

SCHOOL DISTRICT

OF

ISLAND HEIGHTS



ISLAND HEIGHTS BOARD OF EDUCATION
ISLAND HEIGHTS, NEW JERSEY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

ISLAND HEIGHTS BOARD OF EDUCATION

ISLAND HEIGHTS, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

PREPARED BY

**ISLAND HEIGHTS BOARD OF EDUCATION
FINANCE DEPARTMENT**

ISLAND HEIGHTS SCHOOL DISTRICT

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INTRODUCTORY SECTION

ISLAND HEIGHTS BOARD OF EDUCATION

December 7, 2015

Honorable President and
Members of the Board of Education
Island Heights School District
County of Ocean
Island Heights, NJ 08732

Dear Board Members:

The comprehensive annual financial report of the Island Heights School District for the fiscal year ended June 30, 2015 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 Island Heights Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present the financial position and results of operations of the various funds and account groups of the Island Heights school 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.
These are:

- Introductory
- Financial
- Statistical
- Single audit

The introductory section includes this transmittal letter, the district's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented in multi-year basis.

The district is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to the single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. Reporting Entity and Its Services:

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

The Island Heights School District provides a full range of educational services and programs, which are appropriate for grades Kindergarten through Grade Six. These services and programs include regular, as well as, special education for handicapped pupils. The district completed the 2014-15 fiscal year with an enrollment

of 120 pupils housed in the Island Heights Grade School, and 1 pupil enrolled in an out-of-district placement for special education pupils. The June 2015 enrollment was up to 125 and 1 out of district as compared to the official data collected for the ASSA report submitted on October 15, 2014. The following enrollment information shows the enrollments recorded on the ASSA reports for each October 15th for the past five years.

<u>Fiscal Year (as of 10/15)</u>	<u>Pupil Enrollment</u>	<u>% Change</u>
2014-15	120	+9%
2013-14	109	-9%
2012-13	120	+9%
2011-12	112	-12%
2010-11	124	13%

2. Economic Conditions and Outlook:

The Borough of Island Heights is limited in land for building purposes. The current land use in the 0.6 square mile borough is primarily for single-family residences. There are no subdivisions where new small businesses are being developed. Most of the remaining lots are suitable only for homes. Zoning in the borough of Island Heights prohibits multi-family dwellings. The population of the borough in 1990 was 1,750 and has only grown to 1751 as of the 2000 census. There are limited businesses in Island Heights and the majority of tax ratables are collected from the homeowners. As a result of the lack of employment in the borough of Island Heights, most wage earners living in Island Heights are employed outside of Island Heights. Because of the lack of business tax ratables, and the slow growth of new homes, the present trend of collecting most of the tax ratables from homeowners is expected to continue in the future.

3. Major Initiatives:

The Island Heights Grade School passed a referendum in September 2002 to put on an addition and renovation to the grade school. This project was completed in September 2004 in time for the beginning of school.

The Island Heights grade school continues to provide a resource room program for the pupils classified with handicaps. This program allows them to receive specialized instruction designed to help them with their classified handicapped. When the handicap is severe and cannot be accommodated in the Island Heights Grade School, special class placements are made in out-of-district placements. Every effort is made to enroll handicapped pupils in the Island Heights Grade School and every effort is made to "mainstream" out of district special education pupils whenever appropriate.

The Island Heights Grade School provides various clubs for pupils immediately before/after normal school hours. The types of clubs conducted are an after-school assistance club, which assists children with homework, research reports, and with academic subjects in which pupils may need extra help. In addition, there are different physical education activities conducted at different times of the year, after school, wherein the physical education teacher conducts skill training in different seasonal sports. An instrumental music program is conducted after school, one day a week, so that pupils do not have to be taken out of class during the regular school day. The Island Heights Board of Education, the staff, and the school community have been very supportive of these extra before/after school activities.

4. Internal Accounting Controls:

Management of the district is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the district are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The Island Heights Board of Education Business Administrator, Frank

Frazer, has become fully trained in the GAAP procedures and has been the key person in establishing GAAP for the Island Heights Grade School.

The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurances recognizes that:

- A. The cost of a control should not exceed the benefits likely to be derived; and,
- B. The valuation of the costs and benefits requires estimated and judgments by management.

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

Each year before September 30th, the Island Heights Grade School submits data and information to the Bureau of Child Nutrition Program, N.J. Department of Agriculture, Trenton, NJ, in the form of a school nutrition program agreement. For the past five years, our agreements have been approved. We are currently waiting approval for the current school year.

The internal operation of the school lunch program was monitored during the 2007-08 school year. Only minor recommendations were made, with which we have complied. In 2004-05 the IASA Consolidated Grant became known as the NCLB (No Child Left Behind) Grant. The district filed the application for the IDEA Grant and the grant was awarded to the district.

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

5. Budgetary Controls:

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

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

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. Debt Administration

On June 30, 2015, the district had an outstanding debt of \$473,000 from bonds issued in May 2003. These bonds will be fully paid in May 2022.

The investment policy of the district is guided in large part by State of New Jersey statutes 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 of Education carries various forms of insurance, including, but not limited to, general liability, hazard and theft insurance on property and contents, and fidelity bonds.

9. Other Information:

Independent Audit: The State of New Jersey statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Robert A. Hulsart & Co., CPAs, was selected by the Island Heights Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also is designed to meet the requirements of the Single Audit Act of 1984 and the related OBM Circular A-133 and State Treasury Circular Letter 04-04 OBM. The auditor's report on the general-purpose financial statements and combining individual fund statements and schedules is included in the financial section of this report. The auditor's reports relate specifically to the single audit and are included in the single audit section of this report.

10. Acknowledgments:

We would like to express our appreciation to the members of the Island Heights 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 staff.

Respectfully submitted,



Timothy Rehm
Superintendent



Frank J. Frazee, CPA
Business Administrator

Island Heights Board of Education**Island Heights, New Jersey****June 30, 2015**

Members of Board of Education	Term Expires
Laura Batyr	2016
Karl Ciak	2016
Melissa Drew	2015
Katharine Frankovich	2015
Courtney Parks	2015
Matthew Tsucalas	2015
Maureen DeSanto	2017

Other Officials:

Loren B. Fuhring - Superintendent

Frank J. Frazee, CPA – School Business Administrator

Lil Brendel – Board Secretary

Island Heights Board of Education

Consultants & Advisors

Audit firm

Robert A. Hulsart & Son
2807 Hurley Pond Road
Wall, NJ

Attorney

Montenegro, Thompson, Montenegro & Genz
531 Burnt Tavern Road
Brick, NJ

Official Depository

Ocean First Bank
Hooper Avenue
Toms River, NJ

**Island Heights Board of Education
Organizational Chart**

Board of Education

Superintendent

School Business Administrator/Board Secretary

Support Staff Instructional Staff Business Staff Custodial Staff

FINANCIAL SECTION

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
 of the Board of Education
 Island Heights School District
 County of Ocean
 Island Heights, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Island Heights School District, in the County of Ocean, State of New Jersey, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Island Heights School District, in the County of Ocean, State of New Jersey, as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015 on our consideration of the Island Heights's Board of Education internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Island Heights Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

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

December 7, 2015

REQUIRED SUPPLEMENTARY INFORMATION
PART I

**ISLAND HEIGHTS BOARD OF EDUCATION
ISLAND HEIGHTS, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The discussion and analysis of the Island Heights Board of Education District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

The overall condition of all funds, instructional activities and business-type activities remains strong for the School District. All goals related to financial activities have been met and if revenue and expenditure patterns can be maintained, the resources for next year will be available.

Total spending for all our programs was \$2,511,394 for the school year 2014-15. Most of the School District's taxes and state aid programs funds were used to support the cost of services for regular instructional programs. State and federal aid in the amount of \$503,298 supported educational programs and the school district's taxes, grants and contributions were sufficient to cover all unfounded costs incurred in the school year 2014-15.

The total cost for the school year 2014-15 for current expense was \$2,387,266 which was an increase of \$353,573.

Using this Comprehensive Annual Financial Report (CAFR)

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

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The funds financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Island Heights Board of Education, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

State of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2015?” The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector business. This basis of accounting takes into account, all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

- Government activities – All of the School District’s programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-Type Activity – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service and Material for Resale enterprise funds are reported as business activities.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District’s funds. The District uses many funds to account for a multitude of financial transactions. The District’s governmental funds are the General Fund, Special Revenue Fund and Capital Projects Fund.

Governmental Funds

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

Enterprise Fund

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

The School District as a Whole

Recall that the state of Net Position provides the perspective of the School district as a whole.

Table I provides a summary of the School District's net position for 2014 and 2015.

Table I
Net Position

	<u>2015</u>	<u>2014</u>
Assets		
Current and Other Assets	\$ 299,034	353,858
Capital Assets	<u>2,291,742</u>	<u>2,392,156</u>
Total Assets	<u>2,590,776</u>	<u>2,746,014</u>
Deferred Outflow of Resources		
Contribution of Pension Plan	<u>36,782</u>	_____
Deferred Inflow of Resources		
Pension Deferrals	<u>20,263</u>	_____
Liabilities		
Current Liabilities	93,519	
Other Liabilities	812,466	63,241
Long-Term Liabilities		<u>549,234</u>
Total Liabilities	<u>905,985</u>	<u>612,475</u>
Net Position		
Invested in Capital Assets, Net of Debt	1,818,742	1,859,156
Restricted	55,882	194,828
Unrestricted	<u>(173,314)</u>	<u>79,555</u>
Total Net Position	<u>\$ 1,701,310</u>	<u>2,133,539</u>

Table 2 shows changes in net position for fiscal year 2014 and 2015.

Table 2
Change in Net Position

	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 9,022	6,643
Operating Grants and Contributions	38,351	43,229
General Revenue:		
Property Taxes	1,856,390	1,823,853
Grants and Entitlements	465,577	280,036
Other (net of transfers)	<u>58,068</u>	<u>73,759</u>
Total Revenues	<u>2,427,408</u>	<u>2,227,520</u>
Program Expenses		
Instruction	1,139,316	1,007,181
Support Services:		
Pupils and Instructional Staff	130,220	136,468
General Administration, School Admin	207,330	121,304
Business Operations & Maintenance of		
Facilities	379,206	354,065
Pupil Transportation	27,175	17,045
Business Type Activities	8,235	8,361
Other	<u>628,147</u>	<u>571,940</u>
Total Expenses	<u>2,519,629</u>	<u>2,216,364</u>
Increase/Decrease) in Net Position	<u>\$ (92,221)</u>	<u>11,156</u>

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

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

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

Analysis of Financial Position

Depreciation expense GASB34 requires school districts for the first time to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position. For fiscal year ended June 30, 2015 the net increase in accumulated depreciation was \$100,414. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. One way to think of depreciation expense is that in order to maintain assets at the same level, acquisitions of capital outlay and capitalized major maintenance projects would have to equal the annual depreciation in assets during the year.

Student enrollment in the school district continues to increase which will continue to affect the district's future expenditures. Assessed valuations are continuing to grow, increasing the district's ability to maintain a stable tax rate.

The financial well being of the school district is tied in large measure to the state funding formula and the tax base. As long as the state fully funds state aid and the tax base continues to increase, the school district's tax rate should continue to be stable.

Original budget versus final budget. Over the course of the school year, the school board revised its budget as it attempts to deal with unexpected changes in revenue and expenditures. All transfers are approved by the Board of Education at their regular scheduled meetings.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

STATEMENT OF NET POSITION

Exhibit A-1

JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 195,103	4,487	199,590
Receivables, Net	9,796	710	10,506
Restricted Assets:			
Capital Reserve - Cash	33,056		33,056
Other Cash and Cash Equivalents	55,882		55,882
Capital Assets Not Depreciated	14,330		14,330
Capital Assets, Net of Depreciation	<u>2,274,851</u>	<u>2,561</u>	<u>2,277,412</u>
Total Assets	<u>2,583,018</u>	<u>7,758</u>	<u>2,590,776</u>
<u>Deferred Outflow of Resources</u>			
Contribution to Pension Plan	<u>36,782</u>		<u>36,782</u>
<u>Deferred Inflow of Resources</u>			
Pension Deferrals	<u>20,263</u>		<u>20,263</u>
<u>Liabilities</u>			
Accrued Interest	1,609		1,609
Accounts Payable	31,910		31,910
Noncurrent Liabilities:			
Due Within One Year	60,000		60,000
Due Beyond One Year	<u>812,466</u>		<u>812,466</u>
Total Liabilities	<u>905,985</u>	<u>-</u>	<u>905,985</u>
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	1,816,181	2,561	1,818,742
Restricted For:			
Other Purposes	55,882		55,882
Unrestricted	<u>(178,511)</u>	<u>5,197</u>	<u>(173,314)</u>
Total Net Position	<u>\$ 1,693,552</u>	<u>7,758</u>	<u>1,701,310</u>

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

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit A-2

Sheet 1 of 2

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Functions/Programs</u>						
Governmental Activities:						
Instruction:						
Regular	\$ 846,395			(846,395)		(846,395)
Special Education	254,475		32,479	(221,996)		(221,996)
Other Instruction	38,446			(38,446)		(38,446)
Support Services:						
Student & Instruction Related Services	130,220		5,872	(124,348)		(124,348)
School Administrative Services	121,958			(121,958)		(121,958)
Central Services	85,372			(85,372)		(85,372)
Plant Operations and Maintenance	379,206			(379,206)		(379,206)
Pupil Transportation	27,175			(27,175)		(27,175)
Depreciation	100,414			(100,414)		(100,414)
Unallocated Benefits	505,271			(505,271)		(505,271)
Capital Outlay	3,804			(3,804)		(3,804)
Interest and Other Charges	18,658			(18,658)		(18,658)
Total Government Activities	<u>2,511,394</u>	<u>-</u>	<u>38,351</u>	<u>(2,473,043)</u>	<u>-</u>	<u>(2,473,043)</u>
Business-Type Activities:						
Food Service	8,235	6,022	3,000		787	787
Total Business-Type Activities	<u>8,235</u>	<u>6,022</u>	<u>3,000</u>	<u>-</u>	<u>787</u>	<u>787</u>
Total Primary Government	<u>2,519,629</u>	<u>6,022</u>	<u>41,351</u>	<u>(2,473,043)</u>	<u>787</u>	<u>(2,472,256)</u>

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit A-2

Sheet 2 of 2

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purpose, Net	1,776,100		1,776,100
Taxes Levied for Debt Service	80,290		80,290
Shared Services	40,000		40,000
Federal and State Aid Not Restricted	465,577		465,577
Miscellaneous Income	18,068		18,068
Total General Revenues, Special Items, Extraordinary Items and Transfers	<u>2,380,035</u>	<u>-</u>	<u>2,380,035</u>
Change in Net Position	(93,008)	787	(92,221)
Restatement for Pension	(340,008)		(340,008)
Net Position - Beginning	<u>2,126,568</u>		<u>2,126,568</u>
Net Position - Ending	<u>\$ 1,693,552</u>	<u>787</u>	<u>1,694,339</u>

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

FUND FINANCIAL STATEMENTS – B

BALANCE SHEETGOVERNMENTAL FUNDSJUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 250,984		1	250,985
Cash Capital Reserve	33,056			33,056
Interfund Receivable	5,872			5,872
Receivable - Net	3,924	5,872		9,796
	<u>3,924</u>	<u>5,872</u>		<u>9,796</u>
Total Assets	<u>\$ 293,836</u>	<u>5,872</u>	<u>1</u>	<u>299,709</u>
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Current Liabilities				
Accounts Payable	\$ 31,910			31,910
Interfund Payable		5,872		5,872
Total Liabilities	<u>31,910</u>	<u>5,872</u>	<u>-</u>	<u>37,782</u>
Fund Balance:				
Assigned Fund Balance:				
Encumbrances	6,260			6,260
Restricted Fund Balance:				
Maintenance Reserve	22,393			22,393
Capital Reserve	33,489			33,489
Unrestricted Fund Balance	199,784		1	199,785
Total Fund Balances	<u>261,926</u>	<u>-</u>	<u>1</u>	<u>261,927</u>
Total Liabilities and Fund Balance	<u>\$ 293,836</u>	<u>5,872</u>	<u>1</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,873,387 and the accumulated depreciation is \$1,584,206.	2,289,181
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(872,466)
Deferred outflow of resources - contributions to the pension plan	36,782
Deferred inflow of resources - acquisition of assets applicable to future reporting periods	(20,263)
Accrued Interest	<u>(1,609)</u>
Net position of governmental activities	<u>\$ 1,693,552</u>

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

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit B-2

Sheet 1 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Local Sources:				
Local Tax Levy	\$ 1,776,100		80,290	1,856,390
Shared Services	40,000			40,000
Miscellaneous	18,068			18,068
Total Local Sources	<u>1,834,168</u>	-	<u>80,290</u>	<u>1,914,458</u>
State Sources	465,577			465,577
Federal Sources		38,351		38,351
Total Revenues	<u>2,299,745</u>	<u>38,351</u>	<u>80,290</u>	<u>2,418,386</u>
<u>Expenditures</u>				
Current:				
Regular Instruction	846,395			846,395
Special Education Instruction	221,996	32,479		254,475
Other Special Instruction	29,507			29,507
Other Instruction	8,939			8,939
Support Services and Undistributed Costs:				
Students and Instruction Related Services	124,348	5,872		130,220
School Administrative Services	121,958			121,958
Central Services	85,372			85,372
Plant Operations and Maintenance	379,206			379,206
Pupil Transportation	27,175			27,175
Unallocated Benefits	538,566			538,566
Capital Outlay	3,804			3,804
Debt Service:				
Principal			60,000	60,000
Interest and Other Charges			20,290	20,290
Total Expenditures	<u>2,387,266</u>	<u>38,351</u>	<u>80,290</u>	<u>2,505,907</u>

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

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit B-2

Sheet 2 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(87,521)</u>	<u>-</u>	<u>-</u>	<u>(87,521)</u>
Net Change in Fund Balances	(87,521)	-	-	(87,521)
Fund Balance - July 1	<u>349,447</u>	<u>-</u>	<u>1</u>	<u>349,448</u>
Fund Balance - June 30	<u>\$ 261,926</u>	<u>-</u>	<u>1</u>	<u>261,927</u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES

Exhibit B-3

AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESFOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$ (87,521)
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:	
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Depreciation Expense	(100,414)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	60,000
In the statement of activities, certain operating expenses as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported when paid.	16,776
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	36,782
Pension related deferrals	(20,263)
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental fund, interest is reported when due.	1,632
Change in Net Position of Governmental Activities	<u>\$ (93,008)</u>

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

ISLAND HEIGHTS SCHOOL DISTRICT

STATEMENT OF NET POSITION

Exhibit B-4

PROPRIETARY FUNDS

JUNE 30, 2015

	<u>Enterprise Fund</u>
<u>Assets</u>	
Cash	\$ 4,487
Accounts Receivable	710
Total Current Assets	<u>5,197</u>
Noncurrent Assets:	
Furniture, Machinery & Equipment	7,646
Less: Accumulated Depreciation	<u>(5,085)</u>
Total Noncurrent Assets	<u>2,561</u>
Total Assets	<u>\$ 7,758</u>
<u>Net Position</u>	
Investment in Capital Assets	\$ 2,561
Unrestricted	<u>5,197</u>
Total Net Position	<u>\$ 7,758</u>

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

ISLAND HEIGHTS SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES

Exhibit B-5

IN FUND NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2015

	<u>Enterprise Fund</u>
Operating Revenues:	
Local Sources:	
Daily Sales Reimbursable Programs	\$ 6,022
Total Operating Revenue	<u>6,022</u>
Operating Expenses:	
Cost of Sales	8,235
Total Operating Expenses	<u>8,235</u>
Operating Income (Loss)	(2,213)
Non-Operating Revenues (Expenses):	
State Sources:	
State School Lunch Program	100
Federal Sources:	
National School Lunch Program	2,900
Total Non-Operating Revenues	<u>3,000</u>
Net Change in Net Position	787
Net Position, Beginning	<u>6,971</u>
Net Position, Ending	<u>\$ 7,758</u>

6

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

ISLAND HEIGHTS SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

Exhibit B-6

PROPRIETARY FUNDS

JUNE 30, 2015

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 6,022
Payments to Suppliers	(8,235)
Net Cash Used by Operating Activities	<u>(2,213)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	100
Federal Sources	2,471
Net Cash Provided (Used by) Noncapital Financing Activities	<u>2,571</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	358
Balances Beginning of Year	<u>4,129</u>
Balances End of Year	<u><u>\$ 4,487</u></u>
Cash Flows from Operating Activities:	
Operating (Loss)/Profit	\$ (2,213)
Net Cash Used by Operating Activities	<u><u>\$ (2,213)</u></u>

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

ISLAND HEIGHTS SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET POSITION

Exhibit B-7

FIDUCIARY FUNDSJUNE 30, 2015

	<u>Unemployment Compensation Trust</u>
Assets:	
Cash and Cash Equivalents	\$ 38,561
Total Assets	<u>\$ 38,561</u>
Net Position:	
Held in Trust for Unemployment Claims	\$ 38,561
Total Net Position	<u>\$ 38,561</u>

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

ISLAND HEIGHTS SCHOOL DISTRICT**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

Exhibit B-8

FIDUCIARY FUNDS**FOR THE YEAR ENDED JUNE 30, 2015**

	Unemployment Compensation Trust
	<hr/>
<u>Deductions</u>	
Unemployment Claims	\$ 3,705
Total Deductions	<hr/> 3,705 <hr/>
Change in Net Position	(3,705)
Net Position - Beginning of Year	<hr/> 42,266 <hr/>
Net Position - End of the Year	<hr/> \$ 38,561 <hr/> <hr/>

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

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION
ISLAND HEIGHTS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: Summary of Significant Accounting Policies

The financial statements of the Board of Education (Board) of the Island Heights School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

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

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the Board exercises operating control. The operations of the District include an elementary school located in Island Heights Borough. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore the District is not includable in any other reporting entity on the basis of such criteria.

B. Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the government as a whole. These financial statements are constructed around the concept of a primary government as defined by GASB-14 (The Financial Reporting Entity) and therefore encompass the primary government and its component units except for fiduciary funds of the primary government and component units that are fiduciary in nature. Financial statements of fiduciary funds are not presented in the government-wide financial statements but are included in the fund financial statements.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

D. Fund Accounting:

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

Governmental Fund Types

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued):

Proprietary Fund Type

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

Fiduciary Fund Types

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

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

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

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2015 were insignificant.

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Budgets/Budgetary Control (Continued):

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

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

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

F. Encumbrances:

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

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

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

G. Short-Term Interfund Receivables/Payables:

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

H. Inventories and Prepaid Expenses

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

NOTE 1: Summary of Significant Accounting Policies (Continued)**H. Inventories and Prepaid Expenses (Continued)**

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

I. Capital Assets and Depreciation

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

The District contracted with an outside service company during the 2015 fiscal year to provide a report with a comprehensive detail of capital assets and depreciation. The report included capital assets purchased during the 2014-2015 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2015, fiscal year 2015 depreciation expense, total accumulated depreciation and book values were also provided. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. Estimated useful lives, in years, for depreciable assets are as follows:

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

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Adjust.</u>	<u>Retirements</u>	Balance <u>June 30, 2015</u>
Governmental Activities:					
Capital Assets That are					
Not Being Depreciated:					
Land	\$ 14,330	_____	_____	_____	14,330
Depreciable Assets:					
Site Improvements	57,786				57,786
Buildings	3,619,023				3,619,023
Equipment	<u>182,248</u>	_____	_____	_____	<u>182,248</u>
Total	<u>3,859,057</u>	_____	_____	_____	<u>3,859,057</u>

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. Capital Assets and Depreciation (Continued)

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Adjust.</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Less: Accumulated Depreciation:					
Site Improvements	(42,592)	(2,762)			(45,354)
Buildings	(1,323,815)	(83,499)			(1,407,314)
Equipment	<u>(117,385)</u>	<u>(14,153)</u>	_____	_____	<u>(131,538)</u>
Total Accumulated Depreciation	<u>(1,483,792)</u>	<u>(100,414)</u>	_____	_____	<u>(1,584,206)</u>
Net Depreciable Assets	<u>2,375,265</u>	<u>(100,414)</u>	_____	_____	<u>2,274,851</u>
Governmental Activities					
Capital Assets, Net	<u>\$ 2,389,595</u>	<u>(100,414)</u>	=====	=====	<u>2,289,181</u>
Business-Type Activities:					
Equipment	\$ 7,646				7,646
Less: Accumulated Depreciation					
Equipment	<u>(5,085)</u>	<u>(485)</u>	_____	_____	<u>(5,570)</u>
Business-Type Activities					
Capital Assets (Net)	<u>\$ 2,561</u>	<u>(485)</u>	=====	=====	<u>2,076</u>

Depreciation expense was charged to governmental functions as follows:

 Unallocated \$ 100,414

J. Compensated Absences

District employees are permitted, within certain limitations, to accrue vacation and sick leave in varying amounts under the Districts personnel policies and may be paid at a later date according to contractual agreements.

The liability for vested compensated absences of the governmental fund types is recorded in the government-wide financial statements as a non-current liability. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable

NOTE 1: Summary of Significant Accounting Policies (Continued)

K. Deferred Revenue

Deferred revenue in the general and special revenue funds represent cash which has been received but not yet earned. Deferred revenue in the general fund represents monies received for fiscal year 2015. See Note 1(F) regarding the special revenue fund.

L. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. The general fund reserve for restricted purposes includes net assets relating to capital reserve (See Note 9).

NOTE 2: Cash and Cash Equivalents and Investments

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

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

Deposits

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

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

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

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

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

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

Investments

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

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

As of June 30, 2015, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash
	<u>Equivalents</u>
Checking, Money Market Accounts and Certificate of Deposit	<u>\$ 305,747</u>

During the period ended June 30, 2015, the District did not hold any investments. The carrying amount of the District’s cash and cash equivalents at June 30, 2015 was \$305,747 and the bank balance was \$342,781. Of the bank balance, \$250,000 was covered by federal depository insurance.

Credit Risk Categories

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

FDIC	\$ 250,000
GUPDA	<u>92,781</u>
	<u>\$ 342,781</u>

As of June 30, 2015, the District did not hold any long-term investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government’s deposits may not be returned to it. The District does not have a formal policy for custodial credit risk.

The District had no uninsured deposits.

NOTE 3: General Long-Term Debt

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Long-Term</u> <u>Portion</u>	<u>2015-2016</u> <u>Payment</u>
Compensated						
Absences Payable	\$ 76,234		(16,776)	59,458	59,458	
Bonds Payable	533,000		(60,000)	473,000	413,000	60,000
Pension Liability	_____	340,008	_____	340,008	340,008	_____
	<u>\$ 609,234</u>	<u>340,008</u>	<u>(76,776)</u>	<u>872,466</u>	<u>812,466</u>	<u>60,000</u>

A. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are of general obligation bonds, and the interest rates vary from 3.875% to 4.260%.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2016	\$ 60,000	17,958	77,958
2017	60,000	14,403	74,403
2018	60,000	12,002	72,002
2019	60,000	9,603	69,603
2020	60,000	7,203	67,203
2021-2023	<u>173,000</u>	<u>6,995</u>	<u>179,995</u>
	<u>\$ 473,000</u>	<u>68,164</u>	<u>541,164</u>

NOTE 4: Pension Plans

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

NOTE 4: Pension Plans (Continued)

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

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

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

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

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

NOTE 4: Pension Plans (Continued)

Funding Policy – The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.78% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

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

During the year ended June 30, 2015, the State of New Jersey contributed \$119,040 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$77,014 during the year ended June 30, 2015 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 34.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/15	\$ 14,971	100%	0
6/30/14	13,156	100%	0
6/30/13	16,577	100%	0

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

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/15	\$ 119,046	100%	0
6/30/14	99,649	100%	0
6/30/13	130,457	100%	0

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

For the year ended June 30, 2015, the District recognized pension expense of \$14,791. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$	
Changes of Assumptions	10,692	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		20,263
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	11,299	
District Contributions Subsequent to the Measurement Date	<u>14,791</u>	<u> </u>
Total	<u>\$ 36,782</u>	<u>20,263</u>

\$36,782 reported as deferred outflows of resources related to pensions resulting from school district, charter school, or renaissance school project contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Additional Information

Collective balances at December 31, 2013 and 2014 are as follows:

	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>
Collective Deferred Outflows of Resources	\$ 36,782	
Collective Deferred Inflows of Resources	20,263	333,702
Collective Net Pension Liability	340,008	
District's Proportion	.00182%	.00175%

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

The components of the net pension liability of the participating employers for PERS as of June 30, 2014 and 2013 are as follows:

	2014		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 28,777,950,141	39,071,470,586	67,849,420,727
Plan Fiduciary Net Position	<u>8,650,846,191</u>	<u>20,348,735,583</u>	<u>28,999,581,774</u>
Net Pension Liability	<u>\$ 20,127,103,950</u>	<u>18,722,735,003</u>	<u>38,849,838,953</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	30.06%	52.08%	42.74%

	2013		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 27,515,277,069	37,272,295,162	64,787,572,231
Plan Fiduciary Net Position	<u>8,216,653,950</u>	<u>18,160,308,251</u>	<u>26,376,962,201</u>
Net Pension Liability	<u>\$ 19,298,623,119</u>	<u>19,111,986,911</u>	<u>38,410,610,030</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	29.86%	48.72%	40.71%

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2103, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15% - 4.40% Based on Age
Thereafter	3.15% – 5.40% Based on Age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

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

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2014 and 2013, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2014		
	At 1%	At Current	At 1%
	<u>Decrease (4.39%)</u>	<u>Rate (5.39%)</u>	<u>Increase (6.39%)</u>
State	\$ 23,772,450,916	20,127,103,950	17,069,920,644
Local	<u>23,553,838,159</u>	<u>18,722,735,003</u>	<u>14,665,837,859</u>
Total	<u>\$ 47,326,289,075</u>	<u>38,849,838,953</u>	<u>31,735,758,503</u>
	2013		
	At 1%	At Current	At 1%
	<u>Decrease (4.55%)</u>	<u>Rate (5.55%)</u>	<u>Increase (6.55%)</u>
State	\$ 22,822,255,839	19,298,623,119	16,351,193,705
Local	<u>23,791,905,551</u>	<u>19,111,986,911</u>	<u>15,190,834,283</u>
Total	<u>\$ 46,614,161,390</u>	<u>38,410,610,030</u>	<u>31,542,027,988</u>

Teachers Pensions and Annuity Fund (TPAF)**Components of Net Pension Liability**

The components of the net pension liability of the State as of June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Total Pension Liability	\$ 81,095,320,000	76,678,639,671
Plan Fiduciary Net Position	<u>27,282,252,461</u>	<u>25,888,126,040</u>
Net Pension Liability	<u>\$ 53,813,067,539</u>	<u>50,790,513,631</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.64%	33.76%

NOTE 4: Pension Plans (Continued)**State Proportionate Share of Net Pension Liability Attributable to District**

	<u>2014</u>	<u>2013</u>
District's Liability	\$ <u>4,769,570</u>	<u>4,788,808</u>
District's Proportion	.00886%	.00943%

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies Based on Experience
Thereafter	Varies Based on Experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvements. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

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

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

Discount Rate

The discount rate used to measure the total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
2014 (3.68%, 4.68%, 5.68%)	\$ 64,722,984,539	53,813,067,539	44,738,870,539
2013 (3.95%, 4.95%, 5.95%)	61,017,578,926	50,790,513,631	42,351,665,847

NOTE 5: Post-Retirement Benefits

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

NOTE 6: Interfund Receivables and Payables

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 5,872	
Special Revenue Fund		5,872

The interfunds represent a temporary loan from the General Fund to the Special Revenue Fund as Federal Funds expended in the Special Revenue Fund are on a reimbursement basis.

NOTE 7: Compensated Absences

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

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

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.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, no liability existed for compensated absences in the Food Service Fund.

NOTE 8: Capital Reserve Account

A capital Reserve account was established by the Borough of Island Heights Board of Education for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Fund placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). 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. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6:23A-5.1(d) 7*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	<u>\$ 33,489</u>
Ending Balance, June 30, 2015	<u>\$ 33,489</u>

NOTE 9: Risk Management

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

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>District Contributions</u>	<u>Disbursed</u>	<u>Balance</u>
2014-2015	\$ -0-	-0-	3,705	38,561
2013-2014	123	-0-	19,141	42,266
2012-2013		-0-	1,155	43,421

NOTE 10: Tuition Adjustments

Regulations specify that tuition adjustments for any given school year shall be remitted/ received in the two following years after the tuition rate is certified. These adjustments have not been reflected on the June 30, 2015 financial statements.

NOTE 11: Economic Dependency

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

NOTE 12: Operating Leases

The District had commitments to lease a digital copier under an operating lease that expires in 2012. Operating lease payments began in the 2004-2005 budget year. During 2010-2011 the District entered into a new agreement whereas the old lease was paid off by the vendor, Atlantic Business Products, and a new lease was entered into. The new lease payments began in 2011 and will expire in 2016. Future minimum lease payments are as follows:

Year Ending June 30,
2016

\$ 5,135

NOTE 13: Contingent Liabilities

The Board is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect of the financial position of the District.

NOTE 14: 2% Calculation of Excess Surplus

2014-15 Total General Fund Expenditures Per the CAFR	\$ 2,387,266
Decreased by:	
On Behalf TPAF Pension and Social Security	<u>(196,060)</u>
Adjusted 2014-15 General Fund Expenditures	<u>\$ 2,191,206</u>
2% of Adjusted 2014-15 General Fund Expenditures	<u>\$ 43,824</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>522</u>
Maximum Unassigned Fund Balance	<u>\$ 250,522</u>

Section 2

Total General Fund Fund Balance @ June 30, 2015	\$ 290,116
Decreased by:	
Reserved for Encumbrances	(6,260)
Other Reserves	<u>(55,882)</u>
Total Unassigned Fund Balance	<u>\$ 227,974</u>

Section 3**Detail of Allowable Adjustment**

Non-Public Transportation	<u>\$ 522</u>
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Detail of Other Restricted Fund Balance

Maintenance Reserve	\$ 22,393
Capital Reserve	<u>33,489</u>
	<u>\$ 55,882</u>

NOTE 15: Fund Balance Appropriated

General Fund – Of the \$290,116 General Fund fund balance at June 30, 2015, \$6,260 is reserved for encumbrances; \$33,489 has been reserved in the Capital Reserve Account; \$22,393 is maintenance reserve; and \$227,974 is unreserved and undesignated.

Debt Service Fund – The Debt Service Fund fund balance at June 30, 2015 was \$1.

NOTE 16: Calculation of Excess Surplus

In accordance with *N.J.S.A.* 18A:7F-7, as amended, the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). 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. There is no excess fund balance at June 30, 2015.

NOTE 17: Significant Accounting Pronouncements

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the District has updated references to GAAP in its financial statements issued for the period ended June 30, 2015. The adoption of FASB ASC 105 did not impact the District's financial position or results of operations.

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The District adopted the amended sections of ASC 855 and it did not have an impact on the District's financial statements. The District evaluated all events or transactions that occurred after June 30, 2015 through December 7, 2015.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES – C

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1

Sheet 1 of 9

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 1,776,100		1,776,100	1,776,100	-
Shared Services	40,000		40,000	40,000	-
Unrestricted Miscellaneous Revenues	4,992		4,992	18,068	13,076
Total Local Sources	<u>1,821,092</u>	<u>-</u>	<u>1,821,092</u>	<u>1,834,168</u>	<u>13,076</u>
State Sources:					
Transportation Aid	9,420		9,420	9,420	-
School Choice	165,295		165,295	165,295	-
Special Education Aid	63,946		63,946	63,946	-
Security Aid	8,673		8,673	8,673	-
Adjustment Aid	36,454		36,454	36,454	-
PARCC Readiness Aid	960		960	960	-
Per Pupil Growth Aid	960		960	960	-
Non Public Transportation			-	522	522
TPAF Pension (On Behalf-Non-Budgeted)				119,046	119,046
TPAF Social Security (Reimbursed - Non-Budgeted)			-	77,014	77,014
Total State Sources	<u>285,708</u>	<u>-</u>	<u>285,708</u>	<u>482,290</u>	<u>196,582</u>
Total Revenues	<u>2,106,800</u>	<u>-</u>	<u>2,106,800</u>	<u>2,316,458</u>	<u>209,658</u>

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1

Sheet 2 of 9

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
<u>Expenditures:</u>					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	110,981	6,715	117,696	115,989	1,707
Grades 1-5 - Salaries of Teachers	460,181	(1,905)	458,276	450,283	7,993
Grades 6-8 - Salaries of Teachers	86,062	969	87,031	85,356	1,675
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	73,894	(13,948)	59,946	59,946	-
Purchased Professional Educational Services	500	700	1,200	1,200	-
Other Purchased Services (400-500 Series)	4,000	1,642	5,642	5,632	10
General Supplies	97,359	8,629	105,988	105,940	48
Textbooks	22,000	(7,966)	14,034	12,830	1,204
Other Objects	8,803	416	9,219	9,219	-
Total Regular Programs - Instruction	<u>863,780</u>	<u>(4,748)</u>	<u>859,032</u>	<u>846,395</u>	<u>12,637</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	45,813	(43,563)	2,250	2,250	-
Other Salaries for Instruction	27,068	(13,635)	13,433	12,630	803
Other Purchased Services (400-500 Series)	500		500	500	-
General Supplies	1,500	(1,197)	303	303	-
Total Learning and/or Language Disabilities	<u>74,881</u>	<u>(58,395)</u>	<u>16,486</u>	<u>15,683</u>	<u>803</u>
Resource Room/Resource Center:					
Salaries of Teachers	<u>131,453</u>	<u>74,860</u>	<u>206,313</u>	<u>206,313</u>	<u>-</u>

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1
Sheet 3 of 9

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Total Special Education-Instruction	206,334	16,465	222,799	221,996	803
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	29,316	191	29,507	29,507	
Total Basic Skills/Remedial - Instruction:	29,316	191	29,507	29,507	-
School-Sponsored Co/Extra-Curricular Activities - Instruction:					
Salaries	6,456		6,456	6,444	12
Other Objects	3,000		3,000	2,495	505
Total School-Sponsored Co/Extra-Curricular Activities - Instruction	9,456	-	9,456	8,939	517
Total Instruction	1,108,886	11,908	1,120,794	1,106,837	13,957
Undistributed Expenditures - Attendance & Social Work:					
Salaries	22,749	157	22,906	22,906	
Total Attendance and Social Work	22,749	157	22,906	22,906	
Undistributed Expenditures - Health Services:					
Salaries	18,806	1	18,807	18,806	1
Supplies and Materials	500	258	758	758	-
Total Undistributed Expenditures - Health Services	19,306	259	19,565	19,564	1

ISLAND HEIGHTS SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures-Other Support Svcs.-Students-Related Svcs.:					
Purchased Professional/Educational Services	80,000	(16,130)	63,870	63,657	213
Total Undistributed Expenditures - Other Support Services - Students - Related Services	<u>80,000</u>	<u>(16,130)</u>	<u>63,870</u>	<u>63,657</u>	<u>213</u>
Undistributed Expenditures - Other Support Services - Child Study Team:					
Salaries of Secretarial & Clerical Assistants	7,500	(1,428)	6,072	5,378	694
Purchased Professional/Educational Services	20,000	1,189	21,189	5,604	15,585
Total Undistributed Expenditures - Other Support Services - Child Study Team	<u>27,500</u>	<u>(239)</u>	<u>27,261</u>	<u>10,982</u>	<u>16,279</u>
Undistributed Expenditures - Educational Media Services/ School Library:					
Other Purchased Services	4,500	(20)	4,480	1,002	3,478
Supplies and Materials	500		500		500
Total Undistributed Expenditures - Educational Media Services/ School Library	<u>5,000</u>	<u>(20)</u>	<u>4,980</u>	<u>1,002</u>	<u>3,978</u>

ISLAND HEIGHTS SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Instructional Staff Training Services:					
Purchased Professional/Educational Services	4,500	2,578	7,078	6,237	841
Undistributed Expenditures - Support Services - General Administration:					
Salaries	93,651		93,651	93,650	1
Legal Services	6,000	6,164	12,164	11,489	675
Audit Fee	6,000		6,000	6,000	-
Communications/Telephone	500	210	710	710	-
Other Purchased Services	1,250	(225)	1,025	1,025	-
In-House Training/Meeting Supplies	150	(60)	90	73	17
Miscellaneous Expenditures	3,250	(834)	2,416	2,416	-
Board of Education-Dues & Adm	6,528	67	6,595	6,595	-
Total Undistributed Expenditures - Support Services - General Administration	117,329	5,322	122,651	121,958	693
Undistributed Expenditures - Central Services:					
Salaries	84,276	970	85,246	85,246	-
Supplies and Materials	350		350	126	224
Total Undistributed Expenditures - Central Services	84,626	970	85,596	85,372	224

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1

Sheet 6 of 9

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Required Maintenance for School Facilities:					
Salaries		576	576	576	576
Cleaning, Repairs and Maintenance Services	30,000	39,661	69,661	69,661	69,661
Total Undistributed Expenditures - Required Maintenance for School Facilities	<u>30,000</u>	<u>40,237</u>	<u>70,237</u>	<u>70,237</u>	<u>-</u>
Undistributed Expenditures - Other Operations and Maintenance of Plant:					
Salaries	53,500	(1,146)	52,354	49,810	2,544
Cleaning, Repair and Maintenance Services	45,700	83,608	129,308	129,165	143
Other Purchased Property Services	1,300		1,300	1,280	20
Insurance	38,000	(3,000)	35,000	34,963	37
General Supplies	10,000		10,000	10,000	-
Energy-Electricity	42,500	(37)	42,463	34,282	8,181
Energy-Natural Gas	25,000	(2,959)	22,041	22,041	-
Total Undistributed Expenditures - Other Operations and Maintenance of Plant	<u>216,000</u>	<u>76,466</u>	<u>292,466</u>	<u>281,541</u>	<u>10,925</u>

ISLAND HEIGHTS SCHOOL DISTRICT

**Exhibit C-1
Sheet 7 of 9**

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Care and Upkeep of Grounds:					
Salaries	<u>1,500</u>	<u>52</u>	<u>1,552</u>	<u>1,552</u>	<u>-</u>
Undistributed Expenditures - Security					
Salaries	<u>20,213</u>	<u>5,663</u>	<u>25,876</u>	<u>25,876</u>	<u>-</u>
Total Undistributed Expenditures Other Operations and Maintenance of Plant	<u>267,713</u>	<u>122,418</u>	<u>390,131</u>	<u>379,206</u>	<u>10,925</u>
Undistributed Expenditures - Student Transportation Services:					
Salaries for Pupil Transportation (Between Home and School) Special Education	<u>8,301</u>	<u>108</u>	<u>8,409</u>	<u>8,409</u>	<u>-</u>
Contracted Services (Between Home and School) Vendors	<u>2,500</u>	<u>(448)</u>	<u>2,052</u>	<u>1,981</u>	<u>71</u>
Contracted Services (Between Home and School) Jointures	<u>7,500</u>	<u>(2,641)</u>	<u>4,859</u>	<u>3,711</u>	<u>1,148</u>
Contracted Services - (Special Education Students)-ESCs & CTSAs	<u>10,000</u>	<u>3,221</u>	<u>13,221</u>	<u>13,074</u>	<u>147</u>
Total Undistributed Expenditures - Student Trans. Svcs.	<u>28,301</u>	<u>240</u>	<u>28,541</u>	<u>27,175</u>	<u>1,366</u>

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1
Sheet 8 of 9

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Unallocated Benefits-Employee Benefits					
Social Security Contributions	29,800	(1,992)	27,808	26,179	1,629
Other Retirement Contributions-PERS	15,381		15,381	14,971	410
Health Benefits	341,904	(35,946)	305,958	301,356	4,602
Total Unallocated Benefits - Employee Benefits	<u>387,085</u>	<u>(37,938)</u>	<u>349,147</u>	<u>342,506</u>	<u>6,641</u>
 Total Personal Services-Employee Benefits	 <u>387,085</u>	 <u>(37,938)</u>	 <u>349,147</u>	 <u>342,506</u>	 <u>6,641</u>
 On-Behalf TPAF Pension Contribution - Non-Budgeted			-	119,046	(119,046)
Reimbursed TPAF Social Security Contributions - Non-Budgeted			-	77,014	(77,014)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,060</u>	<u>(196,060)</u>
 Total Undistributed Expenditures	 <u>1,044,109</u>	 <u>77,617</u>	 <u>1,121,726</u>	 <u>1,276,625</u>	 <u>41,161</u>
 Total Current Expense	 <u>2,152,995</u>	 <u>89,525</u>	 <u>2,242,520</u>	 <u>2,383,462</u>	 <u>55,118</u>
 Capital Outlay:					
Debt Service Assessment	3,804		3,804	3,804	-
Total Capital Outlay	<u>3,804</u>	<u>-</u>	<u>3,804</u>	<u>3,804</u>	<u>-</u>
 Total Expenditures	 <u>2,156,799</u>	 <u>89,525</u>	 <u>2,246,324</u>	 <u>2,387,266</u>	 <u>55,118</u>

ISLAND HEIGHTS SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(49,999)</u>	<u>(89,525)</u>	<u>(139,524)</u>	<u>(70,808)</u>	<u>264,776</u>
Fund Balance July 1	<u>360,924</u>		<u>360,924</u>	<u>360,924</u>	
Fund Balance June 30	<u>\$ 310,925</u>	<u>(89,525)</u>	<u>221,400</u>	<u>290,116</u>	<u>264,776</u>
Recapitulation:					
Restricted Fund Balance:					
Maintenance Reserve				\$ 22,393	
Capital Reserve				33,489	
Assigned Fund Balance:					
Year-End Encumbrances				6,260	
Unassigned Fund Balance				<u>227,974</u>	
				290,116	
Reconciliation to Governmental Funds Statements (GAAP):					
Final State Aid Payments not Recognized on GAAP Basis				<u>(28,190)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 261,926</u>	

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Federal Sources	<u>\$ 32,216</u>	<u>6,135</u>	<u>38,351</u>	<u>38,351</u>	<u> </u>
Total Revenues	<u><u>\$ 32,216</u></u>	<u><u>6,135</u></u>	<u><u>38,351</u></u>	<u><u>38,351</u></u>	<u><u>-</u></u>
Expenditures:					
Instruction:					
Tuition	<u>\$ 29,938</u>	<u>2,541</u>	<u>32,479</u>	<u>32,479</u>	<u> </u>
Total Instruction	<u>29,938</u>	<u>2,541</u>	<u>32,479</u>	<u>32,479</u>	<u>-</u>
Support Services:					
Purchased Professional & Technical Services	<u>2,278</u>	<u>3,594</u>	<u>5,872</u>	<u>5,872</u>	<u> </u>
Total Support Services	<u>2,278</u>	<u>3,594</u>	<u>5,872</u>	<u>5,872</u>	<u>-</u>
Total Expenditures	<u><u>\$ 32,216</u></u>	<u><u>6,135</u></u>	<u><u>38,351</u></u>	<u><u>38,351</u></u>	<u><u>-</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

ISLAND HEIGHTS SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit C-3

BUDGET-TO-GAAP RECONCILIATION

NOTE TO RSI

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 2,316,458	38,351
Difference - Budget to GAAP: Grant accounting budgetary basis differs from GAAP in the encumbrances are recognized as expenditures and the related revenue is recognized.		
State aid payment prior year	11,477	
The last state aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the state recognizes the related expense (GASB 33)	<u>(28,190)</u>	
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 2,299,745</u>	<u>38,351</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 2,387,266	38,351
Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not yet received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,387,266</u>	<u>38,351</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

ISLAND HEIGHTS SCHOOL DISTRICT**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE****NET PENSION LIABILITY - PERS****Exhibit L-1****LAST TWO FISCAL YEARS**

	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	100.000%	100.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 340,008	333,702
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>-</u>	<u>-</u>
Total	<u>\$ 340,008</u>	<u>333,702</u>
District's Covered-Employee Payroll	\$ 121,547	110,812
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	35.75%	33.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	42.74%	40.71%

ISLAND HEIGHTS SCHOOL DISTRICT**SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS**

Exhibit L-2

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 13,156	16,577
Contributions in Relation to the Contractually Required Contribution	<u>13,156</u>	<u>16,577</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>
District's Covered-Employee Payroll	\$ 121,547	110,812
Contributions as a Percentage of Covered-Employee Payroll	10.82%	14.96%

ISLAND HEIGHTS SCHOOL DISTRICTSCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THENET PENSION LIABILITY - TPAF

Exhibit L-3

LAST TWO FISCAL YEARS

	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.000%	0.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	-
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>4,769,570</u>	<u>4,788,808</u>
Total	<u>\$ 4,769,570</u>	<u>4,788,808</u>
District's Covered-Employee Payroll	\$ 870,937	822,456
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	18.26%	17.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.64%	33.76%

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES – D

N/A

SPECIAL REVENUE FUND – E

ISLAND HEIGHTS SCHOOL DISTRICTSPECIAL REVENUE FUND

Exhibit E-1

COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURESBUDGETARY BASISFOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>I.D.E.A. Basic</u>	<u>Title IIA</u>	<u>I.D.E.A. Preschool</u>	<u>Totals</u>
Revenues:				
Federal Sources	\$ 31,900	5,872	579	38,351
Total Revenues	<u>\$ 31,900</u>	<u>5,872</u>	<u>579</u>	<u>38,351</u>
Expenditures:				
Instruction:				
Purchased Professional and Technical Services	\$ -			-
Tuition	31,900		579	32,479
Total Instruction	<u>31,900</u>	<u>-</u>	<u>579</u>	<u>32,479</u>
Support Services:				
Purchased Professional & Technical Services		5,872		5,872
Total Support Services	<u>-</u>	<u>5,872</u>	<u>-</u>	<u>5,872</u>
Total Expenditures	<u>\$ 31,900</u>	<u>5,872</u>	<u>579</u>	<u>38,351</u>

CAPITAL PROJECTS FUND – F

N/A

PROPRIETARY FUNDS – G

N/A

FIDUCIARY FUND – H

ISLAND HEIGHTS SCHOOL DISTRICT**TRUST AND AGENCY FUND**

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION**JUNE 30, 2015**

	<u>Student Activity</u>	<u>Payroll Agency and Net Salary</u>	<u>Unemployment</u>	<u>Total 2015</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 2,015	14,428	38,561	55,004
<u>Liabilities</u>				
Payroll Deductions and Withholding Due to Student Groups	\$ - 2,015	14,428		14,428 2,015
Total Liabilities	\$ 2,015	14,428	-	16,443
<u>Net Position</u>				
Reserve for Unemployment			\$ 38,561	38,561

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit H-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITIONJUNE 30, 2015

	<u>Unemployment Compensation Trust</u>	<u>Total</u>
Deductions:		
Unemployment Claims	\$ 3,705	3,705
Total Deductions	<u>3,705</u>	<u>3,705</u>
Net Position, June 30, 2014	<u>42,266</u>	<u>42,266</u>
Net Position, June 30, 2015	<u>\$ 38,561</u>	<u>\$ 38,561</u>

ISLAND HEIGHTS SCHOOL DISTRICTSTUDENT ACTIVITY AGENCY FUND

Exhibit H-3

SCHEDULE OF RECEIPTS AND DISBURSEMENTSJUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>Elementary School</u>				
6th Grade	\$ 390	6,787	7,459	(282)
Parent/Yearbook	1,268	2,146	1,417	1,997
Gabriel Donation	116			116
Band	(66)			(66)
Leadership	250			250
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 1,958</u>	<u>8,933</u>	<u>8,876</u>	<u>2,015</u>

ISLAND HEIGHTS SCHOOL DISTRICTPAYROLL AND RAYROLL AGENCY FUND

Exhibit H-4

SCHEDULE OF RECEIPTS AND DISBURSEMENTSJUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 9,964	1,380,844	1,376,380	14,428
<u>Liabilities</u>				
Payroll Deductions, Withholdings and Amount Due Employees	\$ 9,964	1,380,844	1,376,380	14,428

LONG-TERM DEBT - I

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit I-3

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 80,290		80,290	80,290	-
Total Revenues	<u>80,290</u>	<u>-</u>	<u>80,290</u>	<u>80,290</u>	<u>-</u>
Expenditures:					
Regular Debt Service:					
Interest	20,290		20,290	20,290	-
Redemption of Principal	<u>60,000</u>		<u>60,000</u>	<u>60,000</u>	<u>-</u>
Total Expenditures	<u>80,290</u>	<u>-</u>	<u>80,290</u>	<u>80,290</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balance July 1	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Fund Balance June 30	<u>\$ 1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>

STATISTICAL SECTION

(Unaudited)

ISLAND HEIGHTS SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental Activities										
Invested in Capital Assets, Net of										
Related Debt	\$ 1,816,181	\$ 1,856,595	2,156,198	2,152,967	2,149,736	2,130,357	2,095,852	2,067,583	684,352	664,594
Restricted	55,882	194,828	164,285	130,545	123,489	234,475	295,888	310,909	227,132	165,533
Unrestricted	(178,511)	75,145	53,094	6,698	(35,944)	(97,721)	87,501	106,262	104,268	180,461
Total Governmental Activities										
Net Position	\$ 1,693,552	\$ 2,126,568	2,373,577	2,290,210	2,237,281	2,267,111	2,479,241	2,484,754	1,015,752	1,010,588
Business-Type Activities										
Invested in Capital Assets, Net of										
Related Debt	\$ 2,561	\$ 2,561	-	-	-	-	-	-	-	-
Restricted										
Unrestricted	5,197	4,410	3,361	1,489	6,627	4,784	1,709	1,095	743	2,252
Total Business-Type Activities										
Net Position	\$ 7,758	\$ 6,971	3,361	1,489	6,627	4,784	1,709	1,095	743	2,252
District-Wide										
Invested in Capital Assets, Net of										
Related Debt	\$ 1,818,742	\$ 1,859,156	2,156,198	2,152,967	2,149,736	2,130,357	2,095,852	2,067,583	684,352	664,594
Restricted	55,882	194,828	164,285	130,545	123,489	234,475	295,888	310,909	227,132	165,533
Unrestricted	(173,314)	79,555	56,455	8,187	(29,317)	(92,937)	89,210	107,357	105,011	182,713
Total District Net Position	\$ 1,701,310	\$ 2,133,539	2,376,938	2,291,699	2,243,908	2,271,895	2,480,950	2,485,849	1,016,495	1,012,840

**ISLAND HEIGHTS SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS
FISCAL YEAR ENDING JUNE 30,**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental Activities										
Instruction:										
Regular	\$ 846,395	701,967	691,907	688,653	664,174	868,969	980,988	783,130	800,143	709,879
Special Education	254,475	266,051	250,191	189,944	211,969	65,586	20,681	16,820	53,681	43,015
Other Instruction	38,446	39,163	36,285	34,925	35,241	89,724	91,947	48,411	35,960	25,882
Support Services:										
Tuition			3,459	2,101	2,533	12,325	3,450		517	8,792
Student & Instruction Related Services	130,220	136,468	136,257	174,523	162,802	175,528	172,069	99,846	161,767	131,240
School Administrative Services	207,330	204,046	191,249	190,902	204,371	225,053	196,057	189,044	162,871	154,806
Plant Operations & Maintenance	379,206	271,323	244,391	241,077	259,225	296,306	351,115	244,679	282,765	240,156
Pupil Transportation	27,175	17,045	17,182	30,460	34,192	53,261	32,500	20,357	28,668	24,119
Miscellaneous	3,804	3,804	2,652	1,932						-
Interest on Long-Term Debt	18,658	25,819	24,790	27,253	28,628	30,542	33,493	34,110	36,253	37,753
Allocated Benefits	505,271	437,269	446,656	411,288	383,437	381,017	126,808	426,859	434,597	362,796
Unallocated Depreciation	100,414	105,048	56,769	56,769	56,769	56,600	54,951	54,818	56,943	56,941
Total Governmental Activities Expenses	2,511,394	2,208,003	2,101,788	2,049,827	2,043,341	2,254,911	2,064,059	1,937,947	2,054,165	1,795,379
Business-Type Activities:										
Food Service	8,235	8,361	6,713	12,431	13,404	17,177	16,351	46,463	40,634	33,152
Total Business-Type Activities Expense	8,235	8,361	6,713	12,431	13,404	17,177	16,351	46,463	40,634	33,152
Total District Expenses	\$ 2,519,629	2,216,364	2,108,501	2,062,258	2,056,745	2,272,088	2,080,410	1,984,410	2,094,799	1,828,531
Program Revenues										
Governmental Activities:										
Operating Grants & Contributions	\$ 38,351	37,901	37,903	46,062	41,392	61,847	40,471	437,988	380,488	311,379
Charge for Services			43,500							-
Total Governmental Activities Program Revenues	38,351	37,901	81,403	46,062	41,392	61,847	40,471	437,988	380,488	311,379
Business-Type Activities:										
Charges for Services:										
Food Service	6,022	6,643	5,851	10,217	10,701	12,905	10,596	14,783	15,299	13,663
Operating Grants & Contributions	3,000	5,328	2,734	3,576	4,546	4,410	4,369	5,180	6,000	3,782
Total Business-Type Activities Program Revenues	9,022	11,971	8,585	13,793	15,247	17,315	14,965	19,963	21,299	17,445
Total District Program Revenues	\$ 47,373	49,872	89,988	59,855	56,639	79,162	55,436	457,951	401,787	328,824
Net (Expense)/Revenue										
Adjustment Beginning Net Fixed Assets						-	-	-	16,389	(811,555)
Governmental Activities	#####	(2,170,102)	(2,020,385)	(2,003,765)	(2,001,949)	(2,193,064)	(2,023,588)		(1,795,379)	(1,484,000)
Business-Type Activities	787	3,610	1,872	1,362	1,843	138	(1,386)	(46,463)	(15,707)	(15,707)
Total District-Wide Net Expense	#####	(2,166,492)	(2,018,513)	(2,002,403)	(2,000,106)	(2,192,926)	(2,024,974)	(2,037,430)	(1,796,061)	(2,311,262)
General Revenues & Other Changes in Net Assets										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 1,776,100	1,741,275	1,681,240	1,631,883	1,599,885	1,594,705	1,582,199	1,521,345	1,519,823	1,491,787
Taxes Levied for Debt Service	80,290	82,578	84,790	86,910	88,949	90,901	92,772	94,110	76,097	88,165
Federal and State Aid Not Restricted	465,577	280,036	311,790	284,353	232,317	249,993	298,368			-
Miscellaneous Income	58,068	73,759	25,932	53,548	50,968	17,527	22,838	57,092	39,088	52,840
Transfers						(2,937)	(2,000)	(27,204)	(17,826)	(16,201)
Total Governmental Activities	\$ 2,380,035	2,177,648	2,103,752	2,056,694	1,972,119	1,950,189	1,994,177	1,645,343	1,617,182	1,616,591
Business-type Activities:										
Adjustment Beginning Fixed Assets										(903)
Transfers	\$ -	-	-	(6,500)		2,937	2,000	27,204	17,826	16,201
Total Business-Type Activities	-	-	-	(6,500)	-	2,937	2,000	27,204	17,826	15,298
Total District-Wide	\$ 2,380,035	2,177,648	2,103,752	2,050,194	1,972,119	1,953,126	1,996,177	2,062,504	1,635,648	1,631,889
Change in Net Position										
Governmental Activities	\$ (93,008)	7,546	83,367	52,929	(29,830)	(242,875)	(29,411)	92,364	(11,225)	132,591
Business-Type Activities	787	3,610	1,872	(5,138)	1,843	3,075	614	352	(1,509)	(409)
Total District	\$ (92,221)	11,156	85,239	47,791	(27,987)	(239,800)	(28,797)	92,716	(12,734)	132,182

**ISLAND HEIGHTS SCHOOL DISTRICT
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	FISCAL YEAR ENDING JUNE 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Reserved	\$ 62,142	\$ 194,828	164,285	130,544	123,471	234,457	295,882	223,040	226,552	384,833
Unreserved	199,784	154,619	123,775	85,146	80,146	49,605	234,669	339,766	235,654	92,749
Total General Fund	\$ 261,926	\$ 349,447	288,060	215,690	203,617	284,062	530,551	562,806	462,206	477,582
All Other Governmental Funds										
Reserved	\$ -	\$ -	-			-	-	1,095	580	20,464
Unreserved, Reported in:										
Special Revenue Fund						-	-	(386)	(386)	(356)
Capital Projects Fund										-
Debt Service Fund	1	1	1	1	18	18	6	45	21	285
Permanent Fund										-
Total All Other Governmental Funds	\$ 1	\$ 1	1	1	18	18	6	754	215	20,393

ISLAND HEIGHTS SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Tax Levy	\$ 1,856,390	1,741,275	1,766,030	1,718,793	1,688,834	1,685,606	1,674,971	1,521,345	1,595,920	1,579,952
Miscellaneous	58,068	73,759	69,432	53,548	52,235	18,308	22,838	57,092	40,088	52,840
State Sources	465,577	280,036	311,790	284,353	232,317	249,993	298,368	389,957	388,213	321,758
Federal Sources	38,351	37,901	37,903	46,062	40,125	61,066	40,471	0	36,545	42,568
Total Revenue	2,418,386	2,132,971	2,185,155	2,102,756	2,013,511	2,014,973	2,036,648	1,582,337	2,060,766	1,997,118
Expenditures										
Instruction:										
Regular Instruction	846,395	696,415	691,907	718,412	716,118	868,811	970,536	783,130	821,103	724,070
Special Education Instruction	254,475	266,051	250,191	189,944	211,969	65,586	20,681	16,820	53,681	43,015
Other Special Instruction	29,507	28,813	28,261	27,666	27,630	62,592	60,580	48,411	35,960	52,034
Other Instruction	8,939	10,350	8,024	7,259	7,611	27,132	31,367	19,873		
Support Services:										
Tuition			3,459	2,101	2,533	12,325	3,450		517	8,792
Student & Instruction Related Services	130,220	136,468	136,257	174,523	162,802	175,528	172,069	99,846	161,767	157,644
School Administrative Services	207,330	204,046	191,249	190,902	204,371	225,053	196,057	189,044	162,871	154,806
Plant Operations & Maintenance	379,206	271,323	244,391	241,077	259,225	296,306	351,115	244,679	282,765	240,156
Pupil Transportation	27,175	17,045	17,182	30,460	34,192	53,261	32,500	20,357	28,668	24,119
Other Support Services	-	3,804	-	6,294			-		-	
Unallocated benefits	538,566	437,269	454,422	404,994	383,437	381,017	126,808	426,859	434,597	362,796
Capital outlay	3,804		2,652	1,932	3,323		-		-	12,065
Debt service:										
Principal	60,000		60,000	60,000	60,000	60,000	60,000	60,000	60,000	50,000
Interest & Other Charges	20,290		24,790	26,928	28,953	30,902	32,815	34,110	36,565	38,253
Total Expenditures	2,505,907	2,071,584	2,112,785	2,082,492	2,102,164	2,258,513	1,943,129	-	2,078,494	1,867,750

ISLAND HEIGHTS SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(87,521)	61,387	72,370	20,264	(88,653)	(243,540)	93,519	1,582,337	(17,728)	129,368
Other Financing Sources/(Uses):										
Proceeds from Borrowing										
Proceeds from Refunding										
Payments to Escrow Agent										
Transfers in										
Transfers Out					-	(2,937)	(2,000)	(27,204)	(17,826)	(16,592)
Total Other Financing Sources/(Uses)	-	-	-	-		(2,937)	(27,204)		(17,826)	(16,592)
Net Change in Fund Balances	\$ (87,521)	\$ 61,387	72,370	20,264	(88,653)	(246,477)	92,716	1,582,337	(35,554)	112,776
Debt Service as a Percentage of Noncapital Expenditures	2.6%	4.3%	4.2%	4.4%	4.8%	4.6%	5.0%	4.0%	%	

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

**ISLAND HEIGHTS SCHOOL DISTRICT
 GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
 LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)**

FISCAL YEAR ENDING JUNE 30,	INTEREST ON INVESTMENTS	TUITION	DONATIONS	RENTALS	PRIOR YEAR REFUNDS	SALE & LEASEBACK OF TEXTBOOKS	MISCELLANEOUS	TOTAL
2006							52,840	52,840
2007	23,844						13,527	38,371
2008	12,608						34,331	46,938
2009	2,778		1,000				18,291	21,069
2010							18,308	18,308
2011	729						6,555	7,284
2012							26,263	26,236
2013							25,932	25,932
2014		42,450					31,309	73,759
2015							67,787	67,787
Total	\$36,452		1,000				295,143	378,524

Source: District records

**ISLAND HEIGHTS SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	VACANT LAND	RESIDENTIAL	FARM REG.	QFARM	COMMERCIAL	INDUSTRIAL	APARTMENT	TOTAL ASSESSED VALUE	LESS: TAX EXEMPT PROPERTY	PUBLIC UTILITIES	NET VALUATION TAXABLE	TOTAL DIRECT SCHOOL TAX RATE	ESTIMATED ACTUAL (COUNTY EQUALIZED) VALUE
2015	16,158,700	307,697,700			20,588,200		489,300	345,132,255	22,736,500		367,868,755	0.556	
2014	15,221,700	309,324,600			20,588,200		489,300	345,623,800	22,736,500		368,360,300	0.537	
2013	14,328,500	310,198,700			20,718,300		489,300	345,734,800	22,724,700		368,459,500	0.527	
2012	12,913,000	314,965,700			21,616,800		489,300	349,984,800	22,674,700		372,659,500	0.504	
2011	13,983,900	314,685,500			23,043,100		489,300	352,201,800	22,460,600		374,662,400	0.488	
2010	13,762,500	315,343,500			23,101,200		489,300	352,696,500	22,460,600		375,157,100	0.479	
2009	14,791,600	313,526,200			23,101,200		489,300	351,908,300	22,460,600		374,368,900	0.479	
2008	15,209,600	310,714,800			22,721,800		489,300	349,135,500	24,740,600		373,876,100	0.479	
2007	14,163,100	309,770,900			22,721,800		489,300	347,145,100	25,339,700		372,484,800	0.466	
2006	14,113,600	304,746,000			22,721,800		489,300	342,070,700	25,339,700		367,410,400	0.466	
2005	10,949,600	308,750,600			22,642,200		489,300	342,831,700	27,718,300		370,550,000	0.461	
2004	2,671,300	115,922,900			10,319,400		193,200	129,106,800	10,139,900		139,246,700	1.197	

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 occurs when ordered by the County Board of Taxation

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

b. Tax rates are per \$100

**ISLAND HEIGHTS SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per \$100 of Assessed Value)**

FISCAL YEAR ENDED JUNE 30,	SCHOOL DISTRICT DIRECT RATE			OVERLAPPING RATES					TOTAL DIRECT AND OVERLAPPING TAX RATE
	ISLAND HEIGHTS SCHOOL	REGIONAL SCHOOL	TOTAL DIRECT	ISLAND HEIGHTS BOROUGH	OCEAN COUNTY	COUNTY LIBRARY	COUNTY OPEN SPACE	COUNTY HEALTH RATE	
2015	0.556	0.332	0.888	0.502	0.35	0.038	0.012	0.014	1.804
2014	0.537	0.339	0.876	0.493	0.342	0.038	0.012	0.014	1.775
2013	0.527	0.333	0.860	0.472	0.331	0.038	0.013	0.014	1.728
2012	0.504	0.362	0.866	0.449	0.337	0.039	0.013	0.014	1.718
2011	0.488	0.349	0.837	0.439	0.335	0.039	0.015	0.015	1.680
2010	0.479	0.301	0.780	0.445	0.340	0.039	0.015	0.015	1.634
2009	0.479	0.302	0.781	0.424	0.322	0.038	0.015	0.015	1.595
2008	0.479	0.259	0.738	0.409	0.306	0.036	0.015	0.015	1.519
2007	0.466	0.313	0.779	0.332	0.278	0.03	0.012	0.013	1.444
2006	0.466	0.265	0.731	0.330	0.330	0.025	0.012	0.015	1.443
2005	0.461	0.296	0.757	0.321	0.238	0.025	0.009	0.011	1.361
2004	1.197	0.755	1.952	0.799	0.624	0.068	0.021	0.028	3.492

Source: Abstract of Ratables, Breakdown of General Tax Rate

**ISLAND HEIGHTS SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
Last Years Information**

EXHIBIT J-8

	2015	
Taxpayer	TAXABLE ASSESSED VALUE	RANK (Optional)
FLM Marine	\$4,100,000	1
David Shipman	\$2,638,200	2
Linda Tavares	2,307,800	3
Henry Kelly Jr.	2,143,300	4
Eve Allison	1,888,400	5
Sal & Gina LaForgia	1,698,000	6
Conza Builders LLC	1,687,600	7
Richard & Alice Askoff	1,678,300	8
Linda Bartlett	1,616,500	9
Gale Wayman	1,599,800	10
Total	\$21,357,900	

Source: Municipal Tax Assessor

This schedule serves a dual purpose of providing basic information about a jurisdiction's most significant revenue payers and highlighting the degree to which a

EXHIBIT J-9

**ISLAND HEIGHTS SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

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	
2014				
2013	5,967,793	5,818,612	97.20%	
2012	5,988,654	5,842,802	96.74%	
2011	6,016,573	5,658,129	93.70%	
2010	5,770,950	5,622,305	97.42%	
2009	5,637,164	5,487,795	97.35%	
2008	5,341,229	5,206,858	97.48%	
2007	5,099,419	5,004,656	98.14%	
2006	4,983,941	4,854,196	97.40%	
2005	4,703,656	4,560,145	96.95%	

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

**ISLAND HEIGHTS SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST EIGHT FISCAL YEARS**
(Dollars in Thousands, Except per Capita)

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES			BOND ANTICIPATION NOTES (BANs)	BUSINESS- TYPE	TOTAL DISTRICT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	CERTIFICATES OF PARTICIPATION	CAPITAL LEASES		ACTIVITIES CAPITAL LEASES			
2015	\$	473,000				473,000		
2014	\$	533,000				533,000	n/a	n/a
2013	\$	593,000				593,000	n/a	n/a
2012	\$	653,000				653,000	6.6%	43,016
2011	\$	713,000				713,000	5.9%	42,121
2010	\$	773,000				773,000	8%	60,689
2009	\$	833,000				833,000	5%	39,677
2008	\$	893,000				893,000	5%	40,201
2007	\$	953,000				953,000	4%	38,816
2006	\$	1,013,000				1,013,000	4%	36,742

EXHIBIT J-11

ISLAND HEIGHTS SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Dollars in Thousands, Except per Capita)

FISCAL YEAR ENDED JUNE 30,	GENERAL BONDED DEBT OUTSTANDING		NET GENERAL BONDED DEBT OUTSTANDING	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	GENERAL OBLIGATION BONDS	DEDUCTIONS			
2015	473,000		473,000		N/A
2014	533,000		533,000	N/A	N/A
2013	593,000		593,000	N/A	43,214
2012	653,000		653,000	N/A	43,016
2011	713,000		713,000	N/A	42,121
2010	773,000		773,000	N/A	60,689
2009	833,000		833,000	N/A	40,612
2008	893,000		893,000	N/A	41,347
2007	953,000		953,000	N/A	40,368
2006	1,013,000		1,013,000	N/A	38,094

EXHIBIT J-12

**ISLAND HEIGHTS SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2015**

GOVERNMENTAL UNIT	SHARE OF OVERLAPPING DEBT
Overlapping Debt*	
County of Ocean	\$ 1,715,801.45
Township of Island Heights	2,407,539.75
Township of Island Heights Water/Sewer Utility	991,437.00
Central Regional School District	<u>215,731.02</u>
Subtotal, Overlapping Debt	5,330,509.22
Island Heights District Overlapping Debt	<u>473,000.00</u>
Total Direct & Overlapping Debt	<u><u>\$ 5,803,509.22</u></u>

* Overlapping debt as of December 31, 2014 Annual Debt Statements.

Sources: Assessed value data used to estimate applicable percentages provided by the Ocean County Board of Taxa

**ISLAND HEIGHTS SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Dollars in Thousands)**

EXHIBIT J-13

	FISCAL YEAR										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt Limit	8,642,777	9,043,463	9,649,280	10,217,736	10,439,719	10,836,082	13,983,491	13,857,802	13,760,633	10,853,456	7,983,021
Total Net Debt Applicable to Limit	473,000	533,000	593,000	653,000	713,000	773,000	833,000	893,000	953,000	1,013,000	1,063,000
Legal Debt Margin	8,169,777	8,510,463	9,056,280	9,564,736	9,726,719	10,063,082	13,150,491	12,964,802	\$12,807,633	\$9,840,456	6,920,021
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	5.47%	5.89%	6.15%	6.39%	6.83%	7.13%	5.96%	6.44%	6.93%	9.33%	13.32%

Legal Debt Margin Calculation for Fiscal Year 2015

	Equalized Valuation Basis
	2014 \$342,264,239
	2013 \$344,899,511
	2012 \$349,969,430
	<u>\$1,037,133,180</u>
Average Equalized Valuation of Taxable Property	[A/3] \$345,711,060
Debt Limit (2.5 % of Average Equalization Value)	[B] 8,642,777
Net Bonded School Debt	[C] _____
Legal Debt Margin	[B-C] <u>\$8,642,777</u>

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

EXHIBIT J-14

**ISLAND HEIGHTS SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

YEAR	POPULATION (a)	PERSONAL INCOME (Thousands of Dollars) (b)	PER CAPITA PERSONAL INCOME (c)	UNEMPLOYMENT RATE (d)
2014	1693	n/a		6.90%
2013	1680	\$ 43,214		10.3%
2012	1673	\$ 43,016		10.60%
2011	1671	42,121		10.1%
2010	1672	60,689		10.0%
2009	1891	40,612		9.2%
2008	1877	41,347		5.7%
2007	1878	40,368		4.4%
2006	1877	38,094		5.0%
2005	1858	35,970		4.4%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income provided by NJ Department of Labor and Workforce Development

^c Per Capita provided by NJ Department of Labor and Workforce Development

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

EXHIBIT J-15

**ISLAND HEIGHTS SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

	2015		2006	
	RANK EMPLOYEES (Optional)	PERCENTAGE OF TOTAL EMPLOYMENT	PERCENTAGE OF TOTAL EMPLOYMENT	RANK EMPLOYEES (Optional)
N/A	1			1
	2			2
	3			4
D	4			3
E	5			
F	6			6
G	7			
H	8			7
I	9			
J	10			5
K				8
L				9
M				10

Source:

**ISLAND HEIGHTS SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Instruction:										
Regular	14	14	13	13	13	13	13	13	13	13
Special Education	4	4	3.5	2.5	2	2	2	2	2	2
Other Special Education	2	2	2	2	2	2				
Vocational										
Other Instruction										
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student & Instruction Related Services										
School Administrative Services	2	2	2	2	2	2	2	2	2	2
General & Business Administrative Services	2	2	2	2	2	2	2	2	2	2
Plant Operations & Maintenance	2	2					2	2	2	2
Pupil Transportation	1	1	1	1	1	1	1	1	1	1
Business & Other Support Services										
Special Schools										
Food Service	2	2	2	2	2	2	2	2	2	2
Child Care										
Total	29	29	24.5	24.5	24	24	24	24	24	24

Source: District Personnel Records

**ISLAND HEIGHTS SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS**

EXHIBIT J-17

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO	AVERAGE DAILY ENROLLMENT (ADE) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)
						ELEMENTARY		
2015	125						121.04	114.41
2014	106						105.88	100.81
2013	115						118.6	93.6
2012	110						104.4	94.9
2011	123						121.3	115.3
2010	115			%			115.0	110.0
2009	109			%			108.8	103.4
2008	110			%			110.7	105.3
2007	114			%			110.9	105.9
2006	103						105.0	101.0

Sources: District records

**ISLAND HEIGHTS SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS**

DISTRICT BUILDINGS	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Elementary Schools:										
Island Heights Grade School										
Square Feet	24,483	24,483	24,483	24,483	24,483	24,483	24,483	24,483	24,483	9,710
Capacity (Students)	160	160	160	160	160	160	160	160	160	140
Enrollment	125	110	115	111	123	119	109	110	114	103
Number of Schools at June 30, 2015:										
Elementary =	1									

Source: District Facilities Office

**ISLAND HEIGHTS SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST NINE FISCAL YEARS**

EXHIBIT J-19

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES
I-000-261-xxx

*	2015	2014	2013	2012	2011	2010	2009	2008	2007
\$	60,382	52,915	20,422	31,363	38,700	41,000	41,000	40,000	29,680

Total School
Facilities

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records

EXHIBIT J-20

**ISLAND HEIGHTS SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2015**

	COVERAGE	DEDUCTIBLE
School Package Policy (1):		
Building & Contents (All Locations)	\$ 5,621,032	\$ 1,000
		\$ -
Boiler & Machinery	\$ 100,000,000	\$ 1,000
General Automobile Liability	\$ 6,000,000	\$ -
School Board Legal Liability	\$ 6,000,000	\$ 5,000
Employers Liability	\$ 2,000,000	\$ -
Workers' Compensation		\$ -
Environmental Impairment Liability	\$ 11,000,000	\$ 25,000
 Surety Bonds (3)		
Treasurer	\$ 135,000	
Business Administrator	\$ 125,000	
Board Secretary	\$ 125,000	

1. New Jersey School Boards Association Insurance

Source: District records

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

93.

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

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

Honorable President and Members
of the Board of Education
Island Heights School District
County of Ocean
Island Heights, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Island Heights Board of Education, County of Ocean, State of New Jersey as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Island Heights Board of Education, County of Ocean, State of New Jersey's basic financial statements, and have issued our report thereon dated December 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Island Heights Board of Education, County of Ocean, State of New Jersey's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Island Heights Board of Education, County of Ocean, State of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of the Island Heights Board of Education, County of Ocean, State of New Jersey's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

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

December 7, 2015

ISLAND HEIGHTS SCHOOL DISTRICT

Schedule A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

K-3

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Federal C.F.D.A. Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2014	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years Balances	Balance at June 30, 2015		
				From	To							(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education														
Passed-Through State Department of Education														
Special Revenue Fund:														
No Child Left Behind:														
	84.281	NCLB-13	\$ 5,872	9/1/14	8/31/15	\$ -			(5,872)			(5,872)		
I.D.E.A.:														
	84.027	FT-12	31,900	9/1/14	8/31/15			31,900	(31,900)					
	84.027	FT-13	579	9/1/14	8/31/15			579	(579)					
Total Special Revenue Fund						-	-	32,479	(38,351)	-	-	(5,872)	-	-
U.S. Department of Agriculture														
Passed-Through State Department of Education														
Enterprise Fund:														
	10.555	N/A	289	7/1/13	6/30/14	(273)		273						
	10.555	N/A	2,890	7/1/14	6/30/15			2,284	(2,890)			(686)		
Total Enterprise Fund						(273)	-	2,557	(2,890)	-	-	(686)	-	-
Total Federal Financial Awards						\$ (273)	-	35,036	(41,241)	-	-	(6,558)	-	-

See accompanying Notes to Schedules of Financial Assistance.

ISLAND HEIGHTS SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Schedule B

K-4

State Grantor/ Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2014	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2015			MEMO		
			From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Total Cumulative Expenditures	
State Department of Education															
General Fund:															
Transportation Aid	15-495-034-5120-014	\$ 9,420	7/1/14	6/30/15	\$		\$ 9,420	(9,420)						\$	9,420
Special Education Aid	15-495-034-5120-089	63,946	7/1/14	6/30/15			63,946	(63,946)							63,946
Security Aid	15-495-034-5120-084	8,673	7/1/14	6/30/15			8,673	(8,673)							8,673
School Choice Aid	15-495-034-5120-068	165,295	7/1/14	6/30/15			165,295	(165,295)							165,295
PARCC Readiness Aid	15-495-034-5120-098	960	7/1/14	6/30/15			960	(960)							960
Per Pupil Growth Aid	15-495-034-5120-097	960	7/1/14	6/30/15			960	(960)							960
Adjustment Aid	15-495-034-5120-085	36,454	7/1/14	6/30/15			36,454	(36,454)							36,454
Non-Public Transportation	15-495-034-5120-014	522	7/1/14	6/30/15				(522)			(522)				522
Non-Public Transportation	14-495-034-5120-014	1,014	7/1/13	6/30/14	(1,014)		1,014								
Reimbursed TPAF Social Security	15-100-034-5095-002	77,014	7/1/14	6/30/15			73,612	(77,014)			(3,402)				77,014
Reimbursed TPAF Social Security	14-100-034-5095-002	60,880	7/1/13	6/30/14	(3,230)		3,230								
Total General Fund					(4,244)	-	363,564	(363,244)	-		(3,924)	-	-	-	363,244
State Department of Agriculture															
Enterprise Fund:															
National School Lunch Program	14-100-010-3350-023	102	7/1/13	6/30/14	(8)		8								
National School Lunch Program	15-100-010-3350-023	100	7/1/14	6/30/15			79	(100)			(21)				100
Total Enterprise Fund					(8)	-	87	(100)	-		(21)	-	-	-	100
Total State Financial Assistance					\$ (4,252)	-	363,651	(363,344)	-		(3,945)	-	-	-	363,344

See accompanying Notes to Schedules of Financial Assistance.

BOARD OF EDUCATION

K-5

ISLAND HEIGHTS SCHOOL DISTRICT**NOTES TO SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE****JUNE 30, 2015****NOTE 1: General**

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

NOTE 2: Basis of Accounting

The accompanying schedules of financial assistance are presented using the modified accrual basis of accounting. This basis of accounting is described in Note 1(C) to the Board's general-purpose financial statements.

NOTE 3: Relationship to General Purpose Financial Statements

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A.* 18A:22-44.2. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with *N.J.S.A.* 18A:22-4.2.

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

NOTE 3: Relationship to General Purpose Financial Statements

	<u>General Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>State Assistance</u>			
Actual Amounts (Budgetary) “Revenues” from the Schedule of Expenditures of State Financial Assistance	\$ 363,244	100	363,344
Difference – Budget to “GAAP” Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized			
On Behalf Payments Recognized for GAAP Statements but Not Included in the Schedule of Expenditures of State Financial Assistance	119,046		119,046
The Last State Aid Payment Is Recognized as Revenue for Budgetary Purposes, and Differs from GAAP Which does not Recognize This Revenue Until the Subsequent Year When the State Recognizes the Related Expense (GASB 33)	<u>(16,713)</u>	—	<u>(16,713)</u>
Total State Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 465,577</u>	<u>100</u>	<u>465,677</u>

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

	<u>Special Revenue Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>Federal Assistance</u>			
Actual Amounts (Budgetary) “Revenues” from the Schedule of Expenditures of Federal Awards	\$ 38,351	2,890	41,241
Difference – Budget to “GAAP” Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized	_____	_____	_____
Total Federal Revenue as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances	<u>\$ 38,351</u>	<u>2,890</u>	<u>41,241</u>

NOTE 4: Relationship to Federal and State Financial Reports

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

NOTE 5: Other

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state of behalf of the District for the year ended June 30, 2015. 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, 2015.