

Comprehensive Annual Financial Report

of the

Borough of Stone Harbor Board of Education

Stone Harbor, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

Borough of Stone Harbor Board of Education

Finance Department

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Introductory Section

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

STACEY LaROCCA-TRACY
Chief School Administrator

DR. RENEE MURTAUGH
Supervisor of Curriculum
& Instruction

LINDA FIORI
Business Administrator

November 17, 2017

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

Dear Board Members:

The comprehensive annual financial report of the Borough of Stone Harbor School District (District) for the fiscal year ended June 30, 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 of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

1) REPORTING ENTITY AND ITS SERVICES:

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

The District provides a full range of educational services appropriate to grade levels K through 4 and includes servicing Avalon students as tuition students to the District. Students in grade levels 5 through 8 attend Avalon School District. Additionally, it provides tuition for grades 9 through 12 to Middle Township High School and to the Cape May County Special Services School District. These include regular, as well as special education for handicapped students. The District completed the 2016-2017 fiscal year with an enrollment of 75 students, which is 7 students above the previous year's enrollment.

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

| <u>Fiscal Year</u> | <u>Average Daily Enrollment Student Enrollment</u> | <u>Percent Change</u> |
|---------------------------|---|------------------------------|
| 2016-2017 | 75 | 11.0% |
| 2015-2016 | 68 | (1.5)% |
| 2014-2015 | 69 | (6.8)% |
| 2013-2014 | 74 | (5.1)% |
| 2012-2013 | 78 | (1.3)% |
| 2011-2012 | 79 | 5.3% |
| 2010-2011 | 75 | 23.0% |
| 2009-2010 | 61 | (23.8)% |
| 2008-2009 | 80 | (4.8)% |
| 2007-2008 | 84 | (12.5)% |

2) ECONOMIC CONDITION AND OUTLOOK:

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

3) MAJOR INIATIVES:

Students continued to score above the state and national averages. During the 2016-17 school year the district of Stone Harbor & Avalon continued a shared instructional model for educating students on the island. Stone Harbor Elementary School will educate all the K-4 students & Avalon Elementary School will educate grades 5-8. We continue to align our curriculum syllabus K-8 with the New Jersey State Department's Common Core Content Standards and with the Work Place Readiness Standards. Technology continues to play a supplemental role in all academic areas.

4) INTERNAL ACCOUNTING CONTROLS:

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

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

5) BUDGETARY CONTROLS:

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

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

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

8) RISK MANAGEMENT:

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

9) OTHER INFORMATION:

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

10) ACKNOWLEDGMENTS:

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

Respectfully submitted,

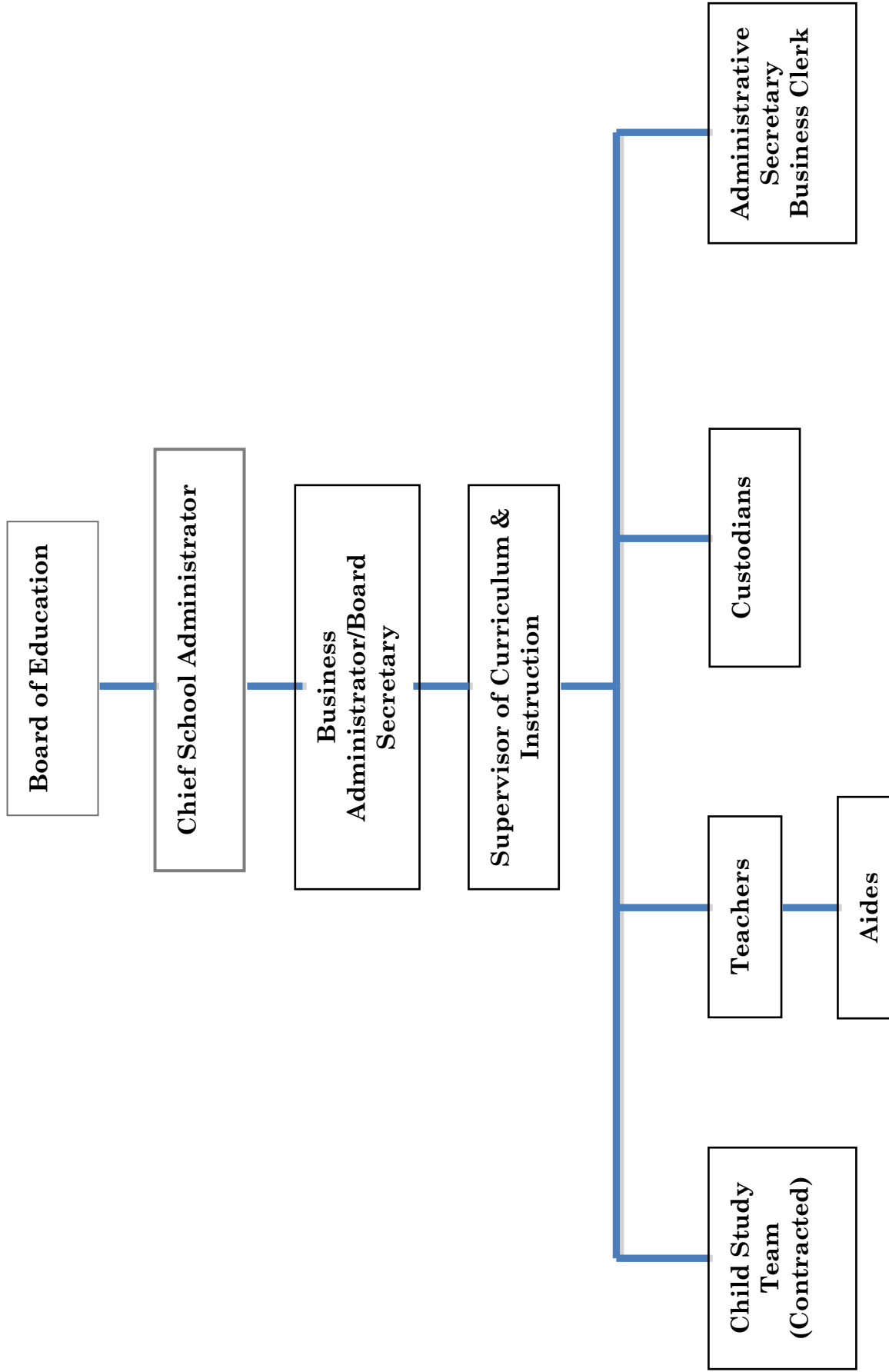
Stacey LaRocca-Tracy

Stacey LaRocca-Tracy
Superintendent

Linda Fiori

Linda Fiori
Business Administrator

**STONE HARBOR SCHOOL DISTRICT
ORGANIZATIONAL CHART**



BOROUGH OF STONE HARBOR BOARD OF EDUCATION

STONE HARBOR, NEW JERSEY

ROSTER OF OFFICIALS
June 30, 2017

| <u>Members of the Board of Education</u> | <u>Term Expires</u> |
|---|----------------------------|
| Mr. David Hoy, President | 2017 |
| Mr. James Gallagher | 2017 |
| Dr. John McAllister | 2019 |
| Mr. William Stump | 2018 |
| Ms. Maggie Day | 2018 |
| Lois Scarpa (Avalon Representative) | 2017 |

Other Officials

Mrs. Stacey LaRocca-Tracy, Chief School Administrator

Ms. Linda Fiori, School Business Administrator

Ms. Patricia Wagner, Treasurer of School Monies

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

Audit Firm

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

Attorney

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

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

Official Depository

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

Financial Section

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Stone Harbor School District, Borough of Stone Harbor, New Jersey, as of and for the fiscal year ended June 30, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing and opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

The introductory section, combining statements, and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the schedule of state financial assistance as required by NJ OMB 15-08, and statistical information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017 on our consideration of the Borough of Stone Harbor School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Stone Harbor School District's internal control over financial reporting and compliance.

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

Michael S. Garcia

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

November 17, 2017

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**Required Supplemental Information
Part I**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Borough of Stone Harbor School District ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statement.

FINANCIAL HIGHLIGHTS

- The net position of the District increased compared to the prior year as a result of an excess of revenues over expenses.
- The State of New Jersey reimbursed the District \$66,632 during the fiscal year ended June 30, 2017 for the employer's share of social security contributions. The State of New Jersey also paid \$198,467 in pension contributions and retiree health coverage for TPAF members as calculated on their base salaries on behalf of the District. This amount, which is not budgeted, is included as both a revenue and appropriation in the financial statements.
- As indicated by New Jersey State Statutes, the unreserved fund balance of the general fund is limited to 2% of the total general fund expenditures or \$250,000, whichever is greater. Any excess is required to be designated as Reserved Fund Balance – Excess Surplus and included in the next year's budget as budgeted fund balance. As of June 30, 2017 the District had excess surplus of \$223,824, of which \$223,824 was required to be budgeted as a revenue for the year ending June 30, 2018 and \$0 is designated for subsequent year budgets.
- During the fiscal year ended June 30, 2017, the District's revenues were approximately \$37,063 more than total expenses in the fund financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

The District has three kinds of funds:

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's governmental activities net position increased between fiscal years 2017 and 2016 as a result of an excess of revenues over expenses. The business-type activities net position remained the same.

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--------------------------------|--------------------------------|---------------------|---------------------------------|--------------|------------------|------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Current and other assets | \$1,064,696 | \$ 1,051,750 | (11,374) | 1,077 | 1,053,322 | 1,052,827 |
| Capital assets | 2,890,929 | 2,771,109 | | | 2,890,929 | 2,771,109 |
| Total assets | 3,955,625 | 3,822,859 | (11,374) | 1,077 | 3,944,251 | 3,823,936 |
| Deferred outflows of resources | 247,013 | 58,305 | - | - | 247,013 | 305,318 |
| Other liabilities | 728,181 | 515,138 | | | 728,181 | 515,138 |
| Total liabilities | 728,181 | 515,138 | - | - | 728,181 | 515,138 |
| Deferred inflows of resources | 28,820 | 43,194 | - | - | 28,820 | 43,194 |
| Net position | | | | | | |
| Net invested in capital assets | 2,890,929 | 2,771,109 | | | 2,890,929 | 2,771,109 |
| Restricted | 822,953 | 780,486 | | | 822,953 | 780,486 |
| Unrestricted | (268,245) | (228,763) | (11,374) | 1,077 | (279,619) | (227,686) |
| Total net assets | \$3,445,637 | \$ 3,322,832 | (11,374) | 1,077 | 3,434,263 | 3,323,909 |

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

As required by New Jersey Statutes, the unrestricted net position of the District are not permitted to exceed the greater of \$250,000 or 2% of total general fund expenditures, after reductions for On-behalf TPAF pension and social security. Any excess must be appropriated as budgeted fund balance in the subsequent years' budget. As of June 30, 2017, the District had excess fund balance in the amount of \$223,824 of which \$223,824 has been included in the 2017-2018 budget and the remaining \$0 will be included in the 2018-2019 budget.

Changes in net position. The total general fund revenue of the District increased approximately \$15,500 due to an increase in the state sources.

Approximately 9.93% of the District’s governmental funds revenue comes from the State of New Jersey in the form of non-restricted federal and state aid. This aid is based on the District’s enrollment as well as other factors related to the District’s formula aid which is a relationship of the adequacy budget and the Borough’s property values and income of the residents. The District expenses are primarily related to instruction, administration, and plant operations.

| | 2017 | | 2016 | |
|------------------------------------|---------------------|-------------------|------------------|-------------------|
| | <u>Amount</u> | <u>Percentage</u> | <u>Amount</u> | <u>Percentage</u> |
| Property taxes | \$ 2,444,516 | 76.01% | 2,396,585 | 74.52% |
| Unrestricted Federal and State aid | 319,360 | 9.93% | 289,107 | 8.99% |
| Tuition | 431,620 | 13.42% | 484,050 | 15.05% |
| Operating grants and contributions | 14,699 | 0.46% | 29,226 | 0.91% |
| Other | 5,889 | 0.18% | 16,158 | 0.50% |
| Totals | \$ <u>3,216,084</u> | <u>100.00%</u> | <u>3,215,126</u> | <u>99.97%</u> |

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Governmental Activities

The following schedule summarizes the governmental and business-type activities of the District during the 2017 and 2016 fiscal years:

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------------|-------------------------|------------------|--------------------------|----------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | | | |
| Program revenue | | | | | | |
| Charges for services | \$ 603,931 | 647,414 | 7,860 | - | 611,791 | 647,414 |
| State grants and entitlements | 615,609 | 451,135 | | | 615,609 | 451,135 |
| General revenues | | | | | | |
| Property taxes | 2,444,516 | 2,396,585 | | | 2,444,516 | 2,396,585 |
| State aid entitlements | 211,130 | 211,978 | | | 211,130 | 211,978 |
| Other | (48,584) | 20,562 | | | (48,584) | 20,562 |
| Total revenues | 3,826,602 | 3,727,674 | 7,860 | - | 3,834,462 | 3,727,674 |
| Expenses | | | | | | |
| Instruction: | | | | | | |
| Regular | 1,336,009 | 1,121,525 | | | 1,336,009 | 1,121,525 |
| Special Education | 157,824 | 149,805 | | | 157,824 | 149,805 |
| Other Instruction | 100,063 | 35,545 | | | 100,063 | 35,545 |
| Support services: | | | | | | |
| Tuition | 689,862 | 722,129 | | | 689,862 | 722,129 |
| Student & instruction related | 482,116 | 434,731 | | | 482,116 | 434,731 |
| School administration services | 106,783 | 93,040 | | | 106,783 | 93,040 |
| General & business admin | 211,317 | 179,487 | | | 211,317 | 179,487 |
| Plant operations & maintenance | 373,612 | 399,244 | | | 373,612 | 399,244 |
| Pupil transportation | 73,900 | 67,197 | | | 73,900 | 67,197 |
| Internal service fund | 172,311 | 163,364 | | | 172,311 | 163,364 |
| Special Schools | - | 3,742 | | | - | 3,742 |
| Business-type activities | | | 20,311 | | 20,311 | - |
| Total expenses | 3,703,797 | 3,369,809 | 20,311 | - | 3,724,108 | 3,369,809 |
| Increase/(Decrease) | | | | | | |
| in net assets | 122,805 | 357,865 | (12,451) | - | 110,354 | 357,865 |

Business-type Activities

Operating and non-operating revenues of the District's business-type activities increased from the previous year and expenses increased. The new after school program caused the increase in both. The milk program was discontinued in the 2013 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As of the year end, the governmental funds reported a combined fund balance of \$1,063,092 which is approximately \$37,063 higher than the beginning of the year.

General Fund Budgetary Highlights

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

After adjusting total revenue reported on Exhibit C-1 for the Reimbursed TPAF Social Security Contribution and on-behalf TPAF Pension Contributions, which are not budgeted, the District's actual revenue exceeded the budgeted revenue by approximately \$1,600. This is a result of less tuition students than anticipated, offset by unanticipated miscellaneous revenue. Again, after adjusting for the Reimbursed TPAF Social Security Contribution and on-behalf TPAF Pension Contributions, actual expenditures were below the budgeted appropriations by approximately \$89,000.

CAPITAL ASSET

Capital Assets

At the end of 2017, the District had invested \$2.89 million in a broad range of capital assets, including land, buildings, vehicles and machinery.

| | Governmental Activities | | Business-type Activities | | Totals | |
|---------------------------------|-------------------------|---------------------|--------------------------|-------------|------------------|------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Land | \$ 410,630 | \$ 410,630 | | | 410,630 | 410,630 |
| Buildings and Bldg improvements | 2,139,972 | 1,988,263 | | | 2,139,972 | 1,988,263 |
| Machinery & equipment | 340,327 | 372,216 | | | 340,327 | 372,216 |
| | | | | | - | |
| Total | <u>\$ 2,890,929</u> | <u>\$ 2,771,109</u> | <u>-</u> | <u>-</u> | <u>2,890,929</u> | <u>2,771,109</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The District budget for the 2018 fiscal year includes required supplies and anticipated contractual increases in salaries and employee benefits.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to present users (residents, receiving districts, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, contact the District's business administrator at 275 93rd Street, Stone Harbor, New Jersey, 08247.

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BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the district's operation. These financial statements present the financial position and operating results of all activities as of June 30, 2017.

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DISTRICT-WIDE FINANCIAL STATEMENTS

The district-wide financial statements provide a financial overview of the district's operation. These financial statements present the financial position and operating results of the governmental and business-like activities as of June 30, 2017.

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 987,526 | 1,077 | 988,603 |
| Receivables, net | 19,092 | | 19,092 |
| Internal funds | 12,451 | (12,451) | - |
| Due from Agency Fund | 643 | | 643 |
| Due from other governments | 44,984 | | 44,984 |
| Capital assets, net | | | |
| Land and land improvements | 410,630 | | 410,630 |
| Depreciable assets, net of depreciation | 2,480,299 | | 2,480,299 |
| Total Assets | <u>3,955,625</u> | <u>(11,374)</u> | <u>3,944,251</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 247,013 | | 247,013 |
| Total Deferred Outflows of Resources | <u>247,013</u> | <u>-</u> | <u>247,013</u> |
| LIABILITIES | | | |
| Accounts payable | 412 | - | 412 |
| Unearned revenue | 1,192 | | 1,192 |
| Noncurrent liabilities: | | | |
| Due within one year | - | | - |
| Due beyond one year | 99,620 | | 99,620 |
| Net Pension Liability | 626,957 | | 626,957 |
| Total liabilities | <u>728,181</u> | <u>-</u> | <u>728,181</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 28,820 | | 28,820 |
| Total Deferred Inflows of Resources | <u>28,820</u> | <u>-</u> | <u>28,820</u> |
| NET POSITION | | | |
| Net investment in capital assets | 2,890,929 | - | 2,890,929 |
| Restricted for: | | | |
| Other purposes | 822,953 | | 822,953 |
| Unrestricted | (268,245) | (11,374) | (279,619) |
| Total net position | <u>\$ 3,445,637</u> | <u>(11,374)</u> | <u>3,434,263</u> |

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Statement of Activities
June 30, 2017

| Functions/Programs | Direct Expenses | Indirect Expenses Allocation | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|------------------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------|
| | | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | | |
| Instruction: | | | | | | | | |
| Regular | \$ 1,133,023 | 202,986 | 431,620 | 228,351 | | (676,038) | | (676,038) |
| Special education | 133,847 | 23,979 | | 25,368 | | (132,458) | | (132,458) |
| Other instruction | 84,860 | 15,203 | | 17,670 | | (82,393) | | (82,393) |
| Support services: | | | | | | | | |
| Tuition | 585,048 | 104,814 | | 133,746 | | (556,116) | | (556,116) |
| Student & instruction related services | 408,866 | 73,250 | | 81,382 | | (400,734) | | (400,734) |
| School administrative services | 90,559 | 16,224 | | 16,505 | | (90,278) | | (90,278) |
| Other administrative services | 179,211 | 32,106 | | 34,813 | | (176,504) | | (176,504) |
| Plant operations and maintenance | 316,847 | 56,765 | | 64,725 | | (308,887) | | (308,887) |
| Pupil transportation | 62,671 | 11,229 | | 13,049 | | (60,851) | | (60,851) |
| Unallocated benefits | 536,556 | (536,556) | | | | - | | - |
| Internal Service Fund | 172,311 | | 172,311 | | | - | | - |
| Special Schools | - | | | | | - | | - |
| Total governmental activities | 3,703,799 | - | 603,931 | 615,609 | - | (2,484,259) | - | (2,484,259) |
| Business-type activities: | | | | | | | | |
| Food Service | - | - | - | - | | - | | - |
| After School Program | 20,311 | | 7,860 | | | (12,451) | | (12,451) |
| Total business-type activities | 20,311 | - | 7,860 | - | - | (12,451) | - | (12,451) |
| Total primary government | \$ 3,724,110 | - | 611,791 | 615,609 | - | (2,496,710) | - | (2,496,710) |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes, levied for general purposes, net | | | | | | 2,444,516 | | 2,444,516 |
| Federal and State aid not restricted | | | | | | 211,130 | | 211,130 |
| Federal and State aid restricted | | | | | | - | | - |
| Investment Earnings | | | | | | 494 | | 494 |
| Miscellaneous Income | | | | | | 5,395 | | 5,395 |
| Cancellation of Prior Year Receivable | | | | | | (25,045) | | (25,045) |
| Loss on Disposal of Fixed Assets | | | | | | (29,426) | | (29,426) |
| Total general revenues, special items, extraordinary items and transfers | | | | | | 2,607,064 | | 2,607,064 |
| Change in Net Position | | | | | | 122,805 | (12,451) | 110,354 |
| Net Position—beginning | | | | | | 3,322,832 | 1,077 | 3,323,909 |
| Net Position—ending | | | | | | 3,445,637 | (11,374) | 3,434,263 |

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2017

| | General | Special Revenue | Total Governmental Funds |
|---|---------------------|--------------------|--------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 987,526 | - | 987,526 |
| Due from other funds | 42,919 | | 42,919 |
| Intergovernmental receivable - state | 659 | | 659 |
| Intergovernmental receivable - federal | - | 11,925 | 11,925 |
| Intergovernmental receivable - other | 32,400 | | 32,400 |
| | <u>1,063,504</u> | <u>11,925</u> | <u>1,075,429</u> |
| Total Assets | <u>1,063,504</u> | <u>11,925</u> | <u>1,075,429</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES: | | | |
| Accounts payable | 412 | | 412 |
| Due to other funds | - | 10,733 | 10,733 |
| Unearned revenue | - | 1,192 | 1,192 |
| | <u>412</u> | <u>11,925</u> | <u>12,337</u> |
| Total Liabilities | <u>412</u> | <u>11,925</u> | <u>12,337</u> |
| FUND BALANCES | | | |
| Restricted for: | | | |
| Excess surplus | - | | - |
| Excess surplus - designated for subsequent year's expenditures | 223,824 | | 223,824 |
| Committed to: | | | |
| Capital reserve account | 165,306 | | 165,306 |
| Maintenance reserve account | 140,000 | | 140,000 |
| Emergency reserve account | 250,000 | | 250,000 |
| Assigned to: | | | |
| Encumbrances | 43,301 | | 43,301 |
| Designated for subsequent year's expenditures | 522 | | 522 |
| Unreserved, reported in: | | | |
| General fund | 240,139 | | 240,139 |
| Special revenue fund | | - | - |
| Capital Projects fund | | | - |
| | <u>1,063,092</u> | <u>-</u> | <u>1,063,092</u> |
| Total Fund Balances | <u>1,063,092</u> | <u>-</u> | <u>1,063,092</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,063,504</u> | <u>11,925</u> | |

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 2,890,929

Long-term pension liabilities are not due and payable in the current period and therefore are not reported in the funds (408,764)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (99,620)

Net position of governmental activities 3,445,637

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year ended June 30, 2017

| | General Fund | Special Revenue Fund | Total Governmental Funds |
|--|------------------|----------------------------|--------------------------------|
| REVENUES: | | | |
| Local tax levy | \$ 2,444,516 | | 2,444,516 |
| Interest | 494 | | 494 |
| Tuition | 431,620 | | 431,620 |
| Miscellaneous | 5,395 | | 5,395 |
| Local sources | | 2,774 | 2,774 |
| State sources | 319,360 | | 319,360 |
| Federal sources | - | 11,925 | 11,925 |
| Total Revenues | 3,201,385 | 14,699 | 3,216,084 |
| EXPENDITURES: | | | |
| Current expense | | | |
| Instruction | 876,477 | 2,774 | 879,251 |
| Special education instruction | 98,877 | | 98,877 |
| Other instruction | 68,874 | | 68,874 |
| Support services and undistributed costs: | | | |
| Tuition | 462,911 | 11,925 | 474,836 |
| Student & instruction related services | 317,211 | - | 317,211 |
| School administrative services | 32,740 | | 32,740 |
| Other administrative services | 135,695 | | 135,695 |
| Central services | 31,591 | | 31,591 |
| Plant operations and maintenance | 252,283 | | 252,283 |
| Pupil transportation | 50,864 | | 50,864 |
| Unallocated benefits | 536,556 | | 536,556 |
| Capital outlay | 275,198 | - | 275,198 |
| Special Schools | - | | - |
| Total Expenditures | 3,139,277 | 14,699 | 3,153,976 |
| Excess (deficiency) of revenues over (under) expenditures | 62,108 | - | 62,108 |
| Other financing sources (uses): | | | |
| Cancellation of Prior Year Receivable | (25,045) | | (25,045) |
| Total other financing sources (uses) | (25,045) | - | (25,045) |
| Net change in fund balances | 37,063 | - | 37,063 |
| Fund Balances, July 1 | 1,026,029 | - | 1,026,029 |
| Fund Balances, June 30 | \$ 1,063,092 | - | 1,063,092 |

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 for the Year Ended June 30, 2017

Total net change in fund balances - governmental funds (from B-2) \$ 37,063

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

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

| | | | |
|--|----------------------------------|----------------|---------|
| | Depreciation expense | (120,195) | |
| | Loss on Disposal of Fixed Assets | (29,425) | |
| | Capital outlays | <u>269,440</u> | 119,820 |

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

| | | | |
|--|--|-----------------|----------|
| | District pension contributions | 18,806 | |
| | Cost of benefits earned, net of employee contributions | <u>(69,771)</u> | (50,965) |

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

16,887

Change in net position of governmental activities

\$ 122,805

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Statement of Net Position
 Proprietary Funds
 June 30, 2017

| | Non Major Funds | | |
|--|--|--|----------------------------|
| | Business-type Activities - Enterprise Funds | Business-type Activities - Enterprise Funds | Governmental Activities |
| | Milk Fund | After School Program Fund | Internal Service Fund |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,077 | | |
| Accounts receivable | | | 19,092 |
| Interfund receivable | | | |
| Inventories | | | |
| Total current assets | <u>1,077</u> | <u>-</u> | <u>19,092</u> |
| Noncurrent assets: | | | |
| Furniture, machinery & equipment | | | |
| Less accumulated depreciation | | | |
| Total noncurrent assets | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u><u>1,077</u></u> | <u><u>-</u></u> | <u><u>19,092</u></u> |
| Liabilities | | | |
| Current liabilities | | | |
| Interfund payable | | 12,451 | 19,092 |
| Accounts payable | - | - | - |
| Total current liabilities | <u>-</u> | <u>12,451</u> | <u>19,092</u> |
| Total liabilities | <u>-</u> | <u>12,451</u> | <u>19,092</u> |
| NET POSITION/(DEFICIT) | | | |
| Invested in capital assets, net of related debt | - | - | - |
| Unrestricted | 1,077 | (12,451) | |
| Total net position | <u>\$ 1,077</u> | <u>(12,451)</u> | <u>-</u> |

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
for the Fiscal Year ended June 30, 2017

| | Non Major Funds | | |
|---|---|---|----------------------------|
| | Business-type Activities - Enterprise Funds | Business-type Activities - Enterprise Funds | Governmental Activities |
| | Milk Fund | After School Program Fund | Internal Service Fund |
| OPERATING REVENUES: | | | |
| Local sources: | | | |
| Other revenue | | 7,860 | 172,311 |
| Total Operating Revenues | - | 7,860 | 172,311 |
| OPERATING EXPENSES: | | | |
| Salaries | | 18,585 | 140,528 |
| Other Objects | | - | 4,960 |
| Employee Benefits | | - | 26,823 |
| General Supplies | | 1,726 | |
| Total Operating Expenses | - | 20,311 | 172,311 |
| Operating profit | - | (12,451) | - |
| Net loss before contributions and transfers | - | (12,451) | - |
| Change in net position | - | (12,451) | - |
| Total net position - beginning | 1,077 | - | - |
| Total net position - ending | \$ 1,077 | (12,451) | - |

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
for the Fiscal Year ended June 30, 2017

| | Non Major Funds | | |
|--|---|---|----------------------------|
| | Business-type Activities - Enterprise Funds | Business-type Activities - Enterprise Funds | Governmental Activities |
| | Milk Fund | After School Program Fund | Internal Service Fund |
| Cash Flows from Operating Activities: | | | |
| Receipts from customers and others | \$ - | 7,860 | 170,448 |
| Payments to employees | | (18,585) | (140,528) |
| Payments for employee benefits | | | (26,823) |
| Payments to suppliers | | (1,726) | (4,960) |
| Net cash provided by (used for) operating activities | <u>-</u> | <u>(12,451)</u> | <u>(1,863)</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Interfund Activity | | 12,451 | 1,863 |
| Net cash provided by noncapital financing activities | <u>-</u> | <u>12,451</u> | <u>1,863</u> |
| Net increase in cash and cash equivalents | - | - | - |
| Balances - beginning of year | 1,077 | - | - |
| Balances - end of year | <u>\$ 1,077</u> | <u>-</u> | <u>-</u> |
| Reconciliation of operating loss to net cash used by operating activities: | | | |
| Operating income | \$ - | (12,451) | - |
| Adjustments to reconcile operating loss to cash used by operating activities | | | |
| Change in assets and liabilities: | | | |
| (Increase) in Accounts Receivable | | - | (1,863) |
| Total adjustments | <u>-</u> | <u>-</u> | <u>(1,863)</u> |
| Net cash (used) by operating activities | <u>\$ -</u> | <u>(12,451)</u> | <u>(1,863)</u> |

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

| | Scholarship Fund | Unemployment Compensation Trust | Agency Fund |
|---|---------------------|------------------------------------|----------------|
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 2,106 | 36,415 | 6,608 |
| Total Assets | <u>2,106</u> | <u>36,415</u> | <u>6,608</u> |
| LIABILITIES: | | | |
| Payable to Student Groups | | | 2,955 |
| Payroll liabilities | | | 3,010 |
| Interfund Payable | | | 643 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>6,608</u> |
| NET POSITION | | | |
| Held in trust for unemployment claims and other purposes | <u>\$ 2,106</u> | <u>36,415</u> | |

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
for the Year Ended June 30, 2017

| | Unemployment Compensation Trust | Scholarship Fund |
|------------------------------------|------------------------------------|---------------------|
| ADDITIONS | | |
| Contributions: | | |
| Plan member | \$ 1,806 | |
| Board | | |
| Total Contributions | 1,806 | - |
| Investment earnings: | | |
| Interest | 14 | 1 |
| Net investment earnings | 14 | 1 |
| Total additions | 1,820 | 1 |
| DEDUCTIONS | | |
| Unemployment claims | 5,212 | |
| Total deductions | 5,212 | - |
| Change in net position | (3,392) | 1 |
| Net position—beginning of the year | 39,807 | 2,105 |
| Net position—end of the year | \$ 36,415 | 2,106 |

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY:

The Borough of Stone Harbor School District is a Type II district located in the County of Cape May, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The board is comprised of five board members and 1 representative from Avalon elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Borough of Stone Harbor School District had an approximate enrollment at June 30, 2017 of 75 students.

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

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

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS:

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

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

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

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

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

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net positions resulting from the current year's activities. Fiduciary funds are not included in the government-wide statements.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The State of New Jersey Department of Education has mandated that all New Jersey School Districts must report all governmental funds as major, regardless of the fund meeting the GASB definition of a major fund. However, the criteria are applied to proprietary funds.

The following fund types are used by the District:

1. Governmental Funds:

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

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

Fund Balances – Governmental Funds

Stone Harbor Board of Education has implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, ect.) or by constitutional provision or enabling legislation.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

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

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

2. Proprietary Funds:

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

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

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

3. Fiduciary Funds:

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

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

D. BASIS OF ACCOUNTING

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

1. Accrual:

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

2. Modified Accrual:

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

E. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

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

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

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

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

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

2. Investments:

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

3. Capital Assets:

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

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

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

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

4. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are susceptible to accrual and under New Jersey State Statutes a municipality is required to remit to its school district the entire balance of taxes in the amount certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue. In respect to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient. Program revenues, including tuition revenue are reported as reductions to expenses in the statement of activities.

5. Expenditures:

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

6. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

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

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

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

7. Interfund Activity:

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

8. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office for approval and, as long as the District budget is within State mandated CAPs, there is no public vote on the budget. If the budget exceeds State mandated CAPs, the voters have an opportunity to approve or reject the budget at the regular election held in November. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:23-2(g). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year and are subject to two-thirds majority vote by the School Board and under certain circumstances require approval by the County Superintendent of Schools. No material transfers were made to/(from) budgetary line items during the year.

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

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

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

9. Encumbrances:

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

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

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

10. Tuition Payable

Tuition charges for the fiscal years 2016-17 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

11. Tuition Receivable

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

12. Use of Estimates

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

13. Allocation of Costs

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

14. Pensions

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

F. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE

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

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

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

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83 "Certain Asset Retirement Obligations". This statement, which is

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

effective for fiscal periods beginning after June 15, 2018, will not have any effect on the District's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84 "Fiduciary Activities." This statement, which is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the District's financial reporting.

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85 "Omnibus 2017." This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the District's financial reporting.

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86 "Certain Debt Extinguishment Issues." This statement, which is effective for reporting periods beginning after June 15, 2017, will not have any effect on the District's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "Leases". This statement, which is effective for reporting periods beginning after December 15, 2019, may have an effect on the District's financial reporting.

NOTE 2. INVESTMENTS

As of June 30, 2017, the District had no investments.

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

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

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

NOTE 3. CASH

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The district's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholding or student activity funds. As of June 30, 2017, \$0 of the government's bank balance of \$1,181,768 was exposed to custodial credit risk.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

| | | |
|---------------------------|----|----------------|
| Beginning balance, July 1 | \$ | 165,206 |
| Interest Earned | | 100 |
| Appropriated | by | |
| Resolution | | |
| Ending balance, June 30 | \$ | <u>165,306</u> |

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

NOTE 5. MAINTENANCE RESERVE

New Jersey Statute 18A:7G-9 permits districts to accumulate funds for the required maintenance of a facility in accordance with the Educational Facilities Construction and Financing Act (EFCFA). The balance may be increased through an appropriation in the annual general fund budget certified for taxes or a resolution of the Board at the June meeting. This reserve may be used at any time during the year, by resolution, to transfer to the required maintenance budget lines for use on required maintenance activities for a school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted for use on required maintenance appropriations and may not be transferred to any other line-item account. As of June 30, 2017 the District has reserved \$140,000 for maintenance.

NOTE 6. FIXED ASSETS

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

| | Balance June 30, 2016 | Additions | Disposals/ Adjustments | Balance June 30, 2017 |
|--|--------------------------------------|------------------|-----------------------------------|--------------------------------------|
| Governmental Activities: | | | | |
| Capital assets that are not being depreciated: | | | | |
| Land | \$ 410,630 | | | 410,630 |
| Total capital assets not being depreciated | 410,630 | - | - | 410,630 |
| Bldg and bldg improve | 2,917,010 | | | 2,917,010 |
| Site improvements | 361,560 | 259,765 | 15,859 | 605,466 |
| Machinery and Equipment | 1,068,963 | 9,676 | 114,231 | 964,408 |
| Total at historical cost | 4,347,533 | 269,441 | 130,090 | 4,486,884 |
| Less: Accumulated depreciation | (1,987,054) | (120,195) | (100,664) | (2,006,585) |
| Total capital assets being depr, net of accum depr | 2,360,479 | 149,246 | 29,426 | 2,480,299 |
| Governmental activities capital assets, net | \$ 2,771,109 | 149,246 | 29,426 | 2,890,929 |

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

Depreciation expense as charged to governmental functions as follows:

| | |
|--|-------------------|
| Regular instruction | \$ 60,098 |
| Special education | 12,020 |
| Student & instruction related services | 18,029 |
| School administrative expenses | 12,020 |
| General and business administration | 12,020 |
| Plant operations and maintenance | 6,008 |
| | <u>\$ 120,195</u> |

NOTE 7. GENERAL LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2017 was as follows:

| | <u>Balance</u> | | | <u>Balance</u> | <u>Due in</u> |
|-------------------------|-------------------|---------------|----------------|------------------|-----------------|
| | <u>6/30/2016</u> | <u>Issued</u> | <u>Retired</u> | <u>6/30/2017</u> | <u>one year</u> |
| Governmental | \$ | | | | |
| Activities | | | | | |
| Other liabilities: | | | | | |
| Compensated Absences | | | | | |
| Payable | <u>116,507</u> | <u>16,405</u> | <u>33,292</u> | <u>99,620</u> | <u>-</u> |
| Governmental activities | | | | | |
| long-term liabilities | <u>\$ 116,507</u> | <u>16,405</u> | <u>33,292</u> | <u>99,620</u> | <u>-</u> |

NOTE 8. PENSION PLANS

Description of Plans

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

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

Teachers' Pension and Annuity Fund

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

Public Employees' Retirement System

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

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15C-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 7.20% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

rate is 20.07% and the PERS rate is 12.91% of covered payroll. The School District's contributions to TPAF for the years ending June 30, 2017, 2016 and 2015 were \$76,720, \$77,129, and \$56,115 respectively, and paid by the State of New Jersey on behalf of the board. The School District's contributions to PERS for the years ending June 30, 2017, 2016 and 2015 were \$18,806, \$15,537 and \$13,209 respectively, equal to the required contributions for each year.

During the fiscal years ended June 30, 2017, 2016 and 2015, the State of New Jersey contributed \$90,180, \$91,840, and \$89,085, respectively, to the TPAF for post-retirement medical benefits on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$66,632, \$66,153, \$72,548 during the same fiscal years for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts, which are not required to be budgeted, have been included in the financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditures.

Significant Legislation

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

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

- New members of the PERS and TPAF hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the systems is increased from age 63 to 65 for Tier 5 members.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years. For fiscal year 2013, the member contribution rates increased in October 2012. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

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

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

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

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS and TPAF from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS and TPAF to 1/60th from 1/55th, and it provided that new members of PERS and TPAF have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS and TPAF will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

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

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

NOTE 9: Public Employees Retirement System

At June 30, 2017, the District reported a liability of \$626,957 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the District's proportion was 0.00211687330%, which was an increase of 27.43% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$50,965. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 11,600 | |
| Changes of assumptions | 129,872 | |
| Differences between expected and actual earnings | 23,906 | |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 81,635 | 28,820 |
| District contributions subsequent to the measurement date | 18,806 | |
| Total | \$ 265,819 | 28,820 |

\$18,806 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (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:

| Year ended June 30, | | |
|------------------------|----|---------|
| 2017 | \$ | 49,378 |
| 2018 | \$ | 49,378 |
| 2019 | \$ | 56,450 |
| 2020 | \$ | 47,239 |
| 2021 | \$ | 15,748 |
| Total | \$ | 218,193 |

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

Actuarial Assumptions

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

| | |
|----------------------------|------------------------------|
| 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% |

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement 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 2014 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 (set back 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 experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% 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. The long term expected rate of return was determined using a building block method in which best-estimate ranges of

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. 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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| 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 | 50.00% | 5.45% |
| Global Debt ex US | 5.00% | -0.25% |
| REIT | 5.25% | 5.63% |

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 year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

| | 1% Decrease (2.98%) | Current Discount Rate (3.98%) | 1% Increase (4.98%) |
|---|---------------------------|-------------------------------------|---------------------------|
| District's proportionate share of the net pension liability | \$ 751,369 | 626,975 | 524,387 |

Pension plan fiduciary net position.

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

NOTE 10. Teachers Pensions and Annuity Fund (TPAF)

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | | |
|--|----|-----------|
| District's proportionate share of the net pension liability | \$ | - |
| State's proportionate share of the net position liability associated with the District | | 7,578,245 |
| Total | \$ | 7,578,245 |

The net pension liability was measured as of June 30, 2016 and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0.00%, which was no

Borough of Stone Harbor School District
Notes to Financial Statements
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change from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$569,400 and revenue of \$569,400 for support provided by the State. At June 30, 2017, the deferred outflows of resources and deferred inflows of resources attributable to the District related to TPAF from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 26,706 | 12,960 |
| Changes of assumptions | 1,512,709 | |
| Net difference between expected and actual earnings on pension plan investments | 138,213 | |
| Changes in proportion and differences between District contributions and proportionate share of contributions | | 274,290 |
| District contributions subsequent to the measurement date | <u>76,720</u> | |
| Total | <u>\$ 1,754,348</u> | <u>287,250</u> |

\$76,720 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date (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:

| <u>Year ended June 30,</u> | | |
|--------------------------------|----|------------------|
| 2017 | \$ | 204,253 |
| 2018 | \$ | 204,253 |
| 2019 | \$ | 239,278 |
| 2020 | \$ | 223,778 |
| 2021 | \$ | 189,031 |
| Thereafter | \$ | <u>329,785</u> |
| Total | \$ | <u>1,390,378</u> |

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation 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 assumptions, applied to all period included in the measurement:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

| | |
|---------------------------|----------------------------|
| 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 disable mortality rates were based on the experience of TPAF members reflecting mortality improvement 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, 20012 to June 30, 2015.

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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

| <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 market equities | 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 - Multi Strategy | 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 average of the last five years of employers' contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.22% as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.22%) or 1-percentage point higher (4.22%) than the current rate:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

| | 1% Decrease (2.22%) | Current Discount Rate (3.22%) | 1% Increase (4.22%) |
|--|---------------------------|-------------------------------------|---------------------------|
| District's proportionate share of the net pension liability | \$ - | - | - |

Pension plan fiduciary net position.

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

NOTE 11. POST-RETIREMENT BENEFITS

P.L. 1987, Chapter 384 and P.L. 1990 Chapter 6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007 c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for funding and payment of post-retirement medical benefits for retired State employees and educational employees. As of June 30, 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 for post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

NOTE 12. DEFERRED COMPENSATION

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

Lincoln Investment Planning
Travelers Insurance Company

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

NOTE 13. COMPENSATED ABSENCES

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

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

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

NOTE 14. LITIGATION

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

NOTE 15. FUND BALANCE APPROPRIATED

General Fund – Of the \$1,063,092 General Fund fund balance at June 30, 2017, \$43,301 is reserved for encumbrances; \$223,824 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7; \$522 has been anticipated as revenue in the 2017-2018 budget, \$165,306 has been reserved in the Capital Reserve Account; \$140,000 has been reserved in the Maintenance Reserve Account. \$250,000 has been reserved in the Emergency Reserve Account and \$240,139 is unreserved and undesignated.

NOTE 16. CALCULATION OF EXCESS SURPLUS

In accordance with NJSA 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Reserved Fund Balance – Excess Surplus is a required calculation. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30, 2017 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

at June 30, 2017 is \$223,824, of which \$223,824 has been appropriated and included as anticipated revenue for the year ended June 30, 2018.

NOTE 17. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2017, an interfund remained on the various balance sheets of the Borough of Stone Harbor Board of Education.

| | <u>From</u> | <u>To</u> |
|----------------------------|------------------|---------------|
| General Fund: | | |
| Agency Fund | \$ 643 | |
| Internal Service Fund | 19,092 | |
| After School Program Fund | 12,451 | |
| After School Program Fund" | | |
| General Fund | | 12,451 |
| Internal Service Fund | | |
| General Fund | | 19,092 |
| Agency Fund: | | |
| General Fund | | 643 |
| | <u>\$ 32,186</u> | <u>32,186</u> |

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

NOTE 18. RISK MANAGEMENT

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

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. During the fiscal year ended June 30, 2017 the District did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2017

| <u>Fiscal Year</u> | <u>Employee Contributions</u> | <u>Interest on Investments</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|-------------------------------|--------------------------------|--------------------------|-----------------------|
| 2016-2017 | \$ 1,806 | \$ 14 | \$ 5,212 | \$ 36,415 |
| 2015-2016 | \$ 1,573 | \$ 16 | \$ 124 | \$ 39,807 |
| 2014-2015 | \$ 1,640 | \$ 16 | - | \$ 38,342 |

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

NOTE 19. ECONOMIC DEPENDENCY

The District is heavily reliant on local property taxation to fund District operations. Property taxes funded 76% of the Districts 2016-2017 governmental operations.

NOTE 20. SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 17, 2017, the date on which the financial statements were available to be issued, and no items were identified that require disclosure.

**Required Supplemental Information
Part II**

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BUDGETARY COMPARISON SCHEDULES

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

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance with Under/(Over) Final Budget to Actual |
|---|------------------|------------------|------------------|------------------|---|
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Local tax levy | \$ 2,444,516 | | 2,444,516 | 2,444,516 | - |
| Interest earned | 252 | | 252 | 494 | 242 |
| Tuition - individuals | 112,000 | | 112,000 | 107,620 | (4,380) |
| Tuition - other LEA's | 324,000 | | 324,000 | 324,000 | - |
| Miscellaneous | | | - | 5,395 | 5,395 |
| Total local sources | 2,880,768 | - | 2,880,768 | 2,882,025 | 1,257 |
| State sources: | | | | | |
| Special Education Aid | 23,364 | | 23,364 | 23,364 | - |
| Security Aid | 2,797 | | 2,797 | 2,797 | - |
| Adjustment Aid | 6,924 | | 6,924 | 6,924 | - |
| Transportation Aid | 19,876 | | 19,876 | 19,876 | - |
| Per Pupil Growth Aid | 350 | | 350 | 350 | - |
| PARCC Readiness | 350 | | 350 | 350 | - |
| Professional Learning Community Aid | 310 | | 310 | 310 | - |
| Other | | | - | 348 | 348 |
| On behalf TPAF Pension | | | | | |
| Contributions (non-budgeted) | | | | 108,230 | 108,230 |
| On behalf TPAF Pension | | | | | |
| Post-Retirement Medical (non-budgeted) | | | | 90,180 | 90,180 |
| On behalf TPAF Pension | | | | | |
| Long-Term Disability Insurance (non-budgeted) | | | | 57 | 57 |
| Reimbursed TPAF Social Security | | | | | |
| Contributions (non-budgeted) | | | | 66,632 | 66,632 |
| Total state sources | 53,971 | - | 53,971 | 319,418 | 265,447 |
| Total Revenues | 2,934,739 | - | 2,934,739 | 3,201,443 | 266,704 |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance with Under/(Over) Final Budget to Actual |
|--|-----------------|------------------|----------------|----------------|---|
| EXPENDITURES: | | | | | |
| Current Expense: | | | | | |
| Regular programs - Instruction: | | | | | |
| Salaries of teachers: | | | | | |
| Preschool/kindergarten | 116,818 | (26,699) | 90,119 | 90,118 | 1 |
| Grades 1 - 5 | 531,029 | 28,034 | 559,063 | 558,764 | 299 |
| Grades 6 - 8 | | | | | - |
| Regular programs - home instruction: | 250 | (221) | 29 | | 29 |
| Salaries of teachers | | | | | |
| Other programs - undistributed instruction: | 12,612 | - | 12,612 | 12,527 | 85 |
| Other salaries for instruction | | | | | |
| Purchased professional/educational services | 50,110 | 53,875 | 103,985 | 103,984 | 1 |
| Purchased technical services | 500 | (483) | 17 | | 17 |
| Other purchased services | 22,897 | (304) | 22,593 | 22,163 | 430 |
| General supplies | 86,356 | (11,470) | 74,886 | 73,038 | 1,848 |
| Textbooks | 10,000 | (4,608) | 5,392 | 5,392 | - |
| Other objects | 15,000 | (4,458) | 10,542 | 10,491 | 51 |
| Total regular programs | 845,572 | 33,666 | 879,238 | 876,477 | 2,761 |
| Resource room/Resource center: | | | | | |
| Salaries of teachers | 95,726 | 2,725 | 98,451 | 98,231 | 220 |
| General supplies | 2,500 | (1,788) | 712 | 646 | 66 |
| Textbooks | 100 | | 100 | | 100 |
| Total resource room/resource center | 98,326 | 937 | 99,263 | 98,877 | 386 |
| Total special education - instruction | 98,326 | 937 | 99,263 | 98,877 | 386 |
| Basis Skills/Remedial - instruction: | | | | | |
| Salaries of teachers | 23,819 | 682 | 24,501 | 24,500 | 1 |
| Purchased professional/educational services | | 41,500 | 41,500 | 41,499 | 1 |
| General Supplies | 5,000 | (4,502) | 498 | | 498 |
| Total resource room/resource center | 28,819 | 37,680 | 66,499 | 65,999 | 500 |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance with Under/(Over) Final Budget to Actual |
|--|-----------------|------------------|------------------|------------------|---|
| School sponsored cocurricular activities - instruction: | | | | | |
| Salaries | 4,875 | (2,000) | 2,875 | 2,875 | - |
| Supplies and Materials | 1,000 | - | 1,000 | - | 1,000 |
| Total school sponsored cocurricular activities - instruction | 5,875 | (2,000) | 3,875 | 2,875 | 1,000 |
| Total - Instruction | 978,592 | 70,283 | 1,048,875 | 1,044,228 | 4,647 |
| Undistributed expenditures - Instruction: | | | | | |
| Tuition to other LEA's within the state - regular | 395,909 | 11,500 | 407,409 | 407,409 | - |
| Tuition to other LEA's within the state - special | - | - | - | - | - |
| Tuition to CSSD & Reg Day Schools | - | - | - | - | - |
| Tuition - County Voc. School District - Regular | 55,502 | - | 55,502 | 55,502 | - |
| Total undistributed expenditures - instruction | 451,411 | 11,500 | 462,911 | 462,911 | - |
| Undistributed expenditures - Attendance & Social Work | | | | | |
| Salaries | 8,007 | 121 | 8,128 | 8,128 | - |
| Purchased professional and technical services | 11,926 | (1,707) | 10,219 | 10,128 | 91 |
| Other Purchased Services | 1,500 | 32 | 1,532 | 1,531 | 1 |
| Total undistributed expenditures - attendance & social work | 21,433 | (1,554) | 19,879 | 19,787 | 92 |
| Undistributed expenditures - Health services: | | | | | |
| Salaries | 625 | (625) | - | - | - |
| Purchased professional and technical services | 48,672 | 15,101 | 63,773 | 63,773 | - |
| Other purchased services | 22,140 | (21,859) | 281 | - | 281 |
| Supplies and materials | 2,000 | (1,617) | 383 | 81 | 302 |
| Total undistributed expenditures - health services | 73,437 | (9,000) | 64,437 | 63,854 | 583 |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance with Under/(Over) Final Budget to Actual |
|--|-----------------|------------------|--------------|--------|---|
| Undistributed expenditures - Other support services - students - related services: | | | | | |
| Purchased professional educational services | 11,190 | (9,211) | 1,979 | 1,979 | - |
| Supplies and Materials | - | - | - | - | - |
| Total undistributed expenditures - other support services - students - related services | 11,190 | (9,211) | 1,979 | 1,979 | - |
| Undistributed expenditures - other support services: - extraordinary services: | | | | | |
| Salaries of other professional staff | - | - | - | - | - |
| Purchased professional - educational services | - | - | - | - | - |
| Total undistributed expenditures - other support services - extraordinary services | - | - | - | - | - |
| Undistributed expenditures - Other support services - Guidance | 500 | 20,510 | 21,010 | 21,010 | - |
| Other purchased prof. and tech. services | 1,000 | (816) | 184 | 115 | 69 |
| Total undistributed expenditures - other support services - Guidance | 1,500 | 19,694 | 21,194 | 21,125 | 69 |
| Undistributed expenditures - other support services - students - Child Study Team: | | | | | |
| Salaries of secretaries and clerical assistants | 5,004 | - | 5,004 | 4,995 | 9 |
| Purchased professional educational services | 33,000 | 292 | 33,292 | 33,292 | - |
| Other purchased prof. and tech. services | 3,020 | - | 3,020 | 3,020 | - |
| Total undistributed expenditures - other support services - students - Child Study Teams | 41,024 | 292 | 41,316 | 41,307 | 9 |
| Undistributed expenditures - Improvement of instruction services: | | | | | |
| Salaries of Supervisor of Instruction | 66,225 | 1,243 | 67,468 | 67,467 | 1 |
| Salaries of Other Prof. Staff | 1,000 | (1,000) | - | - | - |
| Purchased professional educational services | 10,614 | 3,902 | 3,902 | 3,902 | - |
| Other purchased prof. and tech. services | 7,500 | (3,000) | 7,614 | 7,614 | - |
| Supplies and materials | 750 | (6,921) | 579 | 555 | 24 |
| Other Objects | - | 533 | 1,283 | 1,283 | - |
| Total undistributed expenditures - improvement of instruction services | 86,089 | (5,243) | 80,846 | 80,821 | 25 |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance with Under/(Over) Final Budget to Actual |
|---|-----------------|------------------|----------------|----------------|---|
| Undistributed expenditures - educational media services/school library: | | | | | |
| Salaries | 12,274 | (10,267) | 2,007 | 826 | 1,181 |
| Salaries of Technology Coordinators | - | 10,882 | 10,882 | 10,882 | - |
| Purchased professional and technical services | 32,555 | (3,999) | 28,556 | 28,555 | 1 |
| Other purchased services | 2,000 | (1,742) | 258 | - | 258 |
| Supplies and materials | 9,000 | 6,752 | 15,752 | 15,730 | 22 |
| Total undistributed expenditures - educational media services/school library | 55,829 | 1,626 | 57,455 | 55,993 | 1,462 |
| Undistributed expenditures - instruction staff training services | | | | | |
| Other purchased prof. educational services | 5,000 | (2,500) | 2,500 | 2,500 | - |
| Other purchases professional and technical services | 13,705 | 11,725 | 25,430 | 25,430 | - |
| Other purchased services | 5,000 | (340) | 4,660 | 4,065 | 595 |
| Supplies and materials | 1,000 | (271) | 729 | 350 | 379 |
| Total undistributed expenditures - instructional staff training services | 24,705 | 8,614 | 33,319 | 32,345 | 974 |
| Undistributed expenditures - Support services - general administration: | | | | | |
| Salaries | 22,068 | 1,137 | 23,205 | 23,205 | - |
| Legal services | 2,105 | 21,019 | 23,124 | 23,124 | - |
| Audit fees | 7,500 | 200 | 7,700 | 7,700 | - |
| Other purchased professional services | 37,049 | 1,000 | 38,049 | 38,049 | - |
| Purchased technical services | 250 | 90 | 340 | 340 | - |
| Communications/telephone | 2,000 | 3,253 | 5,253 | 5,253 | - |
| BOE other purchased services | 500 | (428) | 72 | - | 72 |
| Other purchased services | 5,922 | 2,618 | 8,540 | 8,539 | 1 |
| Supplies and materials | 1,400 | 356 | 1,756 | 1,744 | 12 |
| BOE In-House Training/Meeting Supplies | - | - | - | - | - |
| Judgements | - | 25,000 | 25,000 | 25,000 | - |
| Miscellaneous expenditures | 500 | (256) | 244 | 244 | - |
| BOE membership dues and fees | 2,500 | (3) | 2,497 | 2,497 | - |
| Total undistributed expenditures - support services - general administration | 81,794 | 53,986 | 135,780 | 135,695 | 85 |
| Undistributed expenditures - Support services school administration: | | | | | |
| Salaries of secretarial and clerical assistants | 30,456 | - | 30,456 | 30,456 | - |
| Purchased professional and tech. services | 750 | (750) | - | - | - |
| Other purchased services | 300 | (212) | 88 | - | 88 |
| Supplies and materials | 750 | 1,534 | 2,284 | 2,284 | - |
| Other objects | - | - | - | - | - |
| Total undistributed expenditures - support services school administration | 32,256 | 572 | 32,828 | 32,740 | 88 |
| Undistributed expenditures - Central services | | | | | |
| Purchased professional services | 24,160 | - | 24,160 | 24,160 | - |
| Purchased technical services | 7,200 | 175 | 7,375 | 7,352 | 23 |
| Miscellaneous purchased services | 200 | (153) | 47 | 47 | - |
| Supplies and materials | 250 | (80) | 170 | - | 170 |
| Miscellaneous expenditures | - | 80 | 80 | 79 | 1 |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance with Under/(Over) Final Budget to Actual |
|---|-----------------|------------------|----------------|----------------|---|
| Total Undistributed expenditures - central services | 31,810 | 22 | 31,832 | 31,591 | 241 |
| Undistributed expenditures - Maintenance of school property: | | | | | |
| Salaries | 21,200 | (10) | 21,190 | 21,190 | - |
| Cleaning, repair and maintenance | 92,500 | (57,733) | 34,767 | 34,767 | - |
| Supplies and materials | 4,500 | (3,807) | 693 | - | 693 |
| Total undistributed expenditures - maintenance of school property | 118,200 | (61,550) | 56,650 | 55,957 | 693 |
| Undistributed expenditures - Operation and maintenance of plant services: | | | | | |
| Salaries | 53,116 | 3,077 | 56,193 | 55,263 | 930 |
| Purchased professional and technical services | 38,768 | (8,045) | 30,723 | 30,705 | 18 |
| Cleaning, repair and maintenance services | 25,000 | (22,424) | 2,576 | 2,570 | 6 |
| Insurance | 29,601 | 3,704 | 33,305 | 33,305 | - |
| Miscellaneous purchased services | 3,000 | 4,518 | 7,518 | 7,517 | 1 |
| General supplies | 15,000 | (3,014) | 11,986 | 11,769 | 217 |
| Energy (natural gas) | 20,000 | (7,681) | 12,319 | 12,040 | 279 |
| Energy (electricity) | 40,000 | 3,157 | 43,157 | 43,157 | - |
| Total undistributed expenditures - operation and maintenance of plant services | 224,485 | (26,708) | 197,777 | 196,326 | 1,451 |
| Undistributed expenditures - student transportation services: | | | | | |
| Salaries for pupil transportation (Between home and school) - regular | 1,251 | - | 1,251 | 1,249 | 2 |
| Salaries for pupil transportation non-public | 6,256 | - | 6,256 | 6,244 | 12 |
| Other Purchased Prof. and technical Services and school) - vendors | 14,682 | - | 14,682 | 14,682 | - |
| Contracted services (other than between home and school) - vendors | 2,000 | 5,100 | 7,100 | 7,099 | 1 |
| Contracted services (bet. home & sch) joint agreements | 21,768 | (1,321) | 20,447 | 19,822 | 625 |
| Contracted services - (aide in lieu) - non public | 2,500 | - | 2,500 | 1,768 | 732 |
| Total undistributed expenditures student transportation services | 48,457 | 3,779 | 52,236 | 50,864 | 1,372 |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance with Under/(Over) Final Budget to Actual |
|---|------------------|------------------|------------------|------------------|---|
| Unallocated Benefits | | | | | |
| Social security | 17,500 | 1,735 | 19,235 | 19,235 | - |
| Other retirement contributions - PERS | 20,000 | 503 | 20,503 | 20,503 | - |
| Unemployment compensation | 2,000 | (57) | 1,943 | 637 | 1,306 |
| Workmen's compensation | 18,500 | (3,100) | 15,400 | 15,081 | 319 |
| Health benefits | 300,666 | (109,995) | 190,671 | 184,135 | 6,536 |
| Tuition reimbursement | 9,000 | (9,000) | - | - | - |
| Other employee benefits | 20,000 | 11,867 | 31,867 | 31,866 | 1 |
| Total Regular Program Instruction Employee Benefits | 387,666 | (108,047) | 279,619 | 271,457 | 8,162 |
| On behalf TPAF Pension Contributions (non-budgeted) | | | | 108,230 | (108,230) |
| On behalf TPAF Pension Post-Retirement Medical (non-budgeted) | | | | 90,180 | (90,180) |
| On behalf TPAF Pension Long-Term Disability (non-budgeted) | | | | 57 | (57) |
| Reimbursed TPAF Social Security Contributions (non-budgeted) | | | | 66,632 | (66,632) |
| Total on-behalf contributions | - | - | - | 265,099 | (265,099) |
| Total undistributed expenditures | 1,691,286 | (121,228) | 1,570,058 | 1,819,851 | (249,793) |
| Total current expense | 2,669,878 | (50,945) | 2,618,933 | 2,864,079 | (245,146) |
| Capital Outlay: | | | | | |
| Instruction | | | | | |
| Undist. Expend. - Instruction | 25,000 | 12,680 | 37,680 | 37,680 | - |
| Undist. Expend. - Operations/Maintenance Plant | | 9,677 | 9,677 | 9,676 | 1 |
| Undist. Expend. - Required Maint. of School Fac. | | - | - | - | - |
| Undist. Expend. - Student Transportation | | - | - | - | - |
| Total equipment | 25,000 | 22,357 | 47,357 | 47,356 | 1 |
| Facilities Acquisition and Construction Services | | | | | |
| Other Purchased professional and technical services | 25,000 | 2,559 | 27,559 | 26,794 | 765 |
| Construction Services | 210,540 | 28,025 | 238,565 | 197,384 | 41,181 |
| Assessment for Debt Service on SDA funding | 3,664 | - | 3,664 | 3,664 | - |
| Total Facilities Acquisition and Construction Services | 239,204 | 30,584 | 269,788 | 227,842 | 41,946 |
| Interest Deposit to Capital Reserve | 100 | | 100 | | 100 |
| Total Capital Outlay | 264,304 | 52,941 | 317,245 | 275,198 | 42,047 |
| Transfer to charter school | | | | | |
| | | | | | |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance with Under/(Over) Final Budget to Actual |
|--|-----------------|------------------|--------------|------------------|---|
| Special Schools: | | | | | |
| Summer School - Instruction | 1,763 | (1,750) | 13 | - | 13 |
| Salaries of teachers | 250 | (246) | 4 | - | 4 |
| General supplies | | | | | |
| Total summer school - instruction | 2,013 | (1,996) | 17 | - | 17 |
| Total Special Schools | 2,013 | (1,996) | 17 | - | 17 |
| Total Expenditures | 2,936,195 | - | 2,936,195 | 3,139,277 | (203,082) |
| Excess (deficiency) of revenues over (under) expenditures | (1,456) | - | (1,456) | 62,166 | 63,622 |
| Other Financing Sources/(Uses) Cancellation of prior year receivable | | | | (25,045) | 25,045 |
| Total other financing uses | - | - | - | (25,045) | 25,045 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (1,456) | - | (1,456) | 37,121 | 88,667 |
| Fund Balances, July 1 | 1,031,008 | | 1,031,008 | 1,031,008 | - |
| Fund Balances, June 30 | \$ 1,029,552 | - | 1,029,552 | 1,088,129 | 88,667 |
| Recapitulation of Fund Balance: | | | | | |
| Restricted Fund Balance: | | | | | |
| Reserve for Excess Surplus | | | | 223,824 | |
| Excess Surplus Designated for Subsequent Years Expenditures | | | | | |
| Committed Fund Balance: | | | | | |
| Maintenance Reserve | | | | 140,000 | |
| Capital Reserve | | | | 165,306 | |
| Emergency Reserve | | | | 250,000 | |
| Assigned Fund Balance: | | | | | |
| Designated for Subsequent Years Expenditures | | | | 522 | |
| Reserve for Encumbrances | | | | 43,301 | |
| Unassigned Fund Balance | | | | 245,176 | |
| | | | | <u>1,068,129</u> | |
| Reconciliation to Governmental Funds Statements (GAAP): | | | | | |
| Last State Aid payment not recognized on GAAP basis | | | | (5,037) | |
| Fund Balance per Governmental Funds (GAAP) | | | | <u>1,063,092</u> | |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Revenue Fund
 for the Fiscal Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance with Under/(Over) Final Budget to Actual |
|------------------------------|--------------------|---------------------|-----------------|---------------|--|
| REVENUES: | | | | | |
| Local Sources | | | | | |
| AtlantiCare Garden Grant | \$ - | 1,766 | 1,766 | 774 | (992) |
| Safety Grant | - | 2,000 | 2,000 | 2,000 | - |
| Total local sources | - | 3,766 | 3,766 | 2,774 | (992) |
| Federal sources: | | | | | |
| I.D.E.A., Part B | 10,650 | 1,275 | 11,925 | 11,925 | - |
| I.D.E.A., Preschool | - | 2,213 | 2,213 | - | (2,213) |
| Total federal sources | 10,650 | 3,488 | 14,138 | 11,925 | (2,213) |
| Total Revenues | 10,650 | 7,254 | 17,904 | 14,699 | (3,205) |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Revenue Fund
 for the Fiscal Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance with Under/(Over) Final Budget to Actual |
|---|-----------------|------------------|---------------|---------------|---|
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| General Supplies | | 3,766 | 3,766 | 2,774 | 992 |
| Total instruction | | 3,766 | 3,766 | 2,774 | 992 |
| Support services | | | | | |
| Other Purchased Professional and Technical Services | 10,650 | 3,488 | 14,138 | 11,925 | 2,213 |
| Total support services | 10,650 | 3,488 | 14,138 | 11,925 | 2,213 |
| Capital Outlay | | | | | |
| Instructional Equipment | | | - | - | - |
| Total capital outlay | - | - | - | - | - |
| Total Expenditures | 10,650 | 7,254 | 17,904 | 14,699 | 3,205 |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | - | - | - | - |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Required Supplementary Information
 Budgetary Comparison Schedule
 Notes to Required Supplementary Information
 for the Fiscal Year Ended June 30, 2017

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

| | <u>General Fund</u> | <u>Special Revenue</u> |
|--|-------------------------|----------------------------|
| Sources/inflows of resources | | |
| Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule | \$ 3,201,443 | 14,699 |
| Difference - budget to GAAP: | | |
| Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized | | |
| Prior year | | |
| Current year | | |
| State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes. | 4,979 | |
| State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year. | <u>(5,037)</u> | |
| Total revenues reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | <u>3,201,385</u> | <u>14,699</u> |
| Uses/outflows of resources | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | 3,139,277 | 14,699 |
| Differences - budget to GAAP: | | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes | | |
| Prior year | | |
| Current year | | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$ 3,139,277</u> | <u>14,699</u> |

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**Required Supplemental Information
Part III**

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee Retirement System
Last Four Fiscal Years

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability (asset) | 0.0021168733% | 0.0016612157% | 0.0016022842% | 0.1884589900% |
| District's proportionate of the net pension liability (asset) | \$ 372,910 | \$ 340,803 | \$ 299,991 | \$ 360,183 |
| District's covered payroll | \$ 114,011 | \$ 146,513 | \$ 114,350 | \$ 101,934 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 327.08% | 232.61% | 262.34% | 353.35% |
| Plan fiduciary net position as a percentage of the total pension liability | 40.14% | 47.93% | 52.08% | 48.72% |

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

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

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 15,537 | \$ 13,209 | \$ 14,200 | \$ 14,305 |
| Contributions in relation to the contractually required contribution | <u>15,537</u> | <u>13,209</u> | <u>14,200</u> | <u>14,305</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 114,011 | \$ 146,513 | \$ 114,350 | \$ 101,934 |
| Contributions as a percentage of covered-employee payroll | 13.63% | 9.02% | 12.42% | 14.03% |

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

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teachers' Pension and Annuity Fund
Last Four Fiscal Years

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| District's proportion of the net pension liability (asset) | 0.00% | 0.00% | 0.00% | 0.00% |
| District's proportionate of the net pension liability (asset) | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability (asset) associated with the District | <u>6,560,243</u> | <u>5,350,407</u> | <u>5,381,934</u> | <u>5,159,698</u> |
| Total | <u>\$ 6,560,243</u> | <u>\$ 5,350,407</u> | <u>\$ 5,381,934</u> | <u>\$ 5,159,698</u> |
| District's covered payroll | \$ 926,822 | \$ 990,706 | \$ 976,233 | \$ 1,027,060 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 22.33% | 28.71% | 33.64% | 33.76% |

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

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

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SPECIAL REVENUE FUND

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

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Special Revenue Fund
 Combining Schedule of Revenues and Expenditures
 Budgetary Basis
 for the Fiscal Year ended June 30, 2017

| | I.D.E.A. Part B | AtlantiCare Garden Grant | Safety Grant | Totals |
|---|--------------------|-----------------------------|--------------|---------------|
| REVENUES: | | | | |
| Federal sources | \$ 11,925 | | | 11,925 |
| State sources | | | | |
| Local Sources | | 774 | 2,000 | 2,774 |
| Total Revenue | <u>11,925</u> | <u>774</u> | <u>2,000</u> | <u>14,699</u> |
| EXPENDITURES: | | | | |
| Instruction: | | | | |
| Supplies | | 774 | 2,000 | 2,774 |
| Total instruction | <u>-</u> | <u>774</u> | <u>2,000</u> | <u>2,774</u> |
| Support services | | | | |
| Other purchased professional and tech. services | 11,925 | | | 11,925 |
| Total support services | <u>11,925</u> | <u>-</u> | <u>-</u> | <u>11,925</u> |
| Capital Outlay | | | | |
| Instructional Equipment | | | | |
| Total capital outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>11,925</u> | <u>774</u> | <u>2,000</u> | <u>14,699</u> |

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FIDUCIARY FUNDS

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

Unemployment Compensation Insurance Trust Fund -

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

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

Agency Funds -

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

Scholarship Fund -

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

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Fiduciary Fund

Combining Statement of Fiduciary Net Position

June 30, 2017

| | Expendable Trust | | | Agency | | Total |
|---|--|------------------|------------------|--------------|--|---------------|
| | NJ Unemployment Compensation Insurance | Scholarship Fund | Student Activity | Payroll | | |
| ASSETS: | | | | | | |
| Cash and cash equivalents | \$ 36,415 | 2,106 | 2,955 | 3,653 | | 45,129 |
| Total Assets | <u>36,415</u> | <u>2,106</u> | <u>2,955</u> | <u>3,653</u> | | <u>45,129</u> |
| LIABILITIES AND NET POSITION: | | | | | | |
| Liabilities: | | | | | | |
| Due to student groups | | | 2,955 | | | 2,955 |
| Payroll deductions and withholdings | | | | 3,010 | | 3,010 |
| Interfund payable - general fund | | | | 643 | | 643 |
| Total Liabilities | - | - | 2,955 | 3,653 | | 6,608 |
| Net Position: | | | | | | |
| Reserved for future unemployment claims | 36,415 | | | | | 36,415 |
| Total Net Position | <u>36,415</u> | <u>2,106</u> | <u>-</u> | <u>-</u> | | <u>38,521</u> |
| Total Liabilities and Fund Balances | \$ <u>36,415</u> | <u>2,106</u> | <u>2,955</u> | <u>3,653</u> | | <u>45,129</u> |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Fund
for the Fiscal Year ended June 30, 2017

| | Unemployment Compensation Trust | Scholarship Fund | Total |
|-------------------------|---------------------------------------|---------------------|---------|
| ADDITIONS: | | | |
| Contributions: | | | |
| Plan Members | \$ 1,806 | | 1,806 |
| Total Contributions | 1,806 | - | 1,806 |
| Investment Earnings | | | |
| Interest | 14 | 1 | 15 |
| Net investment earnings | 14 | 1 | 15 |
| Total additions | 1,820 | 1 | 1,821 |
| DEDUCTIONS: | | | |
| Unemployment Claims | 5,212 | | 5,212 |
| Total deductions | 5,212 | - | 5,212 |
| Change in net position | (3,392) | 1 | (3,391) |
| Net Position, July 1 | 39,807 | 2,105 | 41,912 |
| Net Position, June 30 | \$ 36,415 | 2,106 | 38,521 |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Student Activity Agency Fund

Schedule of Receipts and Disbursements

for the Fiscal Year ended June 30, 2017

| | <u>Balance June 30, 2016</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance June 30, 2017</u> |
|---------------------|----------------------------------|--------------------------|-------------------------------|----------------------------------|
| Petty Cash Account | \$ 2,447 | | | 2,447 |
| School fund account | 507 | 3,580 | 3,579 | 508 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>\$ 2,954</u> | <u>3,580</u> | <u>3,579</u> | <u>2,955</u> |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Payroll Agency Fund

Statement of Changes in Assets and Liabilities
for the Fiscal Year ended June 30, 2017

| | Balance June 30, 2016 | Additions | Deletions | Balance June 30, 2017 |
|-------------------------------------|--------------------------|------------------|------------------|--------------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 3,519 | 1,288,241 | 1,288,107 | 3,653 |
| Total Assets | <u>3,519</u> | <u>1,288,241</u> | <u>1,288,107</u> | <u>3,653</u> |
| LIABILITIES: | | | | |
| Net Payroll | - | 678,634 | 678,634 | - |
| Payroll deductions and withholdings | 2,891 | 609,592 | 609,473 | 3,010 |
| Interfunds payable | 628 | 15 | - | 643 |
| Total Liabilities | <u>\$ 3,519</u> | <u>1,288,241</u> | <u>1,288,107</u> | <u>3,653</u> |

Statistical Section

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

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

| | For the Year Ended June 30, | | | | | | | | | |
|---|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | 1,980,340 | 1,923,663 | 1,854,129 | 1,794,232 | 1,734,899 | 1,778,058 | 1,914,369 | 2,420,762 | 2,771,109 | 2,890,929 |
| Restricted | 242,118 | 365,814 | 622,660 | 1,041,086 | 1,015,417 | 1,017,420 | 757,330 | 758,704 | 780,486 | 822,953 |
| Unrestricted* | 269,229 | 268,872 | 230,551 | 135,851 | 131,212 | 126,019 | 543 | (214,499) | (228,763) | (268,245) |
| Total governmental activities net position | <u>2,491,687</u> | <u>2,558,349</u> | <u>2,707,340</u> | <u>2,971,169</u> | <u>2,881,528</u> | <u>2,921,497</u> | <u>2,672,242</u> | <u>2,964,967</u> | <u>3,322,832</u> | <u>3,445,637</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | 24 | 592 | 1,424 | 690 | 719 | 1,077 | 1,077 | 1,077 | 1,077 | (11,374) |
| Restricted | 24 | 592 | 1,424 | 690 | 719 | 1,077 | 1,077 | 1,077 | 1,077 | (11,374) |
| Total business-type activities net position | | | | | | | | | | |
| District-wide | | | | | | | | | | |
| Net investment in capital assets | 1,980,340 | 1,923,663 | 1,854,129 | 1,794,232 | 1,734,899 | 1,778,058 | 1,914,369 | 2,420,762 | 2,771,109 | 2,890,929 |
| Restricted | 242,118 | 365,814 | 622,660 | 1,041,086 | 1,015,417 | 1,017,420 | 757,330 | 758,704 | 780,486 | 822,953 |
| Unrestricted | 269,253 | 269,464 | 231,975 | 136,541 | 131,931 | 127,096 | 1,620 | (213,422) | (227,686) | (279,619) |
| Total district net position | <u>2,491,711</u> | <u>2,558,941</u> | <u>2,708,764</u> | <u>2,971,859</u> | <u>2,882,247</u> | <u>2,922,574</u> | <u>2,673,319</u> | <u>2,966,044</u> | <u>3,323,909</u> | <u>3,434,263</u> |

Source: CAFR Schedule A-1

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

| | For the Year Ended June 30, | | | | | | | | | |
|---|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Expenses | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular | 927,887 | 898,873 | 1,118,763 | 1,222,275 | 1,122,672 | 1,024,767 | 1,162,153 | 1,054,873 | 1,121,525 | 1,336,009 |
| Special education | 67,452 | 71,918 | 86,445 | 54,763 | 108,924 | 115,364 | 148,083 | 160,655 | 149,805 | 157,826 |
| Other special instruction | | | | | | | | | | |
| Other instruction | 15,951 | 14,749 | 14,907 | 15,157 | 121,088 | 133,244 | 31,664 | 32,674 | 35,545 | 100,063 |
| Adult/continuing education programs | | | | | | | | | | |
| Support Services: | | | | | | | | | | |
| Tuition | 259,942 | 258,407 | 240,719 | 196,793 | 1,182,222 | 1,119,127 | 935,354 | 745,152 | 722,129 | 689,862 |
| Student & instruction related services | 317,195 | 346,698 | 422,926 | 367,940 | 431,288 | 444,796 | 384,082 | 404,955 | 434,731 | 482,116 |
| School administrative services | 114,421 | 66,180 | 103,098 | 93,023 | 90,564 | 97,228 | 93,554 | 98,702 | 93,040 | 106,783 |
| Other administrative services | 75,635 | 92,706 | 79,892 | 93,526 | 100,103 | 120,089 | 131,607 | 149,288 | 179,487 | 211,317 |
| Plant operations and maintenance | 213,538 | 194,173 | 273,800 | 238,060 | 267,438 | 332,738 | 372,915 | 563,572 | 399,244 | 373,612 |
| Pupil transportation | 72,995 | 50,759 | 44,447 | 43,280 | 57,344 | 55,533 | 52,318 | 55,572 | 67,197 | 73,900 |
| Employee benefits | 487,250 | 384,340 | - | - | - | - | - | - | - | - |
| Internal service | 95,015 | 97,285 | 99,099 | 105,527 | 12,553 | 68,645 | 69,186 | 72,122 | 163,364 | 172,311 |
| Interest on long-term debt | | | | | | 2,598 | - | - | 3,742 | - |
| Special Schools | | | | | | | | | | |
| Total governmental activities expenses | <u>2,647,281</u> | <u>2,476,088</u> | <u>2,484,096</u> | <u>2,430,344</u> | <u>3,494,196</u> | <u>3,514,129</u> | <u>3,380,916</u> | <u>3,337,565</u> | <u>3,369,809</u> | <u>3,703,799</u> |
| Business-type activities: | | | | | | | | | | |
| Milk Fund | 1,739 | 985 | 1,397 | 1,845 | 819 | 140 | - | - | - | - |
| Total business-type activities expense | <u>1,739</u> | <u>985</u> | <u>1,397</u> | <u>1,845</u> | <u>819</u> | <u>140</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total district expenses | <u>2,649,020</u> | <u>2,477,073</u> | <u>2,485,493</u> | <u>2,432,189</u> | <u>3,495,015</u> | <u>3,514,269</u> | <u>3,380,916</u> | <u>3,337,565</u> | <u>3,369,809</u> | <u>3,703,799</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for Services | | | | | | | | | | |
| Central and other support services | 245,376 | 247,276 | 255,196 | 276,376 | 937,233 | 871,405 | 766,306 | 569,522 | 647,414 | 603,931 |
| Operating grants and contributions | 17,295 | 14,502 | 49,815 | 33,612 | 33,475 | 32,393 | 25,798 | 305,266 | 451,135 | 615,609 |
| Total governmental activities program revenues | <u>262,671</u> | <u>261,778</u> | <u>305,011</u> | <u>309,988</u> | <u>970,708</u> | <u>903,798</u> | <u>792,104</u> | <u>874,788</u> | <u>1,098,549</u> | <u>1,219,540</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Milk Fund | 1,819 | 1,553 | 2,229 | 1,111 | 848 | 498 | - | - | - | - |
| Operating grants and contributions | | | | | | | | | | |
| Capital grants and contributions | | | | | | | | | | |
| Total business-type activities program revenues | <u>1,819</u> | <u>1,553</u> | <u>2,229</u> | <u>1,111</u> | <u>848</u> | <u>498</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total district program revenues | <u>264,490</u> | <u>263,331</u> | <u>307,240</u> | <u>311,099</u> | <u>971,556</u> | <u>904,296</u> | <u>792,104</u> | <u>874,788</u> | <u>1,098,549</u> | <u>1,219,540</u> |
| Net (Expense)/Revenue | | | | | | | | | | |

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

| | For the Year Ended June 30, | | | | | | | | | |
|---|-----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental activities | (2,384,610) | (2,214,310) | (2,179,085) | (2,120,356) | (2,523,488) | (2,610,331) | (2,588,812) | (2,462,777) | (2,271,260) | (2,484,259) |
| Business-type activities | 80 | 568 | 832 | (734) | 29 | 358 | - | - | - | - |
| Total district-wide net expense | <u>(2,384,530)</u> | <u>(2,213,742)</u> | <u>(2,178,253)</u> | <u>(2,121,090)</u> | <u>(2,523,459)</u> | <u>(2,609,973)</u> | <u>(2,588,812)</u> | <u>(2,462,777)</u> | <u>(2,271,260)</u> | <u>(2,484,259)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes levied for general purposes, net | 1,969,219 | 2,047,988 | 2,129,907 | 2,215,103 | 2,215,104 | 2,259,406 | 2,349,594 | 2,396,585 | 2,396,585 | 2,444,516 |
| Taxes levied for debt service | - | - | - | - | - | - | - | - | - | - |
| Unrestricted grants and contributions | 299,785 | 200,391 | 192,429 | 159,464 | 221,509 | 268,924 | 238,831 | 214,869 | 211,978 | 211,130 |
| Restricted grants and contributions | - | - | - | - | - | - | - | 142,397 | - | - |
| Tuition | - | - | - | - | - | - | - | - | - | - |
| Investment earnings | 10,474 | 8,778 | - | 100 | 200 | 719 | 18 | 463 | 427 | 494 |
| Miscellaneous income | 614 | 2,992 | 5,740 | 9,518 | 4,180 | 126,123 | 100,985 | 1,188 | 15,731 | 5,395 |
| Cancellation of Prior Year Receivable | - | - | - | - | - | - | - | - | - | (25,045) |
| Loss on Disposal of Fixed Assets | - | - | - | - | - | - | (3,888) | - | 4,404 | (29,426) |
| Adjustments | 19,656 | 20,824 | 2,328,076 | 2,384,185 | 2,440,993 | (4,872) | 2,685,540 | 2,755,502 | 2,629,125 | 2,607,064 |
| Total governmental activities | <u>2,299,748</u> | <u>2,280,973</u> | <u>2,328,076</u> | <u>2,384,185</u> | <u>2,440,993</u> | <u>2,650,300</u> | <u>2,685,540</u> | <u>2,755,502</u> | <u>2,629,125</u> | <u>2,607,064</u> |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | - | - | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities | <u>2,299,748</u> | <u>2,280,973</u> | <u>2,328,076</u> | <u>2,384,185</u> | <u>2,440,993</u> | <u>2,650,300</u> | <u>2,685,540</u> | <u>2,755,502</u> | <u>2,629,125</u> | <u>2,607,064</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | (84,862) | 66,663 | 148,991 | 263,829 | (82,495) | 39,969 | 96,728 | 292,725 | 357,865 | 122,805 |
| Business-type activities | 80 | 568 | 832 | (734) | 29 | 358 | - | - | - | - |
| Total district | <u>(84,782)</u> | <u>67,231</u> | <u>149,823</u> | <u>263,095</u> | <u>(82,466)</u> | <u>40,327</u> | <u>96,728</u> | <u>292,725</u> | <u>357,865</u> | <u>122,805</u> |

Source: CAFR Schedule A-2

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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General Fund | | | | | | | | | | |
| Restricted | | | | 390,311 | 372,479 | 332,577 | 326,037 | 144,441 | 223,824 | 223,824 |
| Committed | | | | 612,315 | 637,614 | 600,304 | 421,046 | 600,105 | 555,206 | 555,306 |
| Assigned | | | | 38,460 | 5,324 | 84,539 | 10,247 | 14,158 | 1,456 | 43,823 |
| Unassigned | | | | 250,622 | 248,360 | 245,091 | 245,417 | 244,257 | 245,543 | 240,139 |
| Reserved | 382,118 | 505,914 | 791,473 | | | | | | | |
| Unreserved | 249,235 | 243,907 | 243,337 | | | | | | | |
| Total general fund | <u>631,353</u> | <u>749,821</u> | <u>1,034,810</u> | <u>1,291,708</u> | <u>1,263,777</u> | <u>1,262,511</u> | <u>1,002,747</u> | <u>1,002,961</u> | <u>1,026,029</u> | <u>1,063,092</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Assigned | | | | | | | 358,741 | 12,351 | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Capital projects fund | 16,877 | 16,877 | - | - | - | - | (146,802) | 1,967 | - | - |
| Total all other governmental funds | <u>16,877</u> | <u>16,877</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>211,939</u> | <u>14,318</u> | <u>-</u> | <u>-</u> |

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

Source: CAFR Schedule B-1

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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | | | | | | | | | | |
| Tax levy | 1,969,219 | 2,047,988 | 2,129,907 | 2,215,103 | 2,215,104 | 2,259,406 | 2,349,594 | 2,396,585 | 2,396,585 | 2,444,516 |
| Tuition charges | 150,361 | 149,991 | 156,097 | 170,849 | 924,680 | 802,760 | 697,120 | 497,400 | 484,050 | 431,620 |
| Interest earning | 10,474 | 8,778 | | 100 | 200 | 719 | 18 | 463 | 427 | 494 |
| Miscellaneous | 1,214 | 3,178 | 8,520 | 12,662 | 8,091 | 128,979 | 100,985 | 4,318 | 16,865 | 8,169 |
| State sources | 299,785 | 200,391 | 192,429 | 159,464 | 219,232 | 268,924 | 238,831 | 413,381 | 289,107 | 319,360 |
| Federal sources | 36,367 | 35,140 | 47,035 | 30,468 | 29,564 | 29,537 | 25,798 | 12,537 | 28,092 | 11,925 |
| Total revenue | 2,467,420 | 2,445,466 | 2,533,988 | 2,588,646 | 3,396,871 | 3,490,325 | 3,412,346 | 3,324,684 | 3,215,126 | 3,216,084 |
| Expenditures | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular instruction | 868,175 | 832,380 | 846,601 | 907,748 | 888,555 | 817,336 | 913,362 | 883,639 | 813,375 | 879,251 |
| Special education instruction | 59,257 | 63,092 | 65,923 | 38,115 | 85,869 | 87,336 | 114,434 | 111,122 | 96,661 | 98,877 |
| Other instruction | 15,951 | 13,534 | 10,108 | 9,609 | 107,908 | 109,694 | 26,345 | 24,595 | 25,431 | 68,874 |
| Support Services: | | | | | | | | | | |
| Tuition | 259,942 | 258,407 | 199,628 | 156,324 | 995,934 | 921,326 | 778,222 | 560,920 | 516,664 | 474,836 |
| Student & instruction related services | 304,903 | 333,459 | 342,082 | 369,521 | 354,491 | 354,723 | 306,402 | 290,115 | 295,257 | 317,211 |
| General administration | 100,477 | 83,880 | 37,362 | 68,907 | 78,438 | 91,226 | 100,726 | 102,565 | 117,898 | 135,695 |
| School administrative services | 35,984 | 36,569 | 60,488 | 37,979 | 38,687 | 40,500 | 34,248 | 30,938 | 30,202 | 32,740 |
| Plant operations and maintenance | 207,843 | 188,823 | 31,682 | 186,557 | 221,416 | 275,814 | 304,864 | 418,392 | 283,245 | 252,283 |
| Pupil transportation | 72,995 | 50,759 | 222,862 | 34,380 | 48,308 | 45,717 | 43,529 | 41,833 | 48,078 | 50,864 |
| Other support services | 31,461 | 36,860 | 36,860 | 28,611 | 30,524 | 30,800 | 34,223 | 32,068 | 31,756 | 31,591 |
| Unallocated employee benefits | 487,250 | 384,340 | 395,253 | 464,132 | 537,599 | 608,516 | 556,345 | 582,532 | 544,738 | 536,556 |
| Special Schools | | | | | | 2,598 | - | - | 3,226 | - |
| Charter Schools | | | | | | | | | | |
| Capital outlay | 51,190 | 50,294 | 17,027 | 29,865 | 32,204 | 106,005 | 243,583 | 443,372 | 404,249 | 275,198 |
| Debt service: | | | | | | | | | | |
| Principal | | | | | | | | | | |
| Interest and other charges | | | | | | | | | | |
| Total expenditures | 2,463,967 | 2,326,998 | 2,265,876 | 2,331,748 | 3,419,933 | 3,491,591 | 3,456,283 | 3,522,091 | 3,210,780 | 3,153,976 |
| Excess (Deficiency) of revenues over (under) expenditures | 3,453 | 118,468 | 268,112 | 256,898 | (23,062) | (1,266) | (43,937) | (197,407) | 4,346 | 62,108 |
| Other Financing sources (uses) | | | | | | | | | | |
| Transfer in | | | | | | | | | | |
| Transfers out | | | 16,877 | | | | 246,588 | 6,371 | (6,371) | - |
| Cancellation of prior year receivable | | | (16,877) | | | | (246,588) | (6,371) | 6,371 | - |
| Cancellation of prior year payable | | | | | | | (3,888) | | 4,404 | (25,045) |
| Insurance Recoveries for Storm Damage | | | | | | 648,334 | - | | | |
| Expenses related to Storm Damage | | | | | | (648,334) | - | | | |
| Increase in Capital Reserve | | | | | | | | (101) | (101) | |
| Transfer to Capital Reserve | | | | | | | | (178,958) | (44,899) | |
| Interest earned on Capital Reserve | | | | | | | | 179,059 | 45,000 | |
| Total other financing sources (uses) | | | | | | | (3,888) | | 4,404 | (25,045) |
| Net change in fund balances | 3,453 | 118,468 | 268,112 | 256,898 | (23,062) | (1,266) | (47,825) | (197,407) | 8,750 | 37,063 |

Source: CAFR Schedule B-2

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

| Fiscal Year Ended June 30, | Interest on Investments | Misc. | Total |
|-------------------------------|----------------------------|---------|---------|
| 2008 | 10,374 | 614 | 10,988 |
| 2009 | 8,778 | 2,992 | 11,770 |
| 2010 | - | 5,740 | 5,740 |
| 2011 | 100 | 12,662 | 12,762 |
| 2012 | 200 | 8,091 | 8,291 |
| 2013 | 719 | 126,123 | 126,842 |
| 2014 | 18 | 100,985 | 101,003 |
| 2015 | 463 | 1,188 | 1,651 |
| 2016 | 427 | 15,731 | 16,158 |
| 2017 | 494 | 5,395 | 5,889 |

Source: District Records

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

| Fiscal Year Ended June 30, | Firm Reg. | | | | Total Assessed Value | | | Less: Tax-Exempt Property | Public Utilities ^a | Net Valuation Taxable | Total Direct School Tax Rate ^b | Estimated Actual (County Equalized Value) |
|----------------------------|-------------|---------------|-------|-------------|----------------------|-----------|---------------|---------------------------|-------------------------------|-----------------------|---|---|
| | Vacant Land | Residential | Qfarm | Commercial | Industrial | Apartment | Apartment | | | | | |
| 2008 | | 3,626,262,310 | | | | 4,370,200 | 3,626,262,310 | | | 3,626,262,310 | 0.057 | 4,799,805,585 |
| 2009 | 70,404,000 | 4,472,084,700 | | 161,782,800 | | 4,370,200 | 4,708,641,700 | 295,268,500 | 557,259 | 4,413,930,459 | 0.049 | 4,856,819,777 |
| 2010 | 68,696,300 | 4,482,120,600 | | 161,782,800 | | 4,370,200 | 4,716,969,900 | 295,268,500 | 557,703 | 4,422,259,103 | 0.052 | 4,619,894,891 |
| 2011 | 67,064,000 | 4,490,125,700 | | 161,489,800 | | 4,370,200 | 4,723,049,700 | 295,268,500 | 489,027 | 4,428,270,227 | 0.051 | 4,498,890,590 |
| 2012 | 75,408,100 | 4,490,726,300 | | 159,449,900 | | 4,370,200 | 4,729,954,500 | 295,268,500 | 473,991 | 4,435,159,991 | 0.051 | 4,449,303,435 |
| 2013 | 86,382,100 | 4,472,077,900 | | 156,638,100 | | 4,370,200 | 4,719,468,300 | 296,529,600 | 440,239 | 4,423,378,939 | 0.053 | 4,188,584,215 |
| 2014 | 94,982,300 | 4,451,222,400 | | 165,999,000 | | 4,370,200 | 4,716,573,900 | 298,422,200 | 303,125 | 4,418,454,825 | 0.056 | 4,053,767,320 |
| 2015 | 96,253,000 | 4,468,793,200 | | 165,112,500 | | 2,655,200 | 4,732,813,900 | 299,171,000 | 304,330 | 4,433,947,230 | 0.055 | 4,008,685,861 |
| 2016 | 82,610,800 | 4,489,928,900 | | 165,428,800 | | 2,655,200 | 4,740,623,700 | 299,171,000 | 304,621 | 4,441,757,321 | 0.056 | 4,130,826,571 |
| 2017 | 50,599,300 | 4,536,037,000 | | 163,874,700 | | 2,655,200 | 4,753,166,200 | 299,161,600 | 308,488 | 4,454,313,088 | 0.056 | 4,316,439,875 |

Source: District records Tax list summary & Municipal Tax Assessor

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

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

b Tax rates are per \$100

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

| Fiscal Year Ended June 30, | BOROUGH OF STONE HARBOR SCHOOL DISTRICT | | | Overlapping Rates | | Total Direct and Overlapping Tax Rate |
|-------------------------------------|---|----------------------------|--------------|-------------------------------|--------------------|---|
| | Basic Rate ^a | General Obligation Debt | | Borough of Stone Harbor | Cape May County | |
| | | Service ^b | Total Direct | | | |
| 2008 | 0.057 | - | 0.057 | 0.218 | 0.254 | 0.529 |
| 2009 | 0.049 | - | 0.049 | 0.190 | 0.224 | 0.463 |
| 2010 | 0.052 | - | 0.052 | 0.198 | 0.223 | 0.473 |
| 2011 | 0.051 | - | 0.051 | 0.202 | 0.226 | 0.479 |
| 2012 | 0.051 | - | 0.051 | 0.216 | 0.235 | 0.502 |
| 2013 | 0.053 | - | 0.053 | 0.224 | 0.232 | 0.509 |
| 2014 | 0.056 | - | 0.056 | 0.232 | 0.230 | 0.518 |
| 2015 | 0.055 | - | 0.055 | 0.239 | 0.231 | 0.525 |
| 2016 | 0.056 | - | 0.056 | 0.239 | 0.240 | 0.535 |
| 2017 | 0.056 | - | 0.056 | 0.245 | 0.254 | 0.555 |

Source: District Records and Municipal Tax Collector

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

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

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

| Taxpayer | 2017 | | | | 2008 | | | |
|----------------------------------|------------------------|-----------------|--|------------------------|-----------------|--|--|--|
| | Taxable Assessed Value | Rank [Optional] | % of Total District Net Assessed Value | Taxable Assessed Value | Rank [Optional] | % of Total District Net Assessed Value | | |
| Immaculate Heart of Mary Convent | 29,975,000 | 1 | 0.67% | 26,078,200 | 1 | 0.72% | | |
| 100th Street LLC | 15,580,600 | 2 | 0.35% | | | | | |
| Taxpayer #1 | 11,413,400 | 3 | 0.26% | | | | | |
| NACL Associates | 11,340,300 | 4 | 0.25% | | | | | |
| Taxpayer #2 | 9,976,800 | 5 | 0.22% | | | | | |
| Taxpayer #3 | 9,788,700 | 6 | 0.22% | | | | | |
| Taxpayer #4 | 9,600,000 | 7 | 0.22% | | | | | |
| Taxpayer #5 | 8,850,500 | 8 | 0.20% | | | | | |
| Taxpayer #6 | 8,120,700 | 9 | 0.18% | | | | | |
| Taxpayer #7 | 8,023,500 | 10 | 0.18% | | | | | |
| Taxpayer #8 | | | | 14,469,900 | 2 | 0.40% | | |
| Taxpayer #9 | | | | 9,058,700 | 3 | 0.25% | | |
| Taxpayer #10 | | | | 7,374,800 | 4 | 0.20% | | |
| Taxpayer #11 | | | | 6,387,400 | 5 | 0.18% | | |
| Taxpayer #12 | | | | 6,233,100 | 6 | 0.17% | | |
| Taxpayer #13 | | | | 6,071,300 | 7 | 0.17% | | |
| Taxpayer #14 | | | | 5,870,800 | 8 | 0.16% | | |
| Taxpayer #15 | | | | 5,816,400 | 9 | 0.16% | | |
| Taxpayer #16 | | | | 5,786,500 | 10 | 0.16% | | |
| Total | 122,669,500 | | 2.75% | 93,147,100 | | 2.57% | | |

Source: District CAFR & Municipal Tax Assessor

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

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years |
|-------------------------------------|--|---|-----------------------|--|
| | | Amount | Percentage of Levy | |
| 2008 | 1,969,219 | 1,969,219 | 100% | |
| 2009 | 2,047,988 | 2,047,988 | 100% | |
| 2010 | 2,129,907 | 2,129,907 | 100% | |
| 2011 | 2,215,103 | 2,215,103 | 100% | |
| 2012 | 2,215,104 | 2,215,104 | 100% | |
| 2013 | 2,259,406 | 2,259,406 | 100% | |
| 2014 | 2,349,594 | 2,304,594 | 98% | 45,000 |
| 2015 | 2,396,585 | 2,396,585 | 100% | |
| 2016 | 2,396,585 | 2,396,585 | 100% | |
| 2017 | 2,444,516 | 2,444,516 | 100% | |

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

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

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

| Fiscal Year Ended June 30, | Governmental Activities | | | Business-Type Activities | | Percentage of Personal Income ^a | Per Capita ^a |
|----------------------------|--------------------------|-------------------------------|----------------|--------------------------------|----------------|--|-------------------------|
| | General Obligation Bonds | Certificates of Participation | Capital Leases | Bond Anticipation Notes (BANs) | Capital Leases | | |
| 2008 | - | - | - | - | - | 0.000% | - |
| 2009 | - | - | - | - | - | 0.000% | - |
| 2010 | - | - | - | - | - | 0.000% | - |
| 2011 | - | - | - | - | - | 0.000% | - |
| 2012 | - | - | - | - | - | 0.000% | - |
| 2013 | - | - | - | - | - | 0.000% | - |
| 2014 | - | - | - | - | - | 0.000% | - |
| 2015 | - | - | - | - | - | 0.000% | - |
| 2016 | - | - | - | - | - | 0.000% | - |
| 2017 | - | - | - | - | - | 0.000% | - |

No Debt for past 10 Years

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

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

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

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

| Fiscal Year Ended June 30, | <u>General Bonded Debt Outstanding</u> | | | Percentage of Actual Taxable Value ^a of Property | <u>Per Capita ^b</u> |
|-------------------------------------|--|------------|---|--|--------------------------------|
| | General Obligation Bonds | Deductions | Net General Bonded Debt Outstanding | | |
| 2008 | - | | - | 0.000% | |
| 2009 | - | | - | 0.000% | |
| 2010 | - | | - | 0.000% | |
| 2011 | - | | - | 0.000% | |
| 2012 | - | | - | 0.000% | |
| 2013 | - | | - | 0.000% | |
| 2014 | - | | - | 0.000% | |
| 2015 | - | | - | 0.000% | |
| 2016 | - | | - | 0.000% | |
| 2017 | - | | - | 0.000% | |

No Debt for past 10 Years

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

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

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2017
Unaudited

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable ^a</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|---|--|
| Debt repaid with property taxes | | | |
| Borough of Stone Harbor | 35,693,371 | 100.00% | 35,693,371 |
| County of Cape May - Borough's share (8.81%) | 226,540,860 | 8.81% | 19,949,094 |
| | | | |
| Subtotal, overlapping debt | | | 55,642,465 |
| BOROUGH OF STONE HARBOR SCHOOL DISTRICT Direct Debt | | | - |
| Total direct and overlapping debt | | | <u><u>55,642,465</u></u> |

Sources: Borough of Stone Harbor Finance Officer

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2016

| | Equalized valuation basis | | | | | | | | | | |
|---|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------|
| | 2016 | 2015 | 2014 | | | | | | | 2016 | 2017 |
| | 4,300,399,593 | 4,119,720,219 | 3,990,743,113 | | | | | | | 4,136,954,308 | 103,423,858 |
| | <u>12,410,862,925</u> | | | | | | | <u>103,423,858</u> | <u>-</u> | <u>103,423,858</u> | |
| Average equalized valuation of taxable property | | | | | | | | | | | |
| | | | | | | | | | | a | |
| | Debt limit (2.5% of average equalized value) | | | | | | | | | | |
| | Net bonded school debt | | | | | | | | | | |
| | Legal debt margin | | | | | | | | | | |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | |
| Debt limit | 132,355,193 | 142,106,623 | 142,109,124 | 139,288,030 | 112,803,220 | 109,336,311 | 105,722,581 | 101,999,242 | 101,370,716 | 103,423,858 | |
| Total net debt applicable to limit | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | |
| Legal debt margin | <u>132,355,193</u> | <u>142,106,623</u> | <u>142,109,124</u> | <u>139,288,030</u> | <u>112,803,220</u> | <u>109,336,311</u> | <u>105,722,581</u> | <u>101,999,242</u> | <u>101,370,716</u> | <u>103,423,858</u> | |
| Total net debt applicable to the limit as a percentage of debt limit | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | |

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

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

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

| <u>Year</u> | <u>Population ^a</u> | <u>Personal Income (thousands of dollars) ^b</u> | <u>Per Capita Personal Income ^c</u> | <u>Unemployment Rate ^d</u> |
|-------------|--------------------------------|--|--|---|
| 2008 | 1,023 | 47,822 | 46,747 | 6.00% |
| 2009 | 1,017 | 46,787 | 46,005 | 8.70% |
| 2010 | 1,016 | 48,258 | 47,498 | 8.70% |
| 2011 | 866 | 41,133 | 47,498 | 9.10% |
| 2012 | 860 | 40,848 | 47,498 | 9.50% |
| 2013 | 854 | 41,585 | 48,694 | 10.30% |
| 2014 | 847 | 44,278 | 52,276 | 11.20% |
| 2015 | 844 | 45,519 | 53,932 | 10.30% |
| 2016 | 836 | 43,315 | 51,812 | 8.90% |
| 2017 | 833 | 44,406 | 53,309 | 6.90% |

Source:

- a Population information provided by the NJ Dept of Labor and Workforce Development
- b Personal income provided by the US Dept. of Commerce, Bureau of Economic Analysis.
- c Per Capita information provided by the US Dept. of Commerce, Bureau of Economic Analysis.
- d Unemployment data provided by the NJ Dept of Labor and Workforce Development

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

| <u>Function/Program</u> | <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 | 10.6 | 10.0 | 13.4 | 13.2 | 13.7 | 11.6 | 11.8 | 11.1 | 11.1 | 11.1 |
| Regular | | | | | | | | | | |
| Support Services: | | | | | | | | | | |
| School administrative services | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Business administrative services | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Student & instruction related services | 2.8 | 2.0 | 0.5 | 0.5 | 2.3 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Central services | 1.5 | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 2.5 | 2.0 | 2.0 | 2.0 |
| Total | 16.4 | 14.5 | 16.4 | 16.2 | 18.4 | 16.6 | 17.3 | 16.1 | 16.1 | 16.1 |

Source: District Personnel Records

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

| Fiscal Year | Pupil/Teacher Ratio | | | | | | | Average Daily Enrollment (ADE) ^c | Average Daily Attendance (ADA) ^c | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|---------------------|-------------------------------------|----------------|-------------------|-----------------------------|------------|---------------|---|---|--------------------------------------|-------------------------------|
| | Enrollment | Operating Expenditures ^a | Cost Per Pupil | Percentage Change | Teaching Staff ^b | Elementary | Middle School | | | | |
| 2008 | 84 | 2,412,777 | 28,724 | 21.68% | 10.6 | 8:1 | 82.70 | 78.80 | -11.55% | 95.28% | |
| 2009 | 80 | 2,276,704 | 28,459 | -0.92% | 10.0 | 8:1 | 79.80 | 74.20 | -3.51% | 92.98% | |
| 2010 | 61 | 2,248,849 | 36,866 | 29.54% | 13.4 | 8:1 | 62.80 | 58.70 | -21.30% | 93.47% | |
| 2011 | 75 | 2,301,883 | 30,692 | -16.75% | 13.4 | 6:1 | 78.70 | 69.70 | 25.32% | 88.56% | |
| 2012 | 79 | 3,387,729 | 42,883 | 39.72% | 13.7 | 6:1 | 73.00 | 69.60 | -7.24% | 95.34% | |
| 2013 | 78 | 2,531,378 | 32,454 | -24.32% | 11.6 | 7:1 | 76.30 | 72.61 | 4.52% | 95.34% | |
| 2014 | 76 | 2,674,255 | 35,188 | 8.42% | 11.8 | 7:1 | 73.56 | 69.68 | -3.59% | 94.73% | |
| 2015 | 69 | 2,638,452 | 38,238 | 8.67% | 11.1 | 6:1 | 67.50 | 64.16 | -8.24% | 95.05% | |
| 2016 | 68 | 2,397,405 | 35,256 | -7.80% | 11.1 | 6:1 | 69.42 | 65.63 | 2.84% | 94.54% | |
| 2017 | 75 | 2,274,725 | 30,330 | -13.97% | 11.1 | 7:1 | 81.25 | 76.69 | 17.04% | 94.39% | |

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

Note: Enrollment based on annual October district count.

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

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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <u>District Building</u> | | | | | | | | | | |
| <u>Elementary</u> | | | | | | | | | | |
| Stone Harbor Elementary | 22,665 | 22,665 | 22,665 | 22,665 | 22,665 | 22,665 | 22,665 | 22,665 | 22,665 | 22,665 |
| Square Feet | 154 | 154 | 154 | 154 | 154 | 154 | 154 | 154 | 154 | 154 |
| Capacity (students) | 84 | 80 | 61 | 79 | 79 | 78 | 76 | 69 | 68 | 75 |
| Enrollment | | | | | | | | | | |

Number of Schools at June 30, 2017
 Elementary = 1

Source: District records, ASSA

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

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

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

| School Facilities | Project # (s) | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--------------------------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Stone Harbor Elementary | N/A | 55,957 | 58,742 | 203,864 | 67,919 | 44,024 | 69,292 | 50,641 | 57,150 | 46,115 | 52,425 |
| Total School Facilities | | <u>55,957</u> | <u>58,742</u> | <u>203,864</u> | <u>67,919</u> | <u>44,024</u> | <u>69,292</u> | <u>50,641</u> | <u>57,150</u> | <u>46,115</u> | <u>52,425</u> |
| Other Facilities | | | | | | | | | | | |
| Grand Total | | <u>55,957</u> | <u>58,742</u> | <u>203,864</u> | <u>67,919</u> | <u>44,024</u> | <u>69,292</u> | <u>50,641</u> | <u>57,150</u> | <u>46,115</u> | <u>52,425</u> |

BOROUGH OF STONE HARBOR BOARD OF EDUCATION**Insurance Schedule****June 30, 2017*****Unaudited***

| | <u>Coverage ^a</u> | <u>Deductible</u> |
|--|------------------------------|-------------------|
| School package Policy - New Jersey School Board Association Insurance Group | | |
| Property- Blanket Building & Contents | \$ 5,476,700 | 1,000 |
| Comprehensive General Liability | 11,000,000 | |
| Comprehensive Automobile Liability | 11,000,000 | |
| Comprehensive Crime Coverage | 50,000 | 500 |
| Electronic Data Processing Equipment | 275,000 | 1,000 |
| Blanket Extra Expense | 50,000,000 | 1,000 |
| Blanket Valuable Papers and Records | 10,000,000 | 1,000 |
| Employee Benefits Liability | 11,000,000 | 1,000 |
| Cyber Liability | 1,000,000 | 1,000 |
| Environmental Liability | 1,000,000 | 1,000 |
| Equipment Breakdown | 100,000,000 | 1,000 |
| Loss of Business Income/Tuition | 846,000 | 1,000 |
| Workers' Compensation - New Jersey School Board Association Insurance Group | statutory | |
| School Board Legal Liability - New Jersey School Board Association Insurance Group | | |
| Errors and Omissions Policy | 11,000,000 | 5,000 |
| Flood Insurance - New Jersey School Board | | |
| Building | 1,000,000 | 500,000 |
| Contents | 1,000,000 | 500,000 |

Source: District Records

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

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Single Audit Section

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Stone Harbor School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Borough of Stone Harbor School District's basic financial statements, and have issued our report thereon dated .

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Michael S. Garcia

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

November 17, 2017

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year Ended June 30, 2017

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Federal FAIN Number | Grant or State Project Number | Grant Period | Program or Award Amount | Balance 6/30/2016 | Carryover/(Walkover) Amount | Cash Received | Budgetary Expenditures | | | Repayment of Prior Years' Balances/ Adjustments | (Accounts Receivable) 6/30/2017 | Deferred Revenue 6/30/2017 | Due to Grantor at 6/30/2017 | |
|--|---------------------|---------------------|-------------------------------|----------------|-------------------------|-------------------|-----------------------------|---------------|------------------------|--------|----------|---|---------------------------------|----------------------------|-----------------------------|---|
| | | | | | | | | | Pass Through | Direct | Total | | | | | |
| Passed-through State Department of Education: | | | | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | | | | |
| IDEA Part B, Basic Regular | 84-027 | H027A160100 | FT17 | 7/1/16-6/30/17 | - | - | - | - | (11,925) | - | (11,925) | - | (11,925) | - | - | - |
| Total Special Revenue Fund | | | | | | - | - | - | (11,925) | - | (11,925) | - | (11,925) | - | - | - |
| Total Federal Awards | | | | | | - | - | - | (11,925) | - | (11,925) | - | (11,925) | - | - | - |

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year Ended June 30, 2017

| State Grantor/Program Title | Grant or State Project Number | Program or Award Amount | Grant Period | Balance at 6/30/2016 | Carryover/(Walkover) Amount | Cash Received | Budgetary Expenditures | Adjustments/Repayment of Prior Years' Balances | Balance at June 30, 2017 | | MEMO | |
|--------------------------------------|-------------------------------|-------------------------|----------------|----------------------|-----------------------------|---------------|------------------------|--|--------------------------|------------------|-------|----------------|
| | | | | | | | | | (Accounts Receivable) | Deferred Revenue | | Due to Grantor |
| State Department of Education | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | |
| Special Education Categorical Aid | 17-495-034-5120-089 | 23,364 | 7/1/16-6/30/17 | - | - | 23,364 | (23,364) | - | - | - | 2,180 | 23,364 |
| Security Aid | 17-495-034-5120-084 | 2,797 | 7/1/16-6/30/17 | - | - | 2,797 | (2,797) | - | - | - | 261 | 2,797 |
| Adjustment Aid | 17-495-034-5120-085 | 6,924 | 7/1/16-6/30/17 | - | - | 6,924 | (6,924) | - | - | - | 646 | 6,924 |
| PARCC Readiness Aid | 17-495-034-5120-098 | 350 | 7/1/16-6/30/17 | - | - | 350 | (350) | - | - | - | 33 | 350 |
| Per Pupil Growth Aid | 17-495-034-5120-097 | 350 | 7/1/16-6/30/17 | - | - | 350 | (350) | - | - | - | 33 | 350 |
| Professional Learning Community Aid | 17-495-034-5120-101 | 310 | 7/1/16-6/30/17 | - | - | 310 | (310) | - | - | - | 29 | 310 |
| Subtotal State Aid Public | | | | | | | | | | | | |
| Transportation Aid | 17-495-034-5120-014 | 19,876 | 7/1/16-6/30/17 | - | - | 19,876 | (19,876) | - | - | - | 3,182 | 34,095 |
| Reimbursed Non Public | | | | | | | | | | | | |
| Transportation Aid | N/A | 522 | 7/1/15-6/30/16 | (522) | - | 522 | - | - | - | - | - | 522 |
| Transportation Aid | N/A | 348 | 7/1/16-6/30/17 | - | - | - | (348) | - | - | - | - | 348 |
| Social Security Contributions | 16-495-034-5094-003 | 66,153 | 7/1/15-6/30/16 | (3,246) | - | 3,246 | - | - | - | - | - | 66,153 |
| Reimbursed TPAF | 17-495-034-5094-003 | 66,632 | 7/1/16-6/30/17 | - | - | 66,321 | (66,632) | - | - | (311) | - | 66,632 |
| Total General Fund | | | | | | | | | | | | |
| | | | | (3,768) | - | 124,060 | (120,951) | - | - | (659) | - | 187,626 |
| Total State Financial Assistance | | | | | | | | | | | | |
| | | | | (3,768) | - | 124,060 | (120,951) | - | - | (659) | - | 187,626 |

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

Borough of Stone Harbor School District
Notes to the Schedules of Financial Assistance
June 30, 2017

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from budgetary basis to GAAP basis is \$198,467 for the general fund, \$0 for the special revenue fund and \$0 for the capital projects fund. See the following schedule and Schedule C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

Borough of Stone Harbor School District
Notes to the Schedules of Financial Assistance
June 30, 2017

| | <u>General Fund</u> | <u>Total</u> |
|--|-------------------------|-------------------|
| State Assistance: | | |
| Actual amounts (budgetary) “revenues” from the Schedule of Expenditures of State Financial Assistance | \$ 120,951 | 120,951 |
| Difference – budget to “GAAP” | | |
| State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes | 4,979 | 4,979 |
| State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year. | (5,037) | (5,037) |
| On Behalf TPAF payments recognized for GAAP statements not included in the Schedule of Expenditures of State Financial Assistance | 198,467 | 198,467 |
| Total State revenue as reported on the statement of revenues, expenditures and changes in fund balances | <u>\$ 319,360</u> | <u>\$ 319,360</u> |

Borough of Stone Harbor School District
Notes to the Schedules of Financial Assistance
June 30, 2017

| | Special Revenue Fund | Total |
|---|-------------------------|--------|
| Federal Assistance: | | |
| Actual amounts (budgetary) "revenues" from the Schedule of Expenditures of Federal Awards | \$ 11,925 | 11,925 |
| 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 | \$ 11,925 | 11,925 |

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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

**BOROUGH OF STONE HARBOR SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I -- Summary of Auditor's Results

Financial Statement Section

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

Federal Awards Section

Not Applicable

| | | | |
|--|-----------|-------------|---------------|
| Internal Control over major programs: | | | |
| 1) Material weakness(es) identified? | _____ yes | _____ _____ | no |
| 2) Significant deficiencies identified | _____ yes | _____ _____ | none reported |

Type of auditor's report on compliance for major programs _____ N/A _____

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance _____ yes _____ no

Identification of major programs:

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

Dollar threshold used to determine Type A programs: _____

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

**BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I -- Summary of Auditor's Results

State Awards Section

Not Applicable

Internal Control over major programs:

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

2) Significant deficiencies identified _____ yes _____ none reported

Type of auditor's report on compliance for major programs

_____ N/A _____

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

_____ yes _____ no

Identification of major programs:

GMIS Number(s)

Name of State Program

| | |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

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

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

**BOROUGH OF STONE HARBOR SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2017**

Part 2 – Schedule of Financial Statement Findings

NONE

Part 3 – Schedule of State Award Findings and Questioned Costs

NONE

STATUS OF PRIOR YEAR FINDINGS

NONE