</u>

BOROUGH OF STONE HARBOR 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	
School Construction Corporation Grant	\$ -
Miscellaneous	\$ -
	<hr/>
Total revenue	-
	<hr/>
Expenditures and Other Financing Uses	
Purchased professional and technical services	
Construction Services	-
	12,351
	<hr/>
Total expenditures	12,351
	<hr/>
Deficiency of revenues over expenditures	(12,351)
Other Financing Sources/(Uses)	
Transfers in	
	(6,371)
Fund balance - beginning	18,722
	<hr/>
Fund balance - ending	\$ -
	<hr/> <hr/>

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance,
and Project Status - Budgetary Basis
Window Replacement Project
From Inception and for the Year Ended June 30, 2016

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sources				
School Development Authority	\$ 146,801	-	146,801	146,801
Bond proceeds and transfers				
Transfers from General Fund	252,959	(6,371)	246,588	246,588
Total revenue	399,760	(6,371)	393,389	393,389
Expenditures and Other Financing Uses				
Purchased professional and technical services	38,889	-	38,889	38,889
Construction services	342,149	12,351	354,500	354,500
Total expenditures	381,038	12,351	393,389	393,389
Excess of revenues over expenditures	\$ 18,722	(18,722)	-	-

Additional project information:

Project number	5060-050-13-3001
Grant date	7/25/14
Bond authorization date	N/A
Bond authorized	N/A
Bonds issued	N/A
Original authorized cost	393,389
Additional authorized cost	-
Revised authorized cost	393,389
Percentage increase over original cost	0%
Percentage completion	100%
Original target completion date	10/31/14
Revised target completion date	N/A

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FIDUCIARY FUNDS

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

Unemployment Compensation Insurance Trust Fund -

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

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

Agency Funds -

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

Scholarship Fund -

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

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Fiduciary Fund

Combining Statement of Fiduciary Net Position
June 30, 2016

	Expendable Trust		Agency		
	NJ Unemployment Compensation Insurance	Scholarship Fund	Student Activity	Payroll	Total
ASSETS:					
Cash and cash equivalents	\$ 39,807	2,105	2,954	3,519	48,385
Total Assets	<u>39,807</u>	<u>2,105</u>	<u>2,954</u>	<u>3,519</u>	<u>48,385</u>
LIABILITIES AND NET POSITION:					
Liabilities:					
Due to student groups			2,954		2,954
Payroll deductions and withholdings				2,891	2,891
Interfund payable - general fund				628	628
Total Liabilities	-	-	2,954	3,519	6,473
Net Position:					
Reserved for future unemployment claims	39,807				39,807
Total Net Position	<u>39,807</u>	<u>2,105</u>	<u>-</u>	<u>-</u>	<u>41,912</u>
Total Liabilities and Fund Balances	<u>\$ 39,807</u>	<u>2,105</u>	<u>2,954</u>	<u>3,519</u>	<u>48,385</u>

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Fund
for the Fiscal Year ended June 30, 2016

	Unemployment Compensation Trust	Scholarship Fund	Total
ADDITIONS:			
Contributions:			
Plan Members	\$ 1,573		1,573
Total Contributions	1,573	-	1,573
Investment Earnings			
Interest	16	-	16
Net investment earnings	16	-	16
Total additions	1,589	-	1,589
DEDUCTIONS:			
Unemployment Claims	124		124
Total deductions	124	-	124
Change in net position	1,465	-	1,465
Net Position, July 1	38,342	2,105	40,447
Net Position, June 30	\$ 39,807	2,105	41,912

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Student Activity Agency Fund

Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Petty Cash Account	\$ 2,447			2,447
School fund account	664	2,288	2,445	507
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 3,111</u>	<u>2,288</u>	<u>2,445</u>	<u>2,954</u>

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Payroll Agency Fund

Statement of Changes in Assets and Liabilities
for the Fiscal Year ended June 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
ASSETS:				
Cash and cash equivalents	\$ 25,059	1,262,893	1,284,433	3,519
Total Assets	<u>25,059</u>	<u>1,262,893</u>	<u>1,284,433</u>	<u>3,519</u>
LIABILITIES:				
Net Payroll	-	671,769	671,769	-
Payroll deductions and withholdings	24,446	591,109	612,664	2,891
Interfunds payable	613	15	-	628
Total Liabilities	<u>\$ 25,059</u>	<u>1,262,893</u>	<u>1,284,433</u>	<u>3,519</u>

Statistical Section

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

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Net Position by Component,
Last Ten Fiscal Years
Unaudited

	For the Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	2,011,094	1,980,340	1,923,663	1,854,129	1,794,232	1,734,899	1,778,058	1,914,369	2,420,762	2,771,109
Restricted	432,764	242,118	365,814	622,660	1,041,086	1,015,417	1,017,420	757,330	758,704	780,486
Unrestricted*	132,691	269,229	268,872	230,551	135,851	131,212	126,019	543	(214,499)	(228,763)
Total governmental activities net position	<u>2,576,549</u>	<u>2,491,687</u>	<u>2,558,349</u>	<u>2,707,340</u>	<u>2,971,169</u>	<u>2,881,528</u>	<u>2,921,497</u>	<u>2,672,242</u>	<u>2,964,967</u>	<u>3,322,832</u>
Business-type activities										
Net investment in capital assets	(56)	24	592	1,424	690	719	1,077	1,077	1,077	1,077
Restricted	(56)	24	592	1,424	690	719	1,077	1,077	1,077	1,077
Total business-type activities net position										
District-wide										
Net investment in capital assets	2,011,094	1,980,340	1,923,663	1,854,129	1,794,232	1,734,899	1,778,058	1,914,369	2,420,762	2,771,109
Restricted	432,764	242,118	365,814	622,660	1,041,086	1,015,417	1,017,420	757,330	758,704	780,486
Unrestricted	132,635	269,253	269,464	231,975	136,541	131,931	127,096	1,620	(213,422)	(227,686)
Total district net position	<u>2,576,493</u>	<u>2,491,711</u>	<u>2,558,941</u>	<u>2,708,764</u>	<u>2,971,859</u>	<u>2,882,247</u>	<u>2,922,574</u>	<u>2,673,319</u>	<u>2,966,044</u>	<u>3,323,909</u>

Source: CAFR Schedule A-1

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Changes in Net Position, Last Ten Fiscal Years
Unaudited

	For the Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
Instruction										
Regular	859,731	927,887	898,873	1,118,763	1,222,275	1,122,672	1,024,767	1,162,153	1,054,873	1,121,525
Special education	62,345	67,452	71,918	86,445	54,763	108,924	115,364	148,083	160,655	149,805
Other special instruction										
Other instruction	12,003	15,951	14,749	14,907	15,157	121,088	133,244	31,664	32,674	35,545
Adult/continuing education programs										
Support Services:										
Tuition	228,045	259,942	258,407	240,719	196,793	1,182,222	1,119,127	935,354	745,152	722,129
Student & instruction related services	328,879	317,195	346,698	422,926	367,940	431,288	444,796	384,082	404,955	434,731
School administrative services	38,691	114,421	66,180	103,098	93,023	90,564	97,228	93,554	98,702	93,040
Other administrative services	97,086	75,635	92,706	79,892	93,526	100,103	120,089	131,607	149,288	179,487
Plant operations and maintenance	195,713	213,538	194,173	273,800	238,060	267,438	332,738	372,915	563,572	399,244
Pupil transportation	63,650	72,995	50,759	44,447	43,280	57,344	55,533	52,318	55,572	67,197
Employee benefits	458,411	487,250	384,340	-	-	-	-	-	-	-
Internal service	92,054	95,015	97,285	99,099	105,527	12,553	68,645	69,186	72,122	163,364
Interest on long-term debt	3,608						2,598	-	-	3,742
Special Schools										
Total governmental activities expenses	2,440,216	2,647,281	2,476,088	2,484,096	2,430,344	3,494,196	3,514,129	3,380,916	3,337,565	3,369,809
Business-type activities:										
Milk Fund	1,762	1,739	985	1,397	1,845	819	140	-	-	-
Total business-type activities expense	1,762	1,739	985	1,397	1,845	819	140	-	-	-
Total district expenses	2,441,978	2,649,020	2,477,073	2,485,493	2,432,189	3,495,015	3,514,269	3,380,916	3,337,565	3,369,809
Program Revenues										
Governmental activities:										
Charges for Services										
Central and other support services	92,054	245,376	247,276	255,196	276,376	937,233	871,405	766,306	569,522	647,414
Operating grants and contributions	226,048	17,295	14,502	49,815	33,612	33,475	32,393	25,798	305,266	451,135
Total governmental activities program revenues	318,102	262,671	261,778	305,011	309,988	970,708	903,798	792,104	874,788	1,098,549
Business-type activities:										
Charges for services										
Milk Fund	1,491	1,819	1,553	2,229	1,111	848	498	-	-	-
Operating grants and contributions										
Capital grants and contributions										
Total business-type activities program revenues	1,491	1,819	1,553	2,229	1,111	848	498	-	-	-
Total district program revenues	319,593	264,490	263,331	307,240	311,099	971,556	904,296	792,104	874,788	1,098,549
Net (Expense)/Revenue										

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Changes in Net Position, Last Ten Fiscal Years
Unaudited

	For the Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities	(2,122,114)	(2,384,610)	(2,214,310)	(2,179,085)	(2,120,356)	(2,523,488)	(2,610,331)	(2,588,812)	(2,462,777)	(2,271,260)
Business-type activities	(271)	80	568	832	(734)	29	358	-	-	-
Total district-wide net expense	<u>(2,122,385)</u>	<u>(2,384,530)</u>	<u>(2,213,742)</u>	<u>(2,178,253)</u>	<u>(2,121,090)</u>	<u>(2,523,459)</u>	<u>(2,609,973)</u>	<u>(2,588,812)</u>	<u>(2,462,777)</u>	<u>(2,271,260)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	1,880,724	1,969,219	2,047,988	2,129,907	2,215,103	2,215,104	2,259,406	2,349,594	2,396,585	2,396,585
Taxes levied for debt service	145,186	-	-	-	-	-	-	-	-	-
Unrestricted grants and contributions	103,252	299,785	200,391	192,429	159,464	221,509	268,924	238,831	214,869	211,978
Restricted grants and contributions									142,397	-
Tuition	150,564	-	-	-	-	-	-	-	-	-
Investment earnings	100	10,474	8,778	5,740	100	200	719	18	463	427
Miscellaneous income	29,584	614	2,992	5,740	9,518	4,180	126,123	100,985	1,188	15,731
Adjustments		19,656	20,824				(4,872)	(3,888)	-	4,404
Total governmental activities	<u>2,309,410</u>	<u>2,299,748</u>	<u>2,280,973</u>	<u>2,328,076</u>	<u>2,384,185</u>	<u>2,440,993</u>	<u>2,650,300</u>	<u>2,685,540</u>	<u>2,755,502</u>	<u>2,629,125</u>
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>2,309,410</u>	<u>2,299,748</u>	<u>2,280,973</u>	<u>2,328,076</u>	<u>2,384,185</u>	<u>2,440,993</u>	<u>2,650,300</u>	<u>2,685,540</u>	<u>2,755,502</u>	<u>2,629,125</u>
Total district-wide										
Change in Net Position										
Governmental activities	187,296	(84,862)	66,663	148,991	263,829	(82,495)	39,969	96,728	292,725	357,865
Business-type activities	(271)	80	568	832	(734)	29	358	-	-	-
Total district	<u>187,025</u>	<u>(84,782)</u>	<u>67,231</u>	<u>149,823</u>	<u>263,095</u>	<u>(82,466)</u>	<u>40,327</u>	<u>96,728</u>	<u>292,725</u>	<u>357,865</u>

Source: CAFR Schedule A-2

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Restricted					390,311	372,479	332,577	326,037	144,441	223,824
Committed					612,315	637,614	600,304	421,046	600,105	555,206
Assigned					38,460	5,324	84,539	10,247	14,158	1,456
Unassigned					250,622	248,360	245,091	245,417	244,257	245,543
Reserved	415,594	382,118	505,914	791,473						
Unreserved	212,029	249,235	243,907	243,337						
Total general fund	<u>627,623</u>	<u>631,353</u>	<u>749,821</u>	<u>1,034,810</u>	<u>1,291,708</u>	<u>1,263,777</u>	<u>1,262,511</u>	<u>1,002,747</u>	<u>1,002,961</u>	<u>1,026,029</u>
All Other Governmental Funds										
Assigned								358,741	12,351	-
Unreserved, reported in:										
Capital projects fund	17,169	16,877	16,877	-	-	-	-	(146,802)	1,967	-
Total all other governmental funds	<u>17,169</u>	<u>16,877</u>	<u>16,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,939</u>	<u>14,318</u>	<u>-</u>

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

Source: CAFR Schedule B-1

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	2,025,910	1,969,219	2,047,988	2,129,907	2,215,103	2,215,104	2,259,406	2,349,594	2,396,585	2,396,585
Tuition charges	150,564	150,361	149,991	156,097	170,849	924,680	802,760	697,120	497,400	484,050
Interest earning	100	10,474	8,778	100	100	200	719	18	463	427
Miscellaneous	29,584	1,214	3,178	8,520	12,662	8,091	128,979	100,985	4,318	16,865
State sources	292,470	299,785	200,391	192,429	159,464	219,232	268,924	238,831	413,381	289,107
Federal sources	36,830	36,367	35,140	47,035	30,468	29,564	29,537	25,798	12,537	28,092
Total revenue	2,535,458	2,467,420	2,445,466	2,533,988	2,588,646	3,396,871	3,490,325	3,412,346	3,324,684	3,215,126
Expenditures										
Instruction										
Regular instruction	823,314	868,175	832,380	846,601	907,748	888,555	817,336	913,362	883,639	813,375
Special education instruction	55,062	59,257	63,092	65,923	38,115	85,869	87,336	114,434	111,122	96,661
Other instruction	12,003	15,951	13,534	10,108	9,609	107,908	109,694	26,345	24,595	25,431
Support Services:										
Tuition	228,045	259,942	258,407	199,628	156,324	995,934	921,326	778,222	560,920	516,664
Student & instruction related services	317,954	304,903	333,459	342,082	369,521	354,491	354,723	306,402	290,115	295,257
General administration	89,803	100,477	83,880	37,362	68,907	78,438	91,226	100,726	102,565	117,898
School administrative services	31,408	35,984	36,569	60,488	37,979	38,687	40,500	34,248	30,938	30,202
Plant operations and maintenance	192,071	207,843	188,823	31,682	186,557	221,416	275,814	304,864	418,392	283,245
Pupil transportation	63,650	72,995	50,759	222,862	34,380	48,308	45,717	43,529	41,833	48,078
Other support services			31,461	36,860	28,611	30,524	30,800	34,223	32,068	31,756
Unallocated employee benefits	452,825	487,250	384,340	395,253	464,132	537,599	608,516	556,345	582,532	544,738
Special Schools							2,598	-	-	3,226
Charter Schools	18,385	51,190	50,294	17,027	29,865	32,204	106,005	243,583	443,372	404,249
Capital outlay										
Debt service:										
Principal	139,000									
Interest and other charges	6,185									
Total expenditures	2,429,705	2,463,967	2,326,998	2,265,876	2,331,748	3,419,933	3,491,591	3,456,283	3,522,091	3,210,780
Excess (Deficiency) of revenues over (under) expenditures	105,753	3,453	118,468	268,112	256,898	(23,062)	(1,266)	(43,937)	(197,407)	4,346
Other Financing sources (uses)										
Transfer in										
Transfers out				16,877				246,588	6,371	(6,371)
Cancellation of prior year receivable				(16,877)				(246,588)	(6,371)	6,371
Cancellation of prior year payable								(3,888)		4,404
Insurance Recoveries for Storm Damage						648,334				
Expenses related to Storm Damage						(648,334)				
Increase in Capital Reserve									(101)	(101)
Transfer to Capital Reserve									(178,958)	(44,899)
Interest earned on Capital Reserve									179,059	45,000
Total other financing sources (uses)	-	-	-	-	-	-	-	(3,888)	-	4,404
Net change in fund balances	105,753	3,453	118,468	268,112	256,898	(23,062)	(1,266)	(47,825)	(197,407)	8,750

Source: CAFR Schedule B-2

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Misc.</u>	<u>Total</u>
2007	28,037	1,647	29,684
2008	10,374	614	10,988
2009	8,778	2,992	11,770
2010	-	5,740	5,740
2011	100	12,662	12,762
2012	200	8,091	8,291
2013	719	126,123	126,842
2014	18	100,985	101,003
2015	463	1,188	1,651
2016	427	15,731	16,158

Source: District Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2007		3,607,791,890						3,607,791,890			3,607,791,890	0.055	4,645,963,491
2008		3,626,262,310						3,626,262,310			3,626,262,310	0.057	4,799,805,585
2009	70,404,000	4,472,084,700			161,782,800		4,370,200	4,708,641,700	295,268,500	557,259	4,413,930,459	0.049	4,856,819,777
2010	68,696,300	4,482,120,600			161,782,800		4,370,200	4,716,969,900	295,268,500	557,703	4,422,259,103	0.052	4,619,894,891
2011	67,064,000	4,490,125,700			161,489,800		4,370,200	4,723,049,700	295,268,500	489,027	4,428,270,227	0.051	4,498,890,590
2012	75,408,100	4,490,726,300			159,449,900		4,370,200	4,729,954,500	295,268,500	473,991	4,435,159,991	0.051	4,449,303,435
2013	86,382,100	4,472,077,900			156,638,100		4,370,200	4,719,468,300	296,529,600	440,239	4,423,378,939	0.053	4,188,584,215
2014	94,982,300	4,451,222,400			165,999,000		4,370,200	4,716,573,900	298,422,200	303,125	4,418,454,825	0.056	4,053,767,320
2015	96,253,000	4,468,793,200			165,112,500		2,655,200	4,732,813,900	299,171,000	304,330	4,433,947,230	0.055	4,008,685,861
2016	82,610,800	4,489,928,900			165,428,800		2,655,200	4,740,623,700	299,171,000	304,621	4,441,757,321	0.056	4,130,826,571

Source: District records Tax list summary & Municipal Tax Assessor

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

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

b Tax rates are per \$100

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

Fiscal Year Ended June 30,	BOROUGH OF STONE HARBOR SCHOOL DISTRICT			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt	Total Direct	Borough of Stone Harbor	Cape May County	
		Service ^b				
2007	0.053	0.002	0.055	0.206	0.249	0.510
2008	0.057	-	0.057	0.218	0.254	0.529
2009	0.049	-	0.049	0.190	0.224	0.463
2010	0.052	-	0.052	0.198	0.223	0.473
2011	0.051	-	0.051	0.202	0.226	0.479
2012	0.051	-	0.051	0.216	0.235	0.502
2013	0.053	-	0.053	0.224	0.232	0.509
2014	0.056	-	0.056	0.232	0.230	0.518
2015	0.055	-	0.055	0.239	0.231	0.525
2016	0.056	-	0.056	0.239	0.240	0.535

Source: District Records and Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

- a** The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.
- b** Rates for debt service are based on each year's requirements.

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

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Immaculate Heart of Mary Convent	29,975,000	1	0.67%	26,043,400	1	0.72%
100th Street LLC	15,580,600	2	0.35%			
Taxpayer #1	13,639,300	3	0.31%			
Taxpayer #2	13,551,600	4	0.31%			
Farmersham Associates, LP	12,028,900	5	0.27%			
Taxpayer #3	11,413,400	6	0.26%			
NACL Associates	11,340,300	7	0.26%			
Taxpayer #4	9,976,800	8	0.22%			
Taxpayer #5	8,850,500	9	0.20%			
Taxpayer #6	8,120,700	10	0.18%			
Taxpayer #7				9,852,700	2	0.27%
Taxpayer #8				9,058,700	3	0.25%
Taxpayer #9				6,570,700	4	0.18%
Taxpayer #10				6,387,400	5	0.18%
Taxpayer #11				6,233,100	6	0.17%
Taxpayer #12				6,168,800	7	0.17%
Taxpayer #13				6,076,000	8	0.17%
Taxpayer #14				5,786,500	9	0.16%
Taxpayer #15				5,451,500	10	0.15%
Total	134,477,100		3.03%	87,628,800		2.43%

Source: District CAFR & Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	2,025,910	2,025,910	100%	
2008	1,969,219	1,969,219	100%	
2009	2,047,988	2,047,988	100%	
2010	2,129,907	2,129,907	100%	
2011	2,215,103	2,215,103	100%	
2012	2,215,104	2,215,104	100%	
2013	2,259,406	2,259,406	100%	
2014	2,349,594	2,304,594	98%	45,000
2015	2,396,585	2,396,585	100%	
2016	2,396,585	2,396,585	100%	

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

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

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

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases		
2007	-	-	-	-	-	0.000%	-
2008	-	-	-	-	-	0.000%	-
2009	-	-	-	-	-	0.000%	-
2010	-	-	-	-	-	0.000%	-
2011	-	-	-	-	-	0.000%	-
2012	-	-	-	-	-	0.000%	-
2013	-	-	-	-	-	0.000%	-
2014	-	-	-	-	-	0.000%	-
2015	-	-	-	-	-	0.000%	-
2016	-	-	-	-	-	0.000%	-

No Debt for past 10 Years

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

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

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

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

Fiscal Year Ended June 30,	<u>General Bonded Debt Outstanding</u>		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	<u>Per Capita ^b</u>
	General Obligation Bonds	Deductions			
2007	-		-	0.000%	
2008	-		-	0.000%	
2009	-		-	0.000%	
2010	-		-	0.000%	
2011	-		-	0.000%	
2012	-		-	0.000%	
2013	-		-	0.000%	
2014	-		-	0.000%	
2015	-		-	0.000%	
2016	-		-	0.000%	

No Debt for past 10 Years

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

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

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2016
Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Stone Harbor	36,160,822	100.00%	36,160,822
County of Cape May - Borough's share (9.40%)	181,705,600	8.67%	15,745,772
			<hr/>
Subtotal, overlapping debt			51,906,594
			<hr/>
BOROUGH OF STONE HARBOR SCHOOL DISTRICT Direct Debt			-
			<hr/>
Total direct and overlapping debt			<u>51,906,594</u>

Sources: Borough of Stone Harbor Finance Officer

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Borough of Stone Harbor. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

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

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

Legal Debt Margin Calculation for Fiscal Year 2015

	Average equalized valuation of taxable property									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2015
Debt limit	113,733,642	132,355,193	142,106,623	142,109,124	139,288,030	112,803,220	109,336,311	105,722,581	101,999,242	101,370,716
Total net debt applicable to limit	<u>113,733,642</u>	<u>132,355,193</u>	<u>142,106,623</u>	<u>142,109,124</u>	<u>139,288,030</u>	<u>112,803,220</u>	<u>109,336,311</u>	<u>105,722,581</u>	<u>101,999,242</u>	<u>101,370,716</u>
Legal debt margin	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

	Equalized valuation basis									
	2015	2014	2013							
	4,119,720,219	3,990,743,113	4,054,022,640							
	<u>4,119,720,219</u>	<u>3,990,743,113</u>	<u>4,054,022,640</u>							
	4,054,828,657									

	Debt limit (2.5% of average equalized value)									
	a									
	101,370,716									
	101,370,716									

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

a Limit set by NJSA 18A-24-19 for a K through 5 district; other % limits would be applicable for other districts

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

Year	Population ^a	Personal Income (thousands of dollars) ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2007	1,039	46,090	44,360	4.90%
2008	1,023	47,822	46,747	6.00%
2009	1,017	46,787	46,005	8.70%
2010	1,016	48,258	47,498	8.70%
2011	866	41,133	47,498	9.10%
2012	860	40,848	47,498	9.50%
2013	854	41,585	48,694	10.30%
2014	847	44,278	52,276	11.20%
2015	844	45,519	53,932	10.30%
2016	836	43,315	51,812	8.90%

Source:

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

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

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

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

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

<u>Function/Program</u>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction										
Regular	13.6	10.6	10.0	13.4	13.2	13.7	11.6	11.8	11.1	11.1
Support Services:										
School administrative services	0.5	0.5	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.5
Business administrative services	1.0	1.0	1.0	1.0	1.0	1.0	0.5	0.5	0.5	0.5
Student & instruction related services	4.0	2.8	2.0	0.5	0.5	2.3	2.0	2.0	2.0	2.0
Central services	1.5	1.5	1.0	1.0	1.0	1.0	2.0	2.5	2.0	2.0
Total	20.6	16.4	14.5	16.4	16.2	18.4	16.6	17.3	16.1	16.1

Source: District Personnel Records

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2007	96	2,266,135	23,606	10.45%	13.6	7:1		93.50	88.20	-2.55%	94.33%
2008	84	2,412,777	28,724	21.68%	10.6	8:1		82.70	78.80	-11.55%	95.28%
2009	80	2,276,704	28,459	-0.92%	10.0	8:1		79.80	74.20	-3.51%	92.98%
2010	61	2,248,849	36,866	29.54%	13.4	8:1		62.80	58.70	-21.30%	93.47%
2011	75	2,301,883	30,692	-16.75%	13.4	6:1		78.70	69.70	25.32%	88.56%
2012	79	3,387,729	42,883	39.72%	13.7	6:1		73.00	69.60	-7.24%	95.34%
2013	78	2,531,378	32,454	-24.32%	11.6	7:1		76.30	72.61	4.52%	95.34%
2014	76	2,674,255	35,188	8.42%	11.8	7:1		73.56	69.68	-3.59%	94.73%
2015	69	2,638,452	38,238	8.67%	11.1	6:1		67.50	64.16	-8.24%	95.05%
2016	68	2,397,405	35,256	-7.80%	11.1	6:1		69.42	65.63	2.84%	94.54%

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

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>District Building</u>										
<u>Elementary</u>										
Stone Harbor Elementary	22,665	22,665	22,665	22,665	22,665	22,665	22,665	22,665	22,665	22,665
Square Feet	154	154	154	154	154	154	154	154	154	154
Capacity (students)	96	84	80	61	79	79	78	76	69	68
Enrollment										

Number of Schools at June 30, 2016
 Elementary = 1

Source: District records, ASSA

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

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

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

School Facilities	Project # (s)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Stone Harbor Elementary	N/A	58,742	203,864	67,919	44,024	69,292	50,641	57,150	46,115	52,425	70,796
Total School Facilities		<u>58,742</u>	<u>203,864</u>	<u>67,919</u>	<u>44,024</u>	<u>69,292</u>	<u>50,641</u>	<u>57,150</u>	<u>46,115</u>	<u>52,425</u>	<u>70,796</u>
Other Facilities											
Grand Total		<u>58,742</u>	<u>203,864</u>	<u>67,919</u>	<u>44,024</u>	<u>69,292</u>	<u>50,641</u>	<u>57,150</u>	<u>46,115</u>	<u>52,425</u>	<u>70,796</u>

BOROUGH OF STONE HARBOR BOARD OF EDUCATION**Insurance Schedule****June 30, 2016*****Unaudited***

	<u>Coverage ^a</u>	<u>Deductible</u>
School package Policy - New Jersey School Board Association Insurance Group		
Property- Blanket Building & Contents	\$ 5,380,300	1,000
Comprehensive General Liability	11,000,000	
Comprehensive Automobile Liability	11,000,000	
Comprehensive Crime Coverage	50,000	500
Electronic Data Processing Equipment	275,000	1,000
Blanket Extra Expense	50,000,000	1,000
Blanket Valuable Papers and Records	10,000,000	1,000
Employee Benefits Liability	11,000,000	1,000
Cyber Liability	1,000,000	1,000
Environmental Liability	1,000,000	1,000
Equipment Breakdown	100,000,000	1,000
Loss of Business Income/Tuition	846,000	1,000
Workers' Compensation - New Jersey School Board Association Insurance Group	statutory	
School Board Legal Liability - New Jersey School Board Association Insurance Group Errors and Omissions Policy	11,000,000	
Flood Insurance - New Jersey School Board Building	1,000,000	500,000
Contents	1,000,000	500,000

Source: District Records

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

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Single Audit Section

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FORD - SCOTT

& ASSOCIATES, L.L.C.

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Independent Auditor's Report

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

We have audited, in accordance with the 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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Stone Harbor School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Borough of Stone Harbor School District's basic financial statements, and have issued our report thereon dated October 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Stone Harbor 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 the Borough of Stone Harbor 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, 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, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Michael S. Garcia

Michael S. Garcia
Certified Public Accountant
Licensed Public School Accountant
No. 2080

October 21, 2016

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Grant Period	Program or Award Amount	Balance 6/30/2015	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures			Repayment of Prior Years' Balances/ Adjustments	(Accounts Receivable) 6/30/2016	Deferred Revenue 6/30/2016	Due to Grantor at 6/30/2016	
									Pass Through	Source	Direct					(MEMO) Pass Through to Sub-Recipients
U.S. Department of Education																
Special Revenue Fund:																
Small Rural Education Achievement Program	84-358A	S358A150802	N/A	7/1/15-6/30/16	15,676			15,676	(15,676)		(15,676)					
								15,676	(15,676)		(15,676)					
Passed-through State Department of Education:																
Special Revenue Fund:																
IDEA Part B, Basic Regular	84-027	S027A150100	FT16	7/1/15-6/30/16	12,416			12,416	(12,416)		(12,416)					
								12,416	(12,416)		(12,416)					
								28,092	(15,676)		(28,092)					
Total Special Revenue Fund								28,092	(15,676)		(28,092)					
Total Federal Awards								28,092	(15,676)		(28,092)					

BOROUGH OF STONE HARBOR 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 Award Amount	Grant Period	Balance at 6/30/2015	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2016			MEMO	
									(Accounts Receivable)	Deferred Revenue	Due to Grantor		Budgetary Receivable
State Department of Education													
General Fund:													
Special Education Categorical Aid	16-495-034-5120-089	23,240	7/1/15-6/30/16	-	-	23,240	(23,240)	-	-	-	-	2,164	23,240
Security Aid	16-495-034-5120-084	2,817	7/1/15-6/30/16	-	-	2,817	(2,817)	-	-	-	-	262	2,817
Adjustment Aid	16-495-034-5120-085	6,924	7/1/15-6/30/16	-	-	6,924	(6,924)	-	-	-	-	645	6,924
PARCC Readiness Aid	16-495-034-5120-098	350	7/1/15-6/30/16	-	-	350	(350)	-	-	-	-	33	350
Per Pupil Growth Aid	16-495-034-5120-097	350	7/1/15-6/30/16	-	-	350	(350)	-	-	-	-	33	350
	Subtotal State Aid Public			-	-	33,681	(33,681)	-	-	-	-	3,137	33,681
Transportation Aid	16-495-034-5120-014	19,782	7/1/15-6/30/16	-	-	19,782	(19,782)	-	-	-	-	1,842	19,782
Reimbursed Non Public Transportation Aid	N/A	522	7/1/15-6/30/16	-	-	-	(522)	-	-	-	-	-	522
Reimbursed TPAF Social Security Contributions	15-495-034-5094-003	72,548	7/1/14-6/30/15	(3,566)	-	3,566	-	-	-	-	-	-	72,548
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	66,153	7/1/14-6/30/15	-	-	62,907	(66,153)	-	(3,246)	-	-	-	66,153
Total General Fund				(3,566)	-	119,936	(120,138)	-	(3,768)	-	-	4,979	192,686
Total State Financial Assistance				(3,566)	-	119,936	(120,138)	-	(3,768)	-	-	4,979	192,686

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

Borough of Stone Harbor School District
Notes to the Schedules of Financial Assistance
June 30, 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, Borough of Stone Harbor School District. The Board of Education is defined in Note 1(A) to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Board's basic financial statements. The District has elected not to use the 10% de minimis indirect cost rate.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, c.97 (A3521). For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from budgetary basis to GAAP basis is \$168,969 for the general fund, \$0 for the special revenue fund and \$0 for the capital projects fund. See the following schedule and Schedule C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

Borough of Stone Harbor School District
Notes to the Schedules of Financial Assistance
June 30, 2016

	General Fund	Total
State Assistance:		
Actual amounts (budgetary) “revenues” from the Schedule of Expenditures of State Financial Assistance	\$ 120,138	120,138
Difference – budget to “GAAP”		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes	4,979	4,979
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(4,979)	(4,979)
On Behalf TPAF payments recognized for GAAP statements not included in the Schedule of Expenditures of State Financial Assistance	168,969	168,969
Total State revenue as reported on the statement of revenues, expenditures and changes in fund balances	\$ 289,107	\$ 289,107

Borough of Stone Harbor School District
Notes to the Schedules of Financial Assistance
June 30, 2016

	Special Revenue Fund	Total
Federal Assistance:		
Actual amounts (budgetary) "revenues" from the Schedule of Expenditures of Federal Awards	\$ 28,092	28,092
 Difference - budget to "GAAP" Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
 Total Federal revenue as reported on the statement of revenue, expenditures, and changes in fund balances	\$ 28,092	28,092

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

The amounts reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the district for the year ended June 30, 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.

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Part I -- Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
1) Material weakness(es) identified?	_____	yes <u> X </u>	no
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____	yes <u> X </u>	none reported
Noncompliance material to basic financial statements noted?	_____	yes <u> X </u>	no

Federal Awards Section

Not Applicable

Internal Control over major programs:			
1) Material weakness(es) identified?	_____	yes _____	no
2) Significant deficiencies identified	_____	yes _____	none reported
Type of auditor's report on compliance for major programs	_____		
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	_____	yes _____	no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to determine Type A programs:	_____		
Auditee qualified as low-risk auditee?	_____	yes _____	no

**BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part I -- Summary of Auditor's Results

State Awards Section

Not Applicable

Internal Control over major programs:

1) Material weakness(es) identified? _____ yes _____ no

2) Significant deficiencies identified _____ yes _____ none reported

Type of auditor's report on compliance for major programs

_____ Unmodified _____

Any audit findings disclosed that are required to be reported in accordance NJOMB Circular Letter 15-08?

_____ yes _____ no

Identification of major programs:

GMIS Number(s)

Name of State Program

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

N) Dollar threshold used to determine Type A programs: _____

O) Auditee qualified as low-risk auditee? _____ yes _____ no

**BOROUGH OF STONE HARBOR SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2016**

Part 2 – Schedule of Financial Statement Findings

NONE

Part 3 – Schedule of State Award Findings and Questioned Costs

NONE

STATUS OF PRIOR YEAR FINDINGS

NONE