

Comprehensive Annual Financial Report

of the

Borough of Stone Harbor Board of Education

Stone Harbor, New Jersey

For the Fiscal Year Ended June 30, 2018

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

January 25, 2019

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, 2018, 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 Pre K 3, PreK 4 and 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 2017-2018 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>
2017-2018	90	20.0%
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 2017-18 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 PreK 3, Prek 4 and 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, 2018.

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,

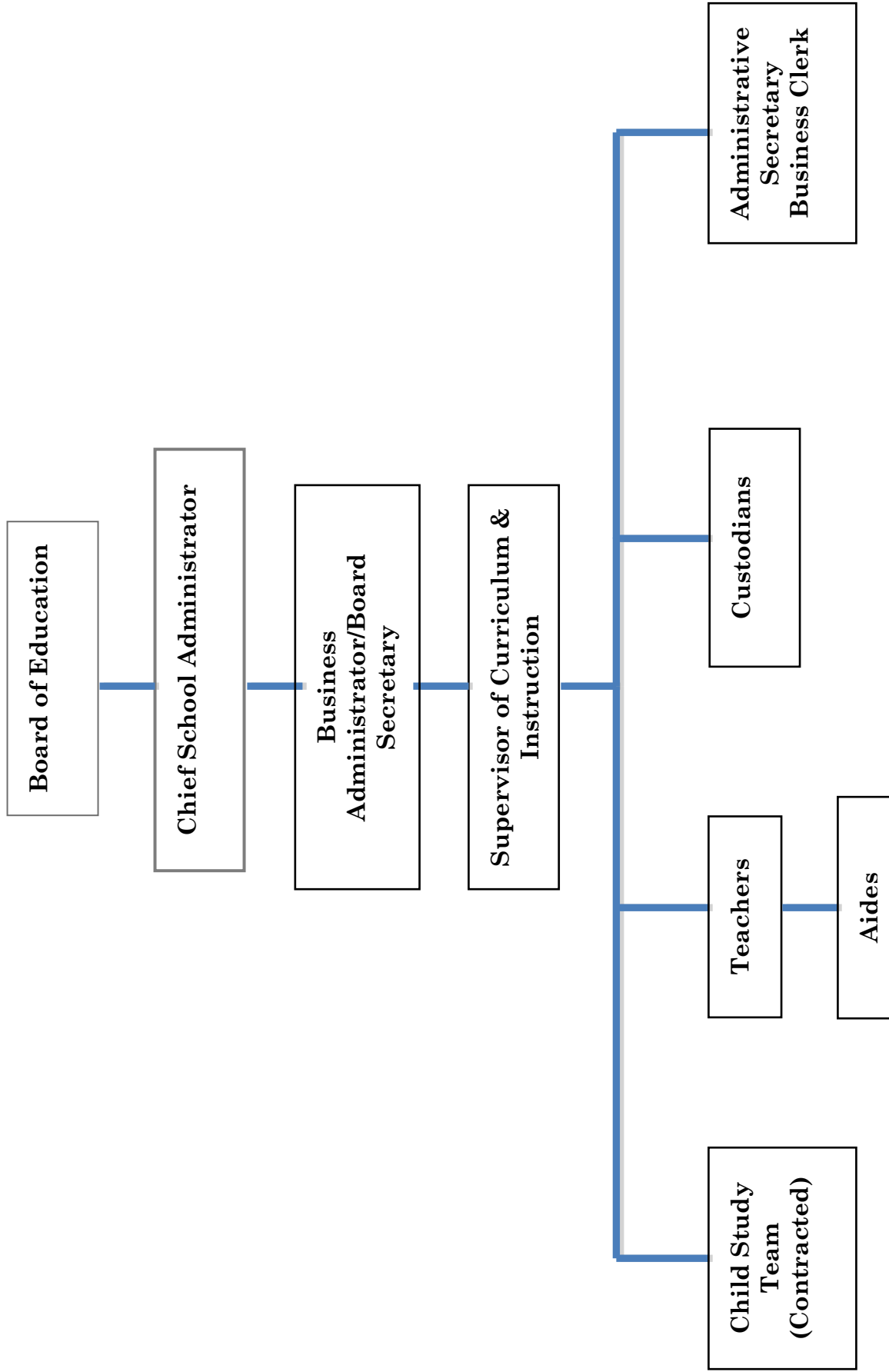
Stacey LaRocca-Tracy

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, 2018

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Mr. William Stump, President	2021
Mr. James Gallagher	2020
Dr. John McAllister	2019
Mr. Mark Matreale	2020
Ms. Maggie Day	2021
Lois Scarpa (Avalon Representative)	2019

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

Frank P. Cavallo, Jr., Esq.
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, 2018, 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, 2018, 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 January 25, 2019 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

January 25, 2019

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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, 2018. 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 \$65,778 during the fiscal year ended June 30, 2018 for the employer's share of social security contributions. The State of New Jersey also paid \$232,773 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, 2018 the District had excess surplus of \$124,583, of which \$0 was required to be budgeted as a revenue for the year ending June 30, 2019 and \$124,583 is designated for subsequent year budgets.
- During the fiscal year ended June 30, 2018, the District's revenues were approximately \$229,148 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 2018 and 2017 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$1,295,324	\$ 1,064,696	(12,489)	(11,374)	1,282,835	1,053,322
Capital assets	2,781,305	2,890,929			2,781,305	2,890,929
Total assets	<u>4,076,629</u>	<u>3,955,625</u>	<u>(12,489)</u>	<u>(11,374)</u>	<u>4,064,140</u>	<u>3,944,251</u>
Deferred outflows of resources	163,754	247,013	-	-	163,754	247,013
Other liabilities	524,683	728,181			524,683	728,181
Total liabilities	<u>524,683</u>	<u>728,181</u>	<u>-</u>	<u>-</u>	<u>524,683</u>	<u>728,181</u>
Deferred inflows of resources	153,192	28,820	-	-	153,192	28,820
Net position						
Net invested in capital assets	2,781,305	2,890,929			2,781,305	2,890,929
Restricted	1,047,170	822,953			1,047,170	822,953
Unrestricted	(265,967)	(268,245)	(12,489)	(11,374)	(278,456)	(279,619)
Total net assets	<u>\$3,562,508</u>	<u>\$ 3,445,637</u>	<u>(12,489)</u>	<u>(11,374)</u>	<u>3,550,019</u>	<u>3,434,263</u>

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, 2018, the District had excess fund balance in the amount of \$124,583 of which \$0 has been included in the 2018-2019 budget and the remaining \$124,583 will be included in the 2019-2020 budget.

Changes in net position. The total general fund revenue of the District increased approximately \$223,400 due to an increase in the state sources.

Approximately 15.01% 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.

	2018		2017	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Property taxes	\$ 2,493,408	72.51%	2,444,516	76.01%
Unrestricted Federal and State aid	516,229	15.01%	319,360	9.93%
Tuition	414,228	12.05%	431,620	13.42%
Operating grants and contributions	13,728	0.40%	14,699	0.46%
Other	928	0.03%	5,889	0.18%
Totals	\$ <u>3,438,521</u>	<u>100.00%</u>	<u>3,216,084</u>	<u>100.00%</u>

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Governmental Activities

The following schedule summarizes the governmental and business-type activities of the District during the 2018 and 2017 fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenue						
Charges for services	\$ 650,641	603,931	28,928	7,860	679,569	611,791
State grants and entitlements	761,708	615,609			761,708	615,609
General revenues						
Property taxes	2,493,408	2,444,516			2,493,408	2,444,516
State aid entitlements	217,678	211,130			217,678	211,130
Other	(5,179)	(48,584)			(5,179)	(48,584)
Total revenues	4,118,256	3,826,602	28,928	7,860	4,147,184	3,834,462
Expenses						
Instruction:						
Regular	1,555,586	1,336,009			1,555,586	1,336,009
Special Education	164,440	157,824			164,440	157,824
Other Instruction	200,205	100,063			200,205	100,063
Support services:						
Tuition	564,938	689,862			564,938	689,862
Student & instruction related	500,901	482,116			500,901	482,116
School administration services	111,745	106,783			111,745	106,783
General & business admin	172,431	211,317			172,431	211,317
Plant operations & maintenance	422,274	373,612			422,274	373,612
Pupil transportation	70,593	73,900			70,593	73,900
Internal service fund	236,413	172,311			236,413	172,311
Special Schools	1,859	-			1,859	-
Business-type activities			30,043	20,311	30,043	20,311
Total expenses	4,001,385	3,703,797	30,043	20,311	4,031,428	3,724,108
Increase/(Decrease) in net assets	116,871	122,805	(1,115)	(12,451)	115,756	110,354

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 \$1,292,240 which is approximately \$229,148 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 \$13,080. 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 \$494,000.

CAPITAL ASSET

Capital Assets

At the end of 2018, the District had invested \$2.78 million in a broad range of capital assets, including land, buildings, vehicles and machinery.

	Governmental Activities		Business-type Activities		Totals	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 410,630	\$ 410,630			410,630	410,630
Buildings and Bldg improvements	2,063,202	2,139,972			2,063,202	2,139,972
Machinery & equipment	307,473	340,327			307,473	340,327
					-	
Total	<u>\$ 2,781,305</u>	<u>\$ 2,890,929</u>	<u>-</u>	<u>-</u>	<u>2,781,305</u>	<u>2,890,929</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 2019 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, 2018.

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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, 2018.

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,269,509	-	1,269,509
Receivables, net	-		-
Internal funds	12,489	(12,489)	-
Due from Agency Fund	698		698
Due from other governments	12,628		12,628
Capital assets, net			
Land and land improvements	410,630		410,630
Depreciable assets, net of depreciation	2,370,675		2,370,675
Total Assets	<u>4,076,629</u>	<u>(12,489)</u>	<u>4,064,140</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	163,754		163,754
Total Deferred Outflows of Resources	<u>163,754</u>	<u>-</u>	<u>163,754</u>
LIABILITIES			
Accounts payable	1,892	-	1,892
Unearned revenue	1,192		1,192
Noncurrent liabilities:			
Due within one year	-		-
Due beyond one year	88,719		88,719
Net Pension Liability	432,880		432,880
Total liabilities	<u>524,683</u>	<u>-</u>	<u>524,683</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	153,192		153,192
Total Deferred Inflows of Resources	<u>153,192</u>	<u>-</u>	<u>153,192</u>
NET POSITION			
Net investment in capital assets	2,781,305	-	2,781,305
Restricted for:			
Other purposes	1,047,170		1,047,170
Unrestricted	(265,967)	(12,489)	(278,456)
Total net position	<u>\$ 3,562,508</u>	<u>(12,489)</u>	<u>3,550,019</u>

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Activities
June 30, 2018

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	\$ 1,250,579	305,007	414,228	304,026		(837,332)		(837,332)
Special education	132,198	32,242		31,169		(133,271)		(133,271)
Other instruction	160,950	39,255		41,739		(158,466)		(158,466)
Support services:								
Tuition	454,169	110,769		130,408		(434,530)		(434,530)
Student & instruction related services	402,688	98,213		99,758		(401,143)		(401,143)
School administrative services	89,835	21,910		20,094		(91,651)		(91,651)
Other administrative services	138,623	33,808		32,835		(139,596)		(139,596)
Plant operations and maintenance	339,478	82,796		86,480		(335,794)		(335,794)
Pupil transportation	56,751	13,842		14,717		(55,876)		(55,876)
Unallocated benefits	737,842	(737,842)				-		-
Internal Service Fund	236,413		236,413	482		-		-
Special Schools	1,859					(1,377)		(1,377)
Total governmental activities	4,001,385	-	650,641	761,708	-	(2,589,036)	-	(2,589,036)
Business-type activities:								
Food Service	-	-	-	-		-		-
After School Program	28,966		28,928			(38)		(38)
Total business-type activities	28,966	-	28,928	-	-	(38)	(38)	(38)
Total primary government	\$ 4,030,351	-	679,569	761,708	-	(2,589,036)	(38)	(2,589,074)
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net						2,493,408		2,493,408
Federal and State aid not restricted						217,678		217,678
Federal and State aid restricted						-		-
Investment Earnings						549		549
Miscellaneous Income						379		379
Cancellation of Prior Year Receivable						-		-
Cancellation of Prior Year Payable						-		-
Transfers						1,077	(1,077)	-
Loss on Disposal of Fixed Assets						(7,184)		(7,184)
Total general revenues, special items, extraordinary items and transfers						2,705,907	(1,077)	2,704,830
Change in Net Position						116,871	(1,115)	115,756
Net Position—beginning						3,445,637	(11,374)	3,434,263
Net Position—ending						3,562,508	(12,489)	3,550,019

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, 2018

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,269,509	-	1,269,509
Due from other funds	24,623		24,623
Intergovernmental receivable - state	-		-
Intergovernmental receivable - federal	-	12,628	12,628
Intergovernmental receivable - other	-		-
	<u>1,294,132</u>	<u>12,628</u>	<u>1,306,760</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	1,892		1,892
Due to other funds	-	11,436	11,436
Unearned revenue	-	1,192	1,192
	<u>1,892</u>	<u>12,628</u>	<u>14,520</u>
FUND BALANCES			
Restricted for:			
Excess surplus	124,583		124,583
Excess surplus - designated for subsequent year's expenditures	-		-
Committed to:			
Capital reserve account	530,306		530,306
Maintenance reserve account	140,100		140,100
Emergency reserve account	250,250		250,250
Assigned to:			
Encumbrances	1,931		1,931
Designated for subsequent year's expenditures	-		-
Unreserved, reported in:			
General fund	245,070		245,070
Special revenue fund		-	-
Capital Projects fund			-
	<u>1,292,240</u>	<u>-</u>	<u>1,292,240</u>
Total Fund Balances	<u>1,292,240</u>	<u>-</u>	<u>1,292,240</u>
Total Liabilities and Fund Balances	<u>\$ 1,294,132</u>	<u>12,628</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 2,781,305

Long-term pension liabilities are not due and payable in the current
period and therefore are not reported in the funds (422,318)

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds. (88,719)

Net position of governmental activities 3,562,508

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, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Local tax levy	\$ 2,493,408		2,493,408
Interest	549		549
Tuition	414,228		414,228
Miscellaneous	379		379
Local sources		1,100	1,100
State sources	516,229		516,229
Federal sources	-	12,628	12,628
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	3,424,793	13,728	3,438,521
EXPENDITURES:			
Current expense			
Instruction	979,503	1,100	980,603
Special education instruction	100,896		100,896
Other instruction	135,115		135,115
Support services and undistributed costs:			
Tuition	368,638	12,628	381,266
Student & instruction related services	322,926	-	322,926
School administrative services	34,511		34,511
Other administrative services	106,290		106,290
Central services	30,537		30,537
Plant operations and maintenance	279,945		279,945
Pupil transportation	47,641		47,641
Unallocated benefits	737,842		737,842
Capital outlay	51,318	-	51,318
Special Schools	1,560		1,560
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	3,196,722	13,728	3,210,450
Excess (deficiency) of revenues over (under) expenditures	228,071	-	228,071
Other financing sources (uses):			
Increase in Capital Reserve	-		-
Transfer to Capital Reserve	-		-
Interest earned on Capital Reserve	-		-
Cancellation of Prior Year Receivable	-		-
Cancellation of Prior Year Payable	-		-
Transfer	1,077		1,077
	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	1,077	-	1,077
Net change in fund balances	229,148	-	229,148
Fund Balances, July 1	1,063,092	-	1,063,092
Fund Balances, June 30	<u>\$ 1,292,240</u>	<u> </u>	<u>1,292,240</u>

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, 2018

Total net change in fund balances - governmental funds (from B-2) \$ 229,148

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	(120,090)	
Loss on Disposal of Fixed Assets	(7,184)	
Capital outlays	<u>17,650</u>	(109,624)

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	17,227	
Cost of benefits earned, net of employee contributions	<u>(30,781)</u>	(13,554)

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 (+).

10,901

Change in net position of governmental activities

\$ 116,871

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2018

	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	\$ -	-	-
Accounts receivable			
Interfund receivable			
Inventories			
Total current assets	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent assets:			
Furniture, machinery & equipment			
Less accumulated depreciation			
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Liabilities			
Current liabilities			
Interfund payable		12,489	
Accounts payable	-	-	-
Total current liabilities	<u>-</u>	<u>12,489</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>12,489</u>	<u>-</u>
NET POSITION/(DEFICIT)			
Invested in capital assets, net of related debt	-	-	-
Unrestricted	-	(12,489)	
Total net position	<u>\$ -</u>	<u>(12,489)</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, 2018

	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		28,928	236,413
Total Operating Revenues	-	28,928	236,413
OPERATING EXPENSES:			
Salaries		27,252	
Other Objects			194,697
Employee Benefits			41,716
General Supplies		1,714	
Total Operating Expenses	-	28,966	236,413
Operating profit	-	(38)	-
Net loss before contributions and transfers	-	(38)	-
OPERATING TRANSFERS:			
Transfers out - General Fund	(1,077)		
Change in net position	(1,077)	(38)	-
Total net position - beginning	1,077	(12,451)	-
Total net position - ending	\$ -	(12,489)	-

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, 2018

	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	\$ -	28,928	236,413
Payments to employees		(27,252)	-
Payments for employee benefits			(41,716)
Payments to suppliers		(1,714)	(194,697)
Net cash provided by (used for) operating activities	<u>-</u>	<u>(38)</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities			
Interfund Activity	<u>(1,077)</u>	<u>38</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>(1,077)</u>	<u>38</u>	<u>-</u>
Net increase in cash and cash equivalents	(1,077)	-	-
Balances - beginning of year	1,077	-	-
Balances - end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating income	\$ -	(38)	-
Adjustments to reconcile operating loss to cash used by operating activities			
Change in assets and liabilities:			
(Increase) in Accounts Receivable		-	-
Total adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net cash (used) by operating activities	<u>\$ -</u>	<u>(38)</u>	<u>-</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, 2018

	Scholarship Fund	Unemployment Compensation Trust	Agency Fund
ASSETS:			
Cash and Cash Equivalents	\$ 2,107	37,738	6,577
Total Assets	<u>2,107</u>	<u>37,738</u>	<u>6,577</u>
LIABILITIES:			
Payable to Student Groups			2,851
Payroll liabilities			3,028
Interfund Payable			698
Total Liabilities	<u>-</u>	<u>-</u>	<u>6,577</u>
NET POSITION			
Held in trust for unemployment claims and other purposes	<u>\$ 2,107</u>	<u>37,738</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, 2018

	Unemployment Compensation Trust	Scholarship Fund
ADDITIONS		
Contributions:		
Plan member	\$ 1,804	
Board		
Total Contributions	1,804	-
Investment earnings:		
Interest	14	1
Net investment earnings	14	1
Total additions	1,818	1
DEDUCTIONS		
Unemployment claims	495	
Total deductions	495	-
Change in net position	1,323	1
Net position—beginning of the year	36,415	2,106
Net position—end of the year	\$ 37,738	2,107

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

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, 2018 of 90 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
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B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS:

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

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

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

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

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

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

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

Borough of Stone Harbor School District
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and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

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

The following fund types are used by the District:

1. Governmental Funds:

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

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

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.

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

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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.

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

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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 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:

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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 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

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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 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.

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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 2017-18 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.

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.

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

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the District's financial reporting.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the District's financial reporting.

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In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90, "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the District's financial reporting.

NOTE 2. INVESTMENTS

As of June 30, 2018, 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.

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, 2018, \$0 of the government's bank balance of \$1,424,430 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

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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	\$	165,306
Interest Earned		
Appropriated	by	
Resolution		<u>365,000</u>
Ending balance, June 30	\$	<u>530,306</u>

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, 2018 the District has reserved \$140,100 for maintenance.

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NOTE 6. FIXED ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Disposals/ Adjustments	Balance June 30, 2018
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	605,466			605,466
Machinery and Equipment	964,408	17,650	10,520	971,538
Total at historical cost	4,486,884	17,650	10,520	4,494,014
Less: Accumulated depreciation	(2,006,585)	(120,090)	(3,336)	(2,123,339)
Total capital assets being depr, net of accum depr	2,480,299	(102,440)	7,184	2,370,675
Governmental activities capital assets, net	\$ 2,890,929	(102,440)	7,184	2,781,305

Depreciation expense as charged to governmental functions as follows:

Regular instruction	60,045
Special education	12,009
Student & instruction related services	18,014
School administrative expenses	12,009
General and business administration	12,009
Plant operations and maintenance	6,004
	<u>120,090</u>

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NOTE 7. GENERAL LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Balance 6/30/2017	Issued	Retired	Balance 6/30/2018	Due in one year
Governmental Activities	\$				
Other liabilities:					
Compensated Absences Payable	99,620	16,405	27,306	88,719	-
Governmental activities long-term liabilities	\$ 99,620	16,405	27,306	88,719	-

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 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

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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 7.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 23.85% and the PERS rate is 13.37% of covered payroll. The School District's contributions to TPAF for the years ending June 30, 2018, 2017 and 2016 were \$108,049, \$76,720, and \$77,129 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, 2018, 2017 and 2016 were \$17,227, \$18,806 and \$15,537 respectively, equal to the required contributions for each year.

During the fiscal years ended June 30, 2018, 2017 and 2016, the State of New Jersey contributed \$91,306, \$90,180, and \$91,840, 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 \$65,778, \$66,632, \$66,153 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

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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 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.

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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, 2018, the District reported a liability of \$432,880 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.00185957760%, which was an decrease of 12.15% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense of \$30,781. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,193	
Changes of assumptions	87,210	86,891
Differences between expected and actual earnings	2,948	
Changes in proportion and differences between District contributions and proportionate share of contributions	63,403	66,301
District contributions subsequent to the measurement date	17,227	
Total	\$ 180,981	153,192

\$17,227 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	\$	8,403
2018		12,208
2019		7,252
2020		(9,695)
2021		(7,606)
Total	\$	10,562

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all period in the measurement:

Inflation rate	2.25%
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%

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

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, 2016 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 (7.00% at June 30, 2017) 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 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, 2017 are summarized in the following table:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.50%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyout/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participated employers as of June 30, 2017, 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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the net pension liability	\$ 519,352	432,880	360,932

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, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net position liability associated with the District	6,487,617
Total	\$ 6,487,617

The net pension liability was measured as of June 30, 2017 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, 2017, the District's proportion was 0.00%, which was no change from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$449,429 and revenue of \$449,429 for support provided by the State. At June 30, 2018, the deferred outflows of resources and deferred inflows of resources attributable to the District related to TPAF from the following sources:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,445	11,102
Changes of assumptions	1,287,279	1,124,338
Net difference between expected and actual earnings on pension plan investments	32,860	
Changes in proportion and differences between District contributions and proportionate share of contributions		268,775
District contributions subsequent to the measurement date	108,049	
Total	\$ 1,470,633	1,404,215

\$108,049 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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,			
2018	\$	(13,056)	
2019		(20,733)	
2020		(17,336)	
2021		(9,720)	
2022		(11,020)	
Thereafter		30,234	
Total	\$	(41,631)	

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. 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, 2018

Inflation Rate	2.25%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return.</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging market equity	6.50%	11.64%
Buyouts venture capital	8.25%	13.08%

Discount rate. The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.25% as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.25%) or 1-percentage point higher (5.25%) than the current rate:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
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. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free 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 School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 53, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

Employees covered by benefit terms:

At June 30, 2018, the following employees were covered by the benefit terms:

TPAF participant retirees:

As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf.

PERS participant retirees:

The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The District's proportional share percentage determined under paragraphs 193 and 203 through 205 of GASBS no. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education.

Actuarial assumptions and other imputes:

The total OPEB liability in the June 30, 2017 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: The Bond Buyer General Obligation 20-Bond Municipal Bond Index is used for the determination of the discount rate. The discount rate used for the fiscal year ending June 30, 2017 is 3.58%.

Health Care Trend: For pre-Medicare PPO medical benefits, the initial amount is 5.9% and decreases to 5.0% long term trend rate after 9 years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For HMO medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after 9 years. For prescription drug benefits, the initial trend rate is 10/5% decreasing to a 5.0% long-term trend rate after 8years. For Medicare Part-B reimbursement, the trend rate is 5.0%.

Salary Scale: The salary scale assumptions will be consistent with the salary scale assumptions used in the pension plans and the calculation of the retiree

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

health contributions for current and future retirees who are subject to Chapter 78. The PERS and TPAF pension actuarial reports are used for the fiscal year ending June 30, 2018.

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

Mortality rates were based on the following:

Pre-retirement Healthy Mortality: RP-2014 headcount-weighted healthy employee male/female mortality table with fully generational mortality improvement projections from the central year using scale MP-2017.

Post-retirement Healthy Mortality: RP-2014 headcount-weighted healthy annuitant male/female mortality table with fully generational improvement projections from the central year using scale MP-2017.

Disabled Mortality: RP-2014 headcount-weighted disabled male/female mortality table with fully generational improvement projections from the central year using scale MP-2017

Changes in the Total OPEB liability reported by the State of New Jersey:

Balance at 6/30/16	\$ 57,831,784,184.00
Changes for the year:	
Service cost	2,391,878,884.00
Interest	1,699,441,736.00
Changes in assumptions or other inputs	(7,086,599,129.00)
Contributions: Member	45,748,749.00
Benefit payments	<u>(1,242,412,566.00)</u>
Net changes	<u>(4,191,942,326.00)</u>
Balance at 6/30/17	<u>\$ 53,639,841,858.00</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% in 2016 to 3.58% in 2017.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the State for school board retirees, as well as what the state's total OPEB liability for school boards would be if it were calculated using a discount rate that 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability (School Retirees)	63,674,362,200.00	53,639,841,858.00	45,680,364,953.00

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The following presents the total OPEB liability of the State, as well as what the State's total OPB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	44,113,584,560.00	53,639,841,858.00	66,290,599,457.00

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the board of education recognized OPEB expense of \$255,985 determined by the State as the total OPEB liability for benefits provided through a defined OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB 75 and in which there is a special funding situation.

In accordance with GASB 75, the board of education's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employees' OPEB from the following sources:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	
Changes of assumptions		6,343,769,032.00
Net difference between projected and actual earnings on pension plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	1,190,373,242.00	
 Total	\$ 1,190,373,242.00	6,343,769,032.00

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employees' OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	\$ (742,830,097.00)
2020	(742,830,097.00)
2021	(742,830,097.00)
2022	(742,830,097.00)
2023	(742,830,097.00)
Thereafter	(2,629,618,547.00)
Total	\$ (6,343,769,032.00)

(Contributions made after June 30, 2017 are reported as deferred outflow of resources but are not amortized in the expense.)

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

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:

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

Lincoln Investment Planning
Travelers Insurance Company

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 \$1,292,240 General Fund fund balance at June 30, 2018, \$1,931 is reserved for encumbrances; \$124,583 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7; \$0 has been anticipated as revenue in the 2018-2019 budget, \$530,306 has been reserved in the Capital Reserve Account; \$140,100 has been reserved in the Maintenance Reserve Account. \$250,250 has been reserved in the Emergency Reserve Account and \$245,070 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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

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, 2018 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018 is \$124,583, of which \$0 has been appropriated and included as anticipated revenue for the year ended June 30, 2019.

NOTE 17. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2018, 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	\$ 698	
Internal Service Fund	12,489	
Internal Service Fund		
General Fund		12,489
Agency Fund:		
General Fund		698
	\$ 13,187	13,187

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, 2018 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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2018

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:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest on Investments</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ 1,804	\$ 14	\$ 495	\$ 37,738
2016-2017	1,806	14	5,212	36,415
2015-2016	1,573	16	124	39,807

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 2017-2018 governmental operations.

NOTE 20. SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 25, 2019, 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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 2,493,406		2,493,406	2,493,408	2
Interest earned	500		500	549	49
Tuition - individuals	126,000		126,000	139,728	13,728
Tuition - other LEA's	274,500		274,500	274,500	-
Miscellaneous			-	379	379
Total local sources	2,894,406	-	2,894,406	2,908,564	14,158
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	5,845	(1,079)
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			-		
On behalf OPEB					
GASB 75 (non-budgeted)				164,679	164,679
On behalf TPAF Pension					
Contributions (non-budgeted)				141,366	141,366
On behalf TPAF Pension					
Post-Retirement Medical (non-budgeted)				91,306	91,306
On behalf TPAF Pension					
Long-Term Disability Insurance (non-budgeted)				101	101
Reimbursed TPAF Social Security					
Contributions (non-budgeted)				65,778	65,778
Total state sources	53,971	-	53,971	516,122	462,151
Total Revenues	2,948,377	-	2,948,377	3,424,686	476,309

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
EXPENDITURES:					
Current Expense:					
Regular programs - Instruction:					
Salaries of teachers:					
Kindergarten	83,136	(375)	82,761	82,286	475
Grades 1 - 5	547,284	(21,502)	525,782	512,002	13,780
Grades 6 - 8		85	85	85	-
Regular programs - home instruction:	250		250	21,600	250
Salaries of teachers	13,332	8,268	21,600	21,600	-
Regular programs - undistributed instruction:					
Other salaries for instruction	199,389	13,049	212,438	211,203	1,235
Purchased professional/educational services	500		500	500	500
Purchased technical services	24,726	(1,261)	23,465	21,302	2,163
Other purchased services	81,355	45,145	126,500	126,044	456
General supplies	10,000	(9,716)	284	284	284
Textbooks	15,000	(9,798)	5,202	4,981	221
Other objects					
Total regular programs	974,972	23,895	998,867	979,503	19,364
Resource room/Resource center:					
Salaries of teachers	99,746	1,275	101,021	100,171	850
General supplies	2,500	(765)	1,735	725	1,010
Textbooks	100		100	-	100
Total resource room/resource center	102,346	510	102,856	100,896	1,960
Total special education - instruction	102,346	510	102,856	100,896	1,960
Basis Skills/Remedial - instruction:					
Salaries of teachers			-	-	-
Purchased professional/educational services	117,696	(4,981)	117,696	117,696	-
General Supplies	5,000		19	-	19
Total Basis Skills/Remedial	122,696	(4,981)	117,715	117,696	19

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
School sponsored cocurricular activities - instruction:					
Salaries	5,525	(2,608)	2,917	2,910	7
Supplies and Materials	1,000	-	1,000		1,000
Total school sponsored cocurricular activities - instruction	6,525	(2,608)	3,917	2,910	1,007
Community Service					
Salaries		14,509	14,509	14,509	-
Total other instructional programs - instruction	-	14,509	14,509	14,509	-
Total - Instruction	1,206,539	31,325	1,237,864	1,215,514	22,350
Undistributed expenditures -					
Instruction:					
Tuition to other LEA's within the state - regular	335,218	500	335,718	335,718	-
Tuition to other LEA's within the state - special		-	-		-
Tuition to CSSD & Reg Day Schools	32,920		32,920	32,920	-
Tuition - County Voc. School District - Regular					
Total undistributed expenditures - instruction	368,138	500	368,638	368,638	-
Undistributed expenditures - Attendance & Social Work					
Salaries	8,292	1	8,293	8,292	1
Purchased professional and technical services	11,330	(33)	11,297	9,360	1,937
Other Purchased Services	1,500	32	1,532	1,531	1
Total undistributed expenditures - attendance & social work	21,122	-	21,122	19,183	1,939
Undistributed expenditures - Health services:					
Salaries	625		625	-	625
Purchased professional and technical services	53,520	1,092	54,612	54,612	-
Other purchased services	22,140	(21,946)	194	194	194
Supplies and materials	2,000		2,000	1,432	568
Total undistributed expenditures - health services	78,285	(20,854)	57,431	56,044	1,387

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2018

	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	(10,255)	935	934	1
Supplies and Materials	-	-	-	-	-
Total undistributed expenditures - other support services - students - related services	11,190	(10,255)	935	934	1
Undistributed expenditures - Other support services - Guidance					
Other purchased prof. and tech. services	23,539	1,501	25,040	25,039	1
Supplies and materials	1,000	-	1,000	882	118
Total undistributed expenditures - other support services - Guidance	24,539	1,501	26,040	25,921	119
Undistributed expenditures - other support services - students - Child Study Team:					
Salaries of secretaries and clerical assistants	5,195	-	5,195	5,195	-
Purchased professional educational services	33,000	12,857	45,857	45,856	1
Other purchased prof. and tech. services	3,080	-	3,080	3,080	-
Total undistributed expenditures - other support services - students - Child Study Teams	41,275	12,857	54,132	54,131	1
Undistributed expenditures - Improvement of instruction services:					
Salaries of Supervisor of Instruction	67,866	680	68,546	68,546	-
Salaries of Other Prof. Staff	1,000	(680)	320	-	320
Purchased professional educational services		4,442	4,442	4,442	-
Other purchased prof. and tech. services	10,743	(462)	10,281	8,269	2,012
Supplies and materials	7,500	(4,463)	3,037	2,237	800
Other Objects	750	483	1,233	1,233	-
Total undistributed expenditures - improvement of instruction services	87,859	-	87,859	84,727	3,132

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed expenditures - educational media services/school library:					
Salaries	12,502	-	12,502	11,908	594
Salaries of Technology Coordinators					
Purchased professional and technical services	35,747	(33,925)	1,822	1,822	1,822
Other purchased services	2,000	31,747	33,747	31,747	2,000
Supplies and materials	9,000	2,178	11,178	9,930	1,248
Total undistributed expenditures - educational media services/school library	59,249	-	59,249	53,585	5,664
Undistributed expenditures - instruction staff training services					
Other purchased prof. educational services	13,000	(8,714)	4,286	750	3,536
Other purchases professional and technical services	13,938	8,459	22,397	22,397	-
Other purchased services	5,000	255	5,255	5,254	1
Supplies and materials	1,000	1,000	1,000	1,000	1,000
Total undistributed expenditures - instructional staff training services	32,938	-	32,938	28,401	4,537
Undistributed expenditures - Support services - general administration:					
Salaries	22,525	890	23,415	23,414	1
Legal services	3,000	15,447	18,447	18,150	297
Audit fees	8,000	(300)	7,700	7,700	-
Other purchased professional services	37,717	2,344	40,061	40,061	-
Purchased technical services	250	100	350	350	-
Communications/telephone	2,500	3,720	6,220	6,219	1
BOE other purchased services	500	(404)	96	73	23
Other purchased services	5,922	885	6,807	6,807	-
Supplies and materials	2,000	(1,025)	975	974	1
BOE In-House Training/Meeting Supplies					
Judgements					
Miscellaneous expenditures	500	(400)	100	100	-
BOE membership dues and fees	2,500	(57)	2,443	2,442	1
Total undistributed expenditures - support services - general administration	85,414	21,200	106,614	106,290	324
Undistributed expenditures - Support services school administration:					
Salaries of secretarial and clerical assistants	30,974	289	31,263	31,263	289
Purchased professional and tech. services	750	(750)	-	33,076	-
Other purchased services	300	(200)	100	100	100
Supplies and materials	750	685	1,435	1,435	-
Other objects					
Total undistributed expenditures - support services school administration	32,774	2,126	34,900	34,511	389
Undistributed expenditures - Central services					
Purchased professional services	27,108		27,108	27,108	-
Purchased technical services	7,200	(3,770)	3,430	3,429	1
Miscellaneous purchased services	200	(175)	25	25	25
Supplies and materials	250	(250)	-	-	-
Miscellaneous expenditures					

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Total Undistributed expenditures - central services	34,758	(4,195)	30,563	30,537	26
Undistributed expenditures - Maintenance of school property:					
Salaries	23,846	(1,501)	22,345	22,340	5
Cleaning, repair and maintenance	79,791	(28,316)	51,475	49,535	1,940
Supplies and materials	4,500	-	4,500	4,500	-
Total undistributed expenditures - maintenance of school property	108,137	(29,817)	78,320	71,875	6,445
Undistributed expenditures - Operation and maintenance of plant services:					
Salaries	54,664	6,478	61,142	61,030	112
Purchased professional and technical services	39,148	(730)	38,418	37,126	1,292
Cleaning, repair and maintenance services	25,000	(24,839)	161	161	-
Insurance	34,912	-	34,912	34,822	90
Miscellaneous purchased services	3,000	3,971	6,971	6,971	-
General supplies	15,000	(4,329)	10,671	10,671	-
Energy (natural gas)	20,000	(266)	19,734	16,430	3,304
Energy (electricity)	40,000	859	40,859	40,859	-
Total undistributed expenditures - operation and maintenance of plant services	231,724	(18,856)	212,868	208,070	4,798
Undistributed expenditures - student transportation services:					
Salaries for pupil transportation (Between home and school) - regular	1,299	-	1,299	1,299	-
Salaries for pupil transportation non-public	6,494	-	6,494	6,493	1
Other Purchased Prof. and technical Services	13,405	2,006	15,411	15,411	-
Contracted services (other than between home and school) - vendors	3,420	810	4,230	4,023	207
Contracted services (bet. home & sch) joint agreements	27,508	(9,092)	18,416	18,415	1
Contracted services - (aide in lieu) - non public	2,500	-	2,500	2,000	500
Total undistributed expenditures student transportation services	54,626	(6,276)	48,350	47,641	709

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Unallocated Benefits					
Social security	17,500	3,121	20,621	20,620	1
Other retirement contributions - PERS	20,000		20,000	19,465	535
Unemployment compensation	2,000		2,000	595	1,405
Women's compensation	18,500	(3,032)	15,468	15,417	51
Health benefits	215,734	18,426	234,160	189,649	44,511
Tuition reimbursement	9,000	(5,330)	3,670	1,307	2,363
Other employee benefits	20,000	7,559	27,559	27,559	-
Total Regular Program Instruction Employee Benefits	302,734	20,744	323,478	274,612	48,866
On behalf OPEB					
GASB 75 (non-budgeted)				164,679	(164,679)
On behalf TPAF Pension					
Contributions (non-budgeted)				141,366	(141,366)
On behalf TPAF Pension					
Post-Retirement Medical (non-budgeted)				91,306	(91,306)
On behalf TPAF Pension					
Long-Term Disability (non-budgeted)				101	(101)
Reimbursed TPAF Social Security					
Contributions (non-budgeted)				65,778	(65,778)
Total on-behalf contributions	-	-	-	463,230	(463,230)
Total undistributed expenditures	1,574,762	(31,325)	1,543,437	1,928,330	(384,893)
Total current expense	2,781,301	-	2,781,301	3,143,844	(362,543)
Capital Outlay:					
Instruction					
Undist. Expend. - Instruction	21,500	(3,500)	18,000	17,650	350
Undist. Expend. - Operations/Maintenance Plant					
Undist. Expend. - Required Maint. of School Fac.					
Undist. Expend. - Student Transportation					
Total equipment	21,500	(3,500)	18,000	17,650	350
Facilities Acquisition and Construction Services					
Other Purchased professional and technical services	765	12,349	13,114	13,113	1
Construction Services	41,181	(8,849)	32,332	16,891	15,441
Assessment for Debt Service on SDA funding	4,034		4,034	3,664	370
Total Facilities Acquisition and Construction Services	45,980	3,500	49,480	33,668	15,812
Interest Deposit to Capital Reserve	365,000		365,000		365,000
Total Capital Outlay	432,480	-	432,480	51,318	381,162
Transfer to charter school					

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Special Schools:					
Summer School - Instruction	1,763		1,763	1,410	353
Salaries of teachers	250		250	150	100
General supplies					
Total summer school - instruction	2,013	-	2,013	1,560	453
Total Special Schools	2,013	-	2,013	1,560	453
Total Expenditures	3,215,794	-	3,215,794	3,196,722	19,072
Excess (deficiency) of revenues over (under) expenditures	(267,417)	-	(267,417)	227,964	495,381
Other Financing Sources/(Uses) Operating transfers in:				1,077	(1,077)
Total other financing uses	-	-	-	1,077	(1,077)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(267,417)	-	(267,417)	229,041	494,304
Fund Balances, July 1	1,068,129		1,068,129	1,068,129	-
Fund Balances, June 30	\$ 800,712	-	800,712	1,297,170	494,304
Recapitulation of Fund Balance:					
Restricted Fund Balance:				124,583	
Reserve for Excess Surplus				-	
Excess Surplus Designated for Subsequent Years Expenditures					
Committed Fund Balance:					
Maintenance Reserve				140,100	
Capital Reserve				530,306	
Emergency Reserve				250,250	
Assigned Fund Balance:					
Designated for Subsequent Years Expenditures				-	
Reserve for Encumbrances				1,931	
Unassigned Fund Balance				250,000	
				<u>1,297,170</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid payment not recognized on GAAP basis				(4,930)	
Fund Balance per Governmental Funds (GAAP)				<u>1,292,240</u>	

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Revenue Fund
 for the Fiscal Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
REVENUES:					
Local Sources					
AtlantiCare Garden Grant		1,100	1,100	1,100	-
Total local sources	-	1,100	1,100	1,100	-
Federal sources:					
I.D.E.A., Part B	10,136	2,492	12,628	12,628	-
I.D.E.A., Preschool	-	2,222	2,222	-	(2,222)
Total federal sources	10,136	4,714	14,850	12,628	(2,222)
Total Revenues	10,136	5,814	15,950	13,728	(2,222)

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Revenue Fund
 for the Fiscal Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
EXPENDITURES:					
Instruction:					
General Supplies		1,100	1,100	1,100	-
Total instruction		1,100	1,100	1,100	-
Support services					
Other Purchased Professional and Technical Services	10,136	4,714	14,850	12,628	2,222
Total support services	10,136	4,714	14,850	12,628	2,222
Capital Outlay					
Instructional Equipment			-	-	-
Total capital outlay	-	-	-	-	-
Total Expenditures	10,136	5,814	15,950	13,728	2,222
Excess (deficiency) of revenues over (under) expenditures	\$ -	-	-	-	-

Notes to the Required Supplementary Information

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Required Supplementary Information
 Budgetary Comparison Schedule
 Notes to Required Supplementary Information
 for the Fiscal Year Ended June 30, 2018

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

	General Fund	Special Revenue
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 3,424,686	13,728
 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.	5,037	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(4,930)	
 Total revenues reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>3,424,793</u>	<u>13,728</u>
 Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	3,196,722	13,728
 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>\$ 3,196,722</u>	<u>13,728</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 Five Fiscal Years

	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.0018595776%	0.0021168733%	0.0016612157%	0.0016022842%	0.1884589900%
District's proportionate of the net pension liability (asset)	\$ 626,957	\$ 372,910	\$ 340,803	\$ 299,991	\$ 360,183
District's covered payroll	\$ 132,462	\$ 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	473.31%	327.08%	232.61%	262.34%	353.35%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%	48.72%

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

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Note: This schedule is required by GASB 68 to be show information for a 10 year period. However, information is only currently available for five 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 Five Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 18,806	\$ 15,537	\$ 13,209	\$ 14,200	\$ 14,305
Contributions in relation to the contractually required contribution	<u>18,806</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 132,462	\$ 114,011	\$ 146,513	\$ 114,350	\$ 101,934
Contributions as a percentage of covered-employee payroll	14.20%	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 five 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 Five Fiscal Years

	<u>2017</u>	<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%	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>7,578,245</u>	<u>6,560,243</u>	<u>5,350,407</u>	<u>5,381,934</u>	<u>5,159,698</u>
Total	<u>\$ 7,578,245</u>	<u>\$ 6,560,243</u>	<u>\$ 5,350,407</u>	<u>\$ 5,381,934</u>	<u>\$ 5,159,698</u>
District's covered payroll	\$ 923,245	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	25.41%	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 five 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 OPEB Liability
Public Employee Retirement System and Teachers' Pension and Annuity Fund
Last Two Fiscal Years

	<u>2017</u>	<u>2016</u>
District's proportion of the net OPEB liability (asset)	0.00%	0.00%
District's proportionate of the net OPEB liability (asset)	\$ -	-
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 5,050,276.00</u>	<u>5,417,806.00</u>
Total	<u>\$ 5,050,276.00</u>	<u>5,417,806.00</u>
District's covered payroll	1,055,707.00	1,040,833.00
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
State's proportionate share of OPEB associated with the District:		
Service Cost	163,407.00	
Interest Cost	157,470.00	
Changes in Assumptopns	(575,739.00)	
Member Contributions	4,307.00	
Penefit Payments	(116,975.00)	
Change in Total Opeb Liability	<u>(367,530.00)</u>	
State's proportionate share of the net OPEB liability (asset) associated with the District - Beginning Balance	<u>5,417,806.00</u>	
Ending Balance	<u>\$ 5,050,276.00</u>	
State's proportionate share of the net OPEB liability associated with the District - as a percentage of its covered-employee payroll	478.38%	

Source: GASB 75 report on State of New Jersey State Health Benefits Program; District records

Note: This schedule is required by GASB 75 to be show information for a 10 year period.
However, information is only currently available for two years.
Additional years will be presented as they become available

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, 2018

	I.D.E.A. Part B	AtlantiCare Garden Grant	Totals
REVENUES:			
Federal sources	\$ 12,628		12,628
State sources			
Local Sources		1,100	1,100
Total Revenue	12,628	1,100	13,728
EXPENDITURES:			
Instruction:			
Supplies		1,100	1,100
Total instruction	-	1,100	1,100
Support services			
Other purchased professional and tech. services	12,628		12,628
Total support services	12,628	-	12,628
Capital Outlay			
Instructional Equipment			
Total capital outlay	-	-	-
Total Expenditures	12,628	1,100	13,728

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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, 2018

	Expendable Trust			Agency		Total
	NJ Unemployment Compensation Insurance	Scholarship Fund	Student Activity	Payroll		
ASSETS:						
Cash and cash equivalents	\$ 37,738	2,107	2,851	3,726		46,422
Total Assets	<u>37,738</u>	<u>2,107</u>	<u>2,851</u>	<u>3,726</u>		<u>46,422</u>
LIABILITIES AND NET POSITION:						
Liabilities:						
Due to student groups			2,851			2,851
Payroll deductions and withholdings				3,028		3,028
Interfund payable - general fund				698		698
Total Liabilities	-	-	2,851	3,726		6,577
Net Position:						
Reserved for future unemployment claims	37,738					37,738
Total Net Position	<u>37,738</u>	<u>2,107</u>	<u>-</u>	<u>-</u>		<u>39,845</u>
Total Liabilities and Fund Balances	\$ <u>37,738</u>	<u>2,107</u>	<u>2,851</u>	<u>3,726</u>		<u>46,422</u>

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Fund
for the Fiscal Year ended June 30, 2018

	Unemployment Compensation Trust	Scholarship Fund	Total
ADDITIONS:			
Contributions:			
Plan Members	\$ 1,804		1,804
Total Contributions	1,804	-	1,804
Investment Earnings			
Interest	14	1	15
Net investment earnings	14	1	15
Total additions	1,818	1	1,819
DEDUCTIONS:			
Unemployment Claims	495		495
Total deductions	495	-	495
Change in net position	1,323	1	1,324
Net Position, July 1	36,415	2,106	38,521
Net Position, June 30	\$ 37,738	2,107	39,845

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Student Activity Agency Fund

Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2018

	<u>Balance June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
Petty Cash Account	\$ 2,447	185	2,632	-
School fund account	508	4,857	2,514	2,851
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 2,955</u>	<u>5,042</u>	<u>5,146</u>	<u>2,851</u>

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Payroll Agency Fund

Statement of Changes in Assets and Liabilities
for the Fiscal Year ended June 30, 2018

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
ASSETS:				
Cash and cash equivalents	\$ 3,653	1,389,637	1,389,564	3,726
Total Assets	<u>3,653</u>	<u>1,389,637</u>	<u>1,389,564</u>	<u>3,726</u>
LIABILITIES:				
Net Payroll	-	770,787	770,787	-
Payroll deductions and withholdings	3,010	618,795	618,777	3,028
Interfunds payable	643	55		698
Total Liabilities	<u>\$ 3,653</u>	<u>1,389,637</u>	<u>1,389,564</u>	<u>3,726</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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	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	2,781,305
Restricted	365,814	622,660	1,041,086	1,015,417	1,017,420	757,330	758,704	780,486	822,953	1,047,170
Unrestricted*	268,872	230,551	135,851	131,212	126,019	543	(214,499)	(228,763)	(268,245)	(265,967)
Total governmental activities net position	<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>	<u>3,562,508</u>
Business-type activities										
Net investment in capital assets	592	1,424	690	719	1,077	1,077	1,077	1,077	(11,374)	(12,489)
Restricted	592	1,424	690	719	1,077	1,077	1,077	1,077	(11,374)	(12,489)
Total business-type activities net position										
District-wide										
Net investment in capital assets	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	2,781,305
Restricted	365,814	622,660	1,041,086	1,015,417	1,017,420	757,330	758,704	780,486	822,953	1,047,170
Unrestricted	269,464	231,975	136,541	131,931	127,096	1,620	(213,422)	(227,686)	(279,619)	(278,456)
Total district net position	<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>	<u>3,550,019</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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	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	1,555,586
Special education	71,918	86,445	54,763	108,924	115,364	148,083	160,655	149,805	157,826	164,440
Other special instruction										
Other instruction	14,749	14,907	15,157	121,088	133,244	31,664	32,674	35,545	100,063	200,205
Adult/continuing education programs										
Support Services:										
Tuition	258,407	240,719	196,793	1,182,222	1,119,127	935,354	745,152	722,129	689,862	564,938
Student & instruction related services	346,698	422,926	367,940	431,288	444,796	384,082	404,955	434,731	482,116	500,901
School administrative services	66,180	103,098	93,023	90,564	97,228	93,554	98,702	93,040	106,783	111,745
Other administrative services	92,706	79,892	93,526	100,103	120,089	131,607	149,288	179,487	211,317	172,431
Plant operations and maintenance	194,173	273,800	238,060	267,438	332,738	372,915	563,572	399,244	373,612	422,274
Pupil transportation	50,759	44,447	43,280	57,344	55,533	52,318	55,572	67,197	73,900	70,593
Employee benefits	384,340	-	-	-	-	-	-	-	-	-
Internal service	97,285	99,099	105,527	12,553	68,645	69,186	72,122	163,364	172,311	236,413
Interest on long-term debt										
Special Schools					2,598	-	-	3,742	-	1,859
Total governmental activities expenses	2,476,088	2,484,096	2,430,344	3,494,196	3,514,129	3,380,916	3,337,565	3,369,809	3,703,799	4,001,385
Business-type activities:										
Milk Fund	985	1,397	1,845	819	140	-	-	-	-	-
Total business-type activities expense	985	1,397	1,845	819	140	-	-	-	-	-
Total district expenses	2,477,073	2,485,493	2,432,189	3,495,015	3,514,269	3,380,916	3,337,565	3,369,809	3,369,809	4,001,385
Program Revenues										
Governmental activities:										
Charges for Services										
Central and other support services	247,276	255,196	276,376	937,233	871,405	766,306	569,522	647,414	603,931	650,641
Operating grants and contributions	14,502	49,815	33,612	33,475	32,393	25,798	305,266	451,135	615,609	761,708
Total governmental activities program revenues	261,778	305,011	309,988	970,708	903,798	792,104	874,788	1,098,549	1,219,540	1,412,349
Business-type activities:										
Charges for services	1,553	2,229	1,111	848	498	-	-	-	-	-
Milk Fund										
Operating grants and contributions										
Capital grants and contributions										
Total business type activities program revenues	1,553	2,229	1,111	848	498	-	-	-	-	-
Total district program revenues	263,331	307,240	311,099	971,556	904,296	792,104	874,788	1,098,549	1,219,540	1,412,349
Net (Expense)/Revenue										
Governmental activities	(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)	(2,589,036)

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

	For the Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type activities										
Total district-wide net expense	568 (2,213,742)	832 (2,178,253)	(734) (2,121,090)	29 (2,523,459)	358 (2,609,973)	- (2,588,812)	- (2,462,777)	- (2,271,260)	- (2,484,259)	- (2,589,036)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	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	2,493,408
Taxes levied for debt service	-	-	-	-	-	-	-	-	-	-
Unrestricted grants and contributions	200,391	192,429	159,464	221,509	288,924	238,831	214,869	211,978	211,130	217,678
Restricted grants and contributions	-	-	-	-	-	-	142,397	-	-	-
Tuition	-	-	-	-	-	-	-	-	-	-
Investment earnings	8,778	-	100	200	719	18	463	427	494	549
Miscellaneous income	2,992	5,740	9,518	4,180	126,123	100,985	1,188	15,731	5,395	379
Cancellation of Prior Year Receivable	-	-	-	-	-	-	-	-	(25,045)	-
Loss on Disposal of Fixed Assets	-	-	-	-	(4,872)	(3,888)	-	4,404	(29,426)	(7,184)
Adjustments	20,824	-	-	-	-	-	-	-	-	-
Total governmental activities	2,280,973	2,328,076	2,384,185	2,440,993	2,650,300	2,685,540	2,755,502	2,629,125	2,607,064	2,704,830
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	-	-	-	-	-	-	-	-	-	-
Total district-wide	2,280,973	2,328,076	2,384,185	2,440,993	2,650,300	2,685,540	2,755,502	2,629,125	2,607,064	2,704,830
Change in Net Position										
Governmental activities	66,663	148,991	263,829	(82,495)	39,969	96,728	292,725	357,865	122,805	115,794
Business-type activities	568	832	(734)	29	358	-	-	-	-	-
Total district	67,231	149,823	263,095	(82,466)	40,327	96,728	292,725	357,865	122,805	115,794

Source: CAFR Schedule A-2

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Restricted			390,311	372,479	332,577	326,037	144,441	223,824	223,824	124,583
Committed			612,315	637,614	600,304	421,046	600,105	555,206	555,306	920,656
Assigned			38,460	5,324	84,539	10,247	14,158	1,456	43,823	1,931
Unassigned			250,622	248,360	245,091	245,417	244,257	245,543	240,139	245,070
Reserved	505,914	791,473								
Unreserved	243,907	243,337								
Total general fund	<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>	<u>1,292,240</u>
All Other Governmental Funds										
Assigned						358,741	12,351	12,351	-	-
Unreserved, reported in:						(146,802)	1,967	1,967	-	-
Capital projects fund	16,877	-	-	-	-					
Total all other governmental funds	<u>16,877</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,939</u>	<u>14,318</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax levy	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	2,493,408
Tuition charges	149,991	156,097	170,849	924,680	802,760	697,120	497,400	484,050	431,620	414,228
Interest earning	8,778		100	200	719	18	463	427	494	549
Miscellaneous	3,178	8,520	12,662	8,091	128,979	100,985	4,318	16,865	8,169	1,479
State sources	200,391	192,429	159,464	219,232	288,924	238,831	413,381	289,107	319,360	516,229
Federal sources	35,140	47,035	30,468	29,564	29,537	25,798	12,537	28,092	11,925	12,628
Total revenue	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	3,438,521
Expenditures										
Instruction										
Regular instruction	832,380	846,601	907,748	888,555	817,336	913,362	883,639	813,375	879,251	980,603
Special education instruction	63,092	65,923	38,115	85,869	87,336	114,434	111,122	96,661	98,877	100,896
Other instruction	13,534	10,108	9,609	107,908	109,694	26,345	24,595	25,431	68,874	135,115
Support Services:										
Tuition	258,407	199,628	156,324	995,934	921,326	778,222	560,920	516,664	474,836	381,266
Student & instruction related services	333,459	342,082	369,521	354,491	354,723	306,402	290,115	295,257	317,211	322,926
General administration	83,880	37,362	68,907	78,438	91,226	100,726	102,565	117,898	135,695	106,290
School administrative services	36,569	60,488	37,979	38,687	40,500	34,248	30,938	30,202	32,740	34,511
Plant operations and maintenance	188,823	31,682	186,557	221,416	275,814	304,864	418,392	283,245	252,283	279,945
Pupil transportation	50,759	222,862	34,380	48,308	45,717	43,529	41,833	48,078	50,864	47,641
Other support services	31,461	36,860	28,611	30,524	30,800	34,223	32,068	31,756	31,591	30,537
Unallocated employee benefits	384,340	395,253	464,132	537,599	608,516	556,345	582,532	544,738	536,556	737,842
Special Schools				2,598				3,226		1,560
Charter Schools	50,294	17,027	29,865	32,204	106,005	243,583	443,372	404,249	275,198	51,318
Capital outlay										
Debt service:										
Principal										
Interest and other charges										
Total expenditures	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	3,210,450
Excess (Deficiency) of revenues over (under) expenditures	118,468	268,112	256,898	(23,062)	(1,266)	(43,937)	(197,407)	4,346	62,108	228,071
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	-	1,077
Cancellation of prior year payable						(3,888)			(25,045)	-
Insurance Recoveries for Storm Damage					648,334			4,404		
Expenses related to Storm Damage					(648,334)		(101)	(101)		
Increase in Capital Reserve							(178,958)	(44,899)		
Transfer to Capital Reserve							179,059	45,000		
Interest earned on Capital Reserve										
Total other financing sources (uses)	-	-	-	-	-	(3,888)	-	4,404	(25,045)	1,077
Net change in fund balances	118,468	268,112	256,898	(23,062)	(1,266)	(47,825)	(197,407)	8,750	37,063	229,148

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
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
2018	549	379	928

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,	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	Farm Reg.	Qfarm	Commercial	Industrial	Apartment					
2009	70,404,000	4,472,084,700			161,782,800		4,370,200	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	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	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	295,268,500	473,991	4,435,159,991	0.051	4,449,303,435
2013	86,382,100	4,472,077,900			158,638,100		4,370,200	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	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	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	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	299,161,600	308,488	4,454,313,088	0.056	4,316,439,875
2018	121,948,900	4,522,154,000			400,104,600		2,750,400	218,854,500	-	4,828,103,400	0.053	4,534,047,182

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			
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
2018	0.053	-	0.053	0.246	0.253	0.552

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	2018			2009		
	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	30,611,000	1	0.63%	29,975,000	1	0.68%
100th Street LLC	14,585,900	2	0.30%	7,783,700	8	
Taxpayer #1	13,608,100	3	0.28%			
NACL Associates	12,453,800	4	0.26%			
Taxpayer #2	11,198,700	5	0.23%			
Taxpayer #3	10,098,700	6	0.21%			
Taxpayer #4	9,622,100	7	0.20%			
Taxpayer #5	9,585,600	8	0.20%			
Taxpayer #6	8,794,500	9	0.18%			
Taxpayer #7	8,629,700	10	0.18%			
Taxpayer #8				15,367,200	2	0.35%
Taxpayer #9				11,340,300	3	0.26%
Famersham Associates				9,498,900	4	0.22%
Taxpayer #10				9,269,600	5	0.21%
Taxpayer #11				9,146,800	6	0.21%
Taxpayer #12				8,038,400	7	0.18%
Taxpayer #13				7,548,700	9	0.17%
Taxpayer #14				7,183,700	10	0.16%
Total	129,188,100		2.68%	115,152,300		2.43%

Source: District CAFR & Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
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	2,396,585	100%	
2018	2,493,408	2,493,408	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		
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%	-
2018	-	-	-	-	-	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>
	<u>General Obligation Bonds</u>	<u>Deductions</u>	<u>Net General Bonded Debt Outstanding</u>		
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%	
2018	-		-	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, 2018
Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Stone Harbor	36,272,760	100.00%	36,272,760
County of Cape May - Borough's share (9.06%)	226,578,595	9.06%	20,538,794
			<hr/>
Subtotal, overlapping debt			56,811,554
			<hr/>
BOROUGH OF STONE HARBOR SCHOOL DISTRICT Direct Debt			-
			<hr/>
Total direct and overlapping debt			<u>56,811,554</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 2017

	Equalized valuation basis										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2018	
Average equalized valuation of taxable property	4,501,267,913	4,300,399,593	4,119,720,219	4,307,129,242	4,307,129,242	4,307,129,242	4,307,129,242	4,307,129,242	4,307,129,242	4,307,129,242	4,307,129,242
Debt limit (2.5% of average equalized value)	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231
Net bonded school debt	-	-	-	-	-	-	-	-	-	-	-
Legal debt margin	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231	107,678,231

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2018
Average equalized valuation of taxable property	103,423,858	101,370,716	101,999,242	105,722,581	109,336,311	112,803,220	139,288,030	142,109,124	142,106,623	107,678,231
Debt limit (2.5% of average equalized value)	25,856,000	25,342,666	25,499,810	26,430,645	27,334,078	28,200,805	34,822,008	35,527,281	35,526,656	26,919,558
Net bonded school debt	-	-	-	-	-	-	-	-	-	-
Legal debt margin	25,856,000	25,342,666	25,499,810	26,430,645	27,334,078	28,200,805	34,822,008	35,527,281	35,526,656	26,919,558
Total net debt applicable to limit	25,856,000	25,342,666	25,499,810	26,430,645	27,334,078	28,200,805	34,822,008	35,527,281	35,526,656	26,919,558
Legal debt margin	103,423,858	101,370,716	101,999,242	105,722,581	109,336,311	112,803,220	139,288,030	142,109,124	142,106,623	107,678,231
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>
2009	1,017	47,542	46,747	8.70%
2010	1,016	46,741	46,005	8.70%
2011	866	48,258	47,498	9.10%
2012	860	41,133	47,498	9.50%
2013	854	40,563	47,498	10.30%
2014	847	41,244	48,694	11.20%
2015	844	44,121	52,276	10.30%
2016	836	45,087	53,932	8.90%
2017	833	44,406	53,309	6.90%
2018	822	45,099	54,865	6.40%

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction	10.0	13.4	13.2	13.7	11.6	11.8	11.1	11.1	11.1	11.1
Regular										
Support Services:										
School administrative services	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Business administrative services	1.0	1.0	1.0	1.0	0.5	0.5	0.5	0.5	0.5	0.5
Student & instruction related services	2.0	0.5	0.5	2.3	2.0	2.0	2.0	2.0	2.0	2.0
Central services	1.0	1.0	1.0	1.0	2.0	2.5	2.0	2.0	2.0	2.0
Total	14.5	14.5	16.2	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				
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%	95.16%	
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%	
2018	90	2,229,847	24,776	-18.31%	11.1	8:1	89.62	84.07	10.30%	93.81%	

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<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)	80	61	79	79	78	76	69	68	75	75
Enrollment										

Number of Schools at June 30, 2018
 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)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Stone Harbor Elementary	N/A	71,875	55,957	58,742	203,864	67,919	44,024	69,292	50,641	57,150	46,115
Total School Facilities		<u>71,875</u>	<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>
Other Facilities											
Grand Total		<u>71,875</u>	<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>

BOROUGH OF STONE HARBOR BOARD OF EDUCATION**Insurance Schedule****June 30, 2018*****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.

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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, 2018, 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

January 25, 2019

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year Ended June 30, 2018

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 6/30/2017	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures			Repayment of Prior Years' Balances/ Adjustments	(Accounts Receivable) 6/30/2018	Deferred Revenue 6/30/2018	Due to Grantor at 6/30/2018
									Pass Through	Direct	Total				
Passed-through State Department of Education:															
Special Revenue Fund:															
IDEA Part B, Basic Regular	84-027	H027A160100	FT17	7/1/17-6/30/18	11,925	(11,925)	-	11,925	(12,628)	-	(12,628)	-	(12,628)	-	-
IDEA Part B, Basic Regular	84-027	H027A160100	FT17	7/1/16-6/30/17	-	(1,925)	-	11,925	(12,628)	-	(12,628)	-	(12,628)	-	-
Total Special Revenue Fund					11,925	(1,925)	-	11,925	(12,628)	-	(12,628)	-	(12,628)	-	-
Total Federal Awards					11,925	(1,925)	-	11,925	(12,628)	-	(12,628)	-	(12,628)	-	-

Borough of Stone Harbor School District
Notes to the Schedules of Financial Assistance
June 30, 2018

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 \$232,773 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, 2018

	<u>General Fund</u>	<u>Total</u>
State Assistance:		
Actual amounts (budgetary) “revenues” from the Schedule of Expenditures of State Financial Assistance	\$ 117,660	117,660
Difference – budget to “GAAP”		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes	5,037	5,037
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(4,930)	(4,930)
On Behalf TPAF payments recognized for GAAP statements not included in the Schedule of Expenditures of State Financial Assistance	397,452	397,452
Total State revenue as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 515,219</u>	<u>\$ 515,219</u>

Borough of Stone Harbor School District
Notes to the Schedules of Financial Assistance
June 30, 2018

	Special Revenue Fund	Total
Federal Assistance:		
Actual amounts (budgetary) "revenues" from the Schedule of Expenditures of Federal Awards	\$ 12,628	12,628
Difference - budget to "GAAP" Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Total Federal revenue as reported on the statement of revenue, expenditures, and changes in fund balances	<u>\$ 12,628</u>	<u>12,628</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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, 2018. 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, 2018.

**BOROUGH OF STONE HARBOR SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

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, 2018**

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