

SCHOOL DISTRICT

OF

ATLANTIC HIGHLANDS

**ATLANTIC HIGHLANDS BOARD OF EDUCATION
ATLANTIC HIGHLANDS, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

ATLANTIC HIGHLANDS BOARD OF EDUCATION

ATLANTIC HIGHLANDS, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PREPARED BY

**ATLANTIC HIGHLANDS BOARD OF EDUCATION
FINANCE DEPARTMENT**

ATLANTIC HIGHLANDS SCHOOL DISTRICT

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INTRODUCTORY SECTION



Atlantic Highlands Board of Education

Dr. Susan Compton
Superintendent

Mrs. Alyson Denzler
President

Mrs. Janet Sherlock
Business Administrator/Board Secretary

November 14, 2017

Honorable President and
Members of the Board of Education
Atlantic Highlands School District
County of Monmouth, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Atlantic Highlands School District for the fiscal year ended June 30, 2017 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. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditors report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. This District is required to undergo an annual single audit in conformity with the provisions of the single Audit Act of 1984 and the U.S. Office of Management and Title 2 U.S. Code of Federal Regulations, Part 200, "Audits of State and Local Governments," and the state Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

Atlantic Highlands School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the district are included in this report. The Atlantic Highlands Board of Education and its elementary school constitute the District's reporting entity.

The district provides a full range of education programs and services appropriate to grades Pre-K through 6. These include regular and special education for students with disabilities. The district completed the 2016-2017 fiscal year with an average daily enrollment of 335 students.

2. ECONOMIC CONDITION AND OUTLOOK:

Atlantic Highlands is a stable, older, year-round community. In October 2012, Atlantic Highlands was hit by Super Storm Sandy. The Atlantic Highlands Harbor suffered substantial damage. Many homes in town were also damaged. The Atlantic Highlands Harbor has been fully restored and is again open for business. The downtown business area is also growing. There is a heightened interest in property ownership with property values remaining stable. This is also evidenced in an increase in the ratables and the renovation of the main business district. The appeal of this shoreline community is due in part, to its proximity to Manhattan and the prosperous harbor.

3. MAJOR INITIATIVES:

Atlantic Highlands Elementary School continues to provide an exceptional educational experience for all students. The breadth of programs from special education to gifted and talented meets each child's unique needs. The 2016-2017 school year demonstrated a continuing emphasis on curriculum alignment to the national Common Core Curriculum Standards. The district has implemented a teacher's evaluation system mandated by the state. Our teachers continue to receive professional development throughout the year. Often in an effort to reduce cost, Atlantic Highlands holds professional development days in conjunction with other districts.

4. INTERNAL ACCOUNTING CONTROLS:

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

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

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

5. BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of the budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the county superintendent. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2017.

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. FINANCIAL INFORMATION AT FISCAL YEAR-END:

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

8. DEBT ADMINISTRATION:

At June 30, 2017, the District had outstanding debt issues in the amount of \$2,095,000.

In March 2003 voters of the Borough of Atlantic Highlands approved a \$6,292,000 referendum for capital project #0130-020-02-1112/Renovations and Addition to the Atlantic Highlands Elementary School. Bonds were sold in August of 2003 in the amount of \$4,063,000 to fund the project along with a state grant in the amount of \$2,083,130. The proceeds of this bond issue were placed in the District's capital projects fund to finance capital improvements to the District's building and grounds. These improvements included an 11,000 sq. ft addition to house a new cafeteria, library/media center, a science classroom, special education classroom and an elevator to enable the district to be ADA compliant. Renovations to the existing building included reproofing, a total overhaul of the HVAC system, rehabilitation of kindergarten, pre-school disabled and music/band classrooms, small group instruction space and much needed upgrades to the electrical and communications systems. Repayment of interest began in August of 2004; repayment of principal began in August 2005.

In September 2009 voters of the Borough of Atlantic Highlands approved a \$490,000 referendum for capital project #0130-020-09-2000/Atlantic Highlands Elementary School Solar Panels. Bonds were sold in December of 2009 in the amount of \$490,000 to fund the project. The proceeds of this bond issue were placed in the District's capital projects fund to finance capital improvements to the District's building and grounds. The project included the installation of Solar Panels on the roof of the elementary school. Repayment of interest began in September of 2010; repayment of principal began in March 2011.

9. 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 Government Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect the Government 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.

10. RISK MANAGEMENT:

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

11. OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Robert A. Hulsart and Company was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the Title 2 U.S. Code of Federal Regulations, Part 200 and state OMB Circular Letter 15-08.

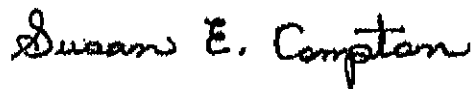
The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

The auditor's reports related specifically to the single audit are included in the single audit section of this report.

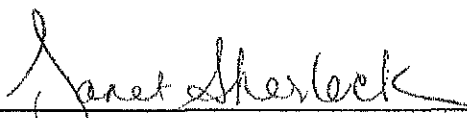
12. ACKNOWLEDGEMENTS:

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

Respectfully submitted,



Dr. Susan Compton
Superintendent of Schools



Janet Sherlock
School Business Administrator /Board Secretary

ATLANTIC HIGHLANDS BOARD OF EDUCATIONROSTER OF OFFICIALSJUNE 30, 2017Members of the Board of EducationTerm Expires

Alyson Denzler, President	2017
Conor Barnes	2018
Renee Dorski	2018
Hope Hanlon	2017
Steven Lombardi	2019
Julie Mahoney	2017
Suzanne Santry, Vice President	2018
Elizabeth Eittrheim	2019
James Murphy	2019

Other Officials

Dr. Susan Compton, Superintendent

Ms. Janet Sherlock, School Business Administrator/Board Secretary

Ms. Janet Walling, Principal

Mr. Daniel Layton, Supervisor of Curriculum & Instruction

ATLANTIC HIGHLANDS BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Audit Firm

Robert A. Hulsart & Co.
2807 Hurley Pond Road
Wall, N.J. 07719

Attorneys

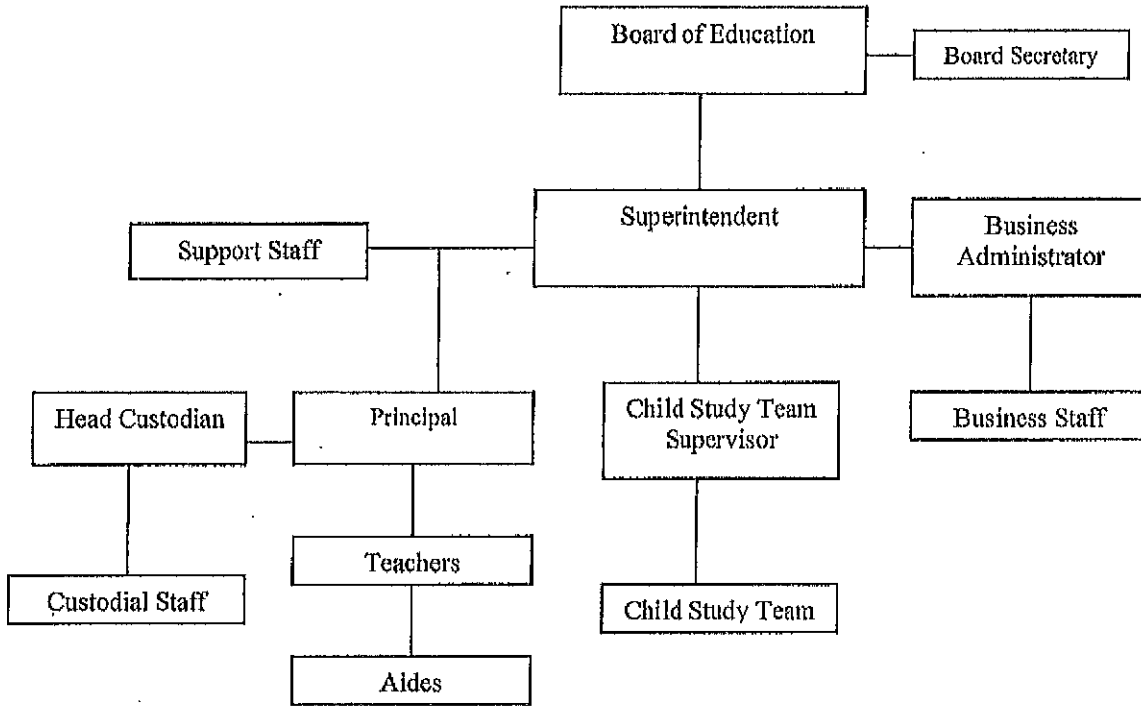
McOmber & McOmber
54 Shrewsbury Avenue
Red Bank, N.J. 07701

Official Depository

Wells Fargo Bank, N.A.
111 First Avenue
Atlantic Highlands, N.J. 07716

ATLANTIC HIGHLANDS BOARD OF EDUCATION

ORGANIZATIONAL CHART (Unit Control)



FINANCIAL SECTION

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
ROBERT A. HULSART, JR., C.P.A., P.S.A.

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

Telecopier:
(732) 280-8888

e-mail:
rah@monmouth.com

2807 Hurley Pond Road • Suite 100
P.O. Box 1409
Wall, New Jersey 07719-1409
(732) 681-4990

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Atlantic Highlands School District
County of Monmouth
Atlantic Highlands, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Atlantic Highlands School District, in the County of Monmouth, State of New Jersey, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Atlantic Highlands School District, in the County of Monmouth, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, 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 standard generally accepted in the United States of America. In our opinion, the accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017 on our consideration of the Atlantic Highland's Board of Education internal control over financial reporting and 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 Atlantic Highlands Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart
Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company
Wall Township, New Jersey

November 14, 2017

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

ATLANTIC HIGHLANDS SCHOOL DISTRICT
BOROUGH OF ATLANTIC HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The discussion and analysis of Atlantic Highlands School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; it should be read in conjunction with the Comprehensive Annual Financial Report's (CAFR) Letter of Transmittal which is found in the Introductory Section, and the School Board's financial statements found in the Financial Section and the notes thereto.

The MD & A is a Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – "Basic Financial Statement -and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999.

Financial Highlights

Key Financial highlights for the 2016-2017 fiscal year are as follows:

- General revenues accounted for \$5,954,493 in revenue or 96% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions, and debt service accounted for \$270,685 or 4% percent to total revenues of \$6,225,178.
- Net Position of governmental activities decreased by \$296,722.
- The School District had \$6,525,485 in expenses; only \$270,685 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$5,954,493 were adequate to provide for these programs.
- The General Fund had \$5,713,466 in revenues and \$5,774,847 in expenditures. The General Fund's balance decreased by \$61,381. This decrease was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

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

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole school district, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Atlantic Highlands School District, the General Fund is the most significant fund, with the Special Revenue Fund and Capital Project's Fund also having significance.

The School Board's auditor has provided assurance in his Independent Auditor's Report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. A user of this report should read the Independent Auditor's Report carefully to ascertain the level of assurance being provided for each of the other parts of the Financial Section.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2016-2017 fiscal year?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- **Governmental activities** – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- **Business-Type Activities** – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds begins with Exhibit B-1. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

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

Enterprise Fund

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

The School District as a Whole

Table 1 provides a summary of the School District's net position comparisons of fiscal year 2017 with 2016.

Table 1
Net Position

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current and Other Assets	\$ 1,037,698	1,171,476
Capital Assets, Net	<u>4,949,735</u>	<u>5,178,782</u>
Total Assets	<u>\$ 5,987,433</u>	<u>6,350,258</u>
<u>Deferred Outflow of Resources</u>		
Contribution to Pension Plan	<u>\$ 854,594</u>	<u>364,824</u>
<u>Deferred Inflow of Resources</u>		
Pension Deferrals	<u>\$ 0</u>	<u>20,534</u>

Table 1
Net Position (Continued)

	<u>2017</u>	<u>2016</u>
<u>Liabilities</u>		
Current Liabilities	\$ 513,175	520,206
Other Liabilities	<u>4,057,643</u>	<u>3,602,826</u>
Total Liabilities	<u>\$ 4,570,818</u>	<u>4,123,032</u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Debt	\$ 2,854,735	2,803,782
Restricted	570,201	693,496
Unrestricted	<u>(1,153,727)</u>	<u>(925,762)</u>
Total Net Position	<u>\$ 2,271,209</u>	<u>2,571,516</u>

Table 2 shows the changes in net position for fiscal year 2017 and 2016.

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 114,284	235,238
Operating Grants and Contributions	156,401	201,393
General Revenues		
Property Taxes	4,826,344	4,588,646
Grants and Entitlements	933,651	887,575
Other	<u>194,498</u>	<u>2,467</u>
Total Revenues	<u>\$ 6,225,178</u>	<u>5,915,319</u>
<u>Program Expenses</u>		
Instruction	\$ 2,526,975	2,533,296
Support Services		
Pupils and Instructional Staff	663,972	655,660
General Administration, School Administration, Business	478,406	481,038
Operations and Maintenance of Facilities	383,186	363,009
Pupil Transportation	61,704	49,843
Interest on Debt	81,923	90,440
Food Service	86,753	73,731
Miscellaneous	<u>2,242,566</u>	<u>1,907,094</u>
Total Expenses	<u>\$ 6,525,485</u>	<u>6,154,111</u>
Increase/ (Decrease) in Net Position	<u>\$ (300,307)</u>	<u>(238,792)</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 79 percent of revenues for governmental activities for the Atlantic Highlands School District for fiscal year 2017. The District's total revenues were \$6,142,010 for the fiscal year ended June 30, 2017. Federal, state and local grants accounted for \$1,315,666 or 21 percent.

Business-Type Activities

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

- Food service revenues were short of expenses by \$3,585.
- Charges for services represent \$59,124 of revenue. This represents amount paid by patrons for daily food services.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and donated commodities was \$24,044. Overall net position as of June 30, 2017 were \$16,801.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

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

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

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

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

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

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

Extracurricular activities includes expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

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

Other includes unallocated depreciation and amortization.

The School Board' Funds

The School Board uses funds to control and manage money for particular purposes. The Fund's basic financial statements allows the School Board to demonstrate its stewardship over and accountability for resources received from the Borough of Atlantic Highland's taxpayer's and other entities, including the State of New Jersey and the Federal Government. These statements also allow the reader to obtain more insight into the financial workings of the School Board, and assess further the School Board's overall financial health.

As the School Board completed the fiscal year ended June 30, 2017, it reported a combined net position balance of \$2,271,209. The Reconciliation of the Statement of Revenue Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities presents the reader with a detailed explanation of the differences between the net change in fund balances and changes in net position.

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

Over the course of the year, the School Board revises its budget as it attempts to take into consideration unexpected changes in revenue and expenditures.

A schedule showing the School Board's original and final budget compared with actual operating results is provided in the section of the CAFR, entitled Budgetary Comparison Schedules. The School Board generally did better than had been budgeted in its General Fund since it practices conservative budgetary practices in which revenues are forecasted very conservatively and expenditures are budgeted with worst-case scenarios in mind.

Capital Assets

At June 30, 2017, the School Board had approximately \$4,949,735 million invested in a broad range of capital assets, including land, buildings, furniture, vehicles, computers, instructional equipment and other equipment. This amount is net of accumulated depreciation to date. Table II below shows the net book value of capital assets at the end of the 2017 fiscal year.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Table II Capital Assets at June 30, 2017		
Land	\$ 93,591	
Buildings	4,733,820	
Machinery and Equipment	<u>112,447</u>	<u>9,877</u>
Total	<u>\$ 4,939,858</u>	<u>9,877</u>

Debt Administration

At June 30, 2017, the School District had \$4,337,643 as outstanding debt. Of this amount \$272,025 is for compensated absences, and the balance \$2,095,000 for bonds for school construction. The District also recorded a deferred pension liability of \$1,970,618 in 2016-2017.

Economic Factors and Next Year's Budget

The Atlantic Highlands School District is in very good financial condition presently. Future finances are not without challenges as the community continues to grow and state funding is decreased.

The Borough of Atlantic Highlands is primarily a residential community, with very few ratables. The majority of revenues needed to operate the District is derived from homeowners through property tax assessments and collections.

At this time, the most important factor affecting the budget is the unsettled situation with State Aid. While State aid may be frozen, the District may experience growth in student population. The tax levy will be the area that will need to absorb any increase in budget obligations.

In conclusion, the Atlantic Highlands School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Janet Sherlock, School Business Administrator/Board Secretary at Atlantic Highlands Board of Education, 140 First Avenue, Atlantic Highlands, NJ 07716.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

STATEMENT OF NET POSITION

Exhibit A-1

JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 377,893	4,714	382,607
Receivables, Net	97,573	2,817	100,390
Inventory		3,156	3,156
Restricted Assets:			
Cash and Cash Equivalents	551,545		551,545
Capital Assets-(Non-Depreciable)	93,591		93,591
Capital Assets, Net	4,846,267	9,877	4,856,144
Total Assets	<u>5,966,869</u>	<u>20,564</u>	<u>5,987,433</u>
<u>Deferred Outflow of Resources</u>			
Contribution to Pension Plan	<u>854,594</u>		<u>854,594</u>
<u>Deferred Inflow of Resources</u>			
Pension Deferrals			<u>-</u>
<u>Liabilities</u>			
Accounts Payable	229,412	3,763	233,175
Noncurrent Liabilities:			
Due Within One Year	280,000		280,000
Due Beyond One Year	4,057,643		4,057,643
Total Liabilities	<u>4,567,055</u>	<u>3,763</u>	<u>4,570,818</u>
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	2,844,858	9,877	2,854,735
Restricted For:			
Capital Projects	18,656		18,656
Other Purposes	551,545		551,545
Unrestricted	<u>(1,160,651)</u>	<u>6,924</u>	<u>(1,153,727)</u>
Total Net Position	<u>\$ 2,254,408</u>	<u>16,801</u>	<u>2,271,209</u>

The accompanying notes to financial statements are an integral part of this statement.

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit A-2
Sheet 1 of 2

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental Activities:						
Instruction:						
Regular	\$ 1,801,079			(1,801,079)		(1,801,079)
Special Education	648,245		45,798	(602,447)		(602,447)
Other Special Instruction	60,439			(60,439)		(60,439)
Other Instruction	17,212			(17,212)		(17,212)
Support Services:						
Tuition	55,160	55,160		-		-
Student & Instruction Related Services	608,812		86,559	(522,253)		(522,253)
School Administrative Services	144,546			(144,546)		(144,546)
General and Business Administrative Services	333,860			(333,860)		(333,860)
Plant Operations and Maintenance	383,186			(383,186)		(383,186)
Pupil Transportation	61,704			(61,704)		(61,704)
Employee Benefits	1,962,658			(1,962,658)		(1,962,658)
Capital Outlay	54,816			(54,816)		(54,816)
Interest on Long-Term Debt	81,923			(81,923)		(81,923)
Unallocated Depreciation	225,092			(225,092)		(225,092)
Total Government Activities	6,438,732	55,160	132,357	(6,251,215)	-	(6,251,215)
Business-Type Activities:						
Food Service	86,753	59,124	24,044	-	(3,585)	(3,585)
Total Business-Type Activities	86,753	59,124	24,044	-	(3,585)	(3,585)
Total Primary Government	6,525,485	114,284	156,401	(6,251,215)	(3,585)	(6,254,800)

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES

Sheet 2 of 2

FOR THE YEAR ENDED JUNE 30, 2017

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purpose, Net	4,506,095		4,506,095
Taxes Levied for Debt Service	320,249		320,249
Tuition	154,335		154,335
Federal and State Aid Not Restricted	933,651		933,651
Miscellaneous Income	40,163		40,163
Total General Revenues	<u>5,954,493</u>	<u>-</u>	<u>5,954,493</u>
Change in Net Position	(296,722)	(3,585)	(300,307)
Net Position - Beginning	<u>2,551,130</u>	<u>20,386</u>	<u>2,571,516</u>
Net Position - Ending	<u>\$ 2,254,408</u>	<u>16,801</u>	<u>2,271,209</u>

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

FUND FINANCIAL STATEMENTS – B

BALANCE SHEETGOVERNMENTAL FUNDSJUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 359,237		18,656	377,893
Cash and Cash Equivalents-Restricted	551,545			551,545
Receivables from Other Governments	54,394	43,179		97,573
Interfund Receivable	37,106			37,106
Total Assets	<u>\$ 1,002,282</u>	<u>43,179</u>	<u>18,656</u>	<u>1,064,117</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts Payable	\$ 187,337	6,073		193,410
Due to Food Service	1,574			1,574
Interfund Payable		37,106		37,106
Total Liabilities	<u>188,911</u>	<u>43,179</u>	<u>-</u>	<u>232,090</u>
Fund Balance:				
Restricted for:				
Excess Surplus	92,841			92,841
Excess Surplus - Designed for Subsequent Years Expenditures	85,625			85,625
Committed To:				
Maintenance Reserve	211,172			211,172
Emergency Reserve	2,200			2,200
Capital Reserve Account	7,150			7,150
Assigned To:				
Designated by the BOE for Subsequent Year's Expenditures	32,501			32,501
Designated for Subsequent Year's Expenditures - Maintenance Reserve	88,206			88,206
Designated for Subsequent Year's Expenditures - Capital Reserve	31,850			31,850
Unassigned:				
Capital Projects			18,656	18,656
General Fund	261,826			261,826
Total Fund Balances	<u>813,371</u>	<u>-</u>	<u>18,656</u>	<u>832,027</u>
Total Liabilities and Fund Balance	<u>\$ 1,002,282</u>	<u>43,179</u>	<u>18,656</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$9,341,555 and the accumulated depreciation is \$4,308,106.	4,939,858
Deferred outflow of resources - contributions to the pension plan	854,594
Deferred inflow of resources - acquisition of assets applicable to future reporting periods	-
Accrued Interest	(34,428)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(4,337,643)</u>
Net position of governmental activities	<u>\$ 2,254,408</u>

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

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit B-2
Sheet 1 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Local Sources:					
Local Tax Levy	\$ 4,506,095			320,249	4,826,344
Tuition Charges	209,495				209,495
Miscellaneous	40,163	2,000			42,163
Total Local Sources	<u>4,755,753</u>	<u>2,000</u>	<u>-</u>	<u>320,249</u>	<u>5,078,002</u>
State Sources	957,713			21,951	979,664
Federal Sources		130,357			130,357
Total Revenues	<u>5,713,466</u>	<u>132,357</u>	<u>-</u>	<u>342,200</u>	<u>6,188,023</u>
<u>Expenditures</u>					
Current:					
Regular Instruction	1,801,079				1,801,079
Special Education Instruction	602,447	45,798			648,245
Other Special Instruction	60,439				60,439
Other Instruction	17,212				17,212
Support Services and Undistributed Costs:					
Tuition	55,160				55,160
Student and Instruction Related Services	522,253	86,559			608,812
School Administrative Services	144,546				144,546
Other Administrative Services	333,860				333,860
Plant Operations and Maintenance	383,186				383,186
Pupil Transportation	61,704				61,704
Unallocated Benefits	1,738,145				1,738,145
Capital Outlay	54,816				54,816
Debt Service Principal				280,000	280,000
Interest on Debt Service				85,438	85,438
Total Expenditures	<u>5,774,847</u>	<u>132,357</u>	<u>-</u>	<u>365,438</u>	<u>6,272,642</u>

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

ATLANTIC HIGHLANDS SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(61,381)</u>	<u>-</u>	<u>-</u>	<u>(23,238)</u>	<u>(84,619)</u>
Other Financing Sources:					
State Grant Cancelled			(46,013)		(46,013)
Transfer to Debt Service			<u>(23,238)</u>	<u>23,238</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>(69,251)</u>	<u>23,238</u>	<u>(46,013)</u>
Net Change in Fund Balance	(61,381)	-	(69,251)	-	(130,632)
Fund Balance - July 1	<u>874,752</u>		<u>87,907</u>		<u>962,659</u>
Fund Balance - June 30	<u>\$ 813,371</u>	<u>-</u>	<u>18,656</u>	<u>-</u>	<u>832,027</u>

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

ATLANTIC HIGHLANDS SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURESAND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Exhibit B-3

TO THE STATEMENT OF ACTIVITIESFOR THE YEAR END JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$ (130,632)
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:	
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Depreciation Expense	(225,092)
Repayment of bond principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities	280,000
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	489,770
Pension Related Deferrals	20,534
Net Pension Liability	(693,503)
Compensated Absences	(41,314)
Accrued Interest	<u>3,515</u>
Change in Net Position of Governmental Activities	<u>\$ (296,722)</u>

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

ATLANTIC HIGHLANDS SCHOOL DISTRICTSTATEMENT OF NET POSITION

Exhibit B-4

PROPRIETARY FUNDSJUNE 30, 2017

	<u>Enterprise Fund</u>
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 4,714
Accounts Receivable:	
State	57
Federal	1,186
Other	1,574
Inventory	3,156
Total Current Assets	<u>10,687</u>
Noncurrent Assets:	
Equipment	78,869
Less: Accumulated Depreciation	<u>(68,992)</u>
Total Noncurrent Assets	<u>9,877</u>
Total Assets	<u>\$ 20,564</u>
<u>Liabilities</u>	
Accounts Payable	<u>\$ 3,763</u>
<u>Net Position</u>	
Investment in Capital Assets	\$ 9,877
Unrestricted	<u>6,924</u>
Total Net Position	<u>\$ 16,801</u>

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

ATLANTIC HIGHLANDS SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES

Exhibit B-5

IN FUND NET POSITIONPROPRIETARY FUNDSJUNE 30, 2017

	<u>Enterprise Fund</u>
Operating Revenues:	
Local Sources:	
Daily Sales Reimbursable Programs	\$ 56,577
Daily Sales Non-Reimbursable Programs	2,547
Total Operating Revenue	<u>59,124</u>
Operating Expenses:	
Salaries	24,758
Management Fee	7,315
Miscellaneous	7,504
Supplies	3,971
Cost of Sales - Reimbursable Programs	30,238
Cost of Sales - Non-Reimbursable Programs	9,012
Depreciation	3,955
Total Operating Expenses	<u>86,753</u>
Operating (Loss)/Profit	(27,629)
Non-Operating Revenues:	
State Sources:	
State School Lunch Program	796
Federal Sources:	
National School Lunch Program	15,451
HHFKA Lunch Program	1,113
Commodities	6,684
Total Non-Operating Revenues	<u>24,044</u>
Change in Net Position	(3,585)
Net Position, July 1	<u>20,386</u>
Net Position, June 30	<u>\$ 16,801</u>

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

ATLANTIC HIGHLANDS SCHOOL DISTRICTSTATEMENT OF CASH FLOWS

Exhibit B-6

PROPRIETARY FUNDSJUNE 30, 2017

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from Daily Sales	\$ 59,123
Payments to Suppliers	(79,789)
Net Cash Used by Operating Activities	<u>(20,666)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	796
Federal Sources	16,564
Net Cash Provided by Noncapital Financing Activities	<u>17,360</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(3,306)
Cash and Cash Equivalents July 1	<u>8,020</u>
Cash and Cash Equivalents June 30	<u>\$ 4,714</u>
Cash Flows from Operating Activities:	
Operating (Loss)/Profit	\$ (27,629)
Adjustments to Reconcile Operating Loss to Cash Provided (Used) by Operating Activities:	
Depreciation	3,955
Federal Commodities	6,684
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	174
Increase/(Decrease) in Accounts Payable	(3,885)
(Increase)/Decrease in Accounts Receivable	<u>35</u>
Net Cash Used by Operating Activities	<u>\$ (20,666)</u>

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

ATLANTIC HIGHLANDS SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

Exhibit B-7

FIDUCIARY FUNDS

JUNE 30, 2017

	<u>Unemployment Compensation Trust</u>
Assets:	
Cash and Cash Equivalents	\$ 4,190
Total Assets	<u>\$ 4,190</u>
Net Position:	
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 4,190</u>
Total Net Position	<u>\$ 4,190</u>

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

ATLANTIC HIGHLANDS SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Exhibit B-8

FIDUCIARY FUNDSFOR THE YEAR ENDED JUNE 30, 2017

	<u>Unemployment Compensation Trust</u>
<u>Additions</u>	
Contributions:	
Other	\$ 3,712
Total Additions	<u>3,712</u>
<u>Deductions</u>	
Unemployment Claims	<u>10,988</u>
Total Deductions	<u>10,988</u>
Change in Net Position	(7,276)
Net Position - Beginning of Year	<u>11,466</u>
Net Position - End of the Year	<u>\$ 4,190</u>

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

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION
ATLANTIC HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1: Summary of Significant Accounting Policies

The financial statements of the Board of Education (Board) of the Atlantic Highlands 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. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Atlantic Highlands School District is a Type II district located in the County of Monmouth, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Atlantic Highlands School District had an approximate enrollment at June 30, 2017 of 296 students.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Government 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

B. Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities such as student activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by state and federal aid, tuition and county tax levies, from business-type activities generally financed in whole or in part with fees charged to external parties.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements (Continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees and other charges to users of the District's services and (2) operating grants and contributions. These revenues are subject to externally imposed restrictions to these program uses. Tax levies and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds. The New Jersey Department of Education (the "Department") has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The Department believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. County tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. The Unemployment Trust Fund recognizes employer and employee contributions in the period in which contributions are due.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to apply current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term pension and compensated absences, which are reported as expenditures in the year due.

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Major revenue sources susceptible to accrual includes Intergovernmental revenues, and the county tax levy. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for food sales and for services provided to other governmental entities. Principles operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

D. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

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

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

Capital Projects Fund: the capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

Proprietary Fund Type

Enterprise Fund: To account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the District is that the costs of providing goods or services to the District on a continuing basis be financed or recovered primarily through user charges.

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued):

Fiduciary Fund Types

Agency Funds (Payroll and Student Activities Fund): Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Expendable Trust Fund: An expendable trust fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent. Expendable trust funds include Unemployment Compensation Insurance.

E. Basis of Accounting:

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded in the accounting period in which they are earned and expenses are recorded at the time liabilities are incurred.

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g)1. All budget amendments must be approved by School Board resolution.

The Public School Education Act of 1975, limits the annual increase of any district's net current expense budget. The Commissioner of Education certifies the allowable amount for each district but may grant a higher level of increase if he determines that the sums so provided would be insufficient to meet the identified goals and needs of the district or that an anticipated enrollment increase requires additional funds.

The Commissioner must also review every proposed local school district budget for the next school year. He examines every item of appropriations for current expenses and budgeted capital outlay to determine their adequacy in relation to the identified needs and goals of the district. If, in his view, they are insufficient, the Commissioner must order remedial action. If necessary, he is authorized to order changes in the local district budget.

Once a budget is approved, it can be amended by transfers or additional appropriation of fund balances by approval of a majority of the members of the Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual transfers were not material in relation to the original appropriations. All uncommitted budget appropriations lapse at year-end.

G. 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)**H. Short-Term Interfund Receivables/Payables:**

Short-Term interfund receivables/payables represents amounts that are owed, other than charges for good or services rendered to/from a particular fund in the District and that are due within one year.

I. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

J. Capital Assets and Depreciation

The District's property, buildings and improvements, equipment, vehicles, furniture and fixtures with useful lives of five years or more are stated at historical or estimated historical cost and are reported in the government-wide financial statements. Proprietary Fund capital assets are reported in its respective fund.

The District contracted with an outside service company to provide a report with a comprehensive detail of capital assets and depreciation. This report was prepared during 2006. The report included capital assets purchased during the 2005-2006 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2006, fiscal year 2006 depreciation expense, total accumulated depreciation and book values were also provided. The report was updated to include 2016-2017 activity. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	20 – 50
Equipment and Vehicles	5 – 20
Furniture and Fixtures	5 – 20

NOTE 1: Summary of Significant Accounting Policies (Continued)J. Capital Assets and Depreciation (Continued)

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>
Governmental Activities:				
Capital Assets that are Not Being Depreciated:				
Land	\$ 93,591	_____	_____	93,591
Total Capital Assets Not Being Depreciated	<u>93,591</u>	_____	_____	<u>93,591</u>
Depreciable Assets:				
Buildings & Sites	8,377,835			8,377,835
Equipment	<u>776,538</u>	_____	_____	<u>776,538</u>
Total	<u>9,154,373</u>	_____	_____	<u>9,154,373</u>
Less: Accumulated Depreciation for:				
Buildings & Sites	(3,440,007)	(204,008)		(3,644,015)
Equipment	<u>(643,007)</u>	<u>(21,084)</u>	_____	<u>(664,091)</u>
Total Accumulated Depreciation	<u>(4,083,014)</u>	<u>(225,092)</u>	_____	<u>(4,308,106)</u>
Net Depreciable Assets	<u>5,071,359</u>	<u>(225,092)</u>	_____	<u>4,846,267</u>
Governmental Activities Capital Assets, (Net)	<u>\$ 5,164,950</u>	<u>(225,092)</u>	_____	<u>4,939,858</u>
Business-Type Activities:				
Equipment	\$ 78,869			78,869
Less: Accumulated Depreciation for:				
Equipment	<u>(65,037)</u>	<u>(3,955)</u>	_____	<u>(68,992)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 13,832</u>	<u>(3,955)</u>	_____	<u>9,877</u>

Depreciation expense was charged to governmental functions as follows:

Unallocated	<u>\$ 225,092</u>
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NOTE 1: Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

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

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

The liability for vested compensated absences of the governmental fund types is recorded in the general long-term debt account group. The current portion of the compensated absence balance is not considered material to the applicable fund total liabilities, and therefore is not shown separately from the long-term liability balance of compensated absences.

L. Deferred Revenue

Deferred revenue in the special revenue fund represents cash, which has been received but not yet earned. See note 1(e) regarding the special revenue fund.

M. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

N. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Grants, entitlements, or shared revenues which are restricted for the acquisition or construction of capital assets are also recorded as contributed capital. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

O. Tuition Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

P. Tuition Payable

Tuition charges for the fiscal year 2016-2017 was based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

NOTE 2: Cash and Cash Equivalents and Investments

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

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

Deposits

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

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

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

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

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

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or any United States Bank of Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

NOTE 2: Cash and Cash Equivalents and Investments (Continued)**Investments (Continued)**

As of June 30, 2017, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash <u>Equivalents</u>
Interest Bearing Checking Accounts	\$ 922,841
Cash Management Fund	<u>80,751</u>
Total	<u>\$ 1,003,592</u>

The carrying amount of the Board's cash, cash equivalents and investments at June 30, 2017 was \$1,003,592 and the bank balance was \$1,096,015. Of the bank balance \$250,000 was covered by federal depository insurance and \$765,264 was covered by a collateral pool maintained by the banks as required by New Jersey statutes; and \$80,751 was uninsured.

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following categories described below:

Insured:	
FDIC	\$ 250,000
GUDPA	765,264
Uninsured	<u>80,751</u>
	<u>\$ 1,096,015</u>

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 does not have a formal policy for custodial credit risk.

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2017, the District had \$80,751 on deposit with the New Jersey Cash Management Fund.

NOTE 3: General Long-Term Debt

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Long-Term</u> <u>Portion</u>	<u>Amount Due</u> <u>In One Year</u>
Pension Liability	\$ 1,277,115	693,503		1,970,618	1,970,618	
Compensated Absences Payable	230,711	41,314		272,025	272,025	
Bonds Payable	<u>2,375,000</u>	<u> </u>	<u>(280,000)</u>	<u>2,095,000</u>	<u>1,815,000</u>	<u>280,000</u>
	<u>\$ 3,882,826</u>	<u>734,817</u>	<u>(280,000)</u>	<u>4,337,643</u>	<u>4,057,643</u>	<u>280,000</u>

A. Bonds Payable

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 280,000	76,350	356,350
2019	280,000	67,263	347,263
2020	290,000	56,950	346,950
2021	240,000	45,000	285,000
2022	240,000	35,400	275,400
2022-2025	<u>765,000</u>	<u>46,500</u>	<u>811,500</u>
	<u>\$ 2,095,000</u>	<u>327,463</u>	<u>2,422,463</u>

Bonds issued 12/23/09 for \$490,000 at an interest rate of 4.25% maturing 3/1/20 with a balance of \$170,000 at June 30, 2017.

Refunds bonds issued March 6, 2012 for \$2,620,000 at an interest rate of between 2% to 4% maturing August 15, 2024 with a balance of \$1,925,000 at June 30, 2017.

NOTE 4: Pension Plans

Description of Plans – All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

NOTE 4: Pension Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) – The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) – The Public Employee's Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions – The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the District's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

NOTE 4: Pension Plans (Continued)

Contribution Requirements – The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/17	\$ 64,497	100%	0
6/30/16	53,826	100%	0
6/30/15	43,936	100%	0

Three-Year Trend Information for TPAF (Paid On-Behalf of the District)

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/17	\$ 552,575	100%	0
6/30/16	468,716	100%	0
6/30/15	363,860	100%	0

During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$552,575 to the TPAF for normal and post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$204,125 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenue and expenditure in accordance with GASB 24.

NOTE 4: Pension Plans (Continued)**Pension Expense Deferred Outflows/Inflows – PERS**

For the year ended June 30, 2017, the District recognized pension expense of \$64,499. At June 30, 2017, 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>
Difference Between Expected and Actual Experience	\$ 36,648	
Changes of Assumptions	408,207	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	75,141	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	270,099	
District Contributions Subsequent to the Measurement Date	<u>64,499</u>	
Total	<u>\$ 854,594</u>	<u> </u>

\$854,594 reported as deferred outflows of resources related to pensions resulting from school district, charter school, or renaissance school project contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Additional Information

Collective balances at December 31, 2016 and 2015 are as follows:

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Collective Deferred Outflows of Resources	\$ 854,594	364,824
Collective Deferred Inflows of Resources		20,534
Collective Net Pension Liability	1,970,618	1,277,115
District's Proportion	.00289%	.00569%

NOTE 4: Pension Plans (Continued)**Components of Net Pension Liability**

The components of the collective net pension liability of the participating employers as of June 30, 2016 were as follows:

	2016		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 36,295,189,928	49,474,698,146	85,769,888,074
Plan Fiduciary Net Position	<u>6,904,504,223</u>	<u>19,857,566,387</u>	<u>26,762,070,610</u>
Net Pension Liability	<u>\$ 29,390,685,705</u>	<u>29,617,131,759</u>	<u>59,007,817,464</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	19.02%	40.14%	31.20%

	2015		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 31,614,118,524	43,109,580,038	74,723,698,562
Plan Fiduciary Net Position	<u>7,891,982,987</u>	<u>20,661,583,919</u>	<u>28,553,566,906</u>
Net Pension Liability	<u>\$ 23,722,135,537</u>	<u>22,447,996,119</u>	<u>46,170,131,656</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	24.96%	47.93%	38.21%

The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%

NOTE 4: Pension Plans (Continued)

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

NOTE 4: Pension Plans (Continued)**Discount Rate**

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 contribution rate in the most recent fiscal years. State employer contributed 100% of their 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2016, 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:

	2016		
	At 1% Decrease (3.90%)	At Current Discount Rate (4.90%)	At 1% Increase (5.90%)
State	\$ 34,422,851,197	29,390,685,705	25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
Total	<u>\$ 70,715,189,252</u>	<u>59,007,817,464</u>	<u>49,352,744,647</u>
	2015		
	At 1% Decrease (3.90%)	At Current Discount Rate (4.90%)	At 1% Increase (5.90%)
State	\$ 27,802,122,942	23,722,135,537	20,314,768,782
Local	<u>27,900,112,533</u>	<u>22,447,996,119</u>	<u>17,876,981,108</u>
Total	<u>\$ 55,702,235,475</u>	<u>46,170,131,656</u>	<u>38,191,749,890</u>

NOTE 4: Pension Plans (Continued)**Teachers Pensions and Annuity Fund (TPAF)****Components of Net Pension Liability**

The components of the net pension liability of the State as of June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Total Pension Liability	\$ 101,746,770,000	89,182,662,000
Plan Fiduciary Net Position	<u>22,717,862,967</u>	<u>25,604,797,560</u>
Net Pension Liability	<u>\$ 79,028,907,033</u>	<u>63,577,864,440</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.71%

State Proportionate Share of Net Pension Liability Attributable to District

	<u>2016</u>	<u>2015</u>
District's Liability	<u>\$ 21,022,034</u>	<u>16,439,246</u>
District's Proportion	.02660%	.02586%

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies Based on Experience
Thereafter	Varies Based on Experience
Investment Rate of Return	7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvements on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

NOTE 4: Pension Plans (Continued)**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign – Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds – Equity Hedge	3.75%	4.72%
Hedge Funds – Distressed	3.75%	3.49%

Discount Rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 contribution rate in the most recent fiscal year. The State contributed 30% of the 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 4: Pension Plans (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the State as of June 30, 2016 calculated using the discount rate as disclosed above as well as what the State's 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:

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
2016 (2.22%, 3.22%, 4.22%)	\$ 94,378,176,033	79,028,907,033	66,494,248,033
2015 (3.13%, 4.13%, 5.13%)	75,559,915,440	63,577,864,440	53,254,610,440

NOTE 5: Post-Retirement Benefits

P.L. 1987, c. 384 and P.L. 1990, c.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 the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a prefunding 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 (APB) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

NOTE 6: Contingent Liabilities

It is the opinion of the school board officials that there is no litigation threatened or pending that would materially affect the financial position of the school district.

NOTE 7: Equity Balance

At June 30, 2017, the General Fund equity balance was as follows:

Restricted Fund Balance:	
Emergency Reserve	\$ 2,200
Maintenance Reserve	211,172
Capital Reserve	7,150
Excess Surplus -- Current Year	92,841
Excess Surplus -- Designated for Subsequent Year's Expenditures	85,625
Assigned Fund Balance:	
Designated for Subsequent Year's Expenditures:	
Maintenance Reserve	88,206
Capital Reserve	31,850
By the BOE	32,501
Unassigned Fund Balance	<u>275,531</u>
	<u>\$ 827,076</u>

Reserved excess surplus represents a calculation under N.J.S.A. 18A:7F-7 which identifies an amount of surplus under the statute which must be restricted for use in the next succeeding budget.

2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures Per the CAFR	\$ 5,774,847
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(756,700)</u>
Adjusted 2016-17 General Fund Expenditures	<u>\$ 5,018,147</u>
2% of Adjusted 2016-17 General Fund Expenditures	<u>\$ 100,363</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>25,531</u>
Maximum Unassigned Fund Balance	<u>\$ 275,531</u>

Section 2

Total General Fund -- Fund Balance @ 6-30-17	\$ 827,076
Decreased by:	
Designated for Subsequent Years Expenditures -- Excess Surplus	(85,625)
Designated for Subsequent Years Expenditures	(32,501)
Designated for Subsequent Years Expenditures -- Maintenance Reserve	(88,206)
Designated for Subsequent Years Expenditures -- Capital Reserve	(31,850)
Other Reserves	<u>(220,522)</u>
Total Unassigned Fund Balance	<u>\$ 368,372</u>
Reserved Fund Balance -- Excess Surplus	<u>\$ 92,841</u>

NOTE 7: Equity Balance (Continued)

2% Calculation of Excess Surplus (Continued)

Section 3

Designated for Subsequent Years Expenditures - Excess Surplus	\$ 85,625
Reserved Fund Balance – Excess Surplus	<u>92,841</u>
	<u>\$ 178,466</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 20,485
Non-Public Transportation	<u>5,046</u>
Total Detail of Allowable Adjustments	<u>\$ 25,531</u>

Detail of Other Restricted Fund Balance

Maintenance Reserve	\$ 211,172
Emergency Reserve	2,200
Capital Reserve	<u>7,150</u>
Total Other Reserved Fund Balance	<u>\$ 220,522</u>

NOTE 8: 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.

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Reimbursed</u>	<u>Ending Balance</u>
2016-2017	0	3,712	10,988	4,190
2015-2016	0	5,416	5,986	11,466
2014-2015	0	5,614	1,426	12,036

NOTE 9: Interfund Receivables and Payables

	<u>To</u>	<u>From</u>
General Fund	\$ 37,106	
Special Revenue		37,106

The above interfunds represent monies borrowed from the General Fund to eliminate the deficit in the Special Revenue Fund caused by the Federal funding of grants being on a reimbursement basis in the Special Revenue Fund. The General Fund will be reimbursed when the funding is received in 2017-2018.

NOTE 10: Capital Reserve Account

A Capital Reserve account was established by the Borough of Atlantic Highlands Board of Education by inclusion of \$1,000 on September 1, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Fund 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 deposit funds into the capital reserve at any time upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Pursuant to N.J.A.C. 6:23A-5.1(d) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

"A board of education may, by resolution of the board: transfer undesignated general fund balance or excess undesignated general fund balance to the capital reserve account at any time during the budget year; transfer funds from the capital reserve account to the appropriate line item account for the funding of capital projects as contained in the district's long-range facilities plan; and transfer funds from the capital reserve account to the debt service account for the purpose of offsetting principal and interest payments for bonded projects which are included in the district's long-range facilities plan." (N.J.S.A. 18A:7G-31c)

Withdrawals may not be used for current expense. Only funds in a capital reserve account in existence prior to July 18, 2000 can be withdrawn before receiving approval of the district's LRFP and such withdrawals must be for the original purpose deposited. (N.J.A.C. 6:23A-5.1(f)1).

"Any capital reserve account in existence as of July 18, 2000 shall be subject to EFCFA and these regulations." (N.J.A.C. 6:23A-5.1(j)).

Balance June 30, 2016	\$ 50,000
Less: Withdrawal Per Budget	<u>(11,000)</u>
Balance June 30, 2017	<u>\$ 39,000</u>

NOTE 11: Current Expense Emergency Reserve Account

The reserve account is to be used to finance future unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable. The emergency reserve balance may not exceed \$250,000 or 1% of the district's general fund budget up to a maximum of \$1,000,000 whichever is greater. Withdrawals require the approval of the commissioner unless the withdrawal is necessary to meet an increase in total health costs greater than four percent.

NOTE 12: Fair Values of Financial Instruments

The following methods and assumptions were used by the Atlantic Highlands Board of Education in estimating its fair value disclosures for financial instruments.

Cash and Cash Equivalents: The carrying amounts reported in the combined balance sheet for cash and cash equivalents are the fair values of those assets.

NOTE 13: Fund Balance Appropriated

General Fund – Of the \$827,076 General Fund fund balance at June 30, 2017; \$2,200 is emergency reserve; \$211,172 is maintenance reserve; \$7,150 is capital reserve; \$92,841 is excess surplus; \$85,625 is excess surplus designated for subsequent years expenditures; \$88,206 is designated for subsequent years expenditures – maintenance reserve; \$31,850 is designated for subsequent years expenditures – capital reserve; \$32,501 has been appropriated and included as anticipated revenue for the year ending June 30, 2017; and \$275,531 is unreserved and undesignated.

NOTE 14: Economic Dependency

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

NOTE 15: Recent Accounting Pronouncements

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the District has updated references to GAAP in its financial statements issued for the period ended June 30, 2016. The adoption of FASB ASC 105 did not impact the District's financial position or results of operations.

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The District adopted the amended sections of ASC 855 and it did not have an impact on the District's financial statements. The District evaluated all events or transactions that occurred after June 30, 2017 through November 14, 2017.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES – C

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit C-1

Sheet 1 of 10

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 4,506,095		4,506,095	4,506,095	-
Tuition	206,100		206,100	209,495	3,395
ARRA-Semi				48	
Interest Earned on Investments - Capital Reserve	60		60	445	385
Miscellaneous - Unrestricted	15,000		15,000	39,670	24,670
Total Local Sources	<u>4,727,255</u>	<u>-</u>	<u>4,727,255</u>	<u>4,755,753</u>	<u>28,450</u>
State Sources:					
Special Education Aid	139,346		139,346	139,346	-
Security Aid	6,263		6,263	6,263	-
Transportation Aid	3,850		3,850	3,850	-
PARCC Readiness Aid	2,810		2,810	2,810	-
Per Pupil Growth Aid	2,810		2,810	2,810	-
Professional Learning Aid	2,960		2,960	2,960	-
Non Public Transportation			-	5,046	5,046
Extraordinary Aid	17,810		17,810	38,295	20,485
TPAF Pension On-Behalf (Non-Budgeted)			-	552,575	552,575
TPAF Social Security (Reimbursed - Non-Budgeted)			-	204,125	204,125
Total State Sources	<u>175,849</u>	<u>-</u>	<u>175,849</u>	<u>958,080</u>	<u>782,231</u>
Total Revenues	<u>4,903,104</u>	<u>-</u>	<u>4,903,104</u>	<u>5,713,833</u>	<u>810,681</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit C-1
Sheet 2 of 10

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	141,779	5,237	147,016	147,015	1
Kindergarten - Salaries of Teachers	193,794	(2,700)	191,094	189,609	1,485
Grades 1-5 - Salaries of Teachers	1,080,456	(25,317)	1,055,139	1,054,951	188
Grades 6-8 - Salaries of Teachers	278,970	(14,546)	264,424	256,467	7,957
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	4,000	(4,000)	-	-	-
Purchased Technical Services	1,200	74,835	76,035	72,508	3,527
Other Purchased Services	9,407	(800)	8,607	8,300	307
General Supplies	63,000	(1,715)	61,285	50,281	11,004
Textbooks	20,586	1,365	21,951	21,948	3
Total Regular Programs - Instruction	<u>1,793,192</u>	<u>32,359</u>	<u>1,825,551</u>	<u>1,801,079</u>	<u>24,472</u>
Learning and/or Language Disabilities:					
Salaries of Teachers	123,988	1,044	125,032	119,937	5,095
Other Salaries for Instruction	125,649	(46,855)	78,794	71,463	7,331
General Supplies	2,000	-	2,000	1,408	592
Total Learning and/or Language Disabilities	<u>251,637</u>	<u>(45,811)</u>	<u>205,826</u>	<u>192,808</u>	<u>13,018</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Resource Room/Resource Center:					
Salaries of Teachers	275,202		275,202	275,202	-
General Supplies	1,500		1,500	343	1,157
Total Resource Room/Resource Center	<u>276,702</u>	<u>-</u>	<u>276,702</u>	<u>275,545</u>	<u>1,157</u>
Pre-School Disabilities - Full Time:					
Salaries of Teachers	86,865	(374)	86,491	83,947	2,544
Other Salaries for Instruction	48,317	1,830	50,147	50,147	-
Total Pre-School Disabilities - Full Time:	<u>135,182</u>	<u>1,456</u>	<u>136,638</u>	<u>134,094</u>	<u>2,544</u>
Total Special Education - Instruction	<u>663,521</u>	<u>(44,355)</u>	<u>619,166</u>	<u>602,447</u>	<u>16,719</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	64,245	(1,711)	62,534	59,915	2,619
General Supplies	800		800	524	276
Total Basic Skills/Remedial - Instruction	<u>65,045</u>	<u>(1,711)</u>	<u>63,334</u>	<u>60,439</u>	<u>2,895</u>
School Sponsored Co-Curricular Activities - Instruction:					
Salaries	10,188	970	11,158	11,158	-
Supplies and Materials		1,030	1,030	325	705
Other Objects	6,440		6,440	5,729	711
Total School Sponsored Co-Curricular	<u>16,628</u>	<u>2,000</u>	<u>18,628</u>	<u>17,212</u>	<u>1,416</u>
Total Instruction	<u>2,538,386</u>	<u>(11,707)</u>	<u>2,526,679</u>	<u>2,481,177</u>	<u>45,502</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures-Instruction:					
Tuition to Other LEAs in State - Special	60,501	(3,362)	57,139	55,160	1,979
Total Undistributed Expenditures-Instruction	<u>60,501</u>	<u>(3,362)</u>	<u>57,139</u>	<u>55,160</u>	<u>1,979</u>
Undistributed Expenditures-Attendance and Social Work Services:					
Purchased Professional and Technical Services	8,660	(1,100)	7,560	7,560	-
Total Undistributed Expenditures-Attendance and Social Work	<u>8,660</u>	<u>(1,100)</u>	<u>7,560</u>	<u>7,560</u>	<u>-</u>
Undistributed Expenditures-Health:					
Salaries	65,232	(1,659)	63,573	63,573	-
Purchased Professional and Technical Services	3,765	5,324	9,089	9,089	-
Supplies and Materials	2,500	(441)	2,059	2,058	1
Total Undistributed Expenditures-Health:	<u>71,497</u>	<u>3,224</u>	<u>74,721</u>	<u>74,720</u>	<u>1</u>
Undistributed Expenditures-Other Support Services					
Students-Related Services:					
Salaries	88,365	(381)	87,984	87,949	35
Supplies and Materials	800		800	575	225
Total Undistributed Expenditures-Other Sup. Services					
Students-Related Services	<u>89,165</u>	<u>(381)</u>	<u>88,784</u>	<u>88,524</u>	<u>260</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit C-1
Sheet 5 of 10

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Support Services-Students-Extra Services:					
Purchased Professional-Educational Services	3,000		3,000	3,000	-
Total Other Support Services-Students-Extra Services	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Undistributed Expenditures-Other Supp. Serv.					
Students - Regular:					
Salaries of Other Professional Staff	16,881	10,973	27,854	27,854	-
Purchased Professional Educational Services	11,813	(6)	11,807	11,801	6
Total Undistributed Expenditures-Other Supp. Serv.	<u>28,694</u>	<u>10,967</u>	<u>39,661</u>	<u>39,655</u>	<u>6</u>
Undistributed Expenditures-Other Sup. Serv.					
Students-Special Services:					
Salaries of Other Professional Staff	94,668	2,114	96,782	94,183	2,599
Salaries of Secretarial and Clerical Assistants	21,963	4,683	26,646	25,440	1,206
Purchased Professional-Educational Services	103,301	10,000	113,301	112,496	805
Supplies and Materials	2,000	(722)	1,278	1,161	117
Total Undistributed Expenditures-Other Sup. Serv.	<u>221,932</u>	<u>16,075</u>	<u>238,007</u>	<u>233,280</u>	<u>4,727</u>
Undistributed Expenditures-Improvement of Inst. Services:					
Salaries-Supervisor of Instruction	39,621	(4,583)	35,038	34,062	976
Salaries-Secretarial and Clerical	21,963		21,963	21,960	3
Purchased Professional Services			-	-	-
Supplies and Materials	500		500	245	255
Other Objects	2,150	850	3,000	1,844	1,156
Total Undistributed Expenditures-Improvement of Inst. Serv:	<u>64,234</u>	<u>(4,583)</u>	<u>60,501</u>	<u>58,111</u>	<u>2,390</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Edu. Media Serv./Sch. Library:					
Supplies and Materials	3,700		3,700	2,693	1,007
Total Undistributed Expenditures - Edu. Media Serv./ School Library	<u>3,700</u>	<u>-</u>	<u>3,700</u>	<u>2,693</u>	<u>1,007</u>
Undistributed Expenditures - Instr. Staff Training Serv:					
Other Purchased Services	10,000	(2,800)	7,200	6,310	890
Supplies and Materials	2,000	(1,617)	383		383
Other Objects	4,833	3,567	8,400	8,400	-
Total Undistributed Expenditures - Inst. Staff Training Serv.	<u>16,833</u>	<u>(850)</u>	<u>15,983</u>	<u>14,710</u>	<u>1,273</u>
Undistributed Expenditures - Supp. Serv. - General Administration:					
Salaries	74,441		74,441	74,440	1
Legal Services	17,750	6,057	23,807	23,806	1
Audit Fees	9,500	(500)	9,000	9,000	-
Other Purchased Professional Services	7,475	5,034	12,509	12,509	-
Communications/Telephone	9,055	(1,748)	7,307	7,269	38
BOE Other Purchased Services	3,100	3,340	6,440	6,368	72
Other Purchased Services (400-500 Series)	17,579	(1,902)	15,677	15,643	34
General Supplies	3,900	(2,060)	1,840	1,750	90
BOE In House Training & Meeting Supplies	2,900	1,019	3,919	3,918	1
Miscellaneous Expenditures	1,190	(100)	1,090	689	401
BOE Membership Dues and Fees		3,100	3,100	3,055	45
Total Undistributed Expenditures - Support Services - General Administration	<u>146,890</u>	<u>12,240</u>	<u>159,130</u>	<u>158,447</u>	<u>683</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures-Support Serv.-School Admin.					
Salaries of Principals/Assistant Principals	118,191	(150)	118,041	118,041	-
Salaries of Secretarial/Clerical Assistants	33,461	(12,655)	20,806	20,805	1
Supplies and Materials	3,500	647	4,147	4,007	140
Other Objects	2,675	(919)	1,756	1,693	63
Total Undistributed Expend.-Supp. Serv.-School Admin.	<u>157,827</u>	<u>(13,077)</u>	<u>144,750</u>	<u>144,546</u>	<u>204</u>
Undistributed Expenditures - Support Services - Central Services:					
Salaries	121,573	6,399	127,972	117,860	10,112
Supplies and Materials	3,500	(1,095)	2,405	2,404	1
Other Objects	8,160	(362)	7,798	7,797	1
Total Undist. Expenditures-Support Services - Central Services	<u>133,233</u>	<u>4,942</u>	<u>138,175</u>	<u>128,061</u>	<u>10,114</u>
Undistributed Expenditures - Support Services - Administrative Info.					
Tech. Services:					
Salaries	28,593	(1,000)	27,593	27,593	-
Purchased Technical Services	17,575	2,184	19,759	19,759	-
Total Support Services-Adm Info	<u>46,168</u>	<u>1,184</u>	<u>47,352</u>	<u>47,352</u>	<u>-</u>
Undistributed Expenditures-Allow. Maint. School Facilities:					
Cleaning, Repair and Maintenance Services	91,206	(3,983)	87,223	85,572	1,651
Total Undistributed Expenditures-Allow. Maint School Facilities	<u>91,206</u>	<u>(3,983)</u>	<u>87,223</u>	<u>85,572</u>	<u>1,651</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit C-1

Sheet 8 of 10

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures-Other Oper. & Maint. Of Plant:					
Salaries	162,426	(20,690)	141,736	141,734	2
Purchased Professional and Technical Services	2,500	32,690	35,190	35,190	-
Cleaning, Repair and Maintenance Service	15,882	(5,231)	10,651	10,585	66
Other Purchased Property Services	14,000	(1,894)	12,106	11,905	201
Insurance	36,657	(3,107)	33,550	33,550	-
General Supplies	17,750	(8,164)	9,586	2,972	6,614
Energy (Heat)	25,000	(3,693)	21,307	15,964	5,343
Energy (Electricity)	47,000	(2,575)	44,425	42,999	1,426
Other Objects	700	2,575	3,275	2,675	600
Total Undistributed Expenditures-Other Oper. & Maint of Plant	<u>321,915</u>	<u>(10,089)</u>	<u>311,826</u>	<u>297,574</u>	<u>14,252</u>
Undistributed Expenditures-Care & Upkeep of Grounds:					
General Supplies	1,950	(139)	1,811	40	1,771
Total Undistributed Expenditures-Care & Upkeep of Grounds	<u>1,950</u>	<u>(139)</u>	<u>1,811</u>	<u>40</u>	<u>1,771</u>
Undistributed Expenditures - Student Transportation Serv:					
Contr. Serv. (Other than Bet. Home & Sch.)-Vendors	5,500	139	5,639	4,720	919
Contr. Serv. (Bet. Home & Sch.)-Joint Agreement	19,500	8,228	27,728	27,645	83
Contr. Serv. (Reg. Students)-ESCs & CTSA's	29,000	339	29,339	29,339	-
Total Undistributed Expenditures - Student Transportation Services	<u>54,000</u>	<u>8,706</u>	<u>62,706</u>	<u>61,704</u>	<u>1,002</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit C-1

Sheet 9 of 10

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Unallocated Benefits:					
Social Security Contributions	56,700		56,700	50,162	6,538
Other Retirement Contribution-PERS	58,000	10,006	68,006	64,497	3,509
Workmen's Compensation	31,468	(102)	31,366	31,366	-
Health Benefits	906,069	(18,972)	887,097	831,280	55,817
Tuition Reimbursements	17,000		17,000	2,640	14,360
Other Employee Benefits	1,500		1,500	1,500	-
Total Undistributed Expenditures - Unallocated Benefits	<u>1,070,737</u>	<u>(9,068)</u>	<u>1,061,669</u>	<u>981,445</u>	<u>80,224</u>
On-Behalf TPAF Pension Contributions (Non-Budgeted)			-	552,575	(552,575)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)			-	204,125	(204,125)
Total On-Behalf Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>756,700</u>	<u>(756,700)</u>
Total Undistributed Expenditures	<u>2,592,142</u>	<u>10,706</u>	<u>2,603,698</u>	<u>3,238,854</u>	<u>(635,156)</u>
Total Current Expense	<u>5,130,528</u>	<u>(1,001)</u>	<u>5,130,377</u>	<u>5,720,031</u>	<u>(589,654)</u>
Capital Outlay:					
Equipment:					
Instructional-Grades 1 to 5		19,682	19,682	17,404	2,278
Facilities Acquisition and Construction Services:					
Infrastructure	11,000	2,650	13,650	13,650	-
Assessment for Debt Service on SDA Funding	20,962	2,800	23,762	23,762	-
Total Facilities Acquisition and Construction Services	<u>31,962</u>	<u>5,450</u>	<u>37,412</u>	<u>37,412</u>	<u>-</u>
Total Capital Outlay	<u>31,962</u>	<u>25,132</u>	<u>57,094</u>	<u>54,816</u>	<u>2,278</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Total Expenditures	<u>5,162,490</u>	<u>24,131</u>	<u>5,187,471</u>	<u>5,774,847</u>	<u>(587,376)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(259,386)</u>	<u>(24,131)</u>	<u>(284,367)</u>	<u>(61,014)</u>	<u>223,305</u>
Fund Balance July 1	<u>888,090</u>	<u>-</u>	<u>888,090</u>	<u>888,090</u>	<u>-</u>
Fund Balance June 30	<u>\$ 628,704</u>	<u>(24,131)</u>	<u>603,723</u>	<u>827,076</u>	<u>223,305</u>

Recapitulation:

Restricted Fund Balance:

 Excess Surplus \$ 92,841

 Excess Surplus - Designated for Subsequent Years Expenditures 85,625

Committed To:

 Emergency Reserve 2,200

 Maintenance Reserve 211,172

 Capital Reserve 7,150

Assigned Fund Balance:

 Designated For Subsequent Year's Expenditures - Capital Reserve 31,850

 Designated For Subsequent Year's Expenditures - Maintenance Reserve 88,206

 Designated For Subsequent Year's Expenditures 32,501

Unassigned Fund Balance 275,531

827,076

Reconciliation to Governmental Funds Statement (GAAP):

 Final State Audit Payments not Recognized on GAAP Basis (13,705)

Fund Balance Per Governmental Funds (GAAP) \$ 813,371

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
State Sources	\$ -	2,000	2,000	2,000	
Federal Sources	110,847	19,510	130,357	130,357	
Total Revenues	<u>\$ 110,847</u>	<u>21,510</u>	<u>132,357</u>	<u>132,357</u>	<u>-</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 22,443	(853)	21,590	21,590	
Other Purchased Services	20,000		20,000	20,000	
General Supplies	700	3,508	4,208	4,208	
Total Instruction	<u>43,143</u>	<u>2,655</u>	<u>45,798</u>	<u>45,798</u>	<u>-</u>
Support Services:					
Salaries of Teachers					
Personal Services - Employee Benefits		5,526	5,526	5,526	
Purchased Professional Educational Services	58,070	15,639	73,709	73,709	
Other Purchased Services	9,634	(5,087)	4,547	4,547	
Supplies and Materials		777	777	777	
Other Objects		2,000	2,000	2,000	
Total Support Services	<u>67,704</u>	<u>18,855</u>	<u>86,559</u>	<u>86,559</u>	<u>-</u>
Total Expenditures	<u>\$ 110,847</u>	<u>21,510</u>	<u>132,357</u>	<u>132,357</u>	<u>-</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

BUDGET TO GAAP RECONCILIATION

NOTE TO RSI

JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 5,713,833	132,357
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	13,338	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(13,705)</u>	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 5,713,466</u>	<u>132,357</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 5,774,847	132,357
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.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 5,774,847</u>	<u>132,357</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING
FOR PENSIONS (GASB 68) - L**

ATLANTIC HIGHLANDS SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE

NET PENSION LIABILITY - PERS

Exhibit L-1

LAST FOUR FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	100.000%	100.000%	100.000%	100.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,970,618	1,277,115	902,563	913,469
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,970,618</u>	<u>1,277,115</u>	<u>902,563</u>	<u>913,469</u>
District's Covered-Employee Payroll	\$ 471,829	457,330	355,274	351,002
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	23.94%	35.81%	39.36%	38.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	31.20%	38.21%	42.74%	40.71%

ATLANTIC HIGHLANDS SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS

Exhibit L-2

LAST FOUR FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 64,499	43,936	37,269	42,234
Contributions in Relation to the Contractually Required Contribution	<u>64,499</u>	<u>43,936</u>	<u>37,269</u>	<u>42,234</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's Covered-Employee Payroll	\$ 471,829	457,330	355,274	351,002
Contributions as a Percentage of Covered-Employee Payroll	13.67%	9.61%	10.49%	12.03%

ATLANTIC HIGHLANDS SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE

NET PENSION LIABILITY - TPAF

Exhibit L-3

LAST FOUR FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.000%	0.000%	0.000%	0.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	-	-	-
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>21,022,034</u>	<u>16,439,246</u>	<u>14,380,175</u>	<u>13,063,115</u>
Total	<u>\$ 21,022,034</u>	<u>16,439,246</u>	<u>14,380,175</u>	<u>13,063,115</u>
District's Covered-Employee Payroll	\$ 2,654,703	2,715,939	2,683,150	2,657,335
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	12.63%	16.52%	18.66%	20.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.71%	33.64%	33.76%

ATLANTIC HIGHLANDS SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
TEACHER'S PENSION AND ANNUITY FUND (TPAF)
LAST TEN FISCAL YEARS

L-4

This schedule is not applicable.

The School District is not required to make any contributions towards TPAF.

There is a special funding situation where the State of New Jersey pays 100% of the required contributions.

ATLANTIC HIGHLANDS SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

L-5

Public Employee's Retirement System (PERS)

Changes in Benefit Terms – None

Changes in Assumptions – The discount rate changed from 4.90% as of June 30, 2015, to 3.98% as of June 30, 2016, in accordance with Paragraph 44 of GASB Statement No. 67.

Teachers' Pension and Annuity Fund (TPAF)

Changes in Benefit Terms – None

Changes in Assumption – The discount rate changed from 4.13% as of June 30, 2015, to 3.22% as of June 30, 2016, in accordance with Paragraph 44 of GASB Statement No. 67.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES – D

N/A

SPECIAL REVENUE FUND – E

ATLANTIC HIGHLANDS SCHOOL DISTRICT

SPECIAL REVENUE FUND

Exhibit E-1

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Title I	Title IIA	I.D.E.A. - Part B		Sustainable New Jersey Grant	Totals 2017
			Basic	Preschool		
Revenues:						
Local Sources	\$ -	-	-	-	2,000	2,000
Federal Sources	29,324	10,898	84,803	5,332		130,357
Total Revenues	<u>\$ 29,324</u>	<u>10,898</u>	<u>84,803</u>	<u>5,332</u>	<u>2,000</u>	<u>132,357</u>
Expenditures:						
Instruction:						
Salaries of Teachers	\$ 21,590					21,590
Other Purchased Services			20,000			20,000
General Supplies	2,208			2,000		4,208
Total Instruction	<u>23,798</u>	<u>-</u>	<u>20,000</u>	<u>2,000</u>	<u>-</u>	<u>45,798</u>
Support Services:						
Purchased Professional Educational Services		6,351	64,026	3,332		73,709
Other Purchased Services		4,547				4,547
Personal Services - Employee Benefits	5,526					5,526
Supplies and Materials			777			777
Other Objects					2,000	2,000
Total Support Services	<u>5,526</u>	<u>10,898</u>	<u>64,803</u>	<u>3,332</u>	<u>2,000</u>	<u>86,559</u>
Total Expenditures	<u>\$ 29,324</u>	<u>10,898</u>	<u>84,803</u>	<u>5,332</u>	<u>2,000</u>	<u>132,357</u>

CAPITAL PROJECTS FUND – F

ATLANTIC HIGHLANDS SCHOOL DISTRICTCAPITAL PROJECTS FUND

Exhibit F-1

SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGESIN FUND BALANCE - BUDGETARY BASISFOR THE YEAR ENDED JUNE 30, 2017

Other Financing Sources/(Uses):	
Transfer to Debt Service	\$ (23,238)
State Grant Cancelled	<u>(46,013)</u>
Total Other Financing Sources/(Uses)	<u>(69,251)</u>
Fund Balance - Beginning	<u>87,907</u>
Fund Balance - Ending	<u>\$ 18,656</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit F-1a

CAPITAL PROJECTS FUNDSCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,AND PROJECT STATUS - BUDGETARY BASISSOLAR ENERGY PROJECTFROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<u>Revenues and Other Financing Sources</u>				
State Grant	\$ 80,000	(46,013)	33,987	33,987
Local Share	120,000		120,000	120,000
Total Revenues	<u>200,000</u>	<u>(46,013)</u>	<u>153,987</u>	<u>153,987</u>
<u>Expenditures and Other Financing Uses</u>				
Transfer to Other Funds	30,422	23,238	53,660	53,660
Construction Services	81,671		81,671	81,671
Total Expenditures	<u>112,093</u>	<u>23,238</u>	<u>135,331</u>	<u>135,331</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 87,907</u>	<u>(69,251)</u>	<u>18,656</u>	<u>18,656</u>
<u>Additional Project Information</u>				
Project Number	0130-020-14-1001			
Grant Date	9/11/15			
Original Authorized Cost	\$ 200,000			
Percentage Completion	100%			
Original Target Completion Date	12/31/15			
Revised Target Completion Date	12/31/15			

PROPRIETARY FUNDS – G

N/A

FIDUCIARY FUND – H

ATLANTIC HIGHLANDS SCHOOL DISTRICT

TRUST AND AGENCY FUND

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	<u>Student Activity</u>	<u>Agency Account</u>	<u>Unemployment Compensation Expendable Trust Fund</u>	<u>Total 2017</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 4,796	60,454	4,190	69,440
Total Assets	<u>\$ 4,796</u>	<u>60,454</u>	<u>4,190</u>	<u>69,440</u>
<u>Liabilities and Net Position</u>				
<u>Liabilities</u>				
Due to Student Groups	\$ 4,796			4,796
Payroll Withholdings		60,454		60,454
Total Liabilities	<u>4,796</u>	<u>60,454</u>	<u>-</u>	<u>65,250</u>
<u>Net Position</u>				
Reserved - Dedicated to Unemployment			4,190	4,190
Total Fund Balance	<u>-</u>	<u>-</u>	<u>4,190</u>	<u>4,190</u>
Total Liabilities and Net Position	<u>\$ 4,796</u>	<u>60,454</u>	<u>4,190</u>	<u>69,440</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT
STATEMENT CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit H-2

	Unemployment Compensation Insurance
Operating Income:	
Contributions	\$ 3,712
	<u>3,712</u>
Operating Expenses:	
Payments to State of N.J.	<u>10,988</u>
Operating Income (Loss)	(7,276)
Net Position, July 1	<u>11,466</u>
Net Position, June 30	<u><u>\$ 4,190</u></u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit H-3

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Elementary School</u>				
Atlantic Highlands Elementary School	\$ 10,415	26,031	31,650	4,796

ATLANTIC HIGHLANDS SCHOOL DISTRICTPAYROLL AGENCY

Exhibit H-4

SCHEDULE OF RECEIPTS AND DISBURSEMENTSFOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 64,757	1,835,786	1,840,089	60,454
<u>Liabilities</u>				
Payroll Deductions, Withholdings and Amount Due Employees	\$ 64,757	1,835,786	1,840,089	60,454

LONG-TERM DEBT - I

ATLANTIC HIGHLANDS SCHOOL DISTRICT

LONG-TERM LIABILITIES

Exhibit I-1

SCHEDULE OF SERIAL BONDS

JUNE 30, 2017

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Annual Date</u>	<u>Maturities Amount</u>	<u>Interest Rate</u>	<u>Beginning Balance July 1, 2016</u>	<u>Retired</u>	<u>Ending Balance June 30, 2017</u>
2012 Refunding Issue	3/6/2012	\$ 2,620,000	8/15/17	\$ 225,000	3.00%	\$ 2,150,000	225,000	1,925,000
			8/15/18	225,000				
			8/15/19	230,000				
			8/15/20	240,000	4.00%			
			8/15/21	240,000				
			8/15/22	250,000				
			8/15/23	250,000				
			8/15/24	265,000				
Solar Energy Project	12/23/09	490,000	3/1/18-19	55,000	4.25%	225,000	55,000	170,000
			3/1/20	60,000				
						<u>\$ 2,375,000</u>	<u>280,000</u>	<u>2,095,000</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

Exhibit I-3

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 320,249		320,249	320,249	
State Sources:					
Debt Service Aid	21,951		21,951	21,951	
Total Revenues	<u>342,200</u>	<u>-</u>	<u>342,200</u>	<u>342,200</u>	<u>-</u>
Expenditures:					
Regular Debt Service:					
Interest	85,438		85,438	85,438	
Redemption of Principal	280,000		280,000	280,000	
Total Expenditures	<u>365,438</u>	<u>-</u>	<u>365,438</u>	<u>365,438</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,238)	-	(23,238)	(23,238)	-
Other Financing Sources:					
Transfer from Capital Projects	23,238		23,238	23,238	
Fund Balance July 1		-			-
Fund Balance June 30	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

STATISTICAL SECTION

(Unaudited)

ATLANTIC HIGHLANDS SCHOOL DISTRICT

NET POSITION BY COMPONENT

- J-1

LAST TEN FISCAL YEARS

UNAUDITED

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental Activities										
Invested in Capital Assets, net of related Debt	\$ 2,844,858	2,789,950	2,694,337	2,512,292	2,471,497	2,376,523	2,496,444	2,512,580	2,738,139	2,778,741
Restricted	570,201	693,496	893,183	1,056,239	1,077,467	979,058	682,372	652,564	557,118	601,485
Unrestricted	(1,160,651)	(932,316)	(803,385)	246,126	268,104	277,216	90,890	67,978	149,548	100,587
Total Governmental Activities	<u>\$ 2,254,408</u>	<u>2,551,130</u>	<u>2,784,135</u>	<u>3,814,657</u>	<u>3,817,068</u>	<u>3,632,797</u>	<u>3,269,706</u>	<u>3,233,122</u>	<u>3,444,805</u>	<u>3,480,813</u>
Business Type Activities										
Invested in Capital Assets, net of related Debt	\$ 9,877	13,832	17,787	21,743	25,699	29,655	33,612	37,565	41,521	45,477
Unrestricted	6,924	6,554	8,386	16,985	21,668	22,956	24,974	25,544	27,755	33,896
Total Business Type Activities	<u>\$ 16,801</u>	<u>20,386</u>	<u>26,173</u>	<u>38,728</u>	<u>47,367</u>	<u>52,611</u>	<u>58,586</u>	<u>63,109</u>	<u>69,276</u>	<u>79,373</u>
District-wide										
Invested in Capital Assets, net of related Debt	\$ 2,854,735	2,803,782	2,712,124	2,534,035	2,497,196	2,406,178	2,530,056	2,550,245	2,779,660	2,824,218
Restricted	570,201	693,496	893,183	1,056,239	1,077,467	979,058	682,372	652,564	557,118	601,845
Unrestricted	(1,153,727)	(925,762)	(794,999)	263,111	289,772	300,172	115,864	93,522	177,303	134,483
Total District Assets	<u>\$ 2,271,209</u>	<u>2,571,516</u>	<u>2,810,308</u>	<u>3,853,385</u>	<u>3,864,435</u>	<u>3,685,408</u>	<u>3,328,292</u>	<u>3,296,331</u>	<u>3,514,081</u>	<u>3,560,546</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses:										
Governmental Activities	\$ 6,438,732	6,080,380	5,746,497	5,695,377	5,672,862	5,398,500	5,237,165	5,393,181	5,274,453	5,265,568
Business Type Activities	86,753	73,731	84,338	84,826	93,748	99,135	94,455	94,596	106,619	89,754
Total District Expenses	<u>6,525,485</u>	<u>6,154,111</u>	<u>5,830,835</u>	<u>5,780,203</u>	<u>5,766,610</u>	<u>5,497,635</u>	<u>5,331,620</u>	<u>5,487,777</u>	<u>5,381,072</u>	<u>5,355,322</u>
Program Revenues:										
Governmental Activities	187,517	368,687	246,570	472,672	506,638	505,743	222,862	264,445	220,310	254,242
Business Type Activities	83,168	67,944	71,783	76,187	87,650	93,160	89,932	88,429	96,522	92,556
Total District Program Revenues	<u>270,685</u>	<u>436,631</u>	<u>318,353</u>	<u>548,859</u>	<u>594,288</u>	<u>598,903</u>	<u>312,794</u>	<u>352,874</u>	<u>316,832</u>	<u>346,798</u>
Net (Expense):										
Governmental Activities	6,251,215	5,711,693	5,499,927	5,222,705	5,166,224	4,892,757	5,014,303	(5,130,736)	(5,054,143)	(5,011,326)
Business Type Activities	3,585	5,787	12,555	8,639	6,098	5,975	(4,523)	(6,167)	(10,097)	2,802
Total District-wide Net Expense	<u>6,254,800</u>	<u>5,717,480</u>	<u>5,512,482</u>	<u>5,231,344</u>	<u>5,172,322</u>	<u>4,898,732</u>	<u>5,009,780</u>	<u>(5,136,903)</u>	<u>(5,064,240)</u>	<u>(5,008,524)</u>
General Revenues and Other Changes in Net Position:										
Governmental Activities	5,954,493	5,478,688	5,515,475	5,230,522	5,346,482	5,283,469	5,151,439	5,481,556	5,043,170	5,083,465
Business Type Activities					854					273
Total District-wide	<u>5,954,493</u>	<u>5,478,688</u>	<u>5,515,475</u>	<u>5,230,522</u>	<u>5,347,336</u>	<u>5,283,469</u>	<u>5,151,439</u>	<u>5,481,556</u>	<u>5,043,170</u>	<u>5,083,738</u>
Change in Net Position:										
Governmental Activities	(296,722)	(233,005)	15,548	7,817	180,258	390,712	137,136	350,820	(10,973)	72,139
Business Type Activities	(3,585)	(5,787)	(12,555)	(8,639)	(5,244)	(5,975)	(4,523)	(6,167)	(10,097)	3,075
Total District	<u>(300,307)</u>	<u>(238,792)</u>	<u>2,993</u>	<u>(822)</u>	<u>175,014</u>	<u>384,737</u>	<u>132,613</u>	<u>344,653</u>	<u>(21,070)</u>	<u>75,214</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT

FUND BALANCES, GOVERNMENT FUNDS

LAST TEN FISCAL YEARS

J-3

UNAUDITED

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund:										
Reserved	\$ 551,545	762,081	653,111	893,884	896,307	816,703	529,486	495,293	549,014	601,321
Unreserved	261,826	269,163	243,848	258,902	268,104	277,216	115,864	67,978	177,303	257,797
Total General Fund	<u>\$ 813,371</u>	<u>1,031,244</u>	<u>896,959</u>	<u>1,152,786</u>	<u>1,164,411</u>	<u>1,093,919</u>	<u>645,350</u>	<u>563,271</u>	<u>726,317</u>	<u>859,118</u>
All Other Governmental Funds:										
Unreserved, Reported in:										
Special Revenue Fund	\$ -	-	-	-	-	-	-	-	-	(790)
Capital Projects Fund	18,656	111,285	240,072	162,355	162,355	162,355	152,886	157,271		8,104
Debt Service Fund					18,805				8,104	8,104
Total All Other Government Funds	<u>\$ 18,656</u>	<u>111,285</u>	<u>240,072</u>	<u>162,355</u>	<u>181,160</u>	<u>162,355</u>	<u>152,886</u>	<u>157,271</u>	<u>8,104</u>	<u>7,314</u>

ATLANTIC HIGHLANDS SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

UNAUDITED

J-4

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Tax Levy	\$ 4,826,344	4,588,646	4,482,855	4,501,172	4,555,522	4,554,584	4,507,622	4,362,541	4,299,030	4,142,903
Other Local Revenue	251,658	190,840	247,794	336,945	372,457	364,647	222,583	120,865	140,820	84,083
State Sources	979,664	942,195	905,593	750,517	795,856	669,994	500,272	607,947	699,949	953,585
Federal Sources	130,357	124,962	124,378	114,560	129,285	141,852	147,029	161,571	121,437	149,986
Total Revenues	<u>6,188,023</u>	<u>5,846,643</u>	<u>5,760,620</u>	<u>5,705,194</u>	<u>5,853,120</u>	<u>5,731,077</u>	<u>5,377,506</u>	<u>5,252,924</u>	<u>5,261,236</u>	<u>5,330,557</u>
Expenditures										
Instruction:										
Regular	1,801,079	1,716,918	1,780,005	1,650,146	1,703,804	1,651,573	1,556,336	1,461,367	1,432,423	1,330,826
Special	602,447	600,378	581,066	581,736	498,496	460,578	517,800	519,292	593,422	499,701
Other	60,439	59,756	62,597	84,220	84,648	80,486	81,327	138,481	133,132	126,307
School-sponsored/other instructional	17,212	18,115	20,525	17,205	14,053	14,417	12,477	12,652	13,601	14,593
Total instruction	<u>2,481,177</u>	<u>2,395,167</u>	<u>2,444,193</u>	<u>2,333,307</u>	<u>2,301,001</u>	<u>2,207,054</u>	<u>2,167,940</u>	<u>2,131,792</u>	<u>2,172,578</u>	<u>1,971,427</u>
Community Service										
Undistributed:										
Instruction/Tuition	55,160	71,434	63,391	44,257	84,021	43,157	27,380	19,019	7,989	52,916
Attendance & Health Services										92,567
Student & Instructional Related Services	522,253	484,042	436,202	481,049	433,984	421,406	439,364	486,513	522,883	395,210
Support Services - Instructional staff										7,787
General Administration	144,546	153,381	138,505	124,529	316,281	241,597	253,190	329,886	352,529	203,501
School Administration	333,860	327,657	326,831	257,583	122,741	228,412	201,249	275,960	194,773	259,028
Operations and Maintenance	383,186	363,009	343,894	396,932	346,355	334,883	350,659	368,135	447,625	407,575
Student Transportation	61,704	49,843	46,404	63,760	54,015	37,038	35,097	43,914	32,034	62,842
Unallocated Benefits	1,738,145	1,585,649	1,436,293	1,375,423	1,414,685	1,295,070	810,078	785,102	621,518	630,630
TPAF Pension & Social Security							349,926	331,994	314,086	539,188
Total Undistributed	<u>3,238,854</u>	<u>3,035,015</u>	<u>2,791,520</u>	<u>2,743,533</u>	<u>2,772,082</u>	<u>2,601,563</u>	<u>2,466,943</u>	<u>2,640,523</u>	<u>2,493,437</u>	<u>2,651,244</u>
Capital Outlay:										
Equipment				128,761	141,485	177,126	75,020	62,007	21,790	
Other	54,816	42,746	62,915							
Total Capital Outlay	<u>54,816</u>	<u>42,746</u>	<u>62,915</u>	<u>128,761</u>	<u>141,485</u>	<u>177,126</u>	<u>75,020</u>	<u>62,007</u>	<u>21,790</u>	<u>-</u>
Total General Fund Expenditures	<u>5,774,847</u>	<u>5,472,928</u>	<u>5,298,628</u>	<u>5,205,601</u>	<u>5,214,568</u>	<u>4,985,743</u>	<u>4,709,903</u>	<u>4,834,322</u>	<u>4,687,805</u>	<u>4,622,671</u>
Special Revenue:										
State	2,000	54,620	62,000	55,365	47,417	77,933	75,833	100,874	98,325	104,256
Federal	130,357	124,962	124,378	114,560	129,285	132,828	147,029	161,571	121,437	149,876
Total Special Revenue Expenditures	<u>132,357</u>	<u>179,582</u>	<u>186,378</u>	<u>169,925</u>	<u>176,702</u>	<u>210,761</u>	<u>222,862</u>	<u>262,445</u>	<u>219,762</u>	<u>254,132</u>
Capital Projects Fund Expenditures		5,549	76,122			463	4,385	332,729		
Debt Service Expenditures	365,438	363,688	366,251	364,951	372,552	391,070	383,779	326,220	328,120	324,720
Total Governmental Fund Expenditures	<u>6,272,642</u>	<u>6,021,747</u>	<u>5,927,379</u>	<u>5,740,477</u>	<u>5,763,822</u>	<u>5,588,037</u>	<u>5,320,929</u>	<u>5,755,716</u>	<u>5,235,687</u>	<u>5,201,523</u>
Excess(Deficiency) of Revenues Over(Under) Expenditures										
	(84,619)	(175,104)	(166,759)	(37,283)	89,298	143,040	56,577	(502,792)	25,549	129,034
Other Financing Sources (Uses)										
	(46,013)	732	1,425	(5,924)		67,159	(3,205)	491,077	2,486	7,150
Net Change in Fund Balance	<u>\$ (130,632)</u>	<u>(174,372)</u>	<u>(165,334)</u>	<u>(43,207)</u>	<u>89,298</u>	<u>210,199</u>	<u>53,372</u>	<u>(11,715)</u>	<u>28,035</u>	<u>136,184</u>

Source: District records

ATLANTIC HIGHLANDS SCHOOL DISTRICTGENERAL FUND OTHER LOCAL REVENUE BY SOURCE

J-5

LAST TEN FISCAL YEARSUNAUDITED

	<u>Tuition</u>	<u>Interest on Investments</u>	<u>Rentals</u>	<u>Miscellaneous</u>	<u>Total</u>
2008	47,250	48,854	2,180	8,793	107,077
2009	56,207	32,075	1,550	1,074	90,906
2010	86,144	8,755	2,500	751	98,150
2011	113,563	2,124	2,500	5,178	123,365
2012	214,560	10	2,500	8,013	225,083
2013	304,584	50	2,500	41,671	348,805
2014	329,936		2,500	40,021	372,457
2015	276,247		150	36,173	312,570
2016	189,104	195	588	903	190,790
2017	209,494	445	200	34,092	244,231

Source: District records

ATLANTIC HIGHLANDS SCHOOL DISTRICTASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTYLAST TEN FISCAL YEARS

J-6

UNAUDITED

<u>Year Ended December 31,</u>	<u>Net Assessed Valuations</u>	<u>Estimated Full Cash Valuations</u>	<u>Percentage of Net Assessed to Estimated Full Cash Valuations</u>
2007	632,709,049	829,428,944	76.28%
2008	635,126,242	884,257,709	71.83%
2009	635,120,544	896,216,620	70.87%
2010	634,407,870	836,694,434	75.82%
2011	632,771,827	803,621,828	78.74%
2012	633,735,269	790,193,602	80.20%
2013	632,086,285	748,739,972	84.42%
2014	632,183,551	751,704,579	84.10%
2015	630,931,300	769,053,267	82.04%
2016	634,743,000	776,576,836	81.74%

Source: Abstract of Ratables, County Board of Taxation.

* - Revaluation in 2005

ATLANTIC HIGHLANDS SCHOOL DISTRICTPROPERTY TAX RATES - DIRECT AND OVERLAPPINGPER \$100 OF ASSESSED VALUATION

J-7

LAST TEN FISCAL YEARSUNAUDITED

<u>Assessment Year</u>	<u>Atlantic Highlands School District</u>	<u>Henry Hudson Regional High School</u>	<u>Atlantic Highlands Borough</u>	<u>Monmouth County</u>	<u>Total</u>
2008	0.687	0.582	0.622	0.339	2.230
2009	0.711	0.591	0.647	0.361	2.310
2010	0.710	0.591	0.657	0.362	2.320
2011	0.720	0.613	0.683	0.362	2.378
2012	0.719	0.597	0.697	0.370	2.383
2013	0.712	0.603	0.750	0.343	2.408
2014	0.712	0.635	0.787	0.010	2.144
2015	0.726	0.618	0.838	0.355	2.537
2016	0.759	0.638	0.858	0.348	2.603
2017	0.787	0.646	0.856	0.369	2.658

Source: Tax Collector

ATLANTIC HIGHLANDS SCHOOL DISTRICTSCHEDULE OF PRINCIPAL TAXPAYERS

J-8

FOR THE YEAR ENDED DECEMBER 31, 2016UNAUDITED

<u>Taxpayer</u>	<u>Assessed Valuation 2016</u>	<u>As a Percentage of District Net Assessed Valuation</u>	<u>Assessed Valuation 2006</u>	<u>As a Percentage of District Net Assessed Valuation</u>
Liberty Atlantic Hlds REO,	6,727,500	1.06%	N/A	N/A
ELK Harbor View	6,461,500	1.02%	3,114,300	1.05%
Carl Casriel	5,004,600	0.79%	N/A	N/A
McConnell Realty Co.	3,157,900	0.50%	1,954,500	0.66%
Krikorian, Dirouhi & Sarkis	2,628,300	0.41%	1,758,700	0.59%
Atlantic Pier Co.	2,472,000	0.39%	1,422,800	0.48%
Thomas Paine House, LLC	1,971,500	0.31%	1,328,700	0.45%
Laurmin Association	1,958,700	0.31%	N/A	N/A
Sandy Hook Bay Parking	1,888,400	0.30%	1,481,000	0.50%
Verizon - NJ	1,723,881	0.27%	868,000	0.29%
Total	33,994,281	5.36%		

Source: Municipal Tax Assessor.

ATLANTIC HIGHLANDS SCHOOL DISTRICTMUNICIPAL PROPERTY LEVIES AND COLLECTIONS

J-9

LAST TEN YEARSUNAUDITED

<u>Year Ended December 31,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Tax Levy Collected</u>
2008	4,134,800	4,134,800	100.00%
2009	4,299,030	4,299,030	100.00%
2010	4,362,542	4,362,542	100.00%
2011	4,507,622	4,507,622	100.00%
2012	4,359,498	4,359,498	100.00%
2013	4,741,404	4,741,404	100.00%
2014	4,961,069	4,961,069	100.00%
2015	5,231,439	5,231,439	100.00%
2016	5,395,169	5,395,169	100.00%
2017	5,394,788	5,394,788	100.00%

Source: Municipal Tax Collector

ATLANTIC HIGHLANDS SCHOOL DISTRICT

RATIO OF OUTSTANDING DEBT BY TYPE

LAST TEN YEARS

J-10

UNAUDITED

<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Other Debt</u>	<u>Total Debt Per District</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
2008	3,753,000		3,753,000	1.2%	\$ 796.98
2009	3,583,000		3,583,000	1.3%	\$ 760.88
2010	3,898,000		3,898,000	1.2%	\$ 826.37
2011	3,683,000		3,683,000	1.2%	\$ 839.91
2012	3,435,000		3,435,000	1.2%	\$ 783.35
2013	3,165,000		3,165,000	1.3%	\$ 721.78
2014	2,955,000		2,955,000	1.5%	\$ 627.52
2015	2,695,000		2,695,000	1.7%	\$ 572.31
2016	2,375,000		2,375,000	1.9%	\$ 504.35
2017	2,095,000		2,095,000	2.2%	\$ 444.89

Source: District records.

ATLANTIC HIGHLANDS SCHOOL DISTRICTRATIO OF NET GENERAL BONDED DEBTTO ASSESSED VALUE AND NET BONDED PER CAPITA

J-11

LAST TEN YEARSUNAUDITED

<u>Fiscal Year Ended June 30,</u>	<u>School District Population</u>	<u>Net Assessed Valuation Taxable</u>	<u>Net Bonded Debt</u>	<u>Ratio of Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2008	4,709	632,709,049	3,913,000	0.618%	830.96
2009	4,709	635,126,242	3,753,000	0.591%	796.98
2010	4,709	635,120,544	3,583,000	0.564%	760.88
2011	4,717	634,407,870	3,898,000	0.614%	826.37
2012	4,385	632,446,700	3,683,000	0.582%	839.91
2013	4,385	632,771,827	3,493,000	0.552%	796.58
2014	4,385	633,735,269	3,165,000	0.499%	721.78
2015	4,385	630,000,810	2,955,000	0.469%	673.89
2016	4,385	634,743,000	2,695,000	0.425%	614.60
2017	4,385	634,743,000	2,095,000	0.330%	477.77

Source: Abstract of Ratables, County Board of Taxation.
School District records.

ATLANTIC HIGHLANDS SCHOOL DISTRICTDIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

J-12

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016UNAUDITED

Net Direct Debt of School District as of December 31, 2016		\$ 2,150,000
Net Overlapping debt of School District:		
Atlantic Highlands Boro (71.50%)	2,463,543	
County of Monmouth (1.04%)	<u>3,003,800</u>	
		<u>5,467,343</u>
Total Direct and Overlapping Bonded Debt as of December 31, 2016		<u>\$ 7,617,343</u>

Source: Atlantic Highlands Chief Financial Officer and County Treasurer's Office.

ATLANTIC HIGHLANDS SCHOOL DISTRICT

COMPUTATION OF LEGAL DEBT MARGIN

J-13

LAST NINE FISCAL YEARS

UNAUDITED

	<u>Year</u>	<u>Equalized Valuation Basis</u>
	2016	\$ 637,601,581
	2015	\$ 632,183,551
	2014	\$ 630,000,810
		<u>\$ 1,899,785,942</u>
Average Equalized Valuation of Taxable Property		\$ 633,261,981
School Borrowing Margin (2.5% of \$)		\$ 15,831,550
Net Bonded School Debt as of June 30, 2016		<u>\$ -</u>
School Borrowing Margin Available		<u>\$ 15,831,550</u>

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt Limit	\$ 15,831,550	\$ 18,937,251	\$ 19,575,075	\$ -	\$ 20,207,189	\$ 21,088,464	21,699,858	21,749,194	20,523,997
Net Debt	2,095,000	2,375,000	3,165,000	-	3,493,000	3,683,000	3,898,000	3,583,000	3,753,000
Legal Debt Margin	<u>\$ 13,736,550</u>	<u>\$ 16,562,251</u>	<u>\$ 16,410,075</u>	<u>\$ -</u>	<u>\$ 16,714,189</u>	<u>\$ 17,405,464</u>	<u>17,801,858</u>	<u>18,166,194</u>	<u>16,770,997</u>

Source: State of New Jersey, Department of Taxation.

ATLANTIC HIGHLANDS SCHOOL DISTRICT**DEMOGRAPHIC STATISTICS****J-14****LAST TEN YEARS****UNAUDITED**

Year Ended December 31,	Atlantic Highlands Unemployment Rate	Monmouth County Per Capita Income	Population
2007	5.9%	52,499	4,614
2008	5.3%	55,826	4,613
2009	6.9%	57,353	4,602
2010	11.1%	54,771	4,594
2011	11.3%	41,785	4,494
2012	8.5%	39,350	4,385
2013	5.8%	40,976	4,354
2014	5.1%	42,749	4,336
2015	5.5%	42,021	4,385
2016	5.3%	42,269	4,393

**Source: Bureau of Labor Statistics, United States Department of Commerce and
State Data Center**

(a) Personal Income has been estimated based upon the municipal population and per capita income presented

ATLANTIC HIGHLANDS SCHOOL DISTRICT

FULL - TIME EQUIVALENT DISTRICT

J-16

EMPLOYEE BY FUNCTION

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>UNAUDITED</u>									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction										
Regular	24.5	22.6	28.7	23.8	23.8	23.8	23.2	24.5	23.5	23.5
Special education	5.9	8.0	9.9	10.4	9.4	9.4	10.0	10.0	12.1	11.0
Other special education										
Vocational										
Other instruction	8.0	5.0	4.4	3.0	3.0	3.0	3.0	3.0	4.0	4.4
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Tuition										
Student & instruction related services	6.6	5.9	0	2.6	2.1	2.1	1.5	2.4	3.1	3.5
General administrative services	1.5	1.5	1.5	1.2	1.2	1.2	2.0	1.5	1.4	0.9
School administrative services	1.8	1.6	1.6	1.1	1.1	1.1	2.0	2.0	3.0	3.6
Business administrative services	1.7	1.7	1.7	2	1.5	1.5	1.5	1.7	1.7	1.3
Plant operations and maintenance	6.3	6.3	6.3	3.3	3.3	3.3	3.3	3.3	3.7	2.5
Pupil transportation										
Special Schools										
Food Service										
Child Care										
Total	56.3	52.6	54.1	47.4	45.4	45.4	46.5	48.4	52.5	50.6

Source: District Personnel Records

ATLANTIC HIGHLANDS SCHOOL DISTRICT

OPERATING STATISTICS

J-17

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30,	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
2008	293	4,001,954	15,957		30.4	9.6:1	291	277		94.54%
2009	294	4,083,483	15,644	-1.96%	30.6	8.9:1	294	280	1.13%	95.24%
2010	296	4,373,719	14,776	-5.55%	31.1	9.5:1	295	278	0.20%	93.92%
2011	294	4,502,328	15,314	3.64%	32.1	10.9:1	295	276	0.00%	93.88%
2012	312	4,359,977	13,974	-5.43%	30.4	10.2:1	311	291.3	5.42%	93.37%
2013	326	4,378,170	13,430	-12.30%	29.2	11.2:1	295.2	282.8	0.07%	86.75%
2014	326	4,520,635	13,867	-0.77%	29.2	11.2:1	302.35	287.84	-2.78%	88.29%
2015	320	4,574,959	14,297	6.45%	30.0	10.6:1	320.4	305.9	8.54%	95.59%
2016	323	4,767,424	14,760	6.44%	29.6	10.9:1	322.9	307.467	6.80%	95.19%
2017	335	4,963,331	14,816	3.63%	29.9	10.9:1	333.5	317.222	4.09%	94.69%

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).

ATLANTIC HIGHLANDS SCHOOL DISTRICT

BUILDING INFORMATION

LAST TEN FISCAL YEARS
ENDING JUNE 30

J-18

UNAUDITED

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Elementary School</u>										
<u>and Offices</u>										
Atlantic Highlands										
Square Feet	63,842	63,842	63,842	63,842	63,842	63,842	63,842	63,842	63,842	63,842
Capacity (students)	370	370	370	370	370	370	370	370	370	370
Enrollment	293	293	296	295	312	326	326	320	323	335

Source: District records, ASSA

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

ATLANTIC HIGHLANDS SCHOOL DISTRICTSCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES

J-19

BY SCHOOL FACILITYLAST NINE FISCAL YEARSUNAUDITED

<u>Fiscal Year Ended June 30,</u>	<u>Atlantic Highlands Elementary</u>
2008	38,612
2009	42,717
2010	50,576
2011	42,302
2012	46,304
2013	58,352
2014	60,369
2015	44,431
2016	85,834
2017	85,573

Source: District records.

ATLANTIC HIGHLANDS SCHOOL DISTRICTINSURANCE SCHEDULE

J-20

JUNE 30, 2017UNAUDITED

	<u>Coverage</u> <u>Coverage</u>	<u>Deductible</u> <u>Deductible</u>
School Package Policy -		
Property-Blanket Building & Contents	\$ 14,671,073	2,500
Comprehensive General Liability	2,000,000	
Comprehensive Auto Liability	1,000,000	
Comprehensive Crime Coverage		
Other Flood - Contents		*
Computers and Scheduled Equipment -		
Data Processing Equipment	137,115	250
Boiler and Machinery -		
Property Damage	100,000	1,000
Umbrella Liability -		
Umbrella Policy	10,000,000	
School Board Legal Liability -		
Directors and Officers Policy	1,000,000	5,000
Bonds		
Treasurer	Eliminated	
Board Secretary	175,000	

Source: District records.

Robert A. Hulsart and Company
CERTIFIED PUBLIC ACCOUNTANTS

100.

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
ROBERT A. HULSART, JR., C.P.A., P.S.A.
RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

Telecopier:
(732) 280-8888
e-mail:
rah@monmouth.com

2807 Hurley Pond Road • Suite 100
P.O. Box 1409
Wall, New Jersey 07719-1409
(732) 681-4990

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

K-1

Honorable President and Members
of the Board of Education
Atlantic Highlands School District
County of Monmouth
Atlantic Highlands, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Atlantic Highlands Board of Education, County of Monmouth, State of New Jersey as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Atlantic Highlands Board of Education, County of Monmouth, State of New Jersey's basic financial statements, and have issued our report thereon dated November 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Atlantic Highlands Board of Education, County of Monmouth, State of New Jersey's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Atlantic Highlands Board of Education, County of Monmouth, State of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of the Atlantic Highlands Board of Education, County of Monmouth, and State of New Jersey'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purposes 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 Atlantic Highlands Board of Education, County of Monmouth, State of New Jersey's financial statements are free from material misstatement, we performed tests of it 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*.

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.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

**Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company
Wall Township, New Jersey**

November 14, 2017

ATLANTIC HIGHLANDS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Schedule A
K-3

Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Federal Fain Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2017		
					From	To					(Accounts Receivable)	Deferred Revenue	Due to Grantor
<u>U.S. Department of Agriculture</u>													
<u>Passed-Through State Department of Education</u>													
Food Distribution Program	10.550	171NJ304N1099	N/A	\$ 6,684	7-01-16	to 6-30-17	\$ -		6,684	(6,684)			
National School Lunch Program	10.555	171NJ304N1099	N/A	15,451	7-01-16	to 6-30-17			14,346	(15,451)		(1,105)	
National School Lunch Program - PB	10.555	171NJ304N1099	N/A	1,113	7-01-16	to 6-30-17			1,033	(1,113)		(80)	
National School Lunch Program - PB	10.555	1616NJ304N1099	N/A	939	7-01-15	to 6-30-16	(79)		79				
National School Lunch Program	10.555	1616NJ304N1099	N/A	13,868	7-01-15	to 6-30-16	(1,143)		1,143				
Total U.S. Department of Agriculture							(1,222)	-	23,285	(23,248)	(1,185)	-	-
<u>U.S. Department of Education</u>													
<u>Passed-Through State Department of Education</u>													
Title I	84.010A	S010A160030	NCLB17	29,324	9-01-16	to 8-31-17			21,538	(29,324)		(7,786)	
Title I	84.010A	S010A150030	NCLB16	27,740	9-01-15	to 8-31-16	(5,717)		5,717				
Title IIA	84.367A	S367A150029	NCLB16	13,017	9-01-15	to 8-31-16	(2,518)		2,118			(400)	
Title IIA	84.367A	S367A150029	NCLB17	10,898	9-01-16	to 8-31-17			6,792	(10,898)		(4,106)	
I.D.E.A. Basic	84.027	H027A150100	IDEA17	84,803	9-01-16	to 8-31-17			58,425	(84,803)		(26,378)	
I.D.E.A. Basic	84.027	H027A150100	IDEA16	93,319	9-01-15	to 8-31-16	(3,946)		3,946				
I.D.E.A. Basic	84.027	H027A150100	IDEA15	90,148	9-01-14	to 8-31-15	(126)					(126)	
I.D.E.A. Basic	84.027	H027A150100	IDEA14	81,486	9-01-13	to 8-31-14	(2,383)					(2,383)	
I.D.E.A. Preschool	84.173	H173A160114	IDEA17	5,332	9-01-16	to 8-31-17			3,332	(5,332)		(2,000)	
I.D.E.A. Preschool	84.173	H173A150114	IDEA16	5,286	9-01-15	to 8-31-16	(529)		529				
Total U.S. Department of Education							(15,219)	-	102,397	(130,357)	(43,179)	-	-
Total Federal Financial Assistance							\$ (16,441)	-	125,682	(153,605)	(44,364)	-	-

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

ATLANTIC HIGHLANDS SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2016					Balance at June 30, 2017			MEMO			
			From	To	Deferred Revenue (Accounts Receivable)	Due To Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Year Balances	(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education																
General Fund:																
Special Education Aid	17-495-034-5120-089	\$ 139,346	7-01-16	to 6-30-17	\$ -			127,262	(139,346)						(12,084)	139,346
Security Aid	17-495-034-5120-084	6,263	7-01-16	to 6-30-17				5,720	(6,263)						(543)	6,263
Transportation Aid	17-495-034-5120-014	3,850	7-01-16	to 6-30-17				3,316	(3,850)						(334)	3,850
Non-Public Transportation	16-495-034-5129-014	2,958	7-01-15	to 6-30-16	(2,958)			2,958								
Non-Public Transportation	17-495-034-5120-014	5,046	7-01-16	to 6-30-17					(5,046)			(5,046)				5,046
Extraordinary Aid	16-495-034-5120-044	46,453	7-01-15	to 6-30-16	(46,453)			46,453								
Extraordinary Aid	17-495-034-5120-044	38,295	7-01-16	to 6-30-17					(38,295)			(38,295)				38,295
PARCC Readiness Aid	17-495-034-5120-088	2,810	7-01-16	to 6-30-17				2,566	(2,810)					(244)	2,810	
Per Pupil Growth Aid	17-495-034-5120-087	2,810	7-01-16	to 6-30-17				2,566	(2,810)					(244)	2,810	
Professional Learning Community Aid	17-495-034-5120-101	2,960	7-01-16	to 6-30-17				2,704	(2,960)					(256)	2,960	
On-Behalf TPAF Pension Contributions	17-495-034-5095-002	552,575	7-01-16	to 6-30-17				552,575	(552,575)							552,575
Reimbursed TPAF Social Security Contributions	17-495-034-5095-003	204,125	7-01-16	to 6-30-17				193,072	(204,125)			(11,053)				204,125
Reimbursed TPAF Social Security Contributions	16-495-034-5095-003	194,042	7-01-15	to 6-30-16	(9,248)			9,248								
Total General Fund					(58,659)	-	-	948,640	(958,080)	-	-	(54,394)	-	-	(13,705)	958,080
Special Revenue:																
N.J. Nonpublic Aid:																
Textbook Aid	16-100-034-5120-064	4,739	7-01-15	to 6-30-16				597				(597)				
Nursing Services	16-100-034-5120-070	7,470	7-01-15	to 6-30-16				18				(18)				
Technology Aid	16-100-034-5120-343	2,158	7-01-15	to 6-30-16				16				(16)				
Security Aid	16-100-034-5120-066	2,800	7-01-15	to 6-30-16				2,800				(2,800)				
Examination and Classification - A	16-100-034-5120-066	1,708	7-01-15	to 6-30-16				342				(342)				
Compensatory Education	16-100-034-5120-067	21,997	7-01-15	to 6-30-16				3,384				(3,384)				
Total Special Revenue					-	-	-	7,137	-	-	-	(7,157)	-	-	-	-
Capital Projects:																
State Grant - Solar Energy Project	0150-020-14-1001	80,000	9-11-15	to 6-30-16	(80,000)			33,987		46,013						
State Department of Agriculture																
Enterprise Fund:																
National School Lunch Program (State Share)	17-100-010-3350-023	796	7-01-16	to 6-30-17				739	(796)			(57)				796
National School Lunch Program (State Share)	16-100-010-3350-023	679	7-01-15	to 6-30-16	(57)			57	(796)			(57)				796
Total National School Lunch Program					(57)	-	-	796	(796)	-	-	(57)	-	-	-	796
Total State Financial Assistance					\$ (138,716)	7,157	-	983,423	(958,876)	46,013	(7,157)	(54,451)	-	-	(13,705)	958,876
Less on Behalf TPAF Pension System Contributions								\$ (552,575)								
Total For State Financial Assistance-Major Program Determination								\$ (406,301)								

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

BOARD OF EDUCATION

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ATLANTIC HIGHLANDS SCHOOL DISTRICT**NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE****JUNE 30, 2017****NOTE 1: General**

The accompanying schedules of financial assistance present the activity of all federal and state financial assistance programs of the Board of Education, Atlantic Highlands School District. The Board of Education is defined in Note 1(A) to the Board's general-purpose financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the schedule of federal financial assistance.

NOTE 2: Basis of Accounting

The accompanying schedules of financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. Programs recorded in the food service fund include the National School Lunch Program and the U.S.D.A Commodities Program. These bases of accounting are described in the Note 1(C) to the Board's general-purpose financial statements.

NOTE 3: Relationship to General Purpose Financial Statements

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

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

NOTE 3: Relationship to General Purpose Financial Statements (Continued)

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>State Assistance</u>				
Actual Amounts (Budgetary) "Revenues" from the Schedule of Expenditures of State Financial Assistance	\$ 958,080		796	958,876
Difference – Budget to "GAAP" Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized				
The Last State Aid Payment Is Recognized as Revenue for Budgetary Purposes, and Differs from GAAP Which does not Recognize This Revenue Until the Subsequent Year When the State Recognizes the Related Expense (GASB 33)	_____(367)	_____	_____	_____(367)
Total State Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 957,713</u>	_____	<u>796</u>	<u>958,509</u>

NOTE 3: Relationship to General Purpose Financial Statements (Continued)

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>Federal Assistance</u>				
Actual Amounts (Budgetary) "Revenues" from the Schedule of Expenditures of Federal Awards	\$	130,357	23,248	153,605
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	<u>\$ 0</u>	<u>130,357</u>	<u>23,248</u>	<u>153,605</u>

NOTE 4: Relationship to Federal and State Financial Reports

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

NOTE 5: Other

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. 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, 2017.

NOTE 6: Adjustment – State Awards

An adjustment is shown for the EDA Solar Grant as the project was completed under budget, the District is entitled to \$33,987. The adjustment represents the cancellation of the remaining balance of \$46,013.

ATLANTIC HIGHLANDS SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Part I - Summary of Auditor's Results

Financial Statement Section

(A) Type of auditor's report issued on financial statements

Description

Unmodified

(B) Internal control over financial reporting:

1) Material weakness(es) identified?

_____ Yes x No

2) Significant deficiencies identified that are not considered to be material weaknesses?

_____ Yes x None Reported

Noncompliance material to basic financial statements noted?

_____ Yes x No

Federal Awards

NOT APPLICABLE

State Awards

NOT APPLICABLE

ATLANTIC HIGHLANDS SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

There are none.

ATLANTIC HIGHLANDS SCHOOL DISTRICT**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017***Part III - Schedule of Federal Awards and State Financial Assistance
Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

Current Year Federal Awards

Not Applicable

Current Year State Awards

Not Applicable

ATLANTIC HIGHLANDS SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200 and New Jersey OMB's Circular 15-08.

Status of Prior Year Findings

There were none.