

SCHOOL DISTRICT

OF

BAY HEAD



**BAY HEAD BOARD OF EDUCATION
BAY HEAD, NEW JERSEY**

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

BAY HEAD BOARD OF EDUCATION

BAY HEAD, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PREPARED BY

**BAY HEAD BOARD OF EDUCATION
FINANCE DEPARTMENT**

BAY HEAD SCHOOL DISTRICT

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INTRODUCTORY SECTION

Bay Head Board of Education

145 Grove Street • Bay Head • New Jersey • 08742
 Phone: 732-892-4704 Fax: 732-892-4526 www.bayheadschoool.org

Peter S. Morris, Ed.D.
Superintendent

Laurie M. Considine
Board Secretary

Patricia A. Christopher, CPA
Business Administrator

November 21, 2017

Honorable President and Members
 Board of Education of the Borough of Bay Head
 145 Grove Street
 Bay Head, NJ 08735

Dear Board Members:

The comprehensive annual financial report of the Bay Head School District (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 (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the 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 Payment." 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: Bay Head 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 Bay Head Board of Education and its single school constitute the District's reporting entity.

1. REPORTING ENTITY (Continued)

The District provides a full range of educational services appropriate to grade levels K through 8, and has a sending-receiving relationship with the Point Pleasant Board of Education for grades 9 through 12. Classes offered are regular, vocational, and special education for disabled youngsters. The District completed the 2017 fiscal year with an average daily enrollment of 131.0 students, a decrease of 15.7 students from June 2016. The following details the changes in the student enrollment over the last ten years:

Average Daily Enrollment, K-8

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-2017	131.0	-10.7%
2015-2016	146.7	0.4%
2014-2015	146	6.6%
2013-2014	137	-0.7%
2012-2013	138	8.7%
2011-2012	127	8.5%
2010-2011	117	8.3%
2009-2010	108	12.5%
2008-2009	96	5.5%
2007-2008	91	- 1.1%

2. ECONOMIC CONDITIONS AND OUTLOOK: Less than one mile square, Bay Head is a charming, residential seashore resort community. Enjoyed by many visitors in the summertime, Bay Head has a year-round population of under 1,000 residents. As part of a barrier island, Bay Head is landlocked between Point Pleasant Beach, Point Pleasant Borough, and Mantoloking, and is bordered by the Atlantic Ocean and Barnegat Bay on the east and west. Consequently, its opportunities for business and residential expansion are limited.

3. MAJOR INITIATIVES: Students continue to meet and/or exceed objectives set by the educational administration as reported to the New Jersey Department of Education. The Bay Head Elementary School continues to perform achievement scores reported for math, science, reading and writing on standardized tests. Programming during the 2016-2017 school year focused on a continuation of the Board of Education's emphasis on technology in the classrooms, hands-on science instruction and excellence in language arts.

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 is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 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. The local tax levy increased year-to-year \$60,198, which was less than 2%.

The allocation of expenditures reflects the Board's and Superintendent's objective to provide the best education possible at the least cost, a factor in maintaining the Borough of Bay Head's enviable position as one of the state's lowest school taxpaying districts. During 2016 Bay Head taxpayers were assessed the lowest general school tax for an operating school district in Ocean County.

8. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey where the funds are secured in accordance with the Act. The Board's cash position is adequate, with a balance of \$1,208,270 in cash and temporary investments at June 30, 2017.

9. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, comprehensive/collision, flood, student and volunteer accident, hazard and theft insurance on property and contents, and fidelity bonds. The Board worked with the New Jersey School Boards Association Insurance Group to review insurance requirements in order to secure the most appropriate coverage at the least possible cost.

10. 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 & Company, CPAs, was selected by the Board to provide this service. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the 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 Payment." The auditor's report on the general purpose financial statements and combined and individual fund statements and schedules is included in the financial section of this report. The auditor's reports specifically related 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 Bay Head Board of Education for their continued concern in providing fiscal accountability to the taxpayers and citizens of the Borough of Bay Head, thereby contributing their full support to the development and maintenance of the District's financial operation.

Respectfully submitted,



Dr. Peter S. Morris, Ed.D.
Superintendent



Patricia A. Christopher, CPA
School Business Administrator

BAY HEAD BOARD OF EDUCATION

BAY HEAD, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2017

Members of the Board of Education:Term Expires:

Joseph S. Cornell, President,

2019

Benjamin Hinds, Vice President

2018

Sandra Antognoli, Board Member

2019

Barry K. Pearce, Board Member

2020

Shannon Curtiss, Board Member

2020

Other Officials:

Dr. Peter S. Morris, Superintendent

Patricia A. Christopher, CPA, School Business Administrator

Laurie M. Considine, Board Secretary

Patricia A. Wojcik, Treasurer

BAY HEAD BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Audit Firm:

Robert A. Hulsart and Company

Certified Public Accountants

2807 Hurley Pond Road

Wall, New Jersey 07719

Attorney:

David M. Cassadonte, Esq.

202 Main Street

Toms River, NJ 08753

Official Depository:

Manasquan Savings Bank

89 Bridget Avenue

Bay Head, NJ 08742

**BAY HEAD BOARD OF EDUCATION
ORGANIZATION CHART
(UNIT CONTROL)**

BOARD OF EDUCATION

SUPERINTENDENT

School Business Administrator

Board Secretary

Facilities Manager

Custodial Staff

Attendance Officer

Treasurer

Principal

School Secretary

Teaching Staff:

K-8

School Nurse

Foreign Language

Physical Education

Resource

Basic Skills

Speech

Media Center

Music

Art

Student Resources

Aides

FINANCIAL SECTION

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

8.

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.

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Bay Head School District
County of Ocean
Bay Head, 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 Bay Head School District, in the County of Ocean, 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 Bay Head School District, in the County of Ocean, 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 21, 2017 on our consideration of the Bay Head'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 Bay Head 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 21, 2017

REQUIRED SUPPLEMENTARY INFORMATION
PART I

BAY HEAD PUBLIC SCHOOL DISTRICT
BOROUGH OF BAY HEAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The discussion and analysis of the Bay Head Public 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.

Financial Highlights

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

- General revenues accounted for \$4,139,133 in revenue or 92% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$384,981 or 8% percent to total revenues of \$4,524,114.
- Total assets of governmental activities were \$8,065,260 primarily made up of Capital assets and Cash.
- The School District had \$3,722,293 in expenses; only \$384,981 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$4,139,133 were adequate to provide for these programs.
- The General Fund had \$3,711,190 in revenues and \$3,621,508 in expenditures and transfers out of \$477,383. The General Fund's balance decreased by \$387,701 over 2015-2016.

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 Bay Head Public 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 Bay Head Public School District, the General Fund is the most significant fund, with the Special Revenue Fund also having significance.

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

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 Assets 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 activities. 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 on 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.

	<u>2017</u>	<u>2016</u>
Table 1		
Net Position		
<u>Assets</u>		
Current and Other Assets	\$ 1,674,774	2,175,664
Capital Assets, Net	<u>6,390,486</u>	<u>5,623,313</u>
Total Assets	<u>\$ 8,065,260</u>	<u>7,798,977</u>
<u>Deferred Outflow of Resources</u>		
Contribution to Pension Plan	<u>\$ 282,762</u>	<u>179,657</u>
<u>Deferred Inflow of Resources</u>		
Pension Deferrals	<u>\$ 135,284</u>	<u>39,231</u>
<u>Liabilities</u>		
Current Liabilities	\$ 348,963	633,215
Long-Term Liabilities	<u>3,964,622</u>	<u>4,208,857</u>
Total Liabilities	<u>\$ 4,313,585</u>	<u>4,842,072</u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Debt	\$ 2,979,486	2,186,313
Restricted	1,391,540	1,907,215
Unrestricted	<u>(471,873)</u>	<u>(996,197)</u>
Total Net Position	<u>\$ 3,899,153</u>	<u>3,097,331</u>

Table 2 shows the changes in net position.

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 309,817	
Operating Grants and Contributions	75,164	371,559
General Revenues		
Property Taxes	3,247,965	3,187,767
Grants and Entitlements	844,734	948,308
Other	<u>46,434</u>	<u>609,769</u>
Total Revenues	<u>4,524,114</u>	<u>5,117,403</u>
<u>Program Expenses</u>		
Instruction	1,260,874	1,282,579
Support Services		
Tuition	542,360	461,013
Pupils and Instructional Staff	309,817	283,500
General Administration, School Administration, Business	1,057,789	1,598,083
Operations and Maintenance of Facilities	351,492	348,311
Pupil Transportation	111,786	106,547
Debt Service	<u>88,175</u>	<u>55,298</u>
Total Expenses	<u>3,722,293</u>	<u>4,135,331</u>
Other Financing Source/(Uses)	_____	<u>(2,070)</u>
Increase/ (Decrease) in Net Position	<u>\$ 801,821</u>	<u>980,002</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 72% percent of revenues for governmental activities for the Bay Head Public School District for fiscal year 2017. The District's total revenues were \$4,524,114 fiscal year ended June 30, 2017 Federal, state, local grants and other local revenues accounted for another 28%.

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.

Governmental Activities (Continued)

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 Bay Head'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 \$3,899,153. 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 assets.

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 \$7,334,910 million invested in a broad range of capital assets, including land, buildings, furniture, computers, instructional equipment and other equipment. Table II below shows the net book value of capital assets at the end of the 2017 fiscal year.

	<u>Governmental Activities</u>
Table II	
Capital Assets at June 30, 2017	
Buildings and Sites	\$ 5,109,197
Machinery and Equipment	1,024,740
Land	<u>256,549</u>
Total	<u>\$ 6,390,486</u>

Debt Administration

At June 30, 2017, the School District had outstanding debt of \$4,255,622 consisting of serial bonds at \$2,965,000, capital leases at \$446,000 and a pension liability of \$844,622.

Economic Factors and Next Year's Budget

The Bay Head 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 Bay Head is primarily a residential community. The majority of revenues needed to operate the District is derived from homeowners through property tax assessments and collections, which is voted by the residents annually.

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 Bay Head Public 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 Mrs. Patricia A. Christopher, Business Administrator of the Bay Head Board of Education, 145 Grove Street, Bay Head, N.J. 08742.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

BAY HEAD SCHOOL DISTRICT**STATEMENT OF NET POSITION**

Exhibit A-1

JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Total</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 424,018	424,018
Accounts Receivables, Net	466,504	466,504
Restricted Cash	784,252	784,252
Capital Assets Not Being Depreciated	256,549	256,549
Capital Assets Being Depreciated, Net	6,133,937	6,133,937
Total Assets	<u>8,065,260</u>	<u>8,065,260</u>
<u>Deferred Outflow of Resources</u>		
Contribution to Pension Plan	<u>282,762</u>	<u>282,762</u>
<u>Deferred Inflow of Resources</u>		
Pension Deferral	<u>135,284</u>	<u>135,284</u>
<u>Liabilities</u>		
Deferred Revenue	26,101	26,101
Accrued Interest	31,862	31,862
Long Term Debt:		
Due Within One Year	291,000	291,000
Long-Term	3,964,622	3,964,622
Total Liabilities	<u>4,313,585</u>	<u>4,313,585</u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Related Debt	2,979,486	2,979,486
Restricted For:		
Other Purposes	1,391,540	1,391,540
Unrestricted	<u>(471,873)</u>	<u>(471,873)</u>
Total Net Position	<u>\$ 3,899,153</u>	<u>3,899,153</u>

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

BAY HEAD SCHOOL DISTRICT

Exhibit A-2
Sheet 1 of 2

STATEMENT OF ACTIVITIES

JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
<u>Functions/Programs</u>					
Governmental Activities:					
Instruction:					
Regular	\$ 961,712			(961,712)	(961,712)
Special Education	187,757		75,164	(112,593)	(112,593)
Other Instruction	111,405			(111,405)	(111,405)
Support Services:					
Tuition	542,360			(542,360)	(542,360)
Student & Instruction Related Services	309,817	309,817		-	-
School Administration	55,824			(55,824)	(55,824)
Other Administration Services	160,391			(160,391)	(160,391)
Plant Operations and Maintenance	351,492			(351,492)	(351,492)
Pupil Transportation	111,786			(111,786)	(111,786)
Unallocated Benefits	697,174			(697,174)	(697,174)
Depreciation	144,400			(144,400)	(144,400)
Interest on Debt	88,175			(88,175)	(88,175)
Total Government Activities	<u>3,722,293</u>	<u>309,817</u>	<u>75,164</u>	<u>(3,337,312)</u>	<u>(3,337,312)</u>
 Total Primary Government	 <u>3,722,293</u>	 <u>309,817</u>	 <u>75,164</u>	 <u>(3,337,312)</u>	 <u>(3,337,312)</u>

BAY HEAD SCHOOL DISTRICT

**Exhibit A-2
Sheet 2 of 2**

STATEMENT OF ACTIVITIES

JUNE 30, 2017

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
General Revenues:	<u>Expenses</u>			
Taxes:				
Property Taxes, Levied for General Purpose, Net			3,009,965	3,009,965
Property Taxes Levied for Debt Service			238,000	238,000
Federal and State Aid Not Restricted			844,734	844,734
Miscellaneous Revenue			46,434	46,434
Total General Revenues			<u>4,139,133</u>	<u>4,139,133</u>
Change in Net Position			801,821	801,821
Net Position - Beginning			<u>3,097,332</u>	<u>3,097,332</u>
Net Position - Ending			<u>\$ 3,899,153</u>	<u>3,899,153</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</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and Cash Equivalents:					
Restricted	\$ 722,961	10,000		51,291	784,252
Unrestricted	424,018				424,018
Federal and State Receivables	20,869		442,320		463,189
Interfund Receivable	19,436				19,436
Receivables, Net	3,315				3,315
Total Assets	\$ 1,190,599	10,000	442,320	51,291	1,694,210
<u>Liabilities and Fund Balance</u>					
Liabilities:					
Deferred Revenue	\$ 16,101	10,000			26,101
Interfund Payable			19,436		19,436
Total Liabilities	16,101	10,000	19,436	-	45,537
Fund Balance:					
Restricted For:					
Emergency Reserve	174,133				174,133
Maintenance Reserve	213,959				213,959
Designated For Subsequent Years Expenditure BOE	12,996				12,996
Designated For Subsequent Years Expenditure					
Excess Surplus	54,859				54,859
Capital Reserve	334,869				334,869
Committed To:					
Other Purposes	126,549				126,549
Unassigned:					
General Fund	257,133				257,133
Debt Service Fund				51,291	51,291
Capital Projects Fund			422,884		422,884
Total Fund Balance	1,174,498	-	422,884	51,291	1,648,673
Total Liabilities and Fund Balance	\$ 1,190,599	10,000	442,320	51,291	

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 \$7,334,910 and the accumulated depreciation is \$944,425.

6,390,486

Accrued Interest

(31,862)

Deferred outflow of resources - contributions to the pension plan

282,762

Deferred inflow of resources - acquisition of assets applicable to future reporting periods

(135,284)

Long Term Liabilities including bonds payable are payable in the current period and therefore are not reported as liabilities in the funds (see note 3)

(4,255,622)

Net Position of governmental activities

\$ 3,899,153

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

BAY HEAD SCHOOL DISTRICT

Exhibit B-2
Sheet 1 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 3,009,965			238,000	3,247,965
Tuition	330,341				330,341
Interest Earned	343				343
Miscellaneous	25,567				25,567
Total Local Sources	3,366,216	-	-	238,000	3,604,216
State Sources	344,974		345,520	154,240	844,734
Federal Sources		75,164			75,164
Total Revenues	3,711,190	75,164	345,520	392,240	4,524,114
Expenditures:					
Current:					
Regular Instruction	961,712				961,712
Special Education Instruction	118,593	69,164			187,757
Other Instruction	111,405				111,405
Support Services and Undistributed Costs:					
Tuition	542,360				542,360
Student and Instruction Related Services	309,817				309,817
School Administration	55,824				55,824
Other Administration Services	160,391				160,391
Plant Operations and Maintenance	351,492				351,492
Pupil Transportation	111,786				111,786
Unallocated Benefits	670,993	6,000			676,993
Capital Outlay	227,135		779,684		1,006,819
Debt Service:					
Bond Principal				472,000	472,000
Interest and Other Charges				90,679	90,679
Total Expenditures	3,621,508	75,164	779,684	562,679	5,039,035

BAY HEAD SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>89,682</u>	<u>-</u>	<u>(434,164)</u>	<u>(170,439)</u>	<u>(514,921)</u>
Other Financing Sources (Uses):					
Transfer from General Fund to Capital Projects Fund	<u>(477,383)</u>	<u>-</u>	<u>477,383</u>	<u>-</u>	<u>-</u>
Total Financing Sources (Uses)	<u>(477,383)</u>	<u>-</u>	<u>477,383</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources (Uses)	<u>(387,701)</u>	<u>-</u>	<u>43,219</u>	<u>(170,439)</u>	<u>(514,921)</u>
Net Change in Fund Balances	<u>(387,701)</u>	<u>-</u>	<u>43,219</u>	<u>(170,439)</u>	<u>(514,921)</u>
Fund Balance - July 1	<u>1,562,199</u>	<u>-</u>	<u>379,665</u>	<u>221,730</u>	<u>2,163,594</u>
Fund Balance - June 30	<u>\$ 1,174,498</u>	<u>-</u>	<u>422,884</u>	<u>51,291</u>	<u>1,648,673</u>

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

BAY HEAD SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURESAND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Exhibit B-3

TO THE STATEMENT OF ACTIVITIESJUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (From B-2)		\$	(514,921)
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.			
Capital Outlay	911,572		
Depreciation	<u>(144,400)</u>		
			767,172
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.			586,779
Some Liabilities are Not Due and Payable in the Current Period and Therefore are Not Reported in the Funds. That Liability Consists of Pension Liability Payable			(46,765)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position			103,105
Pension related deferrals			(96,053)
Accrued Interest			<u>2,504</u>
Change in Net Position of Governmental Activities		\$	<u><u>801,821</u></u>

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

BAY HEAD SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION**

Exhibit B-7

FIDUCIARY FUNDS**JUNE 30, 2017**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Scholarship Funds</u>
Assets:		
Cash and Cash Equivalents	\$ 30,963	60,056
Total Assets	<u>\$ 30,963</u>	<u>60,056</u>
Net Position:		
Reserved Unemployment Benefits	\$ 30,963	
Reserved Scholarships		60,056
Total Net Position	<u>\$ 30,963</u>	<u>60,056</u>

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

BAY HEAD SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Exhibit B-8

FIDUCIARY FUNDSJUNE 30, 2017

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Scholarship Fund</u>
Additions:		
Securities Increase	\$ -	1,256
Interest Earned	171	1
Donations		200
Total Additions	<u>171</u>	<u>1,457</u>
Deductions:		
Transfer		100
Scholarship Awarded		1,050
Total Deductions	<u>-</u>	<u>1,150</u>
Change in Net Position	171	307
Net Position - Beginning of Year	<u>30,792</u>	<u>59,749</u>
Net Position - End of the Year	<u>\$ 30,963</u>	<u>60,056</u>

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

NOTES TO FINANCIAL STATEMENTS

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

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 the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the Board exercises operating control. The operations of the District include an elementary school located in the Borough of Bay Head. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore the District is not includable in any other reporting entity on the basis of such criteria.

B. 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.

Fiduciary Fund Types

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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Fiduciary Fund Types (Continued)

Unemployment Compensation Trust Fund: The trust fund is used to account for assets held under the terms of a formal trust agreement. The District reimburses the costs of unemployment benefits paid by the New Jersey Department of Labor.

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.

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g). All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2017 were insignificant.

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.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

NOTE 1: Summary of Significant Accounting Policies (Continued)**E. Budgets/Budgetary Control (Continued):**

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

F. 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.

G. 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.

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase. The value of inventories remaining at the end of the fiscal year is not included on the balance sheet.

I. 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.

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

The District contracted with an outside service company during the 2004 fiscal year to provide a report with a comprehensive detail of capital assets and depreciation. The report included capital assets purchased during the 2004-2005 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2005, fiscal year 2005 depreciation expense, total accumulated depreciation and book values were also provided. 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. The District has updated the records since 2004-2005 and the service company provides the District with an updated report. 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

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities:				
Capital Assets that are Not being Depreciated:				
Land	\$ 256,549	_____	_____	256,549
Total Capital Assets Not Being Depreciated	<u>256,549</u>	_____	_____	<u>256,549</u>
Depreciable Assets:				
Buildings and Sites	5,755,616	94,285		5,849,901
Equipment	<u>477,508</u>	<u>826,101</u>	<u>(75,149)</u>	<u>1,228,460</u>
Totals at Historical Cost	<u>6,233,124</u>	<u>920,386</u>	<u>(75,149)</u>	<u>7,078,361</u>
Less: Accumulated Depreciation:				
Buildings and Sites	(644,870)	(95,834)		(740,704)
Equipment	<u>(221,490)</u>	<u>(48,566)</u>	<u>66,336</u>	<u>(203,720)</u>
Total Accumulated Depreciation	<u>(866,360)</u>	<u>(144,400)</u>	<u>66,336</u>	<u>(944,424)</u>
Net Depreciable Assets	<u>5,366,764</u>	<u>775,986</u>	<u>(8,813)</u>	<u>6,133,937</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,623,313</u>	<u>775,986</u>	<u>(8,813)</u>	<u>6,390,486</u>

Depreciation expense was charged to governmental functions as follows:

Unallocated	<u>\$ 144,400</u>
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NOTE 1: Summary of Significant Accounting Policies (Continued)**J. Compensated Absences**

The Board has no policy for payment of accumulated sickness upon retirement.

K. Deferred Revenue

Deferred revenue in the special revenue funds represent cash which has been received but not yet earned. See Note 1(F) regarding the special revenue fund.

L. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. The general fund reserve for restricted purposes includes net assets relating to maintenance reserve (See Note 10).

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, which approximates market. The District 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.

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

New Jersey statutes permit the District 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 for 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.

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

	Cash and Cash Equivalents
Checking, Money Market Accounts	<u>\$ 1,301,999</u>

During the period ended June 30, 2017, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2017 was \$1,301,999 and the bank balance was \$1,389,120. Of the bank balance, \$559,820 was covered by federal depository insurance and \$798,337 as covered by a collateral pool maintained by the banks as required by New Jersey statutes and \$30,963 was uninsured.

Credit Risk Categories

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

As of June 30, 2017, the District did not hold any long-term investments.

Insured:	
FDIC	\$ 559,820
GUDPA	798,337
Uninsured:	
NJ Cash Management	<u>30,963</u>
	<u>\$ 1,389,120</u>

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>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Long-Term</u> <u>Portion</u>	<u>2017-2018</u> <u>Payment</u>
Capital Lease	\$ 560,779		(114,779)	446,000	340,000	106,000
Bonds Payable	3,437,000		(472,000)	2,965,000	2,780,000	185,000
Pension Liability	<u>797,857</u>	<u>46,765</u>	<u> </u>	<u>844,622</u>	<u>844,622</u>	<u> </u>
	<u>\$ 4,795,636</u>	<u>46,765</u>	<u>(586,779)</u>	<u>4,255,622</u>	<u>3,964,622</u>	<u>291,000</u>

A. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are of general obligation bonds, and the interest rates vary from 4.00% to 4.25%.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2018	\$ 185,000	74,619	259,619
2019	195,000	70,819	265,819
2020	200,000	66,869	266,869
2021	205,000	62,819	267,819
2022	210,000	58,669	268,669
2023-2027	1,170,000	233,147	1,403,147
2028-2030	<u>800,000</u>	<u>17,712</u>	<u>817,712</u>
	<u>\$ 2,965,000</u>	<u>584,654</u>	<u>3,549,654</u>

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 Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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

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

Funding Policy – The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.78% 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 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.

Legislation enacted during 1993 provides early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1994 fiscal year. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 years but less than 20 years of service. The Board will assume the increased cost for the early retirement as it affects their districts.

During the year ended June 30, 2017, the State of New Jersey contributed \$174,581 to the TPAF for post-retirement medical 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 \$81,076 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. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 24.

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

Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>Funding</u>			
6/30/17	\$ 174,581	100%	0
6/30/16	160,631	100%	0
6/30/15	126,078	100%	0

Three-Year Trend Information for PERS

Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>Funding</u>			
6/30/17	\$ 25,502	100%	0
6/30/16	30,557	100%	0
6/30/15	30,671	100%	0

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

For the year ended June 30, 2017, the District recognized pension expense of \$25,502. 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	\$ 15,707	
Changes of Assumptions	174,961	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	32,206	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	34,386	135,284
District Contributions Subsequent to the Measurement Date	<u>25,502</u>	<u> </u>
Total	<u>\$ 282,762</u>	<u>135,284</u>

\$282,762 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	\$ 282,762	149,100
Collective Deferred Inflows of Resources	135,284	39,231
Collective Net Pension Liability	844,622	797,857
District's Proportion	.00285%	.00355%

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%	At Current	At 1%
	<u>Decrease (3.90%)</u>	<u>Discount</u>	<u>Increase (5.90%)</u>
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%	At Current	At 1%
	<u>Decrease (3.90%)</u>	<u>Discount</u>	<u>Increase (5.90%)</u>
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>\$ 7,204,325</u>	<u>5,696,417</u>
District's Proportion	.00912%	.00896%

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: 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. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

NOTE 6: Risk Management

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 and previous year:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Reimbursed</u>	<u>Balance</u>
2016-2017	\$ 0	171	0	30,963
2015-2016	0	75	0	30,792
2014-2015	0	19	0	30,717

NOTE 7: Tuition Adjustments

Regulations specify that tuition adjustments for any given school year shall be remitted/ received in the two following years after the tuition rate is certified. These adjustments have not been reflected on the June 30, 2017 financial statements.

NOTE 8: Economic Dependency

The District receives approximately 10% 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 9: 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 10: Fund Balance Appropriated

General Fund – Of the \$1,181,234 General Fund fund balance at June 30, 2017, \$213,959 is reserved for maintenance reserve; \$174,133 is emergency reserve; \$334,869 is capital reserve; \$126,549 is reserve for encumbrances; \$263,869 is undesignated; \$54,859 is excess surplus designated for subsequent years expenditures and \$12,996 is designated for subsequent year’s expenditures.

NOTE 11: 2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures Per the CAFR	\$ 3,621,508
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(255,657)</u>
Adjusted 2016-17 General Fund Expenditures	<u>\$ 3,365,851</u>
2% of Adjusted 2016-17 General Fund Expenditures	<u>\$ 67,317</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>13,869</u>
Maximum Unassigned/Undesignated – Unreserved Fund Balance	<u>\$ 263,869</u>

Section 2

Total General Fund – Fund Balance @ 6-30-17	\$ 1,181,234
Decreased by:	
Restricted Fund Balance:	
Other Reserves	(722,961)
Encumbrances	(126,549)
Assigned Fund Balance:	
Designated for Subsequent Years Expenditures – Excess Surplus	(54,859)
Designated for Subsequent Years Expenditures	<u>(12,996)</u>
Total Unassigned Fund Balance	<u>\$ 263,869</u>
Reserved Fund Balance – Excess Surplus	<u>\$ 0</u>

Section 3

Designated for Subsequent Years Expenditures – Excess Surplus	<u>\$ 54,859</u>
	<u>\$ 54,859</u>

Detail of Allowable Adjustment

Extraordinary Aid	<u>\$ 13,869</u>
	<u>\$ 13,869</u>

Detail of Other Restricted Fund Balance

Maintenance Reserve	\$ 213,959
Capital Reserve	334,869
Emergency Reserve	<u>174,133</u>
Total Other Restricted Fund Balance	<u>\$ 722,961</u>

NOTE 12: Operating Leases

The District had commitments to lease copiers under operating leases that expires in 2021. Operating lease payments began in the 2012-2013 budget year. Future minimum lease payments are as follows:

Year ending June 30,	
2018	\$ 10,015
2019	8,259
2020	8,259
2021	<u>6,882</u>
	33,415
Less Interest	<u>3,097</u>
Principal	<u>\$ 30,318</u>

NOTE 13: 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, 2017. 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 21, 2017.

Note 14: Lease Purchase

On March 15, 2016, the Board of Education approved a contract with T.D. Equipment Finance, Inc. for a lease purchase agreement for the purchase of a boiler for the school for \$550,000 at an interest rate of 1.70%, for a period of five years dated March 7, 2016.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-18	\$ 106,000	6,681	112,681
2018-19	110,000	4,845	114,845
2019-20	113,000	2,949	115,949
2020-21	<u>117,000</u>	<u>1,989</u>	<u>118,989</u>
	<u>\$ 446,000</u>	<u>16,464</u>	<u>462,464</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES – C

BAY HEAD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
Sheet 1 of 10

GENERAL FUND

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	\$ 3,009,965		3,009,965	3,009,965	-
Tuition From Individuals	292,976		292,976	330,341	37,365
Interest Earned	343		343	343	-
Miscellaneous	23,500		23,500	25,567	2,067
Total Local Sources	<u>3,326,784</u>	<u>-</u>	<u>3,326,784</u>	<u>3,366,216</u>	<u>39,432</u>
State Sources:					
Extraordinary Aid	7,000		7,000	20,869	13,869
Special Education Aid	58,129		58,129	58,129	-
Security Aid	3,453		3,453	3,453	-
PARCC Readiness Aid	980		980	980	-
Per Pupil Growth Aid	980		980	980	-
Transportation Aid	4,095		4,095	4,095	-
Professional Learning Community Aid	930		930	930	-
On-Behalf TPAF Pension Contributions (Non-Budgeted)			-	174,581	174,581
Reimbursed TPAF Social Security Contributions (Non-Budgeted)			-	81,076	81,076
Total State Sources	<u>75,567</u>	<u>-</u>	<u>75,567</u>	<u>345,093</u>	<u>269,526</u>
Total Revenues	<u>3,402,351</u>	<u>-</u>	<u>3,402,351</u>	<u>3,711,309</u>	<u>308,958</u>

BAY HEAD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
Sheet 2 of 10

GENERAL FUND

JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Current Expenditures:					
Regular Programs - Instruction:					
Preschool/Kindergarten - Salaries of Teachers	86,277		86,277	86,277	-
Grades 1-5 - Salaries of Teachers	458,510	(4,552)	453,958	453,958	-
Grades 6-8 - Salaries of Teachers	293,951		293,951	293,951	-
Salaries - Home Instruction	1,541		1,541	1,541	-
Regular Program - Undistributed Instruction:					
Other Salaries For Instruction	39,269		39,269	39,269	-
Purchased Professional Educational Services	5,000	2,600	7,600	7,600	-
Purchased Technical Services	5,000	52	5,052	5,052	-
General Supplies	35,000	4,321	39,321	39,321	-
Textbooks	13,000	29,402	42,402	8,778	33,624
Other Objects	12,000	18,200	30,200	25,965	4,235
Total Regular Programs - Instruction	<u>949,548</u>	<u>50,023</u>	<u>999,571</u>	<u>961,712</u>	<u>37,859</u>
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	117,294		117,294	117,294	-
General Supplies	1,000	300	1,300	1,299	1
Textbooks	500	(300)	200		200
Total Resource Room/Resource Center	<u>118,794</u>	<u>-</u>	<u>118,794</u>	<u>118,593</u>	<u>201</u>
Total Special Education - Instruction	<u>118,794</u>	<u>-</u>	<u>118,794</u>	<u>118,593</u>	<u>201</u>

BAY HEAD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
Sheet 3 of 10

GENERAL FUND

JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	35,424		35,424	35,424	-
General Supplies	2,000		2,000	2,000	-
Total Basic Skills/Remedial - Instruction	<u>37,424</u>	<u>-</u>	<u>37,424</u>	<u>37,424</u>	<u>-</u>
School-Sponsored Co-Curricular Activities - Instruction:					
Salaries	27,311		27,311	27,311	-
School Sponsored Athletics - Instruction:					
Salaries	20,680	(7,810)	12,870	12,151	719
Purchased Services	7,000	2,912	9,912	9,912	-
Supplies and Materials	5,000	(500)	4,500	4,460	40
Total School Sponsored Athletics - Instruction	<u>32,680</u>	<u>(5,398)</u>	<u>27,282</u>	<u>26,523</u>	<u>759</u>
Before/After School Programs - Instruction:					
Salaries of Teachers	17,500		17,500	17,065	435
Community Services Programs - Instruction:					
Supplies and Materials	3,500	(300)	3,200	3,082	118
Total Community Services-Instruction	<u>3,500</u>	<u>(300)</u>	<u>3,200</u>	<u>3,082</u>	<u>118</u>
Total Instructional Programs	<u>1,186,757</u>	<u>44,325</u>	<u>1,231,082</u>	<u>1,191,710</u>	<u>39,372</u>
Undistributed Expenditures - Instruction:					
Tuition to Other LEA's Within the State - Regular	426,457	21,284	447,741	447,741	-
Tuition to Other LEA's Within the State - Special	51,833	(4,638)	47,195	27,427	19,768
Tuition to County Vocational School-Regular	5,000	(600)	4,400	4,400	-
Tuition to Private Schools for the Disabled Within State	77,792	(11,000)	66,792	62,792	4,000
Total Undistributed Expenditures - Instruction	<u>561,082</u>	<u>5,046</u>	<u>566,128</u>	<u>542,360</u>	<u>23,768</u>

BAY HEAD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
Sheet 4 of 10

GENERAL FUND

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 - Attendance and Social Work:					
Salaries	21,095		21,095	19,341	1,754
Undistributed Expenditures - Health Services:					
Salaries	44,200		44,200	44,200	-
Supplies and Materials	3,000		3,000	3,000	-
Total Undistributed Expenditures - Health Services	47,200	-	47,200	47,200	-
Undistributed Expenditures - Other Support Services - Students - Related Services:					
Purchased Professional Educational Services	25,000	(5,847)	19,153	19,153	-
Supplies and Materials	500	(113)	387	387	-
Total Undistributed Expenditures - Other Support Services Students - Related Services	25,500	(5,960)	19,540	19,540	-
Undistributed Expenditures-Other Support Services-Extra:					
Salaries	12,923		12,923	12,923	-
Undistributed Expenditures - Other Support Services - Students - Special:					
Salaries	21,100		21,100	21,100	-
Salaries of Secretarial and Clerical Assistants	1,276		1,276	1,276	-
Purchased Professional Educational Services	3,500	(123)	3,377	3,377	-
Other Purchased Professional Services	150	(150)	-	-	-
Supplies and Materials	500	(9)	491	491	-
Total Undistributed Expenditures - Other Support Services - Students - Special	26,526	(282)	26,244	26,244	-

BAY HEAD SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

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 Support Services -					
Students - Child Study Teams					
Salaries-Secretarial and Clerical	14,349		14,349	14,349	-
Purchased Professional Educational Services	22,000	(13,665)	8,335	8,335	-
Total Undistributed Expenditures - Other Support					
Services - Students - Extra Services	<u>36,349</u>	<u>(13,665)</u>	<u>22,684</u>	<u>22,684</u>	<u>-</u>
Undistributed Expenditures - Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	25,847		25,847	25,847	-
Other Salaries	9,536		9,536	9,536	-
Other Purchased Professional and Technical Services	10,000	54	10,054	10,054	-
Total Undistributed Expenditures - Improvement of Instructional	<u>45,383</u>	<u>54</u>	<u>45,437</u>	<u>45,437</u>	<u>-</u>
Undistributed Expenditures - Educational Media Services/ School Library:					
Salaries of Technology Coordinator	28,277		28,277	28,277	-
Purchased Professional and Technical Services	25,000	3,598	28,598	28,598	-
Other Purchased Services	25,000	(7,101)	17,899	17,899	-
Supplies and Materials	17,000	(1,528)	15,472	15,472	-
Total Undistributed Expenditures - Educational Media Services/School Library	<u>95,277</u>	<u>(5,031)</u>	<u>90,246</u>	<u>90,246</u>	<u>-</u>
Undistributed Expenditures - Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	12,923		12,923	12,923	-
Salaries of Secretarial and Clerical	4,130	(171)	3,959	3,959	-
Purchased Professional Educational Services	2,759	(124)	2,635	2,635	-
Other Purchased Services	8,500	(1,815)	6,685	6,685	-
Total Undistributed Expenditures - Instr. Staff Training Services	<u>28,312</u>	<u>(2,110)</u>	<u>26,202</u>	<u>26,202</u>	<u>-</u>

BAY HEAD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
Sheet 6 of 10

GENERAL FUND

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 Services - General Administration:					
Salaries	2,000	40	2,040	2,040	-
Legal Services	6,000	(98)	5,902	5,590	312
Audit Fees	7,500	875	8,375	8,375	-
Other Purchased Professional Services	39,270		39,270	39,270	-
Communications/Telephone	3,600	(725)	2,875	2,875	-
Other Purchased Services (400-500 Series)	500	(10)	490	490	-
BOE Meeting/Training Supplies	1,500	(96)	1,404	1,404	-
Miscellaneous Expenditures	6,185		6,185	6,108	77
BOE Membership Dues and Fees	4,000	(779)	3,221	3,221	-
Total Undistributed Expenditures - Support Services - General Administration	70,555	(793)	69,762	69,373	389
Undistributed Expenditures - Support Services - School Administration:					
Salaries of Principals/Assistant Principals	51,694		51,694	51,694	-
Salaries of Secretarial and Clerical Assistants	4,130		4,130	4,130	-
Total Undistributed Expenditures - Support Services - School Administration	55,824	-	55,824	55,824	-
Undistributed Expenditures - Central Services:					
Salaries	16,043		16,043	16,043	-
Purchased Services (400-500 Series)	8,350	(636)	7,714	7,714	-
Interest on Lease Purchase Agreements	15,000	(5,851)	9,149	9,149	-
Miscellaneous	49,470	30	49,500	49,500	-
Other Objects	350	(115)	235	235	-
Total Undistributed Expenditures - Central Services	89,213	(6,572)	82,641	82,641	-

BAY HEAD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
Sheet 7 of 10

GENERAL FUND

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-Admin Info Technology Purchased Technical Services	7,500	877	8,377	8,377	-
Undistributed Expenditures - Required Maintenance for School Facilities:					
Salaries	56,500	1,189	57,689	57,689	-
Cleaning, Repair and Maintenance Services	32,000	13,783	45,783	45,196	587
General Supplies	15,000	(1,241)	13,759	12,237	1,522
Other Objects	4,008		4,008	3,872	136
Total Undistributed Expenditures - Required Maintenance - School Facilities	107,508	13,731	121,239	118,994	2,245
Undistributed Expenditures - Care & Upkeep of Grounds					
Salaries	12,155	3,873	16,028	16,028	-
Purchased Professional and Technical Services	6,500	(755)	5,745	5,510	235
Cleaning, Repair and Maintenance Services	14,000	750	14,750	14,412	338
General Supplies	1,500	(1,067)	433	433	-
Total Undistributed Expenditures - Care & Upkeep of Grounds	34,155	2,801	36,956	36,383	573
Undistributed Expenditures - Security:					
Salaries	21,178		21,178	21,169	9
Purchased Professional and Technical Services	5,000	(1,000)	4,000	3,241	759
General Supplies	2,000	(1,000)	1,000	276	724
Total Undistributed Expenditures - Security	28,178	(2,000)	26,178	24,686	1,492

BAY HEAD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
Sheet 8 of 10

GENERAL FUND

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 Operations and Maintenance of Plant Services:					
Salaries	42,677		42,677	42,677	-
Salaries of Non-Instructional Aides	6,545		6,545	6,545	-
Purchased Professional and Technical Services	15,000	77	15,077	15,077	-
Other Purchased Professional Services	7,000	84	7,084	5,883	1,201
Insurance	52,700	(5,000)	47,700	47,700	-
Miscellaneous Purchased Services	10,000	1,802	11,802	11,686	116
Energy (Natural Gas)	11,000	5,541	16,541	16,346	195
Energy (Electric)	25,000	(949)	24,051	24,051	-
Other Objects	2,000		2,000	1,464	536
Total Undistributed Expenditures - Other Operations and Maintenance of Plant Services	<u>171,922</u>	<u>1,555</u>	<u>173,477</u>	<u>171,429</u>	<u>2,048</u>
 Total Undistributed Expenditures - Operations and Maintenance of School Facilities	 <u>341,763</u>	 <u>16,087</u>	 <u>357,850</u>	 <u>351,492</u>	 <u>6,358</u>
 Undistributed Expenditures - Student Transportation Services:					
Salaries of Non-Instructional Aides	27,748		27,748	27,748	-
Salaries for Pupil Transportation - (Between Home & School) Reg.	12,834		12,834	12,834	-
Contracted Services - Aid in Lieu	6,188	1,326	7,514	7,514	-
Contracted Services (Between Home & School) - Vendors	21,000	828	21,828	21,209	619
Contracted Services (Between Home & School) Jointures	11,000	(2,239)	8,761	7,761	1,000
Contracted Services (Special Education Students) Jointures	9,000	2,210	11,210	11,210	-
Contracted Services - (Special Education Students) - Vendors	29,000	(5,474)	23,526	23,510	16
Contracted Services - (Other than Between Home & School) - Vendors	500		500		500
Total Undistributed Expenditures - Student Transportation Services	<u>117,270</u>	<u>(3,349)</u>	<u>113,921</u>	<u>111,786</u>	<u>2,135</u>

BAY HEAD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
Sheet 9 of 10

GENERAL FUND

JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Unallocated Benefits:					
Social Security Contributions	32,500	4,052	36,552	34,639	1,913
Other Retirement Contributions - PERS	25,000	502	25,502	25,502	-
Workers Compensation	18,500	(1,217)	17,283	17,283	-
Health Benefits	340,000	(47,012)	292,988	290,077	2,911
Tuition Reimbursement	8,000	22,005	30,005	30,005	-
Other Employee Benefits	10,000	11,330	21,330	17,830	3,500
Total Unallocated Benefits	<u>434,000</u>	<u>(10,340)</u>	<u>423,660</u>	<u>415,336</u>	<u>8,324</u>
On-Behalf TPAF Pension Contributions - Non-Budgeted				174,581	(174,581)
Reimbursed TPAF Social Security Contributions Non-Budgeted				<u>81,076</u>	<u>(81,076)</u>
Total On-Behalf Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,657</u>	<u>(255,657)</u>
Total Undistributed Expenditures	<u>2,015,772</u>	<u>(26,038)</u>	<u>1,989,734</u>	<u>2,202,663</u>	<u>(212,929)</u>
Capital Outlay:					
Equipment-Instruction	10,000	10,486	20,486	10,000	10,486
Equipment -Grades 1-5		15,611	15,611	15,611	-
Equipment-Custodial	4,500	(4,500)	-	-	-
Increase in Reserves	343		343		343
Lease Purchase of Boiler	104,000		104,000	104,000	-
Facilities Acquisition and Construction Services:					
Construction Services	109,843	41,468	151,311	96,317	54,994
Debt Service Assessment	1,207		1,207	1,207	-
Total Facilities Acquisition and Construction Services	<u>229,893</u>	<u>63,065</u>	<u>292,958</u>	<u>227,135</u>	<u>65,823</u>
Total Capital Outlay	<u>229,893</u>	<u>63,065</u>	<u>292,958</u>	<u>227,135</u>	<u>65,823</u>
Total General Fund Expenditures	<u>3,432,422</u>	<u>81,352</u>	<u>3,513,774</u>	<u>3,621,508</u>	<u>(107,734)</u>

BAY HEAD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
Sheet 10 of 10

GENERAL FUND

JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(30,071)</u>	<u>(81,352)</u>	<u>(111,423)</u>	<u>89,801</u>	<u>201,224</u>
Other Financing Sources and Uses:					
Transfer to Fund 30-Boiler Lease	<u> </u>	<u> </u>	<u> </u>	<u>(477,383)</u>	<u>(477,383)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources (Uses)	<u>(30,071)</u>	<u>(81,352)</u>	<u>(111,423)</u>	<u>(387,582)</u>	<u>(276,159)</u>
Fund Balance July 1	<u>1,568,816</u>	<u> </u>	<u>1,568,816</u>	<u>1,568,816</u>	<u> </u>
Fund Balance June 30	<u>\$ 1,538,745</u>	<u>(81,352)</u>	<u>1,457,393</u>	<u>1,181,234</u>	<u>(276,159)</u>
Recapitulation:					
Restricted Fund Balance:					
Designated for Subsequent Years Expenditures- by the Board of Education				\$ 12,996	
Excess Surplus Designated for Subsequent Years Expenditures				54,859	
Maintenance Reserve				213,959	
Capital Reserve				334,869	
Emergency Reserve				174,133	
Assigned Fund Balances					
Reserved For Encumbrances				126,549	
Unassigned Fund Balance				<u>263,869</u>	
				1,181,234	
Reconciliation to Governmental Funds Statements (GAAP):					
Final State Aid Payments not Recognized on GAAP Basis				<u>(6,736)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 1,174,498</u>	

BAY HEAD SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

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:					
Federal Sources	<u>\$ 75,164</u>	<u></u>	<u>75,164</u>	<u>75,164</u>	<u>-</u>
Total Revenues	<u>\$ 75,164</u>	<u>-</u>	<u>75,164</u>	<u>75,164</u>	<u>-</u>
Expenditures:					
Instruction:					
Salaries of Teachers	<u>\$ 37,246</u>	<u></u>	<u>37,246</u>	<u>37,246</u>	<u></u>
Other Salaries for Instruction	<u>31,918</u>	<u></u>	<u>31,918</u>	<u>31,918</u>	<u></u>
Total Instruction	<u>69,164</u>	<u>-</u>	<u>69,164</u>	<u>69,164</u>	<u>-</u>
Support Services:					
Benefits	<u>6,000</u>	<u></u>	<u>6,000</u>	<u>6,000</u>	<u></u>
Total Support Services	<u>6,000</u>	<u>-</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Total Expenditures	<u>\$ 75,164</u>	<u>-</u>	<u>75,164</u>	<u>75,164</u>	<u>-</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BAY HEAD SCHOOL DISTRICT

Exhibit C-3

REQUIRED SUPPLEMENTARY INFORMATIONBUDGET-TO-GAAP-RECONCILIATIONNOTE TO RSIFOR THE FISCAL YEAR ENDED 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 schedule	\$ 3,711,309	75,164
Difference - Budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Delayed Payment	6,617	
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).	<u>(6,736)</u>	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.	<u>\$ 3,711,190</u>	<u>75,164</u>
<u>Uses/Outflows of Resources</u>		
Actual Amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 3,621,508	75,164
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>\$ 3,621,508</u>	<u>75,164</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

BAY HEAD 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)	\$ 844,622	797,857	696,573	646,680
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	-	-	-	-
Total	<u>\$ 844,622</u>	<u>797,857</u>	<u>696,573</u>	<u>646,680</u>
District's Covered-Employee Payroll	\$ 253,593	243,181	244,243	245,255
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	30.02%	30.48%	35.06%	37.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	31.20%	38.21%	42.74%	40.71%

BAY HEAD 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	\$ 25,502	30,671	25,495	25,053
Contributions in Relation to the Contractually Required Contribution	<u>25,502</u>	<u>30,671</u>	<u>25,495</u>	<u>25,053</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's Covered-Employee Payroll	\$ 253,593	243,181	244,243	245,255
Contributions as a Percentage of Covered-Employee Payroll	10.06%	12.61%	10.44%	10.22%

BAY HEAD 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>7,204,325</u>	<u>5,696,417</u>	<u>5,109,031</u>	<u>4,546,359</u>
Total	<u>\$ 7,204,325</u>	<u>5,696,417</u>	<u>5,109,031</u>	<u>4,546,359</u>
District's Covered-Employee Payroll	\$ 988,044	889,148	929,694	945,089
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	13.71%	15.61%	18.20%	20.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.71%	33.64%	33.76%

BAY HEAD 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.

BAY HEAD SCHOOL DISTRICT**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III**

L-5

FOR THE FISCAL YEAR ENDED JUNE 30, 2017**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

BAY HEAD SCHOOL DISTRICT

Exhibit E-1

SPECIAL REVENUE FUND

SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

JUNE 30, 2017

	<u>IDEA Preschool</u>	<u>IDEA Part B Basic</u>	<u>Title I</u>	<u>Title II</u>	<u>Total June 30, 2017</u>
Revenues:					
Federal Sources	<u>\$ 676</u>	<u>31,242</u>	<u>36,513</u>	<u>6,733</u>	<u>75,164</u>
Total Revenues	<u>\$ 676</u>	<u>31,242</u>	<u>36,513</u>	<u>6,733</u>	<u>75,164</u>
Expenditures:					
Instruction:					
Salaries	<u>\$ -</u>	<u>-</u>	<u>30,513</u>	<u>6,733</u>	<u>37,246</u>
Other Salaries for Instruction	<u>676</u>	<u>31,242</u>			<u>31,918</u>
Total Instruction	<u>676</u>	<u>31,242</u>	<u>30,513</u>	<u>6,733</u>	<u>69,164</u>
Support Services:					
Employee Benefits			<u>6,000</u>		<u>6,000</u>
Total Support Services	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total Expenditures	<u>\$ 676</u>	<u>31,242</u>	<u>36,513</u>	<u>6,733</u>	<u>75,164</u>

CAPITAL PROJECTS FUND – F

BAY HEAD SCHOOL DISTRICTCAPITAL PROJECTS FUND

Exhibit F-1

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

State Share SDA	\$ 345,520
Lease Purchase	550,000
Total Revenues	<u>895,520</u>

Expenditures

Purchased Professional and Technical Services	58,770
Construction	720,914
Total Expenditures	<u>779,684</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures	115,836
---	---------

Other Financing Sources and/or (Uses):

Transfer to Current Fund - Miscellaneous Revenue	(72,617)
Total Other Financing Sources and/or (Uses)	<u>(72,617)</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures and other financing Sources/and or (Uses)	43,219
--	--------

Fund Balance - Beginning	<u>379,665</u>
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Fund Balance - Ending	<u>\$ 422,884</u>
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BAY HEAD SCHOOL DISTRICT

Exhibit F-1a

CAPITAL PROJECTS FUNDSCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECTBALANCE, AND PROJECT STATUS - BUDGETARY BASISHAVC AND ELECTRICAL UPGRADE - ELEMENTARY SCHOOLFROM 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>				
Transfer from General - Insurance				
Recoveries	\$ 145,200		145,200	145,200
ROD Grants	96,800		96,800	96,800
Total Revenues	<u>242,000</u>	<u>-</u>	<u>242,000</u>	<u>242,000</u>
<u>Expenditures and Other Financing Uses</u>				
Other Purchased Professional and Technical				
Services	10,977		10,977	10,977
Construction Services	161,571		161,571	231,023
Total Expenditures	<u>172,548</u>	<u>-</u>	<u>172,548</u>	<u>242,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 69,452</u>	<u>-</u>	<u>69,452</u>	<u>-</u>

Additional Project Information

Project Number	0210-020-14-1003-004
Grant Date	2/27/2014
Original Authorized Cost	\$ 242,000
Additional Authorized Cost	
Revised Authorized Cost	242,000
Percentage Completion	100%
Original Target Completion Date	6/30/2015
Revised Target Completion Date	8/30/2016

BAY HEAD SCHOOL DISTRICT

Exhibit F-1b

CAPITAL PROJECTS FUNDSCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECTBALANCE, AND PROJECT STATUS - BUDGETARY BASISGYM AND CLASSROOM CONSTRUCTION - ELEMENTARY SCHOOLFROM 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>				
Transfer from General - Insurance				
Recoveries	\$ 247,930		247,930	247,930
Sale of Bonds	3,300,000		3,300,000	3,300,000
Foundation	470,430		470,430	470,430
Capital Reserve	272,950		272,950	272,950
Total Revenues	<u>4,291,310</u>	<u>-</u>	<u>4,291,310</u>	<u>4,291,310</u>
<u>Expenditures and Other Financing Uses</u>				
Other Purchased Professional and Technical				
Services	233,166	10,956	244,122	233,166
Construction Services	3,491,416	26,163	3,517,579	3,801,628
Other Objects	256,515		256,515	256,516
Total Expenditures	<u>3,981,097</u>	<u>37,119</u>	<u>4,018,216</u>	<u>4,291,310</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 310,213</u>	<u>(37,119)</u>	<u>273,094</u>	<u>-</u>

Additional Project Information

Project Number	0210-020-14-2000 & 3000
Grant Date	N/A
Original Authorized Cost	\$ 4,291,310
Additional Authorized Cost	
Revised Authorized Cost	4,192,310
Percentage Completion	90%
Original Target Completion Date	8/30/2016
Revised Target Completion Date	8/30/2016

BAY HEAD SCHOOL DISTRICT

Exhibit F-1c

CAPITAL PROJECTS FUNDSCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECTBALANCE, AND PROJECT STATUS - BUDGETARY BASISBOILER REPLACEMENT - ELEMENTARY SCHOOLFROM 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>				
Local Share	\$ 550,000		550,000	550,000
SDA Grant		345,520	345,520	345,520
Total Revenues	<u>550,000</u>	<u>345,520</u>	<u>895,520</u>	<u>895,520</u>
<u>Expenditures and Other Financing Uses</u>				
Other Purchased Professional and Technical Services	49,617	47,814	97,431	100,000
Construction Services	23,000	694,751	717,751	795,520
Total Expenditures	<u>72,617</u>	<u>742,565</u>	<u>815,182</u>	<u>895,520</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 477,383</u>	<u>(397,045)</u>	<u>80,338</u>	<u>-</u>

Additional Project Information

Project Number	0210-020-14-1005
Grant Date	10/20/2016
Original Authorized Cost	\$ 895,520
Additional Authorized Cost	
Revised Authorized Cost	895,520
Percentage Completion	100%
Original Target Completion Date	5/31/2017
Revised Target Completion Date	5/31/2017

PROPRIETARY FUNDS – G

N/A

FIDUCIARY FUND – H

BAY HEAD SCHOOL DISTRICT

TRUST AND AGENCY FUND

Exhibit H-1

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	<u>Unemployment Compensation</u>	<u>Private Purpose Trust Scholarship Fund</u>	<u>Salary Account</u>	<u>Student Activities</u>	<u>Balance June 30, 2017</u>
Assets:					
Cash and Cash Equivalents	\$ 30,963	60,056	614	2,096	93,729
Total Assets	<u>\$ 30,963</u>	<u>60,056</u>	<u>614</u>	<u>2,096</u>	<u>93,729</u>
Liabilities:					
Payroll Deductions and Withholdings Due to Student Groups			\$ 614	2,096	614 2,096
Total Liabilities			<u>\$ 614</u>	<u>2,096</u>	<u>2,710</u>
Net Position					
Reserve for Unemployment Benefits	\$ 30,963				30,963
Reserve for Scholarships		60,056			60,056
Total Net Position	<u>\$ 30,963</u>	<u>60,056</u>			<u>91,019</u>

BAY HEAD SCHOOL DISTRICT**TRUST AND AGENCY FUNDS**

Exhibit H-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**JUNE 30, 2017**

	Private Purpose Trust Scholarship Funds	Unemployment Compensation Trust	Balance June 30, 2017
Additions:			
Securities Increase	\$ 1,256		1,256
Interest Earned	1	171	172
Donations	200		200
Total Additions	<u>1,457</u>	<u>171</u>	<u>1,628</u>
Deductions:			
Transfer	100		100
Scholarships Awarded	<u>1,050</u>		<u>1,050</u>
Total Deductions	<u>1,150</u>	<u>-</u>	<u>1,150</u>
Changes in Net Position	307	171	478
Net Position Beginning of Year	<u>59,749</u>	<u>30,792</u>	<u>90,541</u>
Net Position End of Year	<u>\$ 60,056</u>	<u>30,963</u>	<u>91,019</u>

BAY HEAD SCHOOL DISTRICT**TRUST AND AGENCY FUND**

Exhibit H-3

STUDENT ACTIVITY FUND**SCHEDULE OF RECEIPTS AND DISBURSEMENTS****JUNE 30, 2017**

	Balance			Balance
	June 30, 2016	Increases	Decreases	June 30, 2017
Student Council	\$ 1,304	2,947	2,781	1,470
Athletic Fund	401			401
School Fund	225	1,216	1,216	225
	<hr/>	<hr/>	<hr/>	<hr/>
Total Student Activities	\$ 1,930	4,163	3,997	2,096
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LONG-TERM DEBT – I

BAY HEAD SCHOOL DISTRICT

LONG-TERM DEBT

Exhibit I-1

SCHEDULE OF SERIAL BONDS

JUNE 30, 2017

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2016</u>	<u>Retired</u>	<u>Balance June 30, 2017</u>
			<u>Date</u>	<u>Amount</u>				
Additions and Renovations to Elementary School	8/1/06	\$ 2,222,000		\$ -	4.25%	\$ 292,000	292,000	-
Gym and Elementary School Classrooms	8/1/2015	3,300,000	8/1/17	185,000	2.000%	3,145,000	180,000	2,965,000
			8/1/18	195,000				
			8/1/19	200,000				
			8/1/20	205,000				
			8/1/21	210,000				
			8/1/22	220,000	2.250%			
			8/1/23	225,000	2.400%			
			8/1/24	235,000	2.625%			
			8/1/25	240,000	3.000%			
			8/1/26	250,000				
			8/1/27	260,000				
			8/1/28	265,000	3.250%			
			8/1/29	275,000				
						<u>\$ 3,437,000</u>	<u>472,000</u>	<u>2,965,000</u>

BAY HEAD SCHOOL DISTRICTLONG-TERM LIABILITIES

Exhibit I-2

OBLIGATIONS UNDER CAPITAL LEASESJUNE 30, 2017

<u>Series</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2016</u>	<u>Paid</u>	<u>Amount Outstanding June 30, 2017</u>
Boiler	1.70%	\$ 550,000	\$ 550,000	104,000	446,000
Computer Equipment	5.53%	62,150	10,779	10,779	-
			<u>\$ 560,779</u>	<u>114,779</u>	<u>446,000</u>

BAY HEAD SCHOOL DISTRICT

Exhibit I-3

LONG-TERM DEBT

BUDGETARY COMPARISON SCHEDULE

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	\$ 238,000		238,000	238,000	
Private Contribution					
State Sources:					
Debt Service Aid Type II	154,240		154,240	154,240	
Total Revenues	<u>392,240</u>	<u>-</u>	<u>392,240</u>	<u>392,240</u>	<u>-</u>
Expenditures:					
Regular Debt Service:					
Interest	90,679		90,679	90,679	-
Redemption of Principal	472,000		472,000	472,000	-
Total Expenditures	<u>562,679</u>	<u>-</u>	<u>562,679</u>	<u>562,679</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(170,439)	-	(170,439)	(170,439)	-
Fund Balance July 1	<u>221,730</u>		<u>221,730</u>	<u>221,730</u>	
Fund Balance June 30	<u>\$ 51,291</u>	<u>-</u>	<u>51,291</u>	<u>51,291</u>	<u>-</u>

STATISTICAL SECTION

(Unaudited)

Bay Head Board of Education
 Net Position by Component
 Last Four Fiscal Years
(accrual basis of accounting)
 Unaudited

I-1

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities				
Invested in capital assets, net of related debt	638,295	(1,133,614)	2,186,313	2,979,486
Restricted = Capital Purposes	-			
Restricted = Other	1,061,083	3,584,247	1,907,215	1,391,540
Unrestricted	245,269	(333,304)	(996,197)	(471,873)
Total governmental activities net assets	<u>1,944,647</u>	<u>2,117,329</u>	<u>3,097,331</u>	<u>3,899,153</u>
Business-type activities				
Invested in capital assets, net of related debt	-	-	-	-
Restricted	-	-	-	-
Unrestricted	-	-	-	-
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District-wide				
Invested in capital assets, net of related debt	638,295	(1,133,614)	2,186,313	2,979,486
Restricted	1,061,083	3,584,247	1,907,215	1,391,540
Unrestricted	245,269	(333,304)	(996,197)	(471,873)
Total district net assets	<u>1,944,647</u>	<u>2,117,329</u>	<u>3,097,331</u>	<u>3,899,153</u>

Bay Head Board of Education
 Changes in Net Position
 Last Four Fiscal Years
(accrual basis of accounting)

J-2

	2014	2015	2016	2017
Expenses				
Governmental Activities				
Instruction				
Regular	939,988	904,303	968,206	961,712
Special Education	156,831	125,988	175,573	187,757
Other Instruction	102,159	123,186	138,800	111,405
Support Services				
Tuition	501,227	517,485	461,013	542,360
Student & Instruction related services	369,736	302,883	283,500	309,817
School Administrative services	58,036	86,650	135,920	55,824
General Administration	99,197	125,744	79,113	160,391
Plant operations and maintenance	333,206	311,376	348,311	351,492
Pupil transportation	182,481	106,657	106,547	111,788
Other support services				
Depreciation	70,335	57,830	147,847	144,400
Capital Outlay	1,207	1,388,083	549,681	
Interest on long-term debt	43,046	36,848	55,298	88,175
Unallocated benefits	616,242	673,477	685,522	697,174
Total governmental activities expenses	<u>3,443,691</u>	<u>4,760,490</u>	<u>4,135,331</u>	<u>3,722,293</u>
Business-type activities				
Food service	-	-	-	-
Child care	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Program revenues				
Governmental activities				
Charges for services				
Instruction	264,154	283,382	302,444	309,817
Pupil transportation	-	-	-	-
Central and other support services	-	-	-	-
Operating grants and contributions	31,025		69,115	75,164
Capital grants and contributions	295,179	283,382	371,559	384,881
Total governmental activities program revenues	<u>295,179</u>	<u>283,382</u>	<u>371,559</u>	<u>384,881</u>
Business-type activities				
Charges for services				
Food service	-	-	-	-
Child care	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district program revenues	<u>295,179</u>	<u>283,382</u>	<u>371,559</u>	<u>384,881</u>

Net (expense) Revenue

Governmental activities	\$ 3,148,512	\$ 4,477,108	\$ 3,763,772	\$ 3,337,312
Business-type activities	\$ -	\$ -	\$ -	\$ -
Total district-wide net expense	\$ 3,148,512	\$ 4,477,108	\$ 3,763,772	\$ 3,337,312

General Revenues and Other Changes in Net Assets**Governmental activities**

Property taxes levied for general purpose, net	2,836,358	2,893,035	2,950,946	3,009,965
Taxes levied for debt service	227,056	238,028	236,821	238,000
Unrestricted grants and contributions	438,175	393,189	948,308	844,734
Payments in lieu of taxes	-	-	-	-
Tuition Received	-	-	-	-
Investment Earnings	-	-	-	-
Miscellaneous Income	59,757	39,388	609,769	46,434
Transfers	-	-	(2,070)	-
Insurance Recoveries	432,746	-	-	-
Total governmental activities	3,994,122	3,563,690	4,743,774	4,139,133
Business-type activities				
Investment earnings	-	-	-	-
Transfers	-	-	-	-
Fixed Asset Adjustments	-	-	-	-
Total business-type activities	-	-	-	-
Total district-wide revenue	3,994,122	3,563,690	4,743,774	4,139,133

Change in Net Assets	845,610	(913,418)	980,002	801,821
Ending Total district	1,181,338	2,117,329	3,097,332	3,899,153

Bay Head Board of Education
Fund Balances, Government Funds
Last Five Fiscal Years
(modified accrual basis of accounting)

J-3

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Fund Balance</u>						
Maintenance reserve	6,309	6,309	6,309	81,309	156,309	213,959
Reserved for Subsequent Years' Expenditures	132,288	172,349	32,842	1,690	6,996	12,996
Capital Reserve	-	165,426	506,399	284,869	334,869	334,869
Emergency reserve	24,133	24,133	24,133	99,133	174,133	174,133
Excess Surplus	320,787			23,075	77,934	54,859
Capital Projects Fund			491,400	3,093,441	379,665	422,884
Committed to other purposes				47,448	78,196	126,549
Lease Purchase-Boiler					477,383	
Debt service fund					221,730	51,291
Unreserved, reported in:						
General Fund	<u>283,678</u>	<u>261,638</u>	<u>245,269</u>	<u>251,109</u>	<u>256,379</u>	<u>257,133</u>
Total all other governmental funds	<u><u>767,195</u></u>	<u><u>629,855</u></u>	<u><u>1,306,352</u></u>	<u><u>3,882,074</u></u>	<u><u>2,163,594</u></u>	<u><u>1,648,673</u></u>

BAY HEAD SCHOOL DISTRICT
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 UNAUDITED

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax Levy	2,502,548	2,567,548	2,898,971	2,926,684	2,833,040	2,991,235	3,063,414	3,131,113	3,187,767	3,247,995
Tuition From Individuals	89,856	108,859	156,356	214,544	320,415	268,272	264,164	283,382	302,444	309,817
Miscellaneous	5,506	8,803	23,733	36,802	29,201	71,395	59,787	39,388	80,199	46,434
Contribution									529,570	
State Sources	336,150	282,598	283,943	225,245	320,554	378,279	438,175	355,808	948,303	844,734
Federal Sources	32,106	24,493	49,726	25,729	27,833	9,577	31,025	37,381	69,175	75,164
Total Revenue	2,966,365	2,992,401	3,415,779	3,429,004	3,681,043	3,714,158	3,858,555	3,847,672	5,117,403	4,524,114
General Fund Expenditures										
Instruction:										
Regular	735,677	811,531	846,812	827,212	903,036	934,962	939,588	904,303	958,206	981,712
Special	48,865	50,830	53,000	60,035	92,400	92,867	156,631	125,988	175,573	187,767
Other	71,878	75,991	85,834	85,569	90,197	97,088	102,159	123,186	138,800	111,405
School-Sponsored/Other Instructional	-	-	-	-	18,850					
Support Services and Undistributed Costs:										
Tuition	477,913	726,769	684,922	621,646	589,249	634,657	501,227	517,485	451,013	542,360
Student & Instruction Related Services	277,403	288,980	302,165	337,533	372,870	363,633	359,736	302,883	283,500	309,817
General Administration	33,107	56,045	32,043	36,559	36,953	35,052	58,036	88,660	135,620	55,824
School & General Administration	90,712	87,325	89,978	91,939	90,892	103,580	99,197	125,744	79,113	160,391
Operations and Maintenance	228,098	254,197	293,024	304,966	310,301	401,901	333,206	311,378	348,311	351,492
Student Transportation	63,897	55,069	77,028	96,188	107,243	121,505	162,481	106,657	106,547	111,786
Unallocated Employee Benefits	522,583	602,978	631,039	506,213	506,213	636,230	616,242	673,477	659,222	676,993
Capital Outlay	1,312,180	-	23,505	-	20,726	25,860	1,807	1,388,083	2,903,816	1,008,819
Debt Service:										
Principal	150,000	165,000	175,000	180,000	200,000	225,000	250,000	275,000	508,598	472,000
Interest and other charges	138,352	86,235	79,635	72,635	85,035	57,035	47,473	36,843	65,194	90,679
Total General Fund Expenditures	4,149,865	3,140,970	3,277,045	3,230,655	3,383,967	3,758,360	3,628,363	4,977,660	8,833,813	5,039,035
Excess (Deficiency) of revenues over (under) expenditures	(1,162,500)	(148,569)	138,734	198,319	317,076	(45,202)	228,172	(1,130,588)	(1,716,410)	(514,921)
Other Financing sources (uses)										
Transfers In	(3,678)	(490)								
Transfers Out	14,783	12,059							(2,070)	
Sandy related sources (uses) net						(70,706)	432,746			
Total Other Financing Sources (uses)	11,105	11,569	-	-	-	(70,706)	432,746	-	(2,070)	-
Net change in fund balance	(1,151,395)	(137,000)	138,734	172,590	206,638	(115,908)	660,918	(1,130,588)	(1,716,480)	(514,921)

Source: District Records

Exhibit J-5

BAY HEAD SCHOOL DISTRICT
 GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
 LAST TEN FISCAL YEARS
 UNAUDITED

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Interest	-	-	-	5,662	5,235					
Tuition	89,955	108,989	169,353	214,544	320,415	268,272	284,154	283,382	302,144	330,341
Contributions	-	-	-	-	-					
Refund Prior Year's Expenditures	-	-	-	-	-					
Miscellaneous	5,808	8,803	23,783	27,447	23,938	71,395	59,787	39,388	80,199	25,667
	<u>95,661</u>	<u>117,762</u>	<u>193,136</u>	<u>247,653</u>	<u>349,616</u>	<u>339,667</u>	<u>323,941</u>	<u>322,770</u>	<u>382,843</u>	<u>355,908</u>

Source: District records

Exhibit J-6

BAY HEAD SCHOOL DISTRICT

LAST TEN FISCAL YEARS

UNAUDITED

<u>Year</u>	<u>Net Taxable Value (CI 6)</u>	<u>Net Valuation for Apportionment (11)</u>	<u>County Equal Ratio R.S.:54;3-17-19</u>
2007	947,926,300	1,589,596,873	57.69%
2008	957,014,986	1,694,105,779	56.49%
2009	*R 1,617,167,722	1,695,068,383	95.48%
2010	1,603,584,033	1,568,091,781	102.85%
2011	1,592,071,981	1,619,339,080	98.39%
2012	1,593,565,285	1,579,312,359	100.90%
2013	1,549,312,732	1,521,569,925	101.82%
2014	1,587,863,332	1,553,241,240	102.23%
2015	1,586,865,100	1,597,112,490	101.65%
2016	1,572,878,600	1,549,939,495	98.54%

Source: Abstract of Ratables
County Board of Taxation

*R Reassessment

Exhibit J-7

BAY HEAD SCHOOL DISTRICT

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30,	Bay Head School District	Borough of Bay Head	Ocean County	Total
2008	0.268	0.272	0.547	1.087
2009*	0.179	0.163	0.325	0.667
2010	0.183	0.172	0.316	0.671
2011	0.187	0.172	0.346	0.705
2012	0.187	0.184	0.358	0.729
2013	0.197	0.200	0.385	0.782
2014	0.197	0.200	0.399	0.796
2015	0.203	0.208	0.422	0.833
2016	0.206	0.207	0.423	0.836
2017	0.204	0.212	0.432	0.848

Source: Ocean County Board of Taxation

* Revaluation

Bay Head Board of Education
 Ten Highest Taxpayers
 2017

Exhibit J-8

2017		
<u>Taxpayer</u>	Assessed Valuation <u>2014</u>	As a Percentage of District's Net <u>Assessed Valuation</u>
Bay Head Yacht Club	13,500,000	0.850%
Higgins, James & Jacquelyn	8,350,000	0.526%
Hartington J Trust	8,000,000	0.504%
Denihan, Barbara T.	7,738,700	0.487%
RDCC LLC	7,675,400	0.483%
Smith Willima & Mary Ann	7,300,000	0.459%
Farris, David & Jill	7,183,900	0.452%
Hindelong Investment LP	7,149,300	0.450%
McLendon, Heath & Judith	7,100,000	0.447%
Cruz, Sharon	7,098,000	0.447%
Total 10 highest	<u>\$ 81,095,300</u>	<u>5.104%</u>
Total Net Assessment	<u>\$ 1,588,756,100</u>	

Source: Municipal Finance Officer

Exhibit J-9

BAY HEAD SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year Ended June 30,</u>	<u>School Levy</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Current Tax Collections</u>	<u>Percentage of Levy</u>
2008	2,502,548	10,439,063	10,363,696	99.28%
2009	2,898,971	10,772,419	10,683,384	98.83%
2010	2,926,684	10,744,599	10,508,534	97.37%
2011	2,983,040	11,258,755	11,134,830	98.90%
2012	2,991,235	11,611,255	11,326,207	97.23%
2013	3,053,414	12,199,640	12,019,112	98.52%
2014	3,131,113	12,585,417	12,405,275	98.57%
2015	3,431,946	13,120,024	12,957,080	98.75%
2016	3,247,965	13,083,597	129,878,311	98.43%

Source: Municipal Finance Officer
Abstract of Ratables

Exhibit J-10

BAY HEAD SCHOOL DISTRICT

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS*
UNAUDITED

Fiscal Year Ended <u>June 30</u>	<u>Governmental Activities</u>			<u>Business - Type Activities</u>		
	General Obligation <u>Bonds</u>	Certificates of <u>Participation</u>	Capital <u>Leases</u>	Bonded Debt Anticipation Notes (BANs)	Percentage of Personal Income	<u>Per Capita</u>
2007	\$2,222,000	NONE	NONE	NONE	NO DATA TO REPORT	
2008	\$2,072,000	NONE	\$63,225	NONE	NO DATA TO REPORT	
2009	\$1,907,000	NONE	\$47,419	NONE	NO DATA TO REPORT	
2010	\$1,732,000	NONE	\$31,613	NONE	NO DATA TO REPORT	
2011	1,542,000.00	NONE	\$47,995	NONE	NO DATA TO REPORT	
2012	1,342,000.00	NONE	\$31,997	NONE	NO DATA TO REPORT	
2013	\$1,117,000	NONE	\$15,999	NONE	NO DATA TO REPORT	
2014	\$867,000	NONE	\$15,999	NONE	NO DATA TO REPORT	
2015	\$ 3,892,000	NONE	\$31,475	NONE	NO DATA TO REPORT	
2016	\$ 3,437,800	NONE	\$ 560,779	NONE	NO DATA TO REPORT	

Exhibit J-11

BAY HEAD SCHOOL DISTRICT

RATIO OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended <u>June 30</u>	General Obligation <u>Bonds</u>	<u>Deductions</u>	Net General Bonded Debt <u>Outstanding</u>	Percentage of Actual Taxable Value # of <u>Property</u>
2007	\$ 2,222,000		\$ 2,222,000	0.137%
2008	\$ 2,072,000		\$ 2,072,000	0.129%
2009	\$ 1,907,000		\$ 1,907,000	0.120%
2010	\$ 1,732,000		\$ 1,732,000	0.109%
2011	\$ 1,542,000		\$ 1,542,000	0.100%
2012	\$ 1,342,000		\$ 1,342,000	0.085%
2013	\$ 1,117,000		\$ 1,117,000	0.070%
2014	\$ 867,000		\$ 867,000	0.055%
2015	\$ 3,892,000		\$ 3,892,000	0.247%
2016	\$ 3,437,800		\$ 3,437,800	0.219%

Exhibit J-12

BAY HEAD SCHOOL DISTRICT
Computation of Direct and Overlapping Bonded Debt
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

Net Direct Debt of School District as of June 30, 2017	\$ 3,437,800
Net Overlapping Debt of School District: Borough of Bay Head	<u>2,426,600</u>
Total Direct and Overlapping Bonded Debt as of June 30, 2017	<u>\$ 5,864,400</u>

Source: Municipal Finance Officer

BAY HEAD SCHOOL DISTRICT

Exhibit J-13

COMPUTATION OF LEGAL DEBT MARGIN INFORMATION

UNAUDITED

Legal Debt Margin For Fiscal Year 2016

Equalized valuation basis

2016	\$ 1,672,878,600
2015	1,697,112,498
2014	1,553,241,240
	<u>\$ 4,723,232,338</u>

Average equalized valuation of taxable property \$ 1,574,410,779

Debt limit (3% of average equalization value) 47,232,323

Total Net Debt Applicable to Limit 3,437,800

Legal debt margin \$ 43,794,523

Fiscal Year

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	46,040,956	49,320,989	49,709,404	48,934,002	47,852,339	47,618,707	47,170,881	46,964,494	46,719,237	46,719,237
Total net debt applicable to limit	<u>1,050,126</u>	<u>1,348,685</u>	<u>1,734,138</u>	<u>1,734,138</u>	<u>2,286,653</u>	<u>1,117,000</u>	<u>867,000</u>	<u>3,892,000</u>	<u>3,437,800</u>	<u>3,437,800</u>
Legal debt margin	<u>44,930,830</u>	<u>47,980,293</u>	<u>47,975,266</u>	<u>47,200,864</u>	<u>45,565,686</u>	<u>46,501,707</u>	<u>46,303,881</u>	<u>43,072,494</u>	<u>43,281,437</u>	<u>43,281,437</u>
Total net debt applicable to the limit as a percentage of debt limit	2.28%	2.73%	3.49%	3.54%	4.78%	2.35%	1.87%	2.35%	2.35%	2.35%

Bay Head Board of Education
 Demographic and Economic Statistics
 Last Ten Fiscal Years

J-14

<u>Year</u>	<u>Population</u>	<u>Household</u>	<u>Unemployment Rate</u>	<u>Annual Births</u>
2005	1,259	\$ 87,200	4.5%	3
2006	1260	-	4.8%	4
2007	1265	-	-	4
2008	1238			4
2009	1273			6
2010	968	\$77,790		0
2011				2
2012	983		10.70%	3
2013	992		8.90%	1
2014	data unavailable			
2015	data unavailable			
2016				

Source: Municipal Finance Officer, County of Ocean, U.S. Bureau of the Census,
 Population Division, U.S. Department of Labor, Statistics Division

Exhibit J-15

BAY HEAD SCHOOL DISTRICT
Principal Employers

Current Year and Ten Years Ago
UNAUDITED

Data Unavailable

Bay Head Board of Education
 Full-Time Equivalent District Employees by Function/Program
 Last Ten Fiscal Years

J-16

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	9.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Special Education	1.2	1.3	1.3	1.3	1.5	1.5	1.5	1.5	1.5	1.5
Other Special Education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other Instruction	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Nonpublic school programs	-	-	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services										
Student & instruction related services	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
General administration	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
School administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other administrative services	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Central Services	-	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Administrative Information Technology	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Plant operations & maintenance	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Other support services	-	0.8	0.8	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	-	-	-	-	-	-	-	-	-	-
Child Care	-	-	-	-	-	-	-	-	-	-
Total	17.5	20.6	21.6	22.1	22.3	22.3	22.3	22.3	22.3	22.3

Source: District Personnel Records

Bay Head Borough Board of Education
 Operating Statistics
 Last Ten Fiscal Years

J-17
 GASB F-6
 NJ J-12, 14

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil (c)</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (ADE) b</u>	<u>Average Daily Attendance (ADA) b</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2008	91	2,686,547	29,522	5.99%	12.1	1:7.5	91.0	85.3	-0.66%	93.74%
2009	96	3,016,470	31,442	6.50%	12.2	1:7.9	96.4	92.0	5.93%	95.44%
2010	108	3,022,410	27,985	-10.99%	12.2	1:8.6	111.1	105.9	15.25%	95.32%
2011	117	2,968,050	25,368	-9.35%	12.7	1:9.2	116.0	110.4	4.41%	95.17%
2012	127	3,190,204	25,112	-1.01%	13.0	1:9.8	137.2	131.8	18.28%	96.06%
2013	138	3,457,348	25,126	0.05%	13.0	1:7	138.4	132.7	0.87%	95.88%
2014	137	3,299,285	24,082	-4.15%	13.0	1:7	137.1	131.6	-0.94%	95.99%
2015	146	3,277,729	22,450	-8.78%	13.0	1:7	146.4	139.8	6.78%	95.49%
2016	147	3,484,775	23,754	5.81%	13.0	1:7	146.7	140.3	0.20%	95.65%
2017	131	3,621,508	27,645	16.38%	13.0	1:7	131.0	124.4	-10.70%	94.95%

Sources: District records, School Register Summary

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1

b Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

BAY HEAD ELEMENTARY SCHOOL

BUILDING INFORMATION

LAST TEN FISCAL YEARS ENDING JUNE 30

UNAUDITED

District Building	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Elementary School and Offices</u>										
Bay Head School Square Feet	19,834	19,834	19,834	19,834	19,834	19,834	19,834	19,834	29,655	29,655
Bay Head School Library Square Feet	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348
FES Capacity (students)	151	151	151	151	151	151	151	151	168	168
Enrollment	91	96	108	117	127	138	137	146	147	131

Exhibit J-19

BAY HEAD SCHOOL DISTRICT
 GENERAL FUND
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013
 UNAUDITED

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

	Library	Bay Head Elementary	Other Facilities	Total School Facilities
2007	2,628	19,275	N/A	21,903
2008	3,239	23,756	N/A	26,995
2009	3,948	28,954	N/A	32,902
2010	3,461	25,384	N/A	28,845
2011	3,636	26,669	N/A	30,305
2012	3,430	25,154	N/A	28,584
2013	4,039	36,351	N/A	40,390
2014	637	5,673	N/A	6,310
2015	637	5,673	N/A	6,310
2016	637	8,481	N/A	9,274
2017	637	8,481	N/A	9,274

* School facilities as defined under EFCFA.

(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

BAY HEAD SCHOOL DISTRICT

EXHIBIT J-20

Insurance Schedule

June 30, 2017 - Unaudited

	<u>Coverage</u>		<u>Deductible</u>
I. Commerical Package			
A. Property			
Blanket Building and Contents	\$9,305,778		\$1,000
Valueable Papers and Records	\$10,000,000		\$1,000
Extra Expense	\$50,000,000		\$1,000
Increased cost of Construction/Building Ordinance	\$25,000,000		\$1,000
Crime/Employe Dishonesty	\$250,000		\$1,000
B. Comprehensive General Liability			
General Liability	\$31,000,000		N/A
C. School Leaders Wrongful Acts Coverage A	\$31,000,000	\$	5,000
D. Inland I Contents			
Electronic Data Processing	\$173,000		\$1,000
E. Auto Liability	\$31,000,000		N/A
II. Workers' Compensation			
Professional payroll	\$1,434,161		
Non-Professional payroll	\$87,500		
III. Employers Liability Coverage B			
Bodily Injury Each Accident	\$2,000,000		
Bodily Injury Each Employee	\$2,000,000		
Policy Limit Bodily Injury by Disease	\$2,000,000		
IV. Equipment Breakdown Coverage, Part II			
Comprehensive coverage (Boiler & Machinery)	\$100,000,000		\$1,000
V. Public Officials Bonds (Selective Insurance Co.)			
Patricia A. Wojcik, Limit of Coverage	\$146,000		0
Patricia A. Christopher, Limit of Coverage	\$140,000		0
Laurie M. Considine, Limit of Coverage	\$140,000		\$1,000
VI. Catastrophe Access Liability	\$50,000,000		\$31,000,000
VII. Pollution Legal Liability	\$ 1,000,000	\$	10,000

Source: District records

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

95.

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.

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

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
Bay Head School District
County of Ocean
Bay Head, 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 Bay Head Board of Education, County of Ocean, 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 Bay Head Board of Education, County of Ocean, State of New Jersey's basic financial statements, and have issued our report thereon dated November 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bay Head Board of Education, County of Ocean, 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 Bay Head Board of Education, County of Ocean, State of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bay Head Board of Education, County of Ocean, 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 Bay Head Board of Education, County of Ocean, 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 21, 2017

BAY HEAD SCHOOL DISTRICT

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/ Pass-Through Grantor/</u>	<u>Federal C.F.D.A.</u>	<u>Federal Fain</u>	<u>Grant or State Project</u>	<u>Award</u>	<u>Grant Period</u>		<u>Balance June 30, 2016</u>	<u>Carryover (Walkover) Amount</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Balance at June 30, 2017</u>			
											<u>(Accounts Receivable)</u>	<u>Deferred Revenue</u>	<u>Due to Grantor</u>	
Passed Through State Department of Education:														
Special Revenue:														
Title I	84.010A	S010A150030	N/A	\$ 29,319	9/1/2015	8/31/2016	\$ (12,159)		12,159					
Title I	84.010A	S010A160030	N/A	36,513	9/1/2016	8/31/2017			36,513	(36,513)				
IDEA Part B Basic	84.027	H027A160100	N/A	31,242	9/1/2016	8/31/2017			31,242	(31,242)				
IDEA Part B Basic	84.027	H027A150100	N/A	32,700	9/1/2015	8/31/2016	(8,668)		8,668					
IDEA Preschool	84.173	H173A160114	N/A	676	9/1/2016	8/31/2017			676	(676)				
Title IIA	84.367A	S367A160029	N/A	6,733	9/1/2016	8/31/2017			6,733	(6,733)				
Total Federal Financial Assistance							\$ (20,827)	-	95,991	(75,164)	-	-	-	-

See accompanying notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

BAY HEAD SCHOOL DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE

Schedule B
K-4

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program State Department of Education:	Grant or State Project Number	Program or Award Amount	Grant Period From To		Balance at June 30, 2017				Balance at June 30, 2017				MEMO			
					Deferred Revenue	Due To Grantor	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures Pass Through Funds	Repayment of Prior Years Balances	Inter- Governmental (Accounts Receivable)	Deferred Revenue Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Expenditures	
					Accts. Receivable											
General Fund:																
Extraordinary Aid	16-495-034-5120-044	\$ 18,588	7/1/15	6/30/16	\$ (18,588)			18,588								
Extraordinary Aid	17-495-034-5120-044	20,869	7/1/16	6/30/17					(20,869)		(20,869)					20,869
Special Education Categorical Aid	17-495-034-5120-089	58,129	7/1/16	6/30/17				52,416	(58,129)					(5,713)		58,129
Security Aid	17-495-034-5120-084	3,453	7/1/16	6/30/17				3,116	(3,453)					(337)		3,453
Transportation Aid	17-495-034-5120-014	4,095	7/1/16	6/30/17				3,691	(4,095)					(404)		4,095
PARCC Readiness Aid	17-495-034-5120-098	980	7/1/16	6/30/17				886	(980)					(94)		980
Per Pupil Growth Aid	17-495-034-5120-097	980	7/1/16	6/30/17				886	(980)					(94)		980
Professional Learning Community Aid	17-495-034-5120-101	930	7/1/16	6/30/17				836	(930)					(94)		930
Additional Non-Public Transportation Aid	16-495-034-5120-014	1,218	7/1/15	6/30/16	(1,218)			1,218								
Reimbursed TPAF Social Security Contr. (Nonbudgeted)	17-495-034-5094-003	81,076	7/1/16	6/30/17				81,076	(81,076)							81,076
On Behalf TPAF Pension Contributions	17-495-034-5094-002	174,581	7/1/16	6/30/17				174,581	(174,581)							174,581
Total General					(19,806)		-	337,294	(345,093)	-	(20,869)	-	-	(6,736)		345,093
Capital Projects:																
ROD Grant	0210-020-14-1003-004	96,800	2/27/13	6/30/14	(96,800)						(96,800)					
Debt Service:																
Debt Service Aid Type II	17-495-034-5120-017	154,240	7/1/16	6/30/17				154,240	(154,240)							154,240
Total State Financial Assistance					\$ (116,606)		-	491,534	(499,333)	-	(117,669)	-	-	(6,736)		499,333

See accompanying Notes to Schedules of Federal Awards and State Financial Assistance.

BOARD OF EDUCATION

K-5

BAY HEAD SCHOOL DISTRICT**NOTES TO SCHEDULES OF AWARDS AND 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, Bay Head 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 using the modified accrual basis of accounting. This basis of accounting is described in 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 *N.J.S.A.* 18A:22-44.2. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with *N.J.S.A.* 18A:22-4.2.

Awards and financial assistance revenues are reported in the Board's general purpose financial statements on a GAAP basis as presented below:

NOTE 3: Relationship to General Purpose Financial Statements

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
<u>State Assistance</u>			
Actual Amounts (Budgetary) "Revenues" from the Schedule of Expenditures of State Financial Assistance	\$ 345,093	154,240	499,333
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)	<u>(119)</u>	<u> </u>	<u>(119)</u>
Total State Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 344,974</u>	<u>154,240</u>	<u>499,214</u>

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

	<u>Special Revenue Fund</u>	<u>Total</u>
<u>Federal Assistance</u>		
Actual Amounts (Budgetary) “Revenues” from the Schedule of Expenditures of Federal Awards	\$ 75,164	75,164
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>\$ 75,164</u>	<u>75,164</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. The amount reported as TPAF Pension Contributions represents the amount paid by the state of behalf of the District for the year ended June 30, 2017. 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.

BAY HEAD SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

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

BAY HEAD SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

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.

BAY HEAD SCHOOL DISTRICT**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

K-6

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 Title 2 U.S. Code of Federal Regulations Part 200 and New Jersey OMB's Circular 15-08, as amended.

Current Year Federal Awards

Not Applicable

Current Year State Awards

Not Applicable

BAY HEAD SCHOOL DISTRICT**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

K-7

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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.