

SCHOOL DISTRICT
OF
BOROUGH OF STONE HARBOR

Borough of Stone Harbor Board of Education
Stone Harbor, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

Comprehensive Annual Financial Report

of the

Borough of Stone Harbor Board of Education

Stone Harbor, New Jersey

For the Fiscal Year Ended June 30, 2013

Prepared by

Borough of Stone Harbor Board of Education

Finance Department

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Introductory Section

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

STACEY LaROCCA-TRACY
Chief School Administrator

DR. RENEE MURTAUGH
Supervisor of Curriculum
& Instruction

LINDA FIORI
Business Administrator

November 22, 2013

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, 2013, 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 Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and State Treasury Circular Letter 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. However, the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

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

The District provides a full range of educational services appropriate to grade levels K through 4 and includes servicing Avalon students as tuition students to the District. Students in grade levels 5 through 8 attend Avalon School District. Additionally, it provides tuition for grades 9 through 12 to Middle Township High School and to the Cape May County Special Services School District. These include regular, as well as special education for handicapped students. The District completed the 2012-2013 fiscal year with an enrollment of 78 students, which is 2 students below the previous year's enrollment.

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

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2012-2013	78	(1.3)%
2011-2012	79	5.3%
2010-2011	75	23.0%
2009-2010	61	(23.8)%
2008-2009	80	(4.8)%
2007-2008	84	(12.5)%
2006-2007	96	0.0%
2005-2006	96	12.9%
2004-2005	85	(4.9)%
2003-2004	81	(9.0)%

2) ECONOMIC CONDITION AND OUTLOOK:

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

3) MAJOR INIATIVES:

Students continued to score above the state and national averages. During the 2012-13 school year the district of Stone Harbor & Avalon implemented a shared instructional model for educating students on the island. Stone Harbor Elementary School will educate all the K-4 students & Avalon Elementary School will educate grades 5-8. We continue to align our curriculum syllabus K-8 with the New Jersey State Department's Common Core Content Standards and with the Work Place Readiness Standards. Technology continues to play a supplemental role in all academic areas.

4) INTERNAL ACCOUNTING CONTROLS:

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

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

5) BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2013.

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:

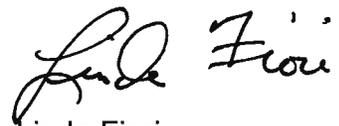
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ford Scott & Associates, LLC, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act, OMB Circular A-133 and State Treasury Circular Letter 04-04 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:

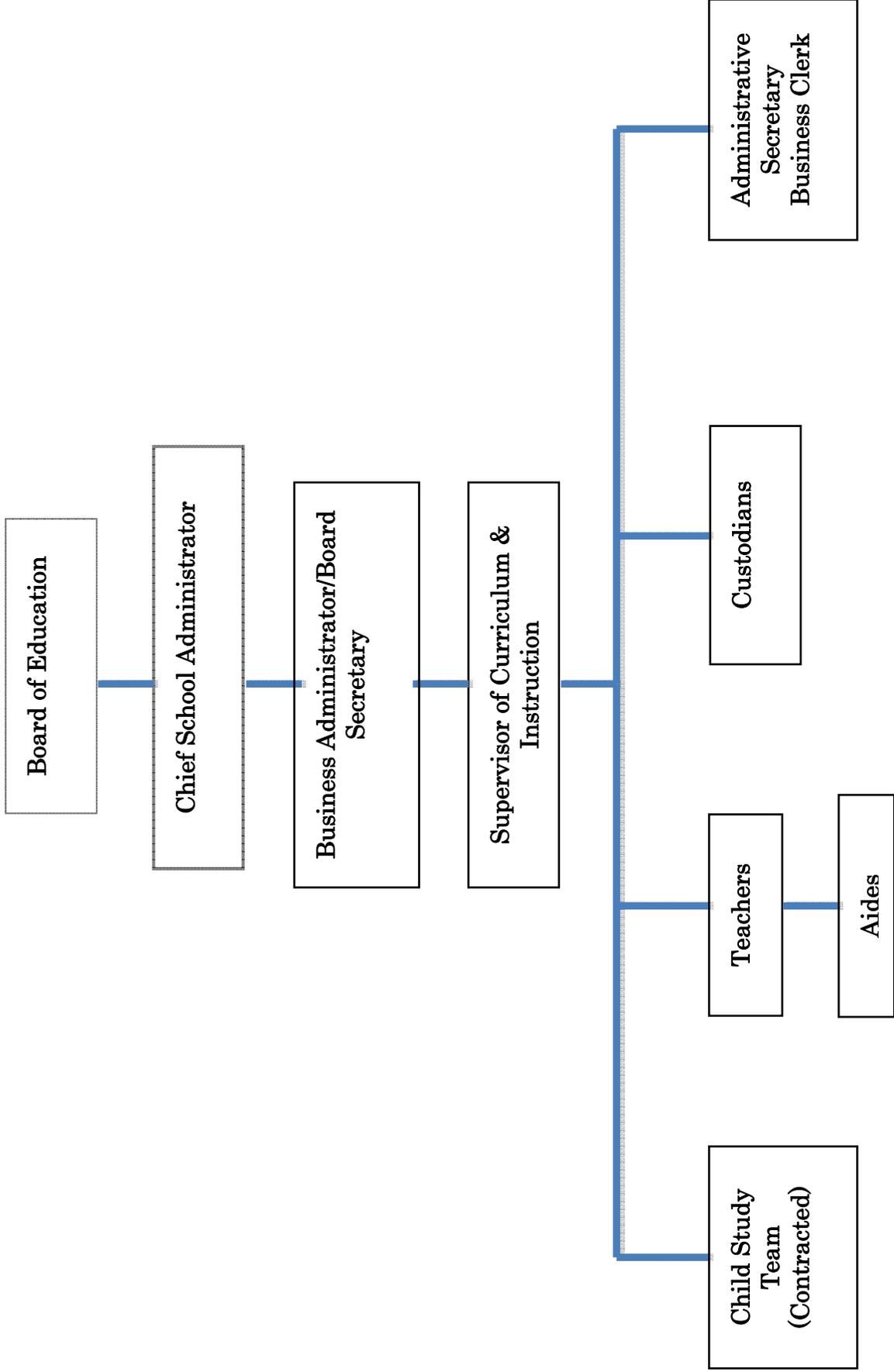
We would like to express our appreciation to the members of the Borough of Stone Harbor Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial 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
Superintendent


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, 2013

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Mr., John Atwood President	2014
Mr. David Hoy, Vice President	2014
Dr. John McAllister	2013
Mr. William Stump	2015
Ms. Terri Hand	2015
Mr. Brian Heenan (Avalon Representative)	2014

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
PO Box 538
Ocean City, NJ 08226
(609) 399-6333

Attorney

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Capehart Scatchard Attorneys at Law
Laurel Corporate Center
8000 Midlantic Drive, Suite 300 South
Mount Laurel, New Jersey 08054

Frank P. Cavallo, Jr., Esq.
Parker McCay P.A.
9000 Midlantic Drive, Suite 300
Mount Laurel, New Jersey 08054

Vito A. Gagliardi, Jr., Esq.
Porzio, Bromberg & Newman, P.C.
1000 Southgate Parkway
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

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538
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www.ford-scott.com

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, 2013, 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 an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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, 2013, 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 Management's Discussion and Analysis and Budgetary Comparison 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of state financial assistance as required by NJ OMB 04-04, 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of state financial assistance as required by NJ OMB 04-04, 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of state financial assistance as required by NJ OMB 04-04 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013 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.



Robert E. Swartz, CPA
Licensed Public School Accountant
No. CS00667

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC

November 22, 2013

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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, 2013. 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 \$78,569 during the fiscal year ended June 30, 2013 for the employer's share of social security contributions. The State of New Jersey also paid \$140,562 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, 2013 the District had excess surplus of \$332,577, of which \$150,981 was required to be budgeted as a revenue for the year ending June 30, 2014 and \$181,596 is designated for subsequent year budgets.
- During the fiscal year ended June 30, 2013, the District's expenses were approximately \$2,000 more than total revenue realized 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 2013 and 2012 as a result of an excess of revenues over expenses. The business-type activities net position increased slightly due to an excess of revenues over costs.

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$1,293,731	1,327,257	1,077	719	1,294,808	1,327,976
Capital assets	1,778,058	1,734,899			1,778,058	1,734,899
Total assets	<u>3,071,789</u>	<u>3,062,156</u>	<u>1,077</u>	<u>719</u>	<u>3,072,866</u>	<u>3,062,875</u>
Other liabilities	150,292	180,628			150,292	180,628
Total liabilities	<u>150,292</u>	<u>180,628</u>	<u>-</u>	<u>-</u>	<u>150,292</u>	<u>180,628</u>
Net position						
Net invested in capital assets	1,778,058	1,734,899			1,778,058	1,734,899
Restricted	1,017,420	1,015,417			1,017,420	1,015,417
Unrestricted	126,019	131,212	1,077	719	127,096	131,931
Total net assets	<u>\$2,921,497</u>	<u>2,881,528</u>	<u>1,077</u>	<u>719</u>	<u>2,922,574</u>	<u>2,882,247</u>

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

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, 2013, the District had excess fund balance in the amount of \$332,577 of which \$150,981 has been included in the 2013-2014 budget and the remaining \$181,596 will be included in the 2014-2015 budget.

Changes in net position. The total general fund revenue of the District increased approximately \$92,000 due to an increase in the tax levy and an increase in general fund state aid.

Approximately 8% 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.

	2013		2012	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Property taxes	\$ 2,259,406	64.73%	2,215,104	65.17%
Unrestricted Federal and State aid	268,924	7.70%	221,509	6.52%
Tuition	802,760	23.00%	924,680	27.20%
Operating grants and contributions	32,393	0.93%	33,475	0.98%
Other	126,842	3.63%	4,380	0.13%
Totals	\$ <u>3,490,325</u>	<u>100.00%</u>	<u>3,399,148</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 2013 and 2012 fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenue						
Charges for services	\$ 871,405	937,233	498	848	871,903	938,081
State grants and entitlements	32,393	33,475			32,393	33,475
General revenues						
Property taxes	2,259,406	2,215,104			2,259,406	2,215,104
State aid entitlements	268,924	221,509			268,924	221,509
Other	121,970	4,380			121,970	4,380
Total revenues	3,554,098	3,411,701	498	848	3,554,596	3,412,549
Expenses						
Instruction:						
Regular	1,024,767	1,122,672			1,024,767	1,122,672
Special Education	115,364	108,924			115,364	108,924
Other Instruction	133,244	121,088			133,244	121,088
Support services:						
Tuition	1,119,127	1,182,222			1,119,127	1,182,222
Student & instruction related	444,796	431,288			444,796	431,288
School administration services	97,228	90,564			97,228	90,564
General & business admin	120,089	100,103			120,089	100,103
Plant operations & maintenance	332,738	267,438			332,738	267,438
Pupil transportation	55,533	57,344			55,533	57,344
Special Schools	2,598	-			2,598	-
Internal service fund	68,645	12,553			68,645	12,553
Business-type activities			140	819	140	819
Total expenses	3,514,129	3,494,196	140	819	3,514,269	3,495,015
Increase/(Decrease)						
in net assets	39,969	(82,495)	358	29	40,327	(82,466)

Business-type Activities

Operating and non-operating revenues of the District's business-type activities decreased \$350 from the previous year and expenses decreased by \$679. The decrease in activity is due to partial closure related to Superstorm Sandy.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As of the year end, the governmental funds reported a combined fund balance of \$1,262,511 which is approximately \$1,300 lower 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 \$142,000. This is a result of excess unbudgeted state aid. 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 \$123,000.

CAPITAL ASSET

Capital Assets

At the end of 2013, the District had invested \$1.78 million in a broad range of capital assets, including land, buildings, vehicles and machinery.

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	410,630	410,630			410,630	410,630
Buildings and Bldg improvements	1,247,894	1,298,748			1,247,894	1,298,748
Machinery & equipment	119,534	25,521			119,534	25,521
					-	
Total	1,778,058	1,734,899	-	-	1,778,058	1,734,899

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 2014 fiscal year includes required supplies and anticipated contractual increases in salaries and employee benefits.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the district's operation. These financial statements present the financial position and operating results of all activities as of June 30, 2013.

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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, 2013.

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,152,612	1,077	1,153,689
Receivables, net	123,951		123,951
Due from Agency Fund	533		533
Due from other governments	16,635		16,635
Capital assets, net			
Land and land improvements	410,630		410,630
Depreciable assets, net of depreciation	1,367,428		1,367,428
Total Assets	<u>3,071,789</u>	<u>1,077</u>	<u>3,072,866</u>
LIABILITIES			
Unearned revenue	200		200
Noncurrent liabilities:			
Due within one year			-
Due beyond one year	119,072		119,072
Total liabilities	<u>150,292</u>	<u>-</u>	<u>150,292</u>
NET POSITION			
Net investment in capital assets	1,778,058	-	1,778,058
Restricted for:			
Other purposes	1,017,420		1,017,420
Unrestricted	126,019	1,077	127,096
Total net position	<u>\$ 2,921,497</u>	<u>1,077</u>	<u>2,922,574</u>

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Statement of Activities
June 30, 2013

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	\$ 843,644	181,123	802,760	21,885		(200,122)		(200,122)
Special education	94,974	20,390				(115,364)		(115,364)
Other instruction	109,694	23,550				(133,244)		(133,244)
Support services:								
Tuition	921,326	197,801				(1,119,127)		(1,119,127)
Student & instruction related services	366,180	78,616		10,508		(434,288)		(434,288)
School administrative services	80,043	17,185				(97,228)		(97,228)
Other administrative services	98,864	21,225				(120,089)		(120,089)
Plant operations and maintenance	273,928	58,810				(332,738)		(332,738)
Pupil transportation	45,717	9,816				(55,533)		(55,533)
Unallocated benefits	608,516	(608,516)				-		-
Internal Service Fund	68,645		68,645			-		-
Special Schools	2,598					(2,598)		(2,598)
Total governmental activities	<u>3,514,129</u>	<u>-</u>	<u>871,405</u>	<u>32,393</u>	<u>-</u>	<u>(2,610,331)</u>	<u>-</u>	<u>(2,610,331)</u>
Business-type activities:								
Food Service	140	-	498				358	358
Total business-type activities	<u>140</u>	<u>-</u>	<u>498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>358</u>	<u>358</u>
Total primary government	<u>\$ 3,514,269</u>	<u>-</u>	<u>871,903</u>	<u>32,393</u>	<u>-</u>	<u>(2,610,331)</u>	<u>358</u>	<u>(2,609,973)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net						2,259,406		2,259,406
Federal and State aid not restricted						268,924		268,924
Investment Earnings						719		719
Miscellaneous Income						126,123		126,123
Loss on Disposal of Assets						(4,872)		(4,872)
Total general revenues, special items, extraordinary items and transfers						<u>2,650,300</u>	<u>-</u>	<u>2,650,300</u>
Change in Net Position						39,969	358	40,327
Net Position—beginning						2,881,528	719	2,882,247
Net Position—ending						<u>2,921,497</u>	<u>1,077</u>	<u>2,922,574</u>

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds - This section consists of the general and special revenue 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, 2013

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,152,612	-	1,152,612
Due from other funds	13,043		13,043
Intergovernmental receivable - state	3,925	12,710	16,635
Other Accounts Receivable	123,951		123,951
	<hr/>	<hr/>	<hr/>
Total Assets	<u>1,293,531</u>	<u>12,710</u>	<u>1,306,241</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	31,020		31,020
Due to other funds		12,510	12,510
Unearned revenue		200	200
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>31,020</u>	<u>12,710</u>	<u>43,730</u>
FUND BALANCES			
Restricted for:			
Excess surplus	181,596		181,596
Excess surplus - designated for subsequent year's expenditures	150,981		150,981
Committed to:			
Capital reserve account	210,304		210,304
Maintenance reserve account	140,000		140,000
Emergency reserve account	250,000		250,000
Assigned to:			
Encumbrances	46,930		46,930
Designated for subsequent year's expenditures	37,609		37,609
Unreserved, reported in:			
General fund	245,091		245,091
Special revenue fund			-
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,262,511</u>	<u>-</u>	<u>1,262,511</u>
Total Liabilities and Fund Balances	<u>\$ 1,293,531</u>	<u>12,710</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 fund: 1,778,058

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (119,072)

Net position of governmental activities 2,921,497

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, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Local tax levy	\$ 2,259,406		2,259,406
Interest	719		719
Tuition	802,760		802,760
Miscellaneous	126,123		126,123
Local sources		2,856	2,856
State sources	268,924		268,924
Federal sources	-	29,537	29,537
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	3,457,932	32,393	3,490,325
EXPENDITURES:			
Current expense			
Instruction	812,278	5,058	817,336
Special education instruction	87,336		87,336
Other instruction	109,694		109,694
Support services and undistributed costs:			
Tuition	921,326		921,326
Student & instruction related services	344,215	10,508	354,723
School administrative services	40,500		40,500
Other administrative services	91,226		91,226
Central services	30,800		30,800
Plant operations and maintenance	275,814		275,814
Pupil transportation	45,717		45,717
Unallocated benefits	608,516		608,516
Capital outlay	89,178	16,827	106,005
Special Schools	2,598		2,598
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	3,459,198	32,393	3,491,591
Excess (deficiency) of revenues over (under) expenditures	(1,266)	-	(1,266)
Other financing sources (uses):			
Insurance Recoveries for Storm Damage	648,334		648,334
Expenses related to Storm Damage	(648,334)		(648,334)
	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	-	-	-
Net change in fund balances	(1,266)	-	(1,266)
Fund Balances, July 1	1,263,777		1,263,777
Fund Balances, June 30	<u>\$ 1,262,511</u>	<u>-</u>	<u>1,262,511</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, 2013

Total net change in fund balances - governmental funds (from B-2) \$ (1,266)

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	(76,379)	
	Loss on disposition of fixed assets	(4,872)	
	Capital outlays	124,410	43,159

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 (+).

(1,924)

Change in net position of governmental activities

\$ 39,969

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2013

	Non Major Funds	
	Business-type Activities - Enterprise Funds	Governmental Activities
	Milk Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,077	
Accounts receivable		
Inventories		
Total current assets	<u>1,077</u>	<u>-</u>
Noncurrent assets:		
Furniture, machinery & equipment		
Less accumulated depreciation		
Total noncurrent assets	<u>-</u>	<u>-</u>
Total assets	<u>1,077</u>	<u>-</u>
Liabilities		
Current liabilities		
Interfund payable		
Accounts payable	<u>-</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
NET POSITION		
Invested in capital assets, net of related debt	<u>-</u>	<u>-</u>
Unrestricted	<u>1,077</u>	
Total net position	<u>\$ 1,077</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, 2013

	Non Major Funds	
	Business-type Activities - Enterprise Funds	Governmental Activities
	Milk Fund	Internal Service Fund
OPERATING REVENUES:		
Local sources:		
Daily sales - Non-reimbursable programs	\$ 497	
Other revenue	1	68,645
Total Operating Revenues	<u>498</u>	<u>68,645</u>
OPERATING EXPENSES:		
Salaries		55,795
Employee Benefits		12,850
Cost of sales	140	
Total Operating Expenses	<u>140</u>	<u>68,645</u>
Operating profit	<u>358</u>	<u>-</u>
Net loss before contributions and transfers	<u>358</u>	<u>-</u>
Change in net position	358	-
Total net position - beginning	<u>719</u>	<u>-</u>
Total net position - ending	<u>\$ 1,077</u>	<u>-</u>

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, 2013

	Non Major Funds	
	Business-type Activities - Enterprise Funds	Governmental Activities Internal Service Fund
	Milk Fund	
Cash Flows from Operating Activities:		
Receipts from customers and others	\$ 498	68,645
Payments to employees		(55,795)
Payments for employee benefits		(12,850)
Payments to suppliers	(140)	
Net cash provided by operating activities	358	-
Net increase in cash and cash equivalents	358	
Balances - beginning of year	719	-
Balances - end of year	\$ 1,077	-
Reconciliation of operating loss to net cash used by operating activities:		
Operating income	\$ 358	-
Adjustments to reconcile operating loss to cash used by operating activities		
Change in assets and liabilities:		
None		
Total adjustments	-	-
Net cash (used) by operating activities	\$ 358	-

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, 2013

	Scholarship Fund	Unemployment Compensation Trust	Agency Fund
ASSETS:			
Cash and Cash Equivalents	\$ 2,102	41,143	20,946
Total Assets	<u>2,102</u>	<u>41,143</u>	<u>20,946</u>
LIABILITIES:			
Payable to Student Groups			3,440
Payroll liabilities			16,977
Interfund Payable			529
Total Liabilities	<u>-</u>	<u>-</u>	<u>20,946</u>
NET POSITION			
Held in trust for unemployment claims and other purposes	<u>\$ 2,102</u>	<u>41,143</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, 2013

	Unemployment Compensation Trust	Scholarship Fund
ADDITIONS		
Contributions:		
Plan member	\$ 1,962	
Board		
Total Contributions	1,962	-
Investment earnings:		
Interest	19	-
Net investment earnings	19	-
Total additions	1,981	-
DEDUCTIONS		
Unemployment claims	66	
Total deductions	66	-
Change in net position	1,915	-
Net position—beginning of the year	39,228	2,102
Net position—end of the year	\$ 41,143	2,102

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2013

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, 2013 of 78 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.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS:

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

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

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

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

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

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

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2013

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 nonmajor 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 elected to implement GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. 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 2012-13 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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Notes to Financial Statements
June 30, 2013

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.

F. ACCOUNTING CHANGES

As a result of recently effective pronouncements by the Governmental Accounting Standards Board (GASB) the terminology for *Net Assets* has been revised to Net Position. This change was only a terminology change and did not have an impact on either *Fund Balance* or *Net Position* (formerly identified as Net Assets). In addition, GASB has also introduced the concept of *Deferred Inflows and Outflows* to identify categories that were previously identified as *Liabilities* or *Assets* respectively.

G. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE

In April 2012, GASB issued Statement No. 66 “Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62”. This statement, which resolves conflicts between Statements No. 10 and No. 54 provides more flexibility in fund classifications for risk based activities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the District’s financial reporting.

In June 2012, GASB issued Statement No. 67 “Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25”. This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the District’s financial reporting.

In June 2012, GASB issued Statement No. 68 “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”. This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the District’s financial reporting.

In January 2013, GASB issued Statement No. 69 “Government Combinations and Disposals of Government Operations”. This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the District’s financial reporting.

In April 2013, GASB issued Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees”. This statement, which is effective for fiscal years beginning after June 15, 2013, will not have any impact on the District’s financial statements.

NOTE 2. INVESTMENTS

As of June 30, 2013, the District had no investments.

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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, 2013, \$0 of the government's bank balance of \$1,324,942 was exposed to custodial credit risk.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional

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amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A 16:60-2. Pursuant to NJAC 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP. The activity is shown as follows:

Beginning balance, July 1	\$	210,304
Interest		<u>0</u>
Ending balance, June 30	\$	<u>210,304</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, 2013 the District has reserved \$140,000 for maintenance.

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Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2013

NOTE 6. FIXED ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance June 30, 2013</u>
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	\$ 410,630			410,630
Total capital assets not being depreciated	<u>410,630</u>	-	-	<u>410,630</u>
Bldg and bldg improve	2,290,307			2,290,307
Site improvements	86,965			86,965
Machinery and Equipment	596,276	124,410	32,498	688,188
Total at historical cost	<u>2,973,548</u>	<u>124,410</u>	<u>32,498</u>	<u>3,065,460</u>
Less: Accumulated depreciation	<u>(1,649,279)</u>	<u>(76,379)</u>	<u>(27,626)</u>	<u>(1,698,032)</u>
Total capital assets being depr, net of accum depr	<u>1,324,269</u>	<u>48,031</u>	<u>4,872</u>	<u>1,367,428</u>
Governmental activities capital assets, net	<u>\$1,734,899</u>	<u>48,031</u>	<u>4,872</u>	<u>1,778,058</u>

Depreciation expense as charged to governmental functions as follows:

Regular instruction	\$ 39,190
Special education	7,638
Student & instruction related services	11,457
School administrative expenses	7,638
General and business administration	7,638
Plant operations and maintenance	3,818
	<u>\$ 76,379</u>

**Borough of Stone Harbor School District
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NOTE 7. GENERAL LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2013 was as follows:

		Balance 6/30/2012	Issued	Retired	Balance 6/30/2013	Due in one year
Governmental Activities	\$					
Other liabilities:						
Compensated Absences Payable		117,148	15,937	14,013	119,072	-
Governmental activities long-term liabilities	\$	<u>117,148</u>	<u>15,937</u>	<u>14,013</u>	<u>119,072</u>	<u>-</u>

NOTE 8. PENSION PLANS

Description of Plans

All required employees of the District are covered by either the Public Employees' Retirement System or the Teacher's Pension and Annuity Fund cost-sharing multiple-employer defined benefit pension plans which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may 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 5.5% 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 6.5% and the PERS rate is 6.5% of covered payroll. The School District's contributions to TPAF for the years ending June 30, 2013, 2012 and 2011 were \$65,968, \$33,467, and \$3,249 respectively, and paid by the State of New Jersey on behalf of the board. The required contributions for 2011 was not made by the State of New Jersey. The School District's contributions to PERS for the years ending June 30, 2013, 2012 and 2011 were \$14,305, \$14,635 and \$13,820 respectively, equal to the required contributions for each year.

During the fiscal years ended June 30, 2013, 2012 and 2011, the State of New Jersey contributed \$74,594, \$67,277, and \$69,015, 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 \$78,569, \$70,632, \$79,915 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

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required to be budgeted, have been included in the financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance in GASB 27.

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 as 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. POST-RETIREMENT BENEFITS

P.L. 1987, Chapter 384 and P.L. 1990 Chapter 6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007 c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for funding and payment of post-retirement medical benefits for retired State employees and educational employees. As of June 30, 2012, there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 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 State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012. The State also makes on-behalf payment for Teachers

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Pension and Annuity program retirees for health benefits. The on-behalf amount paid by the State of New Jersey in fiscal year 2012 was \$1,900,030.

NOTE 10. DEFERRED COMPENSATION

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

Lincoln Investment Planning
Travelers Insurance Company

NOTE 11. 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 12. 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.

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2013

NOTE 13. FUND BALANCE APPROPRIATED

General Fund – Of the \$1,262,511 General Fund fund balance at June 30, 2013, \$46,930 is reserved for encumbrances; \$332,577 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$150,981 of the total reserve for excess surplus has been appropriated and also included as anticipated revenue for the year ending June 30, 2014); \$37,609 has been legally restricted and included as anticipated revenue for the year ending June 30, 2014; \$210,304 has been reserved in the Capital Reserve Account; \$140,000 has been reserved in the Maintenance Reserve Account. \$250,000 has been reserved in the Emergency Reserve Account and \$245,091 is unreserved and undesignated.

NOTE 14. CALCULATION OF EXCESS SURPLUS

In accordance with NJSA 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Reserved Fund Balance – Excess Surplus is a required calculation. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2013 is \$332,577, of which \$150,981 has been appropriated and included as anticipated revenue for the year ended June 30, 2014.

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2013, 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:		
Speical Revenue Fund	\$ 12,510	
Agency Fund	533	
Special Revenue Fund		
General Fund		12,510
Agency Fund:		
General Fund		533
	<u>\$ 13,043</u>	<u>13,043</u>

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

Borough of Stone Harbor School District
Notes to Financial Statements
June 30, 2013

NOTE 16. 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, 2013 the District did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012-2013	\$ 0	1,981	66	41,143
2011-2012	\$ 0	2,014	2,145	39,228
2010-2011	\$ 0	2,064	1,186	39,359

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

NOTE 17. ECONOMIC DEPENDENCY

The District is heavily reliant on local property taxation to fund District operations. Property taxes funded 65% of the Districts 2012-2013 governmental operations.

NOTE 18- SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 22, 2013, 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, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 2,259,406		2,259,406	2,259,406	-
Interest earned	100		100	719	619
Tuition	786,800		786,800	802,760	15,960
Miscellaneous	400		400	126,123	125,723
Total local sources	3,046,706	-	3,046,706	3,189,008	142,302
State sources:					
Special Education Aid	24,524		24,524	24,524	-
Security Aid	2,937		2,937	2,937	-
Adjustment Aid	3,705		3,705	3,705	-
Transportation Aid	21,597		21,597	21,597	-
On behalf TPAF Pension					
Contributions (non-budgeted)			-	140,562	140,562
Reimbursed TPAF Social Security					
Contributions (non-budgeted)				78,569	78,569
Total state sources	52,763	-	52,763	271,894	219,131
Total Revenues	3,099,469	-	3,099,469	3,460,902	361,433
EXPENDITURES:					
Current Expense:					
Regular programs - Instruction:					
Salaries of teachers:					
Preschool/kindergarten	109,601	2,094	111,695	111,695	-
Grades 1 - 5	569,947	9,806	579,753	579,753	-
Grades 6 -8		255	255	255	-
Regular programs - home instruction:	250		250	-	250
Salaries of teachers					
Regular programs - undistributed instruction:	24,830		24,830	24,442	388
Other salaries for instruction					
Purchased professional/educational services	51,869	(6,346)	45,523	45,242	281
Purchased technical services	500	(395)	105	-	105
Other purchased services	15,808	(1,416)	14,392	9,624	4,768
General supplies	74,540	(35,189)	39,351	34,660	4,691
Textbooks	20,000	(19,651)	349	154	195

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Other objects	15,000	(8,465)	6,535	6,453	82
Total regular programs	882,345	(59,307)	823,038	812,278	10,760
Resource room/Resource center:					
Salaries of teachers	86,881	(55)	86,826	86,806	20
General supplies	200	349	549	530	19
Textbooks	100	(18)	82	-	82
Total resource room/resource center	87,181	276	87,457	87,336	121
Total special education - instruction	87,181	276	87,457	87,336	121
Basis Skills/Remedial - instruction:					
Salaries of teachers	105,564	1,055	106,619	106,619	-
Total resource room/resource center	105,564	1,055	106,619	106,619	-
School sponsored cocurricular activities - instruction:					
Salaries	7,475		7,475	3,075	4,400
Supplies and Materials	1,000	(1,000)	-	-	-
Total school sponsored cocurricular activities - instruction	8,475	(1,000)	7,475	3,075	4,400
Community Service Salaries	4,000	(3,995)	5	-	5
Total other instructional programs - instruction	4,000	(3,995)	5	-	5
Total - Instruction	1,087,565	(62,971)	1,024,594	1,009,308	15,286
Undistributed expenditures - Instruction:					
Tuition to other LEA's within the state - regular	896,343		896,343	896,343	-
Tuition to other LEA's within the state - special	3,585		3,585	3,585	-
Tuition to CSSD & Reg Day Schools	30,181	(30,181)	-	-	-
Tuition - County Voc. School District - Regular	21,398		21,398	21,398	-
Tuition - other			-	-	-

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Total undistributed expenditures - instruction	951,507	(30,181)	921,326	921,326	-
Undistributed expenditures - Attendance & Social Work Salaries	6,477		6,477	6,417	60
Purchased professional and technical services	11,004	1,513	12,517	12,516	1
Total undistributed expenditures - attendance & social work	17,481	1,513	18,994	18,933	61
Undistributed expenditures - Health services:					
Salaries	88,751	3,123	91,874	91,874	-
Purchased professional and technical services	500	(85)	415	40	375
Other purchased services	100	(1)	99	-	99
Supplies and materials	1,445	7,457	8,902	8,900	2
Total undistributed expenditures - health services	90,796	10,494	101,290	100,814	476
Undistributed expenditures - Other support services - students - related services:					
Purchased professional educational services	25,680	720	26,400	2,140	24,260
Total undistributed expenditures - other support services - students - related services	25,680	720	26,400	2,140	24,260
Undistributed expenditures - other support services: - extraordinary services:					
Salaries of other professional staff	19,360	3,145	3,145	3,060	85
Purchased professional - educational services		(17,350)	2,010	1,915	95
Total undistributed expenditures - other support services - extraordinary services	19,360	(14,205)	5,155	4,975	180
Undistributed expenditures - Other support services - Guidance					
Salaries of other professional staff	500		500	38	462
Supplies and materials	1,000	(546)	454	397	57
Total undistributed expenditures - other support services - regular	1,500	(546)	954	435	519
Undistributed expenditures - other support services - students - Child Study Team:					

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Salaries of secretaries and clerical assistants	4,318	253	4,571	4,571	-
Purchased professional educational services	35,535	4,748	40,283	40,283	-
Other purchased prof. and tech. services	3,004		3,004	2,858	146
Total undistributed expenditures - other support services - students - special services	42,857	5,001	47,858	47,712	146
Undistributed expenditures - Improvement of instruction services:					
Salaries of Supervisor of Instruction	65,113	(4,560)	60,553	60,552	1
Other purchased prof. educational services		600	600	600	-
Other purchased prof. and tech. services	7,342	(1,968)	5,374	4,666	708
Supplies and materials	1,200	32,039	33,239	19,614	13,625
Total undistributed expenditures - improvement of instruction services	73,655	26,111	99,766	85,432	14,334
Undistributed expenditures - educational media services/school library:					
Salaries	13,566	(13,371)	195	170	25
Purchased professional and technical services	50,618	(2,918)	47,700	47,696	4
Other purchased services	2,000	(1,848)	152	114	38
Supplies and materials	6,000	8,205	14,205	14,021	184
Total undistributed expenditures - educational media services/school library	72,184	(9,932)	62,252	62,001	251
Undistributed expenditures - instruction staff training services					
Other purchased prof. educational services	14,726		14,726	14,725	1
Other purchases professional and technical services	9,342	(4,676)	4,666	4,666	-
Other purchased services	12,000	(9,617)	2,383	2,382	1
Supplies and materials	500	(359)	141	-	141
Total undistributed expenditures - instructional staff training services	21,842	74	21,916	21,773	143
Undistributed expenditures - Support services - general administration:					
Salaries	2,555	17,507	20,062	20,061	1
Legal services	3,500	10,304	13,804	13,803	1
Audit fees	7,200	300	7,500	7,500	-
Other purchased professional services	42,407	(8,314)	34,093	34,093	-
Purchased technical services	250	(220)	30	-	30
Communications/telephone	2,250	124	2,374	2,374	-
BOE other purchased services	500	1,448	1,948	1,948	-
Other purchased services	4,614	3,588	8,202	8,201	1
Supplies and materials	1,000	1,556	2,556	2,546	10
BOE supplies and materials		600	600	600	-

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Miscellaneous expenditures	2,500	(2,460)	40	40	-
BOE membership dues and fees	2,000	(1,598)	402	60	342
Total undistributed expenditures - support services - general administration	68,776	22,835	91,611	91,226	385
Undistributed expenditures - Support services school administration:					
Salaries of secretarial and clerical assistants	30,392	2,245	2,245	2,245	-
Purchased professional and tech. services	1,250	4,517	34,909	34,909	-
Other purchased services	1,250	(946)	304	304	-
Supplies and materials	750	40	1,290	1,290	-
Other objects		1,003	1,753	1,752	1
Total undistributed expenditures - support services school administration	33,642	6,859	40,501	40,500	1
Undistributed expenditures - Central services					
Purchased professional services	30,037	(6,506)	23,531	23,500	31
Purchased technical services	6,750	(87)	6,663	6,644	19
Miscellaneous purchased services	200		200	-	200
Supplies and materials	250		250	206	44
Other Objects		450	450	450	-
Total Undistributed expenditures - central services	37,237	(6,143)	31,094	30,800	294
Undistributed expenditures - Maintenance of school property:					
Salaries	23,520	5,188	28,708	28,708	-
Cleaning, repair and maintenance	61,296	(45,980)	15,316	15,316	-
Supplies and materials	4,500	(4,500)	-	-	-
Total undistributed expenditures - maintenance of school property	89,316	(45,292)	44,024	44,024	-
Undistributed expenditures - Operation and maintenance of plant services:					
Salaries	42,318	(994)	41,324	41,323	1
Purchased professional and technical services	36,687	17,187	53,874	52,173	1,701
Cleaning, repair and maintenance services	10,000	30,900	40,900	40,900	-
Insurance	21,102	3,131	24,233	24,233	-
Miscellaneous purchased services	-	6,406	6,406	6,406	-
General supplies	4,339	17,307	21,646	21,279	367
Energy (natural gas)		15,000	15,000	13,254	1,746
Energy (electricity)	70,000	(37,351)	32,649	32,222	427
Total undistributed expenditures - operation and maintenance of plant services	184,446	51,586	236,032	231,790	4,242

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed expenditures - student transportation services:					
Salaries for pupil transportation (Between home and school) - regular non-public	1,079	1	1,080	1,069	11
Salaries for pupil transportation	5,397	1	5,398	5,347	51
Other Purchased Prof. and technical Services	11,687	3,361	15,048	15,047	1
Contracted services (other than between home and school) - vendors	2,000		2,000	1,313	687
Contracted services (bet. home & sch)	34,276	(8,865)	25,411	22,941	2,470
joint agreements	2,500	(1,921)	579	-	579
Contracted services - (aide in lieu) - non public	56,939	(7,423)	49,516	45,717	3,799
Total undistributed expenditures student transportation services					
Unallocated Benefits					
Social security	17,500		17,500	16,916	584
Other retirement contributions - PERS	31,050	(16,455)	14,595	14,305	290
Unemployment compensation	200	2,191	2,391	2,390	1
Workmen's compensation	11,273	132	11,405	10,854	551
Health benefits	356,783	(23,835)	332,948	318,994	13,954
Tuition reimbursement	9,000	4,539	13,539	13,539	-
Other employee benefits	49,522	(37,135)	12,387	12,387	-
Total Regular Program Instruction Employee Benefits	475,328	(70,563)	404,765	389,385	15,380
On behalf TPAF Pension Contributions (non-budgeted)			-	140,562	(140,562)
Reimbursed TPAF Social Security Contributions (non-budgeted)			-	78,569	(78,569)
Total on-behalf contributions	-	-	-	219,131	(219,131)
Total undistributed expenditures	2,262,546	(59,092)	2,203,454	2,358,114	(154,660)
Total current expense	3,350,111	(122,063)	3,228,048	3,367,422	(139,374)
Capital Outlay:					
Instruction	100		100		100
Interest deposit to capital reserve	8,000	(5,794)	2,206	2,169	37
Equipment		26,545	26,545	26,545	-
Undist. Expend. - Operation & Maint. of School Fac.					
Total equipment	8,100	20,751	28,851	28,714	137

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Facilities Acquisition and Construction Services					
Other Purchased professional and technical services		27,090	27,090	27,090	-
Construction Services		72,698	72,698	29,710	42,988
Assessment for Debt Service on SDA funding	3,664		3,664	3,664	-
Total Facilities Acquisition and Construction Services	3,664	99,788	103,452	60,464	42,988
Total Capital Outlay	11,764	120,539	132,303	89,178	43,125
Transfer to charter school					
Special Schools:					
Summer School - Instruction					
Salaries of teachers	1,476	1,524	3,000	2,598	402
General supplies	250		250	-	250
Total summer school - instruction	1,726	1,524	3,250	2,598	652
Total Special Schools	1,726	1,524	3,250	2,598	652
Total Expenditures	3,363,601	-	3,363,601	3,459,198	(95,597)
Excess (deficiency) of revenues over (under) expenditures	(264,132)		(264,132)	1,704	265,836
Other Financing Sources/(Uses) Operating transfers in:					
Insurance Recoveries for Storm Damage				648,334	(648,334)
Expenses related to Storm Damage				(648,334)	648,334
Total other financing uses	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(264,132)		(264,132)	1,704	265,836
Fund Balances, July 1	1,265,716		1,265,716	1,265,716	-
Fund Balances, June 30	\$ 1,001,584	-	1,001,584	1,267,420	265,836

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 for the Fiscal Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
<u>Recapitulation of Fund Balance:</u>					
Restricted Fund Balance:					
Reserve for Excess Surplus				181,596	
Excess Surplus Designated for Subsequent Years Expenditures				150,981	
Committed Fund Balance:					
Maintenance Reserve				140,000	
Capital Reserve				210,304	
Emergency Reserve				250,000	
Assigned Fund Balance:					
Designated for Subsequent Years Expenditures				37,609	
Reserve for Encumbrances				46,930	
Unassigned Fund Balance				250,000	
				<u>1,267,420</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid payment not recognized on GAAP basis				(4,909)	
Fund Balance per Governmental Funds (GAAP)				<u>1,262,511</u>	

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Revenue Fund
 for the Fiscal Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
REVENUES:					
Local Sources					
Safety Grant - NJSBA		2,856	2,856	2,856	-
Total state sources	-	2,856	2,856	2,856	-
Federal sources:					
Small Rural Education Achievement Program		16,827	16,827	16,827	-
I.D.E.A., Part B	8,050	2,458	10,508	10,508	-
I.D.E.A., Preschool		2,202	2,202	2,202	-
Total federal sources	8,050	21,487	29,537	29,537	-
Total Revenues	8,050	24,343	32,393	32,393	-

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Revenue Fund
 for the Fiscal Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
EXPENDITURES:					
Instruction:					
Other Purchased Services	8,050	(5,848)	2,202	2,202	-
Purchased Professional and Technical Services	-	-	-	-	-
General Supplies	-	2,856	2,856	2,856	-
Total instruction	8,050	(2,992)	5,058	5,058	-
Support services					
Other Purchased Professional and Technical Services	-	10,508	10,508	10,508	-
Total support services	-	10,508	10,508	10,508	-
Capital Outlay					
Instructional Equipment	-	16,827	16,827	16,827	-
Total capital outlay	-	16,827	16,827	16,827	-
Total Expenditures	8,050	24,343	32,393	32,393	-
Excess (deficiency) of revenues over (under) expenditures	\$ -	-	-	-	-

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Required Supplementary Information
 Budgetary Comparison Schedule
 Notes to Required Supplementary Information
 for the Fiscal Year Ended June 30, 2013

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

	<u>General Fund</u>	<u>Special Revenue</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 3,460,902	32,393
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.	1,939	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(4,909)</u>	
Total revenues reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>3,457,932</u>	<u>32,393</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	3,459,198	32,393
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>\$ 3,459,198</u>	<u>32,393</u>

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Supplementary Information

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SPECIAL REVENUE FUND

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

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BOROUGH OF STONE HARBOR SCHOOL DISTRICT
 Special Revenue Fund
 Combining Schedule of Revenues and Expenditures
 Budgetary Basis
 for the Fiscal Year ended June 30, 2013

	Small Rural Education Achievement Grant	I.D.E.A. Part B Preschool	I.D.E.A. Part B	Local Programs	Totals
REVENUES:					
Federal sources	16,827	2,202	10,508		29,537
State sources				2,856	2,856
Local Sources				2,856	2,856
Total Revenue	16,827	2,202	10,508	2,856	32,393
EXPENDITURES:					
Instruction:					
Other Purchased Services		2,202			2,202
Purchased professional and technical services				2,856	2,856
Supplies		2,202		2,856	5,058
Total instruction					
Support services					
Other purchased professional and tech. services			10,508		10,508
Total support services			10,508		10,508
Capital Outlay					
Instructional Equipment	16,827				16,827
Total capital outlay	16,827				16,827
Total Expenditures	16,827	2,202	10,508	2,856	32,393

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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, 2013

	Expendable Trust			Agency		Total
	NJ Unemployment Compensation Insurance	Scholarship Fund	Student Activity	Payroll		
ASSETS:						
Cash and cash equivalents	\$ 41,143	2,102	3,440	17,506		64,191
Total Assets	<u>41,143</u>	<u>2,102</u>	<u>3,440</u>	<u>17,506</u>		<u>64,191</u>
LIABILITIES AND NET POSITION:						
Liabilities:						
Due to student groups			3,440			3,440
Payroll deductions and withholdings				16,977		16,977
Interfund payable - general fund				529		529
Total Liabilities	-	-	3,440	17,506		20,946
Net Position:						
Reserved for future unemployment claims	41,143					41,143
Total Net Position	<u>41,143</u>	<u>2,102</u>	<u>-</u>	<u>-</u>		<u>43,245</u>
Total Liabilities and Fund Balances	\$ <u>41,143</u>	<u>2,102</u>	<u>3,440</u>	<u>17,506</u>		<u>64,191</u>

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Fund
for the Fiscal Year ended June 30, 2013

	Unemployment Compensation Trust	Scholarship Fund	Total
ADDITIONS:			
Contributions:			
Plan Members	\$ 1,962		1,962
Total Contributions	1,962	-	1,962
Investment Earnings			
Interest	19		19
Net investment earnings	19	-	19
Total additions	1,981	-	1,981
DEDUCTIONS:			
Unemployment Claims	66		66
Total deductions	66	-	66
Change in net position	1,915	-	1,915
Net Position, July 1	39,228	2,102	41,330
Net Position, June 30	\$ 41,143	2,102	43,245

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Student Activity Agency Fund

Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
Petty Cash Account	\$ 2,332	115		2,447
School fund account	993	740	740	993
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 3,325</u>	<u>855</u>	<u>740</u>	<u>3,440</u>

BOROUGH OF STONE HARBOR SCHOOL DISTRICT

Payroll Agency Fund

Statement of Changes in Assets and Liabilities
for the Fiscal Year ended June 30, 2013

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
ASSETS:				
Cash and cash equivalents	\$ 31,347	1,356,700	1,370,541	17,506
Total Assets	<u>31,347</u>	<u>1,356,700</u>	<u>1,370,541</u>	<u>17,506</u>
LIABILITIES:				
Net Payroll	-	714,589	714,589	-
Payroll deductions and withholdings	30,814	642,097	655,934	16,977
Interfunds payable	533	14	18	529
Total Liabilities	<u>\$ 31,347</u>	<u>1,356,700</u>	<u>1,370,541</u>	<u>17,506</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,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	1,738,591	1,843,998	1,926,542	2,011,094	1,980,340	1,923,663	1,854,129	1,794,232	1,734,899	1,778,058
Restricted	81,505	63,549	80,040	432,764	242,118	365,814	622,660	1,041,086	1,015,417	1,017,420
Unrestricted	124,214	193,426	382,671	132,691	269,229	268,872	230,551	135,851	131,212	126,019
Total governmental activities net position	<u>1,944,310</u>	<u>2,100,973</u>	<u>2,389,253</u>	<u>2,576,549</u>	<u>2,491,687</u>	<u>2,558,349</u>	<u>2,707,340</u>	<u>2,971,169</u>	<u>2,881,528</u>	<u>2,921,497</u>
Business-type activities										
Net investment in capital assets	566	451	215	(56)	24	592	1,424	690	719	1,077
Restricted	566	451	215	(56)	24	592	1,424	690	719	1,077
Total business-type activities net position										
District-wide										
Net investment in capital assets	1,738,591	1,843,998	1,926,542	2,011,094	1,980,340	1,923,663	1,854,129	1,794,232	1,734,899	1,778,058
Restricted	81,505	63,549	80,040	432,764	242,118	365,814	622,660	1,041,086	1,015,417	1,017,420
Unrestricted	124,780	193,877	382,886	132,635	269,253	269,464	231,975	136,541	131,931	127,096
Total district net position	<u>1,944,876</u>	<u>2,101,424</u>	<u>2,389,468</u>	<u>2,576,493</u>	<u>2,491,711</u>	<u>2,558,941</u>	<u>2,708,764</u>	<u>2,971,859</u>	<u>2,882,247</u>	<u>2,922,574</u>

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,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities										
Instruction										
Regular	725,127	741,256	792,390	859,731	927,887	898,873	1,118,763	1,222,275	1,122,672	1,024,767
Special education	35,072	35,153	42,777	62,345	67,452	71,918	86,445	54,763	108,924	115,364
Other special instruction		6,991								
Other instruction	6,880	4,814	7,193	12,003	15,951	14,749	14,907	15,157	121,088	133,244
Adult/continuing education programs			5,710							
Support Services:										
Tuition	250,904	222,360	224,090	228,045	259,942	258,407	240,719	196,793	1,182,222	1,119,127
Student & instruction related services	199,481	213,201	317,386	328,879	317,195	346,698	422,926	367,940	431,288	444,796
School administrative services	74,915	65,876	37,478	38,691	114,421	66,180	103,098	93,023	90,564	97,228
Other administrative services	161,577	160,703	181,723	97,086	75,635	92,706	79,892	93,526	100,103	120,089
Plant operations and maintenance	139,453	134,031	180,542	195,713	213,538	194,173	273,800	238,060	267,438	332,738
Pupil transportation	22,593	24,729	67,119	63,650	72,995	50,759	44,447	43,280	57,344	55,533
Employee benefits	328,131	342,086	362,182	458,411	487,250	384,340	-	-	-	-
Internal service				92,054	95,015	97,285	99,099	105,527	12,553	68,645
Interest on long-term debt	23,541	17,978	9,690	3,608						2,598
Special Schools										
Total governmental activities expenses	1,967,674	1,969,178	2,228,280	2,440,216	2,647,281	2,476,088	2,484,096	2,430,344	3,494,196	3,514,129
Business-type activities:										
Milk Fund	1,447	1,234	1,049	1,762	1,739	985	1,397	1,845	819	140
Total business-type activities expense	1,447	1,234	1,049	1,762	1,739	985	1,397	1,845	819	140
Total district expenses	1,969,121	1,970,412	2,229,329	2,441,978	2,649,020	2,477,073	2,485,493	2,432,189	3,495,015	3,514,269
Program Revenues										
Governmental activities:										
Charges for Services										
Central and other support services	123,380	122,893	88,353	92,054	245,376	247,276	255,196	276,376	937,233	871,405
Operating grants and contributions			159,697	226,048	17,295	14,502	49,815	33,612	33,475	32,393
Total governmental activities program revenues	123,380	122,893	248,050	318,102	262,671	261,778	305,011	309,988	970,708	903,798
Business-type activities:										
Charges for services	1,712	1,119	813	1,491	1,819	1,553	2,229	1,111	848	498
Milk Fund										
Operating grants and contributions										
Capital grants and contributions										
Total business-type activities program revenues	1,712	1,119	813	1,491	1,819	1,553	2,229	1,111	848	498
Total district program revenues	125,092	124,012	248,863	319,593	264,490	263,331	307,240	311,099	971,556	904,296
Net (Expense)/Revenue										
Governmental activities	(1,844,294)	(1,846,285)	(1,980,230)	(2,122,114)	(2,384,610)	(2,214,310)	(2,179,085)	(2,120,356)	(2,523,488)	(2,610,331)
Business-type activities	265	(115)	(236)	(271)	80	568	832	(734)	29	368
Total district-wide net expense	(1,844,029)	(1,846,400)	(1,980,466)	(2,122,385)	(2,384,530)	(2,213,742)	(2,178,253)	(2,121,090)	(2,523,459)	(2,609,973)

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

	For the Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	1,547,150	1,598,538	1,868,883	1,880,724	1,969,219	2,047,988	2,129,907	2,215,103	2,215,104	2,259,406
Taxes levied for debt service	148,541	147,977	147,193	145,186	-	-	-	-	-	-
Unrestricted grants and contributions	91,170	123,686	104,105	103,252	299,785	200,391	192,429	159,464	221,509	268,924
Tuition	106,470	123,576	130,744	150,564	-	-	-	-	-	-
Investment earnings	3,140	5,506	19,664	100	10,474	8,778	-	100	200	719
Miscellaneous income	4,842	3,665	3,001	29,584	614	2,992	5,740	9,518	4,180	126,123
Adjustments			(5,080)		19,656	20,824				(4,872)
Total governmental activities	1,901,313	2,002,948	2,268,510	2,309,410	2,299,748	2,280,973	2,328,076	2,384,185	2,440,993	2,650,300
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	-	-	-	-	-	-	-	-	-	-
Total district-wide	1,901,313	2,002,948	2,268,510	2,309,410	2,299,748	2,280,973	2,328,076	2,384,185	2,440,993	2,650,300
Change in Net Position										
Governmental activities	57,019	156,663	288,280	187,296	(84,862)	66,663	148,991	263,829	(82,495)	39,969
Business-type activities	265	(115)	(236)	(271)	80	568	832	(734)	29	358
Total district	57,284	156,548	288,044	187,025	(84,782)	67,231	149,823	263,095	(82,466)	40,327

Source: CAFR Schedule A-2

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Restricted								390,311	372,479	332,577
Committed								612,315	637,614	600,304
Assigned								38,460	5,324	84,539
Unassigned								250,622	248,360	245,091
Reserved	145,177	210,457	424,596	415,594	382,118	505,914	791,473			
Unreserved	105,812	96,932	97,275	212,029	249,235	243,907	243,337			
Total general func	<u>250,989</u>	<u>307,389</u>	<u>521,871</u>	<u>627,623</u>	<u>631,353</u>	<u>749,821</u>	<u>1,034,810</u>	<u>1,291,708</u>	<u>1,263,777</u>	<u>1,262,511</u>
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Capital projects fund	17,169	17,169	17,169	17,169	16,877	16,877	-	-	-	-
Debt service fund	1	-	-	-	-	-	-	-	-	-
Total all other governmental fund	<u>17,170</u>	<u>17,169</u>	<u>17,169</u>	<u>17,169</u>	<u>16,877</u>	<u>16,877</u>	<u>-</u>	<u>-</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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Tax levy	1,695,691	1,746,515	2,016,076	2,025,910	1,969,219	2,047,988	2,129,907	2,215,103	2,215,104	2,259,406
Tuition charges	106,470	123,576	130,744	150,564	150,361	149,991	156,097	170,849	924,680	802,760
Interest earnings	3,140	5,506	19,664	100	10,474	8,778		100	200	719
Miscellaneous	4,842	3,665	3,001	29,584	1,214	3,178	8,520	12,662	8,091	128,979
State sources	188,406	197,635	228,299	292,470	299,785	200,391	192,429	159,464	219,232	268,924
Federal sources	26,144	48,944	35,503	36,830	36,367	35,140	47,035	30,468	29,564	29,537
Total revenue	<u>2,024,693</u>	<u>2,125,841</u>	<u>2,433,287</u>	<u>2,535,458</u>	<u>2,467,420</u>	<u>2,445,466</u>	<u>2,533,988</u>	<u>2,588,646</u>	<u>3,396,871</u>	<u>3,490,325</u>
Expenditures										
Instruction										
Regular instruction	692,423	707,249	756,203	823,314	868,175	832,380	846,601	907,748	888,555	817,336
Special education instruction	28,531	28,352	35,540	55,062	59,257	63,092	65,923	38,115	85,869	87,336
Other instruction	6,880	11,805	12,903	12,003	15,951	13,534	10,108	9,609	107,908	109,694
Support Services:										
Tuition	250,904	222,360	224,090	228,045	259,942	258,407	199,628	156,324	995,934	921,326
Student & instruction related services	189,671	202,999	306,530	317,954	304,903	333,459	342,082	369,521	354,491	354,723
General administration	155,036	153,902	86,133	89,803	100,477	83,880	37,362	68,907	78,438	91,226
School administrative services	68,374	59,075	30,241	31,408	35,984	36,569	60,488	37,979	38,687	40,500
Plant operations and maintenance	136,183	134,031	176,922	192,071	207,843	188,823	31,682	186,557	221,416	275,814
Pupil transportation	22,593	21,328	67,119	63,650	72,995	50,759	222,862	34,380	48,308	45,717
Other support services						31,461	36,860	28,611	30,524	30,800
Unallocated employee benefits	321,171	336,943	356,013	452,825	487,250	384,340	395,253	464,132	537,599	608,516
Special Schools										2,598
Charter Schools										106,005
Capital outlay	401,251	43,420	19,918	18,385	51,190	50,294	17,027	29,865	32,204	
Debt service:										
Principal	125,000	130,000	135,000	139,000						
Interest and other charges	23,541	17,978	12,193	6,185						
Total expenditures	<u>2,421,558</u>	<u>2,069,442</u>	<u>2,218,805</u>	<u>2,429,705</u>	<u>2,463,967</u>	<u>2,326,998</u>	<u>2,265,876</u>	<u>2,331,748</u>	<u>3,419,933</u>	<u>3,491,591</u>
Excess (Deficiency) of revenues over (under) expenditures	(396,865)	56,399	214,482	105,753	3,453	118,468	268,112	256,898	(23,062)	(1,266)
Other Financing sources (uses)										
Transfer in		19,305					16,877			
Transfers out		(19,305)					(16,877)			
Insurance Recoveries for Storm Damage										648,334
Expenses related to Storm Damage										(648,334)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	<u>(396,865)</u>	<u>56,399</u>	<u>214,482</u>	<u>105,753</u>	<u>3,453</u>	<u>118,468</u>	<u>268,112</u>	<u>256,898</u>	<u>(23,062)</u>	<u>(1,266)</u>

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
2004	3,140	4,342	7,482
2005	5,506	3,165	8,671
2006	19,664	2,501	22,165
2007	28,037	1,647	29,684
2008	10,374	614	10,988
2009	8,778	2,992	11,770
2010	-	5,740	5,740
2011	100	12,662	12,762
2012	200	8,091	8,291
2013	719	126,123	126,842

Source: District Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004		1,816,535,993						1,816,535,993			1,816,535,993	0.098	2,483,630,864
2005	*	3,567,039,533						3,567,039,533			3,567,039,533	0.058	2,927,465,846
2006		3,584,546,474						3,584,546,474			3,584,546,474	0.057	3,878,062,153
2007		3,607,791,890						3,607,791,890			3,607,791,890	0.055	4,645,963,491
2008		3,626,262,310						3,626,262,310			3,626,262,310	0.057	4,799,805,585
2009	70,404,000	4,472,084,700		4,370,200	161,782,800			4,708,641,700	295,268,500	557,259	4,413,930,459	0.049	4,856,819,777
2010	68,696,300	4,482,120,600		4,370,200	161,782,800			4,716,969,900	295,268,500	557,703	4,422,259,103	0.052	4,619,894,891
2011	67,064,000	4,490,125,700		4,370,200	161,489,800			4,723,049,700	295,268,500	489,027	4,428,270,227	0.051	4,498,890,590
2012	75,408,100	4,490,726,300		4,370,200	159,449,900			4,729,954,500	295,268,500	473,991	4,435,159,991	0.051	4,449,303,435
2013	86,382,100	4,472,077,900		4,370,200	156,638,100			4,719,468,300	296,529,600	440,239	4,423,378,939	0.053	4,188,584,215

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.

* Reassessment performed during the year.

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	Total Direct	Borough of Stone Harbor	Cape May County	
		Obligation Debt Service ^b				
2004	0.089	0.009	0.098	0.293	0.399	0.790
2005	0.053	0.005	0.058	0.186	0.206	0.450
2006	0.053	0.004	0.057	0.186	0.227	0.470
2007	0.053	0.002	0.055	0.206	0.249	0.510
2008	0.057	-	0.057	0.218	0.254	0.529
2009	0.049	-	0.049	0.190	0.224	0.463
2010	0.052	-	0.052	0.198	0.223	0.473
2011	0.051	-	0.051	0.202	0.226	0.479
2012	0.051	-	0.051	0.216	0.235	0.502
2013	0.053	-	0.053	0.224	0.232	0.509

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	2013			2004		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Immaculate Heart of Mary Convent	29,975,000	1	0.68%	26,183,500	1	1.44%
Taxpayer #1	13,639,300	2	0.31%			
NACL Associates	11,340,300	3	0.26%	9,200,000	3	0.51%
Taxpayer #2	9,478,300	4	0.21%			
Taxpayer #3	9,180,900	5	0.21%	6,495,900	6	0.36%
Taxpayer #4	8,852,300	6	0.20%			
100th Street LLC	8,258,700	7	0.19%			
Taxpayer #5	8,084,900	8	0.18%	5,589,700	10	0.31%
Taxpayer #6	8,023,500	9	0.18%			
Taxpayer #7	7,183,700	10	0.16%			
Taxpayer #8				6,631,800	5	0.37%
Taxpayer #9				9,852,700	2	0.54%
Taxpayer #10				6,843,100	4	0.38%
Taxpayer #11				6,168,800	7	0.34%
Taxpayer #12				5,953,700	8	0.33%
				5,786,500	9	0.32%
Total	114,016,900		2.58%	88,705,700		4.88%

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	
2004	1,695,691	1,695,691	100%	
2005	1,746,515	1,746,515	100%	
2006	2,016,076	2,016,076	100%	
2007	2,025,910	2,025,910	100%	
2008	1,969,219	1,969,219	100%	
2009	2,047,988	2,047,988	100%	
2010	2,129,907	2,129,907	100%	
2011	2,215,103	2,215,103	100%	
2012	2,215,104	2,215,104	100%	
2013	2,259,406	2,259,406	100%	

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		
2004	404,000	-	-	-	-	404,000	0.016%
2005	274,000	-	-	-	-	274,000	0.009%
2006	139,000	-	-	-	-	139,000	0.004%
2007	-	-	-	-	-	-	0.000%
2008	-	-	-	-	-	-	0.000%
2009	-	-	-	-	-	-	0.000%
2010	-	-	-	-	-	-	0.000%
2011	-	-	-	-	-	-	0.000%
2012	-	-	-	-	-	-	0.000%
2013	-	-	-	-	-	-	0.000%

No Debt for past 6 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

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
2004	404,000		404,000	0.016%	367
2005	274,000		274,000	0.009%	254
2006	139,000		139,000	0.004%	132
2007	-		-	0.000%	
2008	-		-	0.000%	
2009	-		-	0.000%	
2010	-		-	0.000%	
2011	-		-	0.000%	
2012	-		-	0.000%	
2013	-		-	0.000%	

No Debt for past 4 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, 2013
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	25,000,874	100.00%	25,000,874
County of Cape May - Borough's share (8.88%)	136,122,491	8.88%	12,083,132
Subtotal, overlapping debt			37,084,006
BOROUGH OF STONE HARBOR SCHOOL DISTRICT Direct Debt			-
Total direct and overlapping debt			37,084,006

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 2012

	Average equalized valuation of taxable property									
	Equalized valuation basis									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2013
	4,195,143,317	4,437,543,796	4,487,670,151	4,373,452,421	4,195,143,317	4,437,543,796	4,487,670,151	4,373,452,421	4,195,143,317	4,437,543,796
	<u>13,120,357,264</u>				<u>13,120,357,264</u>					<u>13,120,357,264</u>
	Debt limit (2.5% of average equalized value) a									
	Net bonded school debt									
	109,336,311	109,336,311	109,336,311	109,336,311	109,336,311	109,336,311	109,336,311	109,336,311	109,336,311	109,336,311
	<u>109,336,311</u>				<u>109,336,311</u>					<u>109,336,311</u>

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2013
Debt limit	142,109,124	139,288,030	142,109,124	142,106,623	132,355,193	113,733,642	92,223,078	75,302,948	65,218,137	109,336,311
Total net debt applicable to limit	-	-	-	-	-	-	139,000	274,000	404,000	-
Legal debt margin	<u>142,109,124</u>	<u>139,288,030</u>	<u>142,109,124</u>	<u>142,106,623</u>	<u>132,355,193</u>	<u>113,733,642</u>	<u>92,084,078</u>	<u>75,028,948</u>	<u>64,814,137</u>	<u>109,336,311</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.15%	0.36%	0.62%	0.00%

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

a Limit set by NUSA 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>
2004	1,101	42,400	38,510	4.10%
2005	1,077	43,097	40,016	3.30%
2006	1,053	44,150	41,928	5.10%
2007	1,039	46,090	44,360	4.90%
2008	1,023	47,822	46,747	6.00%
2009	1,017	46,787	46,005	8.70%
2010	1,016	48,258	47,498	8.70%
2011	866	41,133	47,498	9.10%
2012	860	40,848	47,498	9.50%
2013	854	41,585	48,694	10.30%

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>	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Instruction	12.6	12.6	12.6	13.6	10.6	10.0	13.4	13.2	13.7	11.6
Regular										
Support Services:										
School administrative services	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.5
Business administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5
Student & instruction related services	4.0	4.0	4.0	4.0	2.8	2.0	0.5	0.5	2.3	2.0
Central services	1.5	1.5	1.5	1.5	1.5	1.0	1.0	1.0	1.0	2.0
Total	19.6	19.6	19.6	20.6	14.9	14.5	16.4	16.2	18.4	16.6

Source: District Personnel Records

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

Fiscal Year	Pupil/Teacher Ratio										
	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Elementary	Middle School	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2004	81	1,871,766	23,108	19.83%	12.6	6:1					
2005	85	1,878,044	22,095	-4.39%	12.6	6:1					
2006	96	2,051,694	21,372	-3.27%	12.6	8:1		95.95	92.05	-2.55%	95.94%
2007	96	2,266,135	23,606	10.45%	13.6	7:1		93.50	88.20	-11.55%	94.33%
2008	84	2,412,777	28,724	21.68%	10.6	8:1		82.70	78.80	-3.51%	95.28%
2009	80	2,276,704	28,459	-0.92%	10.0	8:1		79.80	74.20	-21.30%	92.98%
2010	61	2,248,849	36,866	29.54%	13.4	8:1		62.80	58.70	25.32%	93.47%
2011	75	2,301,883	30,692	-16.75%	13.4	6:1		78.70	69.70	-7.24%	88.56%
2012	79	2,531,378	32,043	4.40%	13.7	6:1		73.00	69.60	-3.05%	95.34%
2013	78	2,674,255	34,285	11.71%	11.6	7:1		76.30	72.61		95.16%

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).
- d No break down between grades

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
District Building										
Elementary										
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)	81	85	96	96	84	80	61	79	79	78
Enrollment										

Number of Schools at June 30, 2013
 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)	2013	2012	2010	2010	2009	2008	2007	2006	2005	2004
Stone Harbor Elementary	N/A	44,024	69,292	50,641	57,150	46,115	52,425	70,796	50,051	31,957	35,559
Total School Facilities		<u>44,024</u>	<u>69,292</u>	<u>50,641</u>	<u>57,150</u>	<u>46,115</u>	<u>52,425</u>	<u>70,796</u>	<u>50,051</u>	<u>31,957</u>	<u>35,559</u>
Other Facilities											
Grand Total		<u>44,024</u>	<u>69,292</u>	<u>50,641</u>	<u>57,150</u>	<u>46,115</u>	<u>52,425</u>	<u>70,796</u>	<u>50,051</u>	<u>31,957</u>	<u>35,559</u>

BOROUGH OF STONE HARBOR BOARD OF EDUCATION**Insurance Schedule****June 30, 2013*****Unaudited***

	<u>Coverage ^a</u>	<u>Deductible</u>
School package Policy - New Jersey School Board Association Insurance Group		
Property- Blanket Building & Contents	\$ 400,000,000	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
Demolition and Increased Cost of Construction	10,000,000	1,000
Loss of Business Income/Tuition	846,000	1,000
Workers' Compensation - New Jersey School Board Association Insurance Group	1,192,622	
School Board Legal Liability - New Jersey School Board Association Insurance Group Errors and Omissions Policy	11,000,000	
Flood Insurance - New Jersey School Board Building	1,000,000	500,000
Contents	1,000,000	500,000

Source: District Records

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

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Single Audit Section

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FORD - SCOTT

& ASSOCIATES, L.L.C.

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Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Stone Harbor School District, as of and for the year ended June 30, 2013, 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 November 22, 2013.

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.



Robert E. Swartz, CPA
Licensed Public School Accountant
No. CS00667

Ford Scott & Associates, LLC

Ford Scott & Associates, LLC

November 22, 2013

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Program or Award Amount	Balance 6/30/2012	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances/ Adjustments	(Accounts Receivable) 6/30/2013	Deferred Revenue 6/30/2013	Due to Grantor at 6/30/2013
U.S. Department of Education												
Special Revenue Fund:												
Small Rural Education Achievement Program	84.358A		7/1/12-6/30/13	16,827			16,827	(16,827)				
Passed-through State Department of Education:												
Special Revenue Fund:												
IDEA Part B, Basic Regular	84.027		7/1/12-6/30/13	10,508			-	(10,508)		(10,508)		
IDEA Part B, Basic Preschool	84.027		7/1/12-6/30/13	2,202			-	(2,202)		(2,202)		
Total Special Revenue Fund							16,827	(29,537)		(12,710)		
Total Federal Awards							16,827	(29,537)		(12,710)		

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

BOROUGH OF STONE HARBOR SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year Ended June 30, 2013

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period	Balance at 6/30/2012	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Years' Balances	Balance at June 30, 2013			MEMO	
									(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education													
General Fund:													
Special Education Categorical Aid	495-034-5120-089	24,524	7/1/12-6/30/13			24,524	(24,524)					2,282	24,524
Security Aid	495-034-5120-084	2,937	7/1/12-6/30/13			2,937	(2,937)					273	2,937
Adjustment Aid	495-034-5120-085	3,705	7/1/12-6/30/13			3,705	(3,705)					345	3,705
Transportation Aid	495-034-5120-014	21,597	7/1/12-6/30/13			21,597	(21,597)					2,009	21,597
Reimbursed Non Public Transportation Aid	N/A	299	7/1/11-6/30/12	(299)		299							299
Reimbursed TPAF													
Social Security Contributions	495-034-5095-006	78,569	7/1/12-6/30/13			74,644	(78,569)		(3,925)				78,569
Total General Fund				(299)	-	127,706	(131,332)	-	(3,925)	-	-	4,909	131,631
Total State Financial Assistance				(299)	-	127,706	(131,332)	-	(3,925)	-	-	4,909	131,631

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

Borough of Stone Harbor School District
Notes to the Schedules of Financial Assistance
June 30, 2013

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.

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 \$137,592 for the general fund and \$0 for the special revenue 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, 2013**

	<u>General fund</u>	<u>Total</u>
State Assistance:		
Actual amounts (budgetary) “revenues” from the Schedule of Expenditures of State Financial Assistance	\$ 131,332	131,332
Difference – budget to “GAAP”		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes	1,939	1,939
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(4,909)	(4,909)
On Behalf TPAF payments recognized for GAAP statements not included in the Schedule of Expenditures of State Financial Assistance	140,562	140,562
Total State revenue as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 268,924</u>	<u>\$ 268,924</u>

Borough of Stone Harbor School District
Notes to the Schedules of Financial Assistance
June 30, 2013

	Special Revenue Fund	Total
Federal Assistance:		
Actual amounts (budgetary) "revenues" from the Schedule of Expenditures of Federal Awards	\$ 29,537	29,537
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	\$ 29,537	29,537

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, 2013. 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, 2013.

**BOROUGH OF STONE HARBOR SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2013**

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