

**Comprehensive Annual
Financial Report**

of the

**Cape May County Schools
For Special Services
Board of Education**

Cape May County, New Jersey

For the Fiscal Year Ended June 30, 2011

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Introductory Section

BARBARA J. MAKOSKI
Superintendent
Ext. 2200

JUDITH S. LINCOLN
Related Services Supervisor
Ext. 4400

TRACEY A. STAAB
Principal, Cape Educational COMPACT
(609) 463-1985

CAPE MAY COUNTY
SPECIAL SERVICES SCHOOL DISTRICT
4 Moore Road, DN 704
Cape May Court House, New Jersey 08210
(609) 465-2720 • Fax (609) 465-8220



DIANE S. FOX
School Business Administrator/
Board Secretary
Ext. 2211

ANNAMARIE HAAS
Principal, Cape May County High School
Acting Principal, Ocean Academy
Ext. 8800

September 13, 2011

Honorable President and
Members of the Board of Education
Cape May County Special Services School
Cape May Court House, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Cape May County Special Services School for the fiscal year ended June 30, 2011 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory Section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial Section includes the basic financial statements, schedules and the Management Discussion and Analysis as well as the auditor's report thereon. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," 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 this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES: The Board of Education of the Cape May County Special Services School is an independent reporting entity within the criteria adopted by the GASB Statement No. 14 as established by NCGA Statement No. 3. All funds of the District are included in this report. The Cape May County Special Services Board of Education and all its schools constitute the District's reporting entity.

The District provides Preschool Disabled, Behavior Disabilities, Multiple Disabilities, Cognitive Severe and Autism programs and related services for the low incident and/or moderately and severely disabled youth of Cape May County. Additionally, students are received from many surrounding counties in Southern New Jersey.

The "Over 21 Program" for severely disabled adult clients 21-35 year-old clients is completing its eighth year and has a maximum capacity of 12 clients. Cape Educational COMPACT is housed off campus and provides the educational program for approximately 55 students.

Average Daily Enrollment for the last five years by school and program is:

<u>School/Program</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Ocean Academy	146.0	137.1	124.8	123.5	120.9
GEB Middle School	-	-	-	-	-
Alternative High School	144.0	128.3	125.4	127.6	108.6
Cape Ed. COMPACT	66.9	70.1	66.8	25.0	55.2
Preschool Disabled 1/2 Day	10.4	10.7	6.1	-	-
Preschool Disabled Full Day	10.2	5.3	6.2	9.5	6.6
Auditorily Impaired	-	-	-	-	-
Multiple Disabilities	225.9	185.1	156.9	157.9	134.8
Cognitive Severe	19.8	18.9	19.0	17.4	14.2
Autism	16.3	28.6	31.1	41.3	32
Behavior Disabilities	7.4	16.9	30.9	25.0	30.5

2. ECONOMIC CONDITION AND OUTLOOK: The 2010-11 school year ended with enrollment over budget level and tuition revenue in excess of the amount budgeted. Tuition adjustments were made during the year and approximately \$581,379 was returned to sending districts for 2007-08 and 2008-09 tuition. For budgetary reasons, these adjustments are being spread over two years (FY 11 and FY 12).

3. MAJOR INITIATIVES: We continue to provide staff and students with updated technology, both hardware and software. A second class for students with Autism was added to the high school for 2009-10 school year. Finally, due to the nature of our students' varied disabilities, it is imperative that staff members remain up to date on current issues and methodologies in education, therefore, the district continues to place strong emphasis on staff development.

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 accounting principles generally accepted in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The District 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's Management.

As part of the District's single audit described earlier, tests are made periodically 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 Board of School Estimate of the county. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance as of June 30, 2011.

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect accounting principles generally accepted in the United States of America, 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 the "Notes to the Financial Statements," Note 1.

7. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to Financial Statements," Note 3. 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 funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

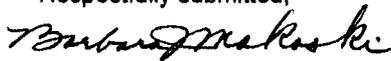
9. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ford, Scott & Associates L.L.C., CPAs, was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 as revised and the related OMB Circular A-133 and state Treasury OMB Circular Letter 04-04. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

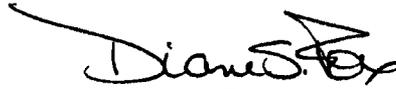
10. ACKNOWLEDGMENTS:

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

Respectfully submitted,



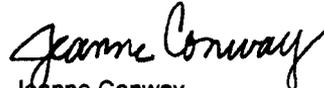
Barbara J. Makoski
Superintendent



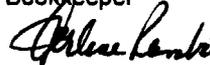
Diane S. Fox
Board Secretary/Business Administrator



Gail Johns
Payroll Assistant

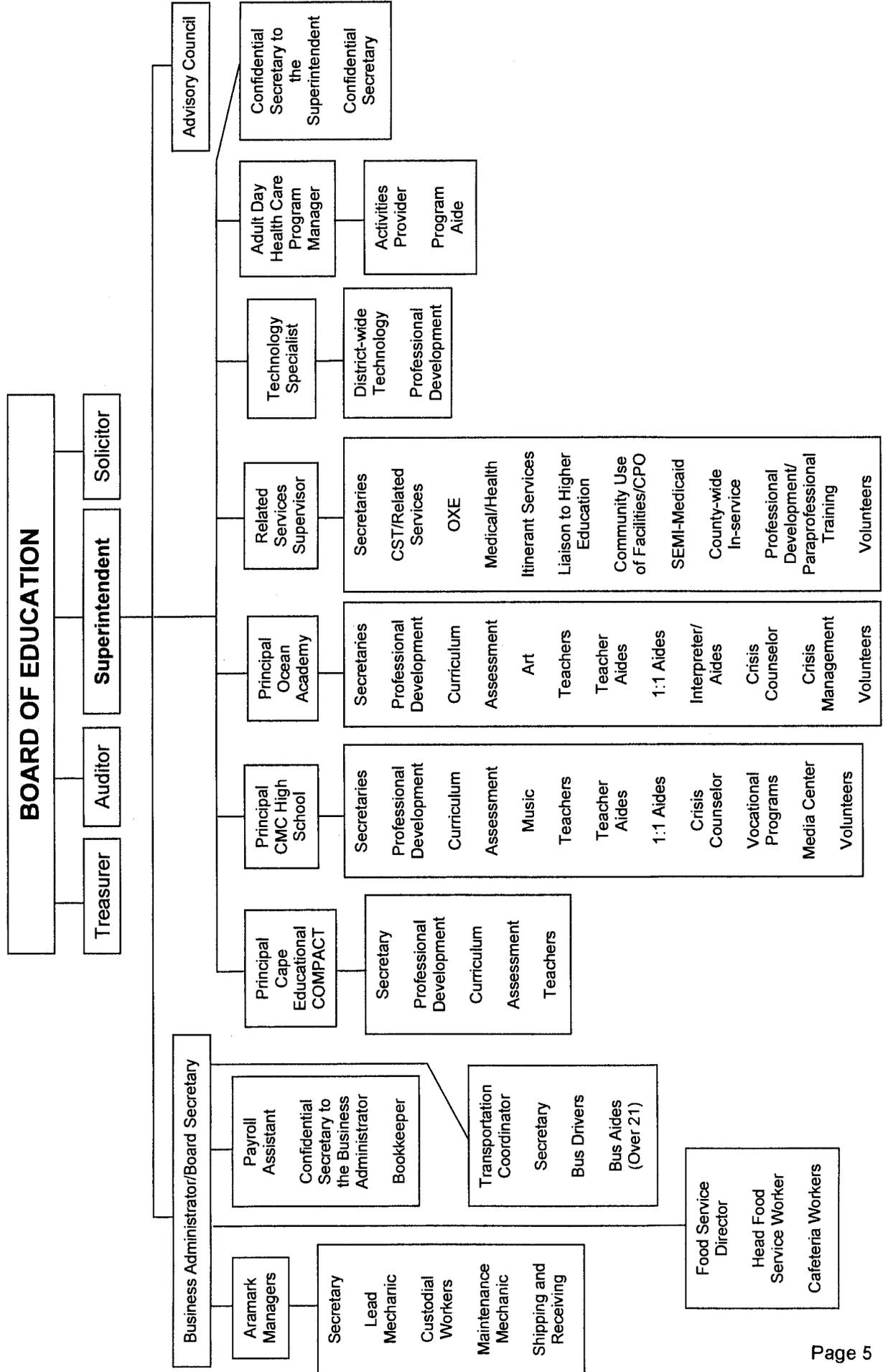


Jeanne Conway
Bookkeeper



Arlene Rambo
Bookkeeper/Secretary

Cape May County Schools for Special Services 2010 – 2011 Organizational Chart



Revised: 6/27/10
BOE Approved: 7/6/10

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
BOARD OF EDUCATION
CAPE MAY COUNTY, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2011**

Members of the Board of Education

Term Expires

Lenora B. Kodytek, President	2012
Michael Palombo, Vice President	2011
Thomas C. Whittington	2013
Nancy Delp	2013
Kenneth R. Merson	2012
Jane Elwell	2011
Terrence Crowley – Until December 2010	Ex-officio – with Vote
Richard Stepura, Ed.D – From February 2011	Ex-officio – with Vote

Other Officials

Barbara J. Makoski, Superintendent
Diane S. Fox, Board Secretary/School Business Administrator
Lewis J. Mawson, Treasurer
Michael Stanton, Esq., Solicitor

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
BOARD OF EDUCATION
CONSULTANTS AND ADVISORS**

Audit Firm

Ford, Scott & Associates, L.L.C.
Certified Public Accountants
1535 Haven Avenue
P.O. Box 538
Ocean City, NJ 08226-0538

Attorney

Michael Stanton, Esquire
618 West Avenue
Suite 201
Ocean City, NJ 08226

Official Depository

Cape Bank
225 N. Main Street
Cape May Court House, NJ 08210

Financial Section



F O R D - S C O T T

& A S S O C I A T E S , L . L . C .

C E R T I F I E D P U B L I C A C C O U N T A N T S

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538

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INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Cape May County Schools for Special Services
County of Cape May
Cape May Court House, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Board of Education of the Cape May County Schools for Special Services, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cape May County Schools for Special Services Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, of the Cape May County Schools for Special Services Board of Education, in the County of Cape May, State of New Jersey, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2011 on our consideration of the Cape May County Schools for Special Services Board of Education's 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 with the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be considering is assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cape May County Schools for Special Services Board of Education's basic financial statements. The accompanying introductory section, combining statements, and related major fund supporting statements and schedules, and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and related major fund supporting statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules 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, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Glen J. Ortman
Certified Public Accountant
Licensed Public School Accountant
No. 853

September 13, 2011

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of Cape May County Schools for Special Services' financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and 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 School District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets decreased by \$332,462, which represents a 7% percent decrease from 2010.
- General revenues accounted for \$11,413,307 in revenue or 62 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$7,025,496 or 38 percent of total revenues of \$18,438,804.
- Total assets of governmental activities decreased by \$188,753 as cash and cash equivalents decreased by \$601,701, receivables decreased by \$74,704, and capital assets increased by \$487,652.
- The School District had \$18,771,266 in expenses; only \$7,025,496 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily tuition and county appropriation) of \$11,413,307 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$12,589,420 in revenues and other financing sources and \$13,713,545 in expenditures and other financing uses. The General Fund's fund balance decreased \$1,124,126 over 2010. This decrease is a result of using capital reserve fund balance of \$648,000 for the Middle School Roof Project and using \$667,438 of unassigned fund balance to offset 2010-11 expenditures.

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 Cape May County Schools for Special Services 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 Assets 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 fund 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 the Cape May County Schools for Special Services, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District, as a whole looks at all financial transactions and ask the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

Reporting the School District as a Whole - Continued

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. 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 assets and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial position of the School district have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the County's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors. .

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

- **Governmental Activities** - All of the School District's programs and services are reported here including 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 enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's funds. The School District uses many funds to account for a multitude of financial transaction. The School District's governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School district's general government operations and the basic services it provides. Governmental fund information helps 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The enterprise funds use the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 30 to 49 of this report.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the School District's net assets for 2011 and 2010.

**Table 1
Net Assets**

	2011	2010
Assets		
Current and Other Assets	\$ 4,302,434.36	\$ 5,383,507.14
Capital Assets	1,088,494.41	638,252.47
Total Assets	5,390,928.77	6,021,759.61
 Liabilities		
Long-Term Liabilities	573,438.00	580,635.00
Other Liabilities	443,279.40	96,198.83
Total Liabilities	1,016,717.40	676,833.83
 Net Assets		
Invested in Capital Assets, Net of Debt	1,088,494.41	638,252.47
Restricted	984,263.47	822,019.26
Unrestricted	2,301,453.49	3,246,401.58
Total Net Assets	\$ 4,374,211.37	\$ 4,706,673.31

The District's combined net assets were \$4,374,211 on June 30, 2011. This was a decrease of 7 percent from the prior year. This decrease in Governmental Activities (\$546,859) is offset by an increase in the Business-Type Funds (\$214,397). Table 2 shows changes in net assets for fiscal year 2011.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

The School District as a Whole - Continued

**Table 2
Changes in Net Assets**

	2011	2010
Revenues		
Program Revenues:		
Charges for Services	\$ 5,543,755.71	\$ 5,810,164.51
Operating Grants and Contributions	1,481,740.77	1,394,317.00
General Revenues:		
County Taxes	3,974,832.00	3,974,832.00
State and Federal Aid not Restricted	-	86,972.47
Tuition Received	6,788,024.48	7,443,173.00
Other	650,450.73	453,984.29
Total Revenues	18,438,803.69	19,163,443.27
Program Expenses		
Instruction	7,083,504.55	7,145,773.13
Support Services:		
Pupils and Instructional Staff	2,427,200.74	2,430,010.90
General Administration, School Administration, Business Operations and Maintenance of Facilities	3,542,107.82	3,525,764.30
Food Service	291,397.56	306,598.94
Shared Services	3,930,048.56	4,043,174.99
Other Enterprise Funds	1,472,782.05	1,754,659.86
Other	24,224.35	136,183.87
Total Expenses	18,771,265.63	19,342,165.99
Increase/(Decrease) in Net Assets	\$ (332,461.94)	\$ (178,722.72)

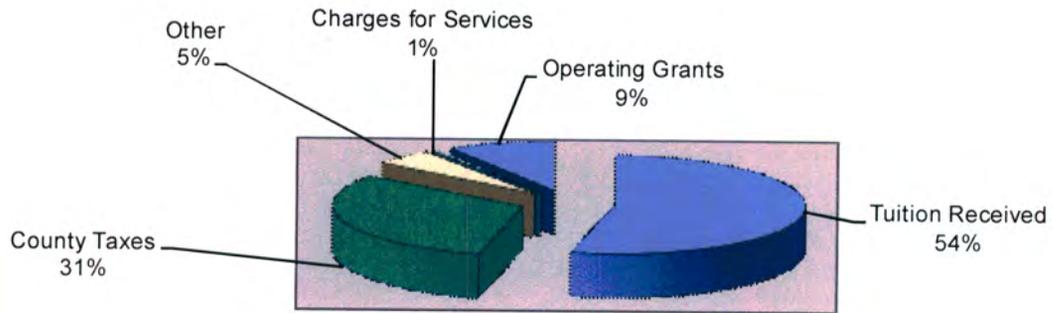
Governmental Activities

Tuition from sending districts made up 54 percent of revenues for governmental activities for the Cape May County Schools for Special Services for fiscal year 2011 and 57 percent of revenues for fiscal 2010. Tuition from sending districts decreased by \$655,149, which is a 9% decrease from the prior year. The District's total revenues were \$12,637,879 for the year ended June 30, 2011. County taxes accounted for another 31 percent of revenue.

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)

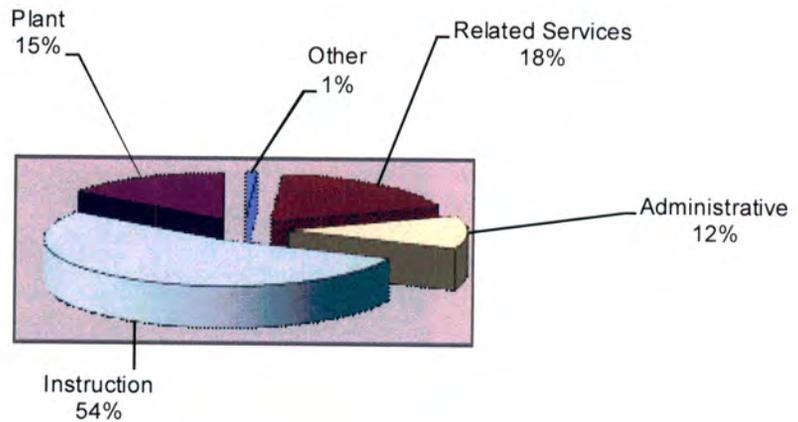
Governmental Activities - Continued

Sources of Revenue for Fiscal Year 2011



The total cost of all program and services was \$13,184,738. Instruction comprises 54 percent of District expenses and Related Services another 18%.

Cost of Programs and Services for Fiscal Year 2011



**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

Business-Type Activities

Revenues for the District's business-type activities (food service program, two shared services programs and other enterprise funds) were comprised of charges for the various services and federal and state reimbursements.

- Food service expenses exceeded revenues, both operating and non-operating by \$644 including a contribution from the general fund of \$107,701.
- Charges for services in the food service fund represent \$67,431 of total revenue. This represents amounts paid by patrons for daily food service and amount received from catering and special functions.
- Federal and state reimbursement for meals, including payments for free and reduced lunches and breakfast, and donated commodities was \$114,920.
- Shared Services revenues for Itinerant Services exceeded expenses by \$38,439. Shared Services revenues for Transportation Services exceeded expenses by \$87,362.
- Charges for services in the Shared Service Fund for Itinerant Services represent \$2,131,822 of revenue. This represents amounts paid by users for itinerant services of other local school districts. Charges for services in the Shared Service Fund for Transportation Services represent \$1,924,027 of revenue. This represents amounts paid by users for transportation services provided by the district.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the County taxpayers and sending districts by each of these functions.

**Table 3
Costs of Services**

	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>
Instruction	\$ 7,083,504.55	\$ 6,203,084.89	\$ 7,145,773.13	\$ 6,386,563.45
Support Services:				
Pupils and Instructional Staff	2,427,200.74	2,184,335.89	2,430,010.90	2,205,578.23
General Administration, School Administration, Business Operations	1,538,248.03	1,434,595.08	1,553,985.80	1,435,348.64
Operation and Maintenance of Facilities	2,003,859.79	2,003,859.79	1,971,778.50	1,971,778.50
Other	131,925.24	131,925.24	116,660.83	116,660.83
Total Expenses	<u><u>\$13,184,738.35</u></u>	<u><u>\$11,957,800.89</u></u>	<u><u>\$13,218,209.16</u></u>	<u><u>\$12,115,929.65</u></u>

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

Governmental Activities - Continued

Table 3 – Costs of Services - Continued

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupils and Instructional Staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

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

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

"Other" includes unallocated depreciation.

The School District's Funds

All governmental funds (i.e., general fund, special revenue and capital projects fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues and other financing sources amounted to \$13,594,231 and expenditures and other financing uses were \$14,312,409. The net negative change in fund balance for the year was anticipated because the district utilized restricted and unassigned fund balance to offset spending in 2010-11.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2011, and the amount and percentage of increases and decreases in relation to prior year revenues.

**Table 4
Summary of Revenues – Governmental Funds**

Revenue	Amount	Percent of Total	Increase (Decrease) from 2010	Percent of Increase (Decrease)
Local Sources	\$ 12,335,565.34	90.73%	\$ 408,171.64	3.42%
State Sources	1,081,213.01	7.95%	158,268.83	17.15%
Federal Sources	177,452.28	1.31%	19.53	0.01%
Total	\$ 13,594,230.63	100.00%	\$ 566,460.00	4.35%

The increase in local revenues of \$408,172 is due to funding of the roof project from capital reserve for \$648,000; a decrease in tuition and nonresident fees of \$288,863 and an increase in miscellaneous revenues of \$49,035.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

The School District's Funds - Continued

Table 4 – Summary of Revenues Governmental Funds - Continued

State aid increased by \$158,269 due mostly to the state's share of the roof project (40%).

Federal aid decreased by \$20 due to increased federal grant award for the ISP Program.

The following schedule represents a summary of general fund, special revenue fund and capital projects fund expenditures for the fiscal year ended June 30, 2011, and the percentage of increases and decreases in relation to prior year amounts.

**Table 5
Summary of Expenditures – Governmental Funds**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2010</u>	<u>Percent of Increase (Decrease)</u>
Current Expense:				
Instruction	\$ 4,936,442.61	34.49%	\$ (166,847.45)	-3.27%
Undistributed Expenditures	8,074,811.49	56.42%	163,407.78	2.07%
Capital Outlay	503,171.01	3.52%	457,717.35	1007.00%
Other	797,983.62	5.59%	651,804.01	445.89%
Total	\$ 14,312,408.73	100.00%	\$ 1,106,081.69	8.38%

General Fund Budgeting Highlights

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

General Fund Budgeting Highlights - Continued

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts. Several of these revisions bear notation:

- Actual tuition revenue was less than the budgeted amount by \$321,798.
- Miscellaneous revenue exceeded the budgeted amount by \$69,038.
- TPAF, which is the state's contribution to the pension fund and a reimbursement for FICA, is neither a revenue item nor an expenditure item to the district but is required to be reflected in the financial statements. The State of New Jersey did not make a pension contribution in FY 11 for TPAF.
- Reductions were made to salaries of other professional staff for the Child Study Team of \$73,000.00. These funds were used in other areas of the District's budget.
- Transfers of \$85,553.82 were made to Capital Outlay specifically to purchase a generator system.
- Reductions were made to the salaries of teachers in the multiple disabilities program for \$117,422.50. These funds were used to offset the costs for social security, other retirement contributions and other areas of the budget.
- The District continues to provide a contribution to the food service program in 2011. This results in a recurring contribution (from the General Fund) of \$107,701.
- The District provided a contribution to the internal service fund for extra services in 2011 to alleviate the annual shortfall. This resulted in a contribution (from the General Fund) of \$42,283.
- The District funded the local share of the Middle School Roof Project by transferring \$648,000 from Capital Reserve into the Capital Projects Fund where construction contracts have been awarded by the Board of Education.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

Capital Assets

At the end of the fiscal year 2011, the School District had \$1,088,494 invested in land and building improvements, furniture and equipment, and vehicles. Table 6 shows fiscal year 2011 balances as compared to 2010.

**Table 6
Capital Assets (Net of Depreciation) at June 30**

	2011	2010
Governmental activities:		
Capital assets being depreciated:		
Land Improvements	\$ -	\$ -
Building Improvements	236,037.50	242,937.50
Machinery and Equipment	105,817.25	82,144.06
Licensed Vehicles	22,975.46	29,099.54
Construction in Progress	477,003.17	-
Total capital assets being depreciated at historical cost	841,833.38	354,181.10
Business-type activities:		
Capital assets being depreciated:		
Equipment	246,661.05	284,071.37
Grand Total	\$ 1,088,494.43	\$ 638,252.47

Overall capital assets increased \$450,242 from fiscal year 2010 to fiscal year 2011. The increase is due to the construction in progress for the Bailey Middle School Roof Project. For more detailed information, please refer to the Notes to the Basic Financial Statements.

For the Future

The Cape May County Schools for Special Services is in good financial condition presently. The School District is proud of its Board of Chosen Freeholder's support of the school.

In conclusion, the Cape May County Schools for Special Services has committed itself to financial excellence for many years. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Management

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Diane S. Fox, Cape May County Schools for Special Services, Business Administrator/Board Secretary at the Board Offices, 4 Moore Road, DN 704, Cape May Court House, NJ 08210.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,076,965.12	\$ 1,610,870.55	\$ 2,687,835.67
Internal Balances (Note 6)	211,410.16	(211,410.16)	-
Receivables, Net (Note 5)	222,747.75	790,507.61	1,013,255.36
Restricted Assets:			
Cash and Cash Equivalents	563,197.58	-	563,197.58
Cash Reserve Account (Note 3)	32,861.85	-	32,861.85
Inventory (Note 7)	-	5,283.90	5,283.90
Capital Assets, Net (Note 8)	841,833.38	246,661.03	1,088,494.41
Total Assets	<u>2,949,015.84</u>	<u>2,441,912.93</u>	<u>5,390,928.77</u>
LIABILITIES			
Accounts Payable	33,474.18	2,327.27	35,801.45
Contracts Payable			-
Payable to Other Governments	368,207.00	2,520.37	370,727.37
Deferred Revenue	31,638.66	1,011.92	32,650.58
Deposits Payable	-	4,100.00	4,100.00
Noncurrent Liabilities (Note 9)			-
Due Within One Year		-	-
Due Beyond One Year	508,110.00	65,328.00	573,438.00
Total Liabilities	<u>941,429.84</u>	<u>75,287.56</u>	<u>1,016,717.40</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	841,833.38	246,661.03	1,088,494.41
Restricted for:			
Capital Projects	(219,099.87)	-	(219,099.87)
Permanent Endowment - Nonexpendable	-	-	-
Other Purposes	1,203,363.34	-	1,203,363.34
Unrestricted	181,489.15	2,119,964.34	2,301,453.49
Total Net Assets	<u>\$ 2,007,586.00</u>	<u>\$ 2,366,625.37</u>	<u>\$ 4,374,211.37</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Function/Programs	Expenses	Program Revenue			Net (Expense Revenue and Changes in Net Assets)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Special Education	\$ 5,568,860.28	\$ 63,500.00	\$ 683,505.87	\$ -	\$ (4,821,854.41)	\$ -	\$ (4,821,854.41)
Other Instruction	1,514,644.27		133,413.79		(1,381,230.48)		(1,381,230.48)
Support Services:							
Student & Instruction Related Services	2,427,200.74		242,864.85		(2,184,335.89)		(2,184,335.89)
School Administrative Services	636,079.85		35,653.89		(600,425.96)		(600,425.96)
Plant Operation and Maintenance	2,003,859.79				(2,003,859.79)		(2,003,859.79)
General Administrative and Business Services	902,168.18		67,999.06		(834,169.12)		(834,169.12)
Unallocated Depreciation	24,224.35				(24,224.35)		(24,224.35)
Total Governmental Activities	<u>13,077,037.46</u>	<u>63,500.00</u>	<u>1,163,437.46</u>	<u>-</u>	<u>(11,850,100.00)</u>	<u>-</u>	<u>(11,850,100.00)</u>
Business-Type Activities:							
Food Service	291,397.56	67,430.53	114,920.32		(109,046.71)		(109,046.71)
Shared Services - Itinerant	2,093,383.62	2,131,822.42			38,438.80		38,438.80
Shared Services - Transportation	1,836,664.94	1,924,027.21			87,362.27		87,362.27
Other Enterprise Funds	1,472,782.05	1,356,975.55	203,382.99		87,576.49		87,576.49
Total Business-Type Activities	<u>5,694,228.17</u>	<u>5,480,255.71</u>	<u>318,303.31</u>	<u>-</u>	<u>104,330.85</u>	<u>-</u>	<u>104,330.85</u>
Total Primary Government	<u>\$18,771,265.63</u>	<u>\$ 5,543,755.71</u>	<u>\$ 1,481,740.77</u>	<u>\$ -</u>	<u>\$ (11,850,100.00)</u>	<u>\$ 104,330.85</u>	<u>\$ (11,745,769.15)</u>

General Revenues:

Taxes:				
County Appropriation, Levied for General Purposes, Net	\$ 3,974,832.00	\$ -	\$ -	\$ 3,974,832.00
Federal and State Aid not Restricted				
Tuition Received	6,788,024.48			6,788,024.48
Investment Earnings	45,320.74	2,365.41		47,686.15
Miscellaneous Income	422,218.66			422,218.66
Capital Contributions (Uses)	184,190.30			184,190.30
Special Item: Loss on Disposal of Capital Assets	(3,644.38)			(3,644.38)
Transfers	(107,700.89)		107,700.89	-
Total General Revenues, Special Items, Extraordinary Items and Transfers	<u>11,303,240.91</u>	<u>214,397.15</u>	<u>110,066.30</u>	<u>11,413,307.21</u>
Change in Net Assets	(546,859.09)			(332,461.94)
Net Assets - Beginning	2,554,445.09		2,152,228.22	4,706,673.31
Net Assets - Ending	<u>\$ 2,007,586.00</u>	<u>\$ 2,366,625.37</u>	<u>\$ -</u>	<u>\$ 4,374,211.37</u>

FUND FINANCIAL STATEMENTS

The individual fund financial statements present more detailed information for the individual funds in a format that segregates information by fund type.

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Governmental Funds
Balance Sheet
June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,076,965.12	\$ 24,891.51	\$ 508,726.07	\$ -	\$ 1,610,582.70
Receivables, Net		2,359.40			2,359.40
Due from Other Funds	476,656.93				476,656.93
Receivables from Other Governments	20,762.58	5,190.00	161,368.28		187,320.86
Other - (tuition)	31,967.49				31,967.49
Restricted Cash & Cash Equivalents	62,441.85				62,441.85
Total Assets	\$ 1,668,793.97	\$ 32,440.91	\$ 670,094.35	\$ -	\$ 2,371,329.23
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 32,671.93	\$ 802.25	\$ -	\$ -	\$ 33,474.18
Due to Other Funds			264,146.77		264,146.77
Deferred Revenue		31,638.66			31,638.66
Total Liabilities	32,671.93	32,440.91	264,146.77	-	329,259.61
Fund Balances:					
Restricted for:					
Maintenance Reserve	29,580.00				29,580.00
Capital Reserve	32,861.85				32,861.85
Capital Projects			(251,961.72)		(251,961.72)
Committed to:					
Other Purposes			657,909.30		657,909.30
Assigned to:					
Designated by BOE for					
Subsequent Expenditures	499,425.00				499,425.00
Other Purposes	16,449.04				16,449.04
Unassigned					
General Fund	1,057,806.15				1,057,806.15
Total Fund Balances	1,636,122.04	-	405,947.58	-	2,042,069.62
Total Liabilities and Fund Balances	\$ 1,668,793.97	\$ 32,440.91	\$ 670,094.35	\$ -	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not resources and therefore are not reported in the funds. The cost of the assets is \$705,133.41 and the accumulated depreciation is 340,303.20 - (See Note 8)

841,833.38

Payable for deferred tuition adjustment is not recorded in the governmental funds, but is recorded as a liability on the district-wide financial statements.

(368,207.00)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 9)

(508,110.00)

Net assets of governmental activities

\$ 2,007,586.00

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Governmental Funds
REVENUES					
Local Sources:					
County Tax Levy	\$ 3,974,832.00	\$ -	\$ -	\$ -	\$ 3,974,832.00
Tuition Charges	7,156,231.48				7,156,231.48
Non-Resident Fees	348,211.07				348,211.07
Miscellaneous	119,328.33	88,962.46			208,290.79
Total Local Sources	11,598,602.88	88,962.46	-	-	11,687,565.34
State Sources	907,844.73	12,000.00	161,368.28		1,081,213.01
Federal Sources	82,972.04	94,480.24			177,452.28
Total Revenues	\$12,589,419.65	\$ 195,442.70	\$ 161,368.28	\$ -	\$12,946,230.63
EXPENDITURES					
Current:					
Special Education Instruction	\$ 3,745,565.26	\$ 136,775.59	\$ -	\$ -	\$ 3,882,340.85
Other Instruction	1,054,101.76				1,054,101.76
Support Services:					
Tuition					-
Student & Instruction Related Serv.	1,677,170.57	35,845.09			1,713,015.66
School Administrative Services	436,629.35				436,629.35
Other Administrative Services	685,980.07				685,980.07
Plant Operation and Maintenance	1,809,157.33				1,809,157.33
Employee Benefits	3,430,029.08				3,430,029.08
Capital Outlay	76,928.29	22,822.02	403,420.70		503,171.01
Total Expenditures	12,915,561.71	195,442.70	403,420.70	-	13,514,425.11
Excess (Deficiency) of Revenues Over Expenditures	(326,142.06)	-	(242,052.42)	-	(568,194.48)
OTHER FINANCING SOURCES (USES)					
Transfers in			648,000.00		648,000.00
Transfers out	(797,983.62)				(797,983.62)
Total Other Financing Sources and Uses	(797,983.62)	-	648,000.00	-	(149,983.62)
Net Changes in Fund Balance	(1,124,125.68)	-	405,947.58	-	(718,178.10)
Fund Balance - July 1	2,760,247.72	-	-	-	2,760,247.72
Fund Balance - June 30	\$ 1,636,122.04	\$ -	\$ 405,947.58	\$ -	\$ 2,042,069.62

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Total Net Change in Fund Balance - Governmental Funds (from B-2) \$ (718,178.10)

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 depreciation exceeded capital outlays for the period.

	Depreciation expense	\$ (24,224.35)	
	Capital Outlays	<u>515,521.01</u>	491,296.66

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+). 9,591.00

In the statement of activities, only the loss on disposal of capital assets is reported, whereas in the governmental funds, there is no effect on financial resources. Thus the change in net assets differs from the change in fund balance by the net amount of the assets retired. (3,644.38)

In the statement of activities, the tuition adjustment payable to sending districts represents a liability at year end whereas in the governmental funds, this liability is being deferred by agreement to the 2011-12 school year. (368,207.00)

Internal service funds are used by management to charge the costs of certain activities, such as extra services, to individual funds or other governmental entities. The net revenue (expense) of the internal service funds is reported with governmental activities. (See B-5) 42,282.73

Change in Net Assets of Governmental Activities \$ (546,859.09)

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Proprietary Funds
Statement of Net Assets
June 30, 2011

	Business-Type Activities - Enterprise Fund				Total 2011	Governmental Activities Internal Service Fund (See G-4)
	Food Service	Shared Services	Shared Services Transportation	Other Enterprise Funds (See Note 1) (See G-1)		
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 23,688.46	\$ 533,292.19	\$ -	\$ 1,053,889.90	\$ 1,610,870.55	\$ -
Investments				-	-	
Accounts Receivable	6,515.48	367,749.30	358,347.22	57,295.61	789,907.61	1,100.00
Other Receivables				600.00	600.00	
Inventory	3,233.10			2,050.80	5,283.90	
Total Current Assets	33,437.04	901,041.49	358,347.22	1,113,836.31	2,406,662.06	1,100.00
Noncurrent Assets:						
Furniture, Machinery & Equipment	180,221.12		121,053.70	417,323.36	718,598.18	-
Less Accumulated Depreciation	(173,233.39)		(44,776.70)	(253,927.06)	(471,937.15)	-
Total Noncurrent Assets	6,987.73	-	76,277.00	163,396.30	246,661.03	-
Total Assets	\$ 40,424.77	\$ 901,041.49	\$ 434,624.22	\$ 1,277,232.61	\$ 2,653,323.09	\$ 1,100.00
LIABILITIES						
Current Liabilities:						
Accounts Payable	\$ -	\$ 172.50	\$ 105.00	\$ 2,049.77	\$ 2,327.27	\$ -
Intergovernmental Accounts Payable:						
State				2,520.37	2,520.37	
Interfunds Payable	122,950.77		88,459.39	-	211,410.16	1,100.00
Deferred Revenue	1,011.92			-	1,011.92	-
Deposits Payable				4,100.00	4,100.00	
Total Current Liabilities	123,962.69	172.50	88,564.39	8,670.14	221,389.72	1,100.00
Noncurrent Liabilities:						
Capital Lease Payable				-	-	
Compensated Absences	17,344.00	19,510.00	1,189.00	27,285.00	65,328.00	
Total Noncurrent Liabilities	17,344.00	19,510.00	1,189.00	27,285.00	65,328.00	-
NET ASSETS						
Invested in Capital Assets Net of Related Debt	6,987.73	-	76,277.00	163,396.30	246,661.03	-
Unrestricted	(107,869.65)	881,358.99	268,593.83	1,077,881.17	2,119,964.34	-
Total Net Assets	\$ (100,881.92)	\$ 881,358.99	\$ 344,870.83	\$ 1,241,277.47	\$ 2,386,625.37	\$ -

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund				Total 2011	Governmental Activities Internal Service Fund (See G-5)
	Food Service	Shared Services	Shared Services Transportation	Other Enterprise Funds (See Note 1) (See G-2)		
Operating Revenue:						
Charges for Service:						
Daily Sales - Non-reimbursable Programs	\$ 21,542.81	\$ -	\$ -	\$ 49,945.35	\$ 71,488.16	\$ -
Daily Sales - Reimbursable Programs	30,296.65			-	30,296.65	
Special Functions	1,786.75			-	1,786.75	
Itinerant and Professional Services		2,131,822.42		-	2,131,822.42	63,500.00
Transportation Fees from Other LEA's Within the State			1,924,027.21	-	1,924,027.21	
Day Care Facility Rental				52,463.00	52,463.00	
Adult Day Care - Easter Seals				45,715.93	45,715.93	
Community Use Revenue and Fees				55,878.15	55,878.15	
Tuition and Fees				1,152,957.50	1,152,957.50	
Miscellaneous	13,804.32			15.62	13,819.94	
Total Operating Revenue	<u>67,430.53</u>	<u>2,131,822.42</u>	<u>1,924,027.21</u>	<u>1,356,975.55</u>	<u>5,480,255.71</u>	<u>63,500.00</u>
Operating Expenses:						
Cost of Sales	74,472.85			44,022.95	118,495.80	
Salaries	143,994.95	1,537,259.85	152,400.16	1,058,578.26	2,892,233.22	63,500.00
Employee Benefits	62,283.92	260,182.32	57,594.44	194,766.68	574,827.36	-
Transportation - Contracted Services			1,556,603.04	43,854.87	1,600,457.91	
Other Purchased Professional Services	2,000.00	211,789.51	2,000.00	22,517.35	238,306.86	
Other Purchased Services	1,394.94	7,222.32	9,443.92	5,230.49	23,291.67	
Cleaning, Repair and Maintenance Services	1,362.52		4,166.92	-	5,529.44	
Professional Development				-	-	
Rentals				5,922.00	5,922.00	
Utilities and Gasoline			26,992.56	25,169.87	52,162.43	
Insurance	1,967.16	75,069.75	4,258.90	3,934.32	85,230.13	
Tuition				531.00	531.00	
General Supplies	863.53	1,859.87	8,943.00	45,581.81	57,248.01	
Depreciation	3,057.69		14,262.00	22,672.65	39,992.34	
Total Operating Expenses	<u>291,397.56</u>	<u>2,093,383.62</u>	<u>1,836,664.94</u>	<u>1,472,782.05</u>	<u>5,694,228.17</u>	<u>63,500.00</u>
Operating Income (Loss)	<u>(223,967.03)</u>	<u>38,438.80</u>	<u>87,362.27</u>	<u>(115,806.50)</u>	<u>(213,972.46)</u>	<u>-</u>
Nonoperating Revenues (Expenses):						
State Sources:						
Adult Day Care - DDD Contract				203,382.99	203,382.99	
State School Lunch Program	1,582.90				1,582.90	
State School Breakfast Program					-	
Federal Sources:						
National School Lunch Program	63,324.10				63,324.10	
School Breakfast Program	34,096.18				34,096.18	
Equipment Grant	2,582.00				2,582.00	
Food Distribution Program	13,335.14				13,335.14	
Interest and Investment Income	701.37			1,664.04	2,365.41	
Loss on Disposal of Capital Assets				-	-	
Total Nonoperating Revenues (Expenses)	<u>115,621.69</u>	<u>-</u>	<u>-</u>	<u>205,047.03</u>	<u>320,668.72</u>	<u>-</u>
Income (loss) before Contributions & Transfers	<u>(108,345.34)</u>	<u>38,438.80</u>	<u>87,362.27</u>	<u>89,240.53</u>	<u>106,696.26</u>	<u>-</u>
Capital Contributions (Uses)				-	-	
Transfers In (Out)	107,700.89			-	107,700.89	42,282.73
Changes in Net Assets	(644.45)	38,438.80	87,362.27	89,240.53	214,397.15	42,282.73
Total Net Assets - Beginning	<u>(100,237.47)</u>	<u>842,920.19</u>	<u>257,508.56</u>	<u>1,152,036.94</u>	<u>2,152,228.22</u>	<u>(42,282.73)</u>
Total Net Assets - Ending	<u>\$ (100,881.92)</u>	<u>\$ 881,358.99</u>	<u>\$ 344,870.83</u>	<u>\$ 1,241,277.47</u>	<u>\$ 2,366,625.37</u>	<u>\$ -</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Proprietary Funds
Comparative Statement of Cash Flows
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund				Total 2011	Governmental Activities Internal Service Fund (See G-6)
	Food Service	Shared Services	Shared Services Transportation	Other Enterprise Funds (See Note 1) (See G-3)		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	\$ 70,208.43	\$ 2,171,729.40	\$ 1,911,174.41	\$ 1,402,172.77	\$ 5,555,285.01	\$ 97,930.00
Payments to Employees	(224,938.59)	(1,532,929.85)	(152,333.16)	(1,069,425.26)	(2,979,626.86)	(63,500.00)
Payments for Employee Benefits	(62,283.92)	(260,182.32)	(57,594.44)	(194,766.68)	(574,827.36)	-
Payments for Supplies and Services	(67,929.70)	(295,768.95)	(1,701,246.81)	(196,311.29)	(2,281,256.75)	-
Net Cash Provided by (Used for) Operating Activities	<u>(284,943.78)</u>	<u>82,848.28</u>	<u>-</u>	<u>(58,330.46)</u>	<u>(260,425.96)</u>	<u>34,430.00</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
State Sources	1,880.38			203,382.99	205,263.37	
Federal Sources	102,699.71			-	102,699.71	
Operating Subsidies and Transfers to Other Funds	107,700.89			(46,948.86)	60,752.03	(34,430.00)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>212,280.98</u>	<u>-</u>	<u>-</u>	<u>156,434.13</u>	<u>368,715.11</u>	<u>(34,430.00)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(2,582.00)			-	(2,582.00)	
Security Deposit Received				-	-	
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(2,582.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,582.00)</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES						
Interest and Dividends	701.37			1,664.04	2,365.41	
Net Cash Provided by (Used for) Investing Activities	<u>701.37</u>	<u>-</u>	<u>-</u>	<u>1,664.04</u>	<u>2,365.41</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(74,543.43)	82,848.28	-	99,767.71	108,072.56	-
Balance - Beginning of Year	98,231.89	450,443.91	-	954,122.19	1,502,797.99	-
Balance - End of Year	<u>\$ 23,688.46</u>	<u>\$ 533,292.19</u>	<u>\$ -</u>	<u>\$ 1,053,889.90</u>	<u>\$ 1,610,870.55</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (223,967.03)	\$ 38,438.80	\$ 87,362.27	\$ (115,806.50)	\$ (213,972.46)	\$ -
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (Used for) Operating Activities						
Depreciation and Net Amortization	3,057.69		14,262.00	22,672.65	39,992.34	
Federal Commodities	13,335.14			-	13,335.14	
(Increase) Decrease in Accounts Receivable	2,510.24	39,906.98	(12,852.80)	44,654.83	74,219.25	34,430.00
(Increase) Decrease in Inventories	796.18			340.91	1,137.07	
Increase (Decrease) in Accounts Payable		172.50	(21,711.43)	654.65	(20,884.28)	
Increase (Decrease) in Deferred Revenue	267.68			-	267.66	
Increase (Decrease) in Interfunds Payable	(89,787.64)		(67,127.04)	-	(156,914.68)	
Increase (Decrease) in Accrued Salaries	8,844.00	4,330.00	67.00	(10,847.00)	2,394.00	
Total Adjustments	<u>(60,976.75)</u>	<u>44,409.48</u>	<u>(87,362.27)</u>	<u>57,476.04</u>	<u>(46,453.50)</u>	<u>34,430.00</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (284,943.78)</u>	<u>\$ 82,848.28</u>	<u>\$ 0.00</u>	<u>\$ (58,330.46)</u>	<u>\$ (260,425.96)</u>	<u>\$ 34,430.00</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Fiduciary Funds
Statement of Net Assets
June 30, 2011

	<u>Unemployment Compensation</u>	<u>Private Purpose Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 103,454.57	\$ -	\$ 121,218.97
Interfunds Receivable	-	-	-
Total Assets	<u>103,454.57</u>	<u>-</u>	<u>121,218.97</u>
LIABILITIES			
Accounts Payable	5,246.50	-	-
Payable to Student Groups	-	-	28,291.01
Payroll Deductions and Withholdings	-	-	92,927.96
Total Liabilities	<u>5,246.50</u>	<u>-</u>	<u>\$ 121,218.97</u>
NET ASSETS			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 98,208.07</u>		

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

	<u>Unemployment Compensation</u>	<u>Private Purpose Scholarship Fund</u>
ADDITIONS		
Contributions:		
Enterprise Funds	\$ 18,813.40	\$ -
Employee Deductions	39,973.83	-
Total Contributions	<u>58,787.23</u>	<u>-</u>
Investment Earnings:		
Interest	<u>1,113.08</u>	<u>-</u>
Net Investment Earnings	<u>1,113.08</u>	<u>-</u>
Total Additions	<u>59,900.31</u>	<u>-</u>
DEDUCTIONS		
Unemployment Claims	56,917.40	-
Total Deductions	<u>56,917.40</u>	<u>-</u>
Changes in Net Assets	2,982.91	-
Net Assets - Beginning of the Year	95,225.16	-
Net Assets - End of the Year	<u>\$ 98,208.07</u>	<u>\$ -</u>

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of Cape May County Schools for Special Services (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Cape May County Schools for Special Services is a Type I District located in the County of Cape May, State of New Jersey. As a Type I District, the School District functions independently through a Board of Education. The Board is comprised of six members appointed to three-year terms, and the County Superintendent of Schools and the County Mental Health Chairperson as ex-officio members. The operations of the District include early intervention (birth-3), pre-school handicapped (ages 3-5), Ocean Academy Elementary School (ages 5-10), individuals eligible for day training (ages 4-21), George E. Bailey Middle School (ages 11-14), the Alternative High School (ages 14-21), the Woodbine Developmental Center, the Alternative Education Program and the Department of Human Services Program.

Component Units – GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by FASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The following organizations are considered component units; however, the School District has determined that they are not significant and, therefore, have not been included in the basic financial statements;

Cape May County Special Services Education Foundation
148 Crest Haven Road
Cape May Court House, N.J. 08210

Requests for information should be addressed to the organization listed above.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

Basis of Presentation

The School District's basic financial statements consist of District-wide statements (i.e. statement of net assets and a statement of activities) and fund financial statements, which provide a more detailed level of financial information.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued

Basis of Presentation - Continued

District-Wide Financial Statements: The statement of net assets and the statement of activities display information about the district as a whole. These statements report the financial activities of the overall District, except for fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by property taxes, intergovernmental revenues, and other non-exchange transactions from business-type activities, generally financed in whole or in part with fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges and fees paid by the recipients of goods or services offered by the programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing, or draws from the general revenues of the School District.

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* - are presented. The New Jersey Department of Education ("Department") has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The Department believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

Governmental Funds

The District reports the following governmental funds:

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. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment, which are classified in the capital outlay sub-fund.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued

Governmental Funds - Continued

General Fund - Continued - As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the Board of School Estimates. The district does not have an active Capital Projects Fund.

Proprietary Funds

The District reports the following proprietary fund:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business operations – where the intent of the District is that the costs of providing goods or services be financed or recovered primarily through user charges.

The District's Enterprise Fund is comprised of the following;

A Food Service Fund, which accounts for all revenues and expenses pertaining to the District's cafeteria operations.

An Itinerant Shared Services Fund, which accounts for all revenues and expenses pertaining to the itinerant services provided to other districts in the state.

A Transportation Shared Services Fund, which accounts for all revenues and expenses pertaining to the transportation services provided to other districts in the state.

A Day Care/Community Use of Facilities Fund, which accounts for all revenues and expenses pertaining to the day care operations in the district provided to families in the community and which accounts for all revenues and expenses pertaining to Community Pool operations.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued

Proprietary Funds - Continued

Enterprise Funds - Continued

A Shop Rite Fund, which accounts for all revenue and expenses pertaining to the sale of goods from a Shop Rite store maintained in the school.

An Alternative Education Fund, which accounts for all revenues and expenses pertaining to the Alternative Education Program – The "Compact".

An Adult Medical Day Care Fund, which accounts for all revenues and expenses pertaining to the Over 21 Program maintained by the District.

An Extended School Year Fund, which accounts for all revenues and expenses pertaining to the extended school year program operated over the summer months.

A Business Office Services Fund, which accounts for all revenues and expenses pertaining to the outsourcing of business office functions to other local education associations.

Internal Service Fund - Internal Service funds are used to charge costs for certain activities to individual funds or other governmental entities. The District's internal service fund is comprised of extra services charges.

Fiduciary Funds

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. Expendable Trust Funds include the Unemployment Compensation Insurance Trust.

Agency Funds - 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. Agency funds include payroll and student activities funds.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued

Measurement Focus and Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The District applies only those applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 in accounting and reporting for its proprietary operations.

C. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are approved by the Board of School Estimates. Budgets are prepared using the modified accrual basis of accounting, except for special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g). All budget amendments/transfer must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year.

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Budgets/Budgetary Control - Continued

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

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. At June 30, 2011 and 2010, there were no reconciling differences between the budgetary basis and the GAAP basis in either the general fund or the special revenue fund.

D. Encumbrance Accounting

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.

E. Assets, Liabilities and Equity

Cash, Cash Equivalents and Investments

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

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

Cash, Cash Equivalents and Investments - Continued

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.

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

Tuition Receivable

Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

Inventories

Inventories, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Inventories in the Enterprise Fund are recorded at cost, computed on a first-in, first out method. In the fund based financial statements, commodities received from the U.S. Department of Agriculture are recorded as deferred revenue until consumed.

Interfund Transactions

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the Enterprise Fund. Repayments from funds responsible for particular expenditure/expenses to the funds that initially paid for them are not presented on the financial statements.

Capital Assets

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The capitalization threshold used by this district is now \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

Capital Assets - Continued

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Compensated Absences

The District accounts for compensated absences (e.g., unused sick, vacation leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policies. 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.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received in the Special Revenue Fund before they have been earned are recorded as deferred revenue.

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the School District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves

In accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classified governmental fund balances as follows;

- Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by Board of School Estimates, the Board of Education, Superintendent or Business Administrator.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

Revenues – Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlement, and donations is recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Revenues – Exchange and Nonexchange Transactions - Continued

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes as an advance, interest and tuition.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the direct expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Of the School District's bank Balance of \$3,997,730.61 as of June 30, 2011, \$131,966.35 was uninsured and uncollateralized.

NOTE 3 – CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board of Education by the inclusion of \$1.00 on October 17, 2000 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.

Funds 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 general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the Board of School Estimates has been obtained. 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 LRFP.

During the fiscal year ended June 30, 2011, the District had interest earnings of \$13,068.85 and the Board of Education withdrew \$648,000.00 from the Capital Reserve Account to supplement a grant from the School Development Corporation for the Middle School Roof. The District withdrew an additional \$82,208.00 and transferred this to capital outlay for the purchase of a generator. The Balance in Capital Reserve at June 30, 2011 is \$32,861.85.

NOTE 4 – TRANSFERS TO CAPITAL OUTLAY

During the year ending June 30, 2011, the district transferred \$85,553.82 to the capital outlay accounts. The transfers were made from the capital reserve account (\$82,208.00) and from other budget line items (\$3,345.82) for purchase of a generator and other capital improvements. In addition, a transfer was made from capital reserve to the capital projects fund (\$648,000.00) for the district's share of a roofing project to supplement a ROD (Regular Operating District) Grant.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 5 – RECEIVABLES

Receivables at June 30, 2011, consisted of accounts (tuition and miscellaneous), accrued interest, interfund, intergovernmental, and property taxes. All receivables are considered collectible in full. A summary of the principal items of accounts receivable follows:

	Fund Financial Statements	Wide Financial Statements
Property Taxes	\$ -	\$ -
State Aid	187,320.86	190,056.70
Federal Aid		5,970.46
Interfunds	476,656.93	
Other	34,326.89	817,228.20
Gross Receivables	698,304.68	1,013,255.36
Less: Allowance for Uncollectibles		
Total Receivables, Net	\$ 698,304.68	\$ 1,013,255.36

NOTE 6 – INTERFUND TRANSFERS AND BALANCES

Transfers between funds are used to (1) repay expenses paid by another fund; and (2) make a permanent contribution to the Enterprise Funds or (3) loan monies to other funds.

The following interfund balances remained on the fund financial statements at June 30, 2011:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 476,656.93	\$ -
Capital Projects Fund		264,146.77
Internal Service Fund		1,100.00
Food Service Fund		122,950.77
Transportation Enterprise Fund		88,459.39
Total	\$ 476,656.93	\$ 476,656.93

The general fund receivable is comprised of four interfunds. The first is due from the capital projects fund in the amount of \$264,146.77 which is a result of the general funds loan to cover capital projects funds expenditures that are reimbursable from the Schools Development Corporation. The second interfund represents payments totaling \$1,100.00 on behalf of the internal service fund for extra services but has not yet been reimbursed. The third interfund relates to \$122,950.77 owed to the general fund, which the food service enterprise fund received to pay food service charges. The fourth and final interfund owed to the general fund from the Transportation Fund is \$88,459.39 is a result of the general fund's loan to cover the cash deficit in that fund due to receivables from local districts.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 7 – INVENTORY

Inventory in the Food Service and Shop Rite Enterprise Funds are as follows:

	Food Service Fund	Shop Rite Fund	Total
Food and Supplies	\$ 3,233.10	\$ 2,050.80	\$ 5,283.90

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets being depreciated:				
Land Improvements	\$ -	\$ -	\$ -	\$ -
Building Improvements	345,000.00	-	-	345,000.00
Machinery and Equipment	324,240.58	38,517.84	51,617.01	311,141.41
Licensed Vehicles	48,992.00	-	-	48,992.00
Construction in Progress	-	477,003.17	-	477,003.17
Total capital assets being depreciated at historical cost	718,232.58	515,521.01	51,617.01	1,182,136.58
Less accumulated depreciation for:				
Land Improvements	-	-	-	-
Building Improvements	(102,062.50)	(6,900.00)	-	(108,962.50)
Machinery and Equipment	(242,096.52)	(11,200.27)	(47,972.63)	(205,324.16)
Licensed Vehicles	(19,892.46)	(6,124.08)	-	(26,016.54)
Total capital assets being depreciated, net of accumulated depreciation	354,181.10	491,296.66	3,644.38	841,833.38
Governmental activity capital assets, net	\$ 354,181.10	\$ 491,296.66	\$ 3,644.38	\$ 841,833.38
Business-type activities:				
Capital assets being depreciated:				
Equipment	\$ 724,467.52	\$ 2,582.00	8,451.34	\$ 718,598.18
Less accumulated depreciation	(440,396.15)	(39,992.34)	(8,451.34)	(471,937.15)
Enterprise Fund capital assets, net	\$ 284,071.37	\$ (37,410.34)	\$ -	\$ 246,661.03

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 9 – LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2011 are as follows:

	<u>Balance July 1, 2010</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ 580,635.00	\$ 82,305.00	\$ 89,502.00	\$ 573,438.00	\$ _____
	<u>\$ 580,635.00</u>	<u>\$ 82,305.00</u>	<u>\$ 89,502.00</u>	<u>\$ 573,438.00</u>	<u>\$ -</u>

Compensated absences are been liquidated in the General Fund and the Enterprise Funds.

Capital Leases

The District has no capital leases as of June 30, 2011.

NOTE 10 – OPERATING LEASES

The District has commitments to lease the school building and certain office equipment under operating leases that expire in 2011. Total operating lease payments made during the year ended June 30, 2011 were \$439,348.56. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2012	\$ 240,138.80
2013	4,740.00
2014	4,740.00
2015	1,975.00
Total future minimum lease payments	<u>\$ 251,593.80</u>

NOTE 11 – PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund or the Defined Contribution Retirement Program 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 the Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

NOTE 11 – 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.

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

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist. In addition to the employee contributions, the School District's contribution amounts for each pay period are required to be transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The School District has no employees enrolled in the Defined Contribution Retirement Program (DCRP) during the fiscal year ended June 30, 2011.

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 provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions 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 contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 11 – PENSION PLANS - Continued

Significant Legislation - During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) that changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 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.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The 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. The School District's contributions to TPAF for the years ending June 30, 2011, 2010 and 2009 were \$0, \$0, and \$0 respectively, and paid by the State of New Jersey on behalf of the board. The State of New Jersey did not make the required contributions for the last three years. The School District's contributions to PERS for the years ending June 30, 2011, 2010, 2009 were \$328,054.00, \$267,256.00, and \$243,833.00 respectively, equal to the required contributions for each year.

During the fiscal year ended June 30, 2011, the State of New Jersey made a contribution to the TPAF for non-contributory insurance and post-retirement benefits on behalf of the District in the amount of \$444,369.00. Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District \$463,475.73 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB Statement No. 27.

NOTE 12 – POST-RETIREMENT BENEFITS

The School District contributes to the New Jersey State Health Benefits Program ("the SHBP"), a cost sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program is found in the New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The Division of Pension and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 12 – POST-RETIREMENT BENEFITS - Continued

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and 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. 2008, C. 103 amended the law to eliminate the funding and payment of post-retirement medical benefits for retired state employees through 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, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. 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 premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126 which provides free health benefits for members PERS and the Alternative Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

NOTE 13 – COMPENSATED ABSENCES

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy and negotiated contracts. 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 are paid by the District for unused sick leave in accordance with the District's negotiated contracts with administrators and various employee unions.

In the District-Wide Statement of Net Assets, 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, 2011, the liability for compensated absences in the Food Service Fund was \$17,344.00; the liability in the Alternative Education (Compact) Enterprise Fund was \$20,895.00; the liability in the Itinerant Services Enterprise Fund was \$19,510.00; the liability in the Community Use enterprise Fund was \$4,800.00; the liability in the Over 21 Program enterprise Fund was \$1,590.00 and the liability in the Transportation Enterprise Fund was \$1,189.00.

NOTE 14 – DEFERRED REVENUE

The District has deferred revenue reflected on the Statement of Net Assets in the District-Wide Financial Statements of \$32,650.58. This consists of deferred revenue of \$31,638.66 in the special revenue fund which is made up of grant proceeds on hand where the grant period overlaps the district's fiscal year and encumbrances payable at year end. In addition, there is \$1,011.92 in the Food Service Fund for payment of meals for future periods.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 15 – DEFERRED COMPENSATION

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

- TPAF Tax Shelters
- MetLife
- Thomas Seely Agency, Inc.
- Lincoln Tax Shelters
- Travelers Tax Shelters
- Siracusa Tax Shelters
- Safeco Tax Shelters

NOTE 16 – RISK MANAGEMENT

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

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability 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 to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and prior year:

Fiscal Year	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2010-2011	\$ 18,813.40	\$ 39,973.83	\$ 56,917.40	\$ 98,208.07
2009-2010	34,878.32	-	36,295.39	95,225.16
2008-2009	21,516.16	18,450.26	23,192.88	96,642.23

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011
 (CONTINUED)**

NOTE 17 – COMMITMENTS

The District has not encumbrance policy for the fiscal year end to consider significant encumbrances. All encumbrances are classified as either Assigned Fund Balance in the General Fund or Committed Fund Balance in the Capital Projects Fund. Significant encumbrances at June 30th are as follows;

Fund	Amount
General Fund Encumbered Orders	\$ 16,449.04
Capital Projects Fund - Contracts Payable	657,909.30
	\$ 674,358.34

NOTE 18 – CONTINGENT LIABILITIES

Federal and State Grants

The District participates in a number of federal and state grant programs. The grant programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance would result in the disallowance of program expenditures.

NOTE 19 – ECONOMIC DEPENDENCY

The District receives support from federal government and from the state governments through local school districts. A significant reduction in the level of support, if this were to occur, would have an effect on the District's programs and activities.

NOTE 20 – FUND BALANCES

Restrictions of funds balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

The District uses restricted/committed amounts to be spent first when both restricted an unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District does not have a formal fund balance spending policy therefore the default spending order requires committed, assigned and then unassigned to be used be spent first when expenditures are made.

The District follows the State of New Jersey's minimum fund balance policy for Special Service School Districts (N.J.S.A. 18A:46-31). Pursuant to that policy, an undesignated fund balance of 10% of the general fund budget exclusive of tuition adjustments of prior years may be maintained.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 20 – FUND BALANCES - Continued

Specific classifications of fund balance are summarized below;

Non-Spendable Fund Balance – The District had no non-spendable fund balance at June 30, 2011.

Restricted Fund Balance

Capital Reserve Account – Of the \$32,861.85 balance in the capital reserve account at June 30, 2011, \$0 has been designated for utilization in the 2011-12 budget. These funds are restricted for future capital outlay expenditures for projects in the School District's long range facilities plan (LRFP).

Maintenance Reserve Account – Of the \$29,580.00 balance in the maintenance reserve account at June 30, 2011, \$0 has been designated for utilization in the 2011-12 budget. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

Committed Fund Balance - The District's Committed Fund balance for other purposes of \$657,909.30 consists of construction contracts payable authorized by the Board of Education during 2010-11 for the Middle School Roof Project.

Assigned Fund Balance – At June 30, 2011, the Board of School Estimates has assigned \$499,425.00 of general fund balance to expenditures in the 2011-12 budget. In addition, the District assigned fund balance in the general fund for other purposes of \$16,449.04. This represents encumbrances resulting from issuing purchase orders as a result of normal purchasing activities approved by District Officials. Also at June 30, 2011, the District has a deficit in assigned fund balance in the Capital Projects Fund of (\$251,961.72). This deficit is a result of reflecting the State of New Jersey's share (60%) of construction contracts payable for the roof project as committed fund balance.

Unassigned Fund Balance – At June 30, 2011, the District has \$1,057,806.15 of unassigned fund balance in the general fund.

NOTE 21 – CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:46-31, an undesignated fund balance of 10 percent of the general fund budget may be maintained. The New Jersey Department of Education calculates the District's excess surplus using audited information and subsequently adjusts tuition rates and the cost per pupil for these calculations.

NOTE 22 – DEFICIT IN NET ASSETS – ENTERPRISE FUNDS

The Food Services Enterprise Fund has a cumulative deficit in net assets of \$100,881.92 as of June 30, 2011. This deficit will either be provided for in the 2011-12 budget or made up through operations.

NOTE 23 – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2011 through September 13, 2011, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
County Tax Levy	\$ 3,974,832.00	\$ -	\$ 3,974,832.00	\$ 3,974,832.00	\$ -
Tuition from LEAs	7,478,029.00		7,478,029.00	7,156,231.48	(321,797.52)
Non-Resident Fees	355,000.00		355,000.00	348,211.07	(6,788.93)
Interest Earned on Capital Reserve	5,000.00		5,000.00	13,068.85	8,068.85
Interest Earned on Maintenance Reserve	290.00		290.00	290.00	-
Interest Earned on Deposits	45,000.00		45,000.00	31,961.89	(13,038.11)
Other Miscellaneous			-	74,007.59	74,007.59
Total Local Sources	11,858,151.00	-	11,858,151.00	11,598,602.88	(259,548.12)
State Sources:					
On-behalf TPAF - Non-Contributory Insurance (non-budgeted)			-	19,981.00	19,981.00
On-behalf TPAF Postretirement Contributions (non-budgeted)				424,388.00	424,388.00
Reimbursed TPAF Social Security Contributions (non-budgeted)			-	463,475.73	463,475.73
Total State Sources	-	-	-	907,844.73	907,844.73
Federal Sources:					
Medical Assistance Program	35,000.00		35,000.00	82,972.04	47,972.04
Total Federal Sources	35,000.00	-	35,000.00	82,972.04	47,972.04
Total Revenues	11,893,151.00	-	11,893,151.00	12,589,419.65	696,268.65
EXPENDITURES:					
CURRENT EXPENSE					
SPECIAL EDUCATION - INSTRUCTION					
Behavioral Disabilities					
Salaries of Teachers	331,329.00	0.24	331,329.24	330,926.85	402.39
Other Salaries for Instruction	173,817.00	(891.79)	172,925.21	172,925.17	0.04
Other Purchased Services (400-500 series)	17,000.00	4,452.00	21,452.00	21,452.00	-
General Supplies	3,000.00	1,704.02	4,704.02	4,364.31	339.71
Textbooks	750.00	647.25	1,397.25	1,397.25	-
Other Objects	1,000.00		1,000.00	500.00	500.00
Total Behavioral Disabilities	526,896.00	5,911.72	532,807.72	531,565.58	1,242.14
Multiple Disabilities					
Salaries of Teachers	1,690,392.10	(117,422.50)	1,572,969.60	1,502,487.39	70,482.21
Other Salaries for Instruction	642,176.00	(107.96)	642,068.04	639,498.48	2,569.56
Purchased Professional - Educational Services	33,518.50	(213.21)	33,305.29	24,948.60	8,356.69
Other Purchased Services (400-500 series)	5,000.00		5,000.00	4,436.03	563.97
General Supplies	39,063.40	2,391.26	41,454.66	39,590.12	1,864.54
Textbooks	5,000.00		5,000.00	2,188.38	2,811.62
Other Objects	9,000.00		9,000.00	8,522.10	477.90
Total Multiple Disabilities	2,424,150.00	(115,352.41)	2,308,797.59	2,221,671.10	87,126.49
Autism					
Salaries of Teachers	441,524.00	(1,188.31)	440,335.69	428,102.79	12,232.90
Other Salaries for Instruction	158,446.00		158,446.00	158,445.32	0.68
Other Purchased Services (400-500 series)	15,686.32	(0.33)	15,685.99	15,499.52	186.47
General Supplies	3,500.00	1,188.64	4,688.64	3,882.91	805.73
Other Objects	813.68		813.68	180.00	633.68
Total Autism	619,970.00	-	619,970.00	606,110.54	13,859.46
Preschool Disabilities - Part-Time					
Salaries of Teachers	74,001.00		74,001.00	74,000.96	0.04
Other Salaries for Instruction	36,448.00		36,448.00	36,445.86	0.14
Other Purchased Services (400-500 series)	953.00		953.00	174.19	778.81
General Supplies	1,300.00		1,300.00	1,000.00	300.00
Total Preschool Disabilities - Part-Time	112,700.00	-	112,700.00	111,621.01	1,078.99

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Preschool Disabilities - Full-Time					
Salaries of Teachers	\$ 74,001.00	\$ -	\$ 74,001.00	\$ 74,000.96	\$ 0.04
Other Salaries for Instruction	23,823.00		23,823.00	23,305.04	517.96
Other Purchased Services (400-500 series)	250.00		250.00		250.00
General Supplies	750.00		750.00	750.00	-
Other Objects	250.00		250.00		250.00
Total Preschool Disabilities - Full-Time	99,074.00	-	99,074.00	98,056.00	1,018.00
Cognitive - Severe					
Salaries of Teachers	151,127.00	1,670.28	152,797.28	128,307.28	24,490.00
Other Salaries for Instruction	32,708.00		32,708.00	32,707.84	0.16
Other Purchased Services (400-500 series)	10,750.00		10,750.00	10,750.00	-
General Supplies	4,000.00	579.52	4,579.52	4,430.84	148.68
Other Objects	1,500.00		1,500.00	345.07	1,154.93
Total Cognitive - Severe	200,085.00	2,249.80	202,334.80	176,541.03	25,793.77
TOTAL SPECIAL EDUCATION - INSTRUCTION	3,982,875.00	(107,190.89)	3,875,684.11	3,745,565.26	130,118.85
Other Instructional Programs - Instruction					
Salaries	1,131,100.00	(914.13)	1,130,185.87	1,032,068.30	98,117.57
Purchased Services (300-500 series)	1,500.00	(302.01)	1,197.99	724.61	473.38
Supplies & Materials	8,000.00	3.11	8,003.11	5,185.54	2,817.57
Other Objects	11,000.00	1,213.03	12,213.03	12,213.03	-
Total Other Instructional Programs - Instruction	1,151,600.00	-	1,151,600.00	1,050,191.48	101,408.52
Community Service Programs - Instruction					
Salaries	6,814.00		6,814.00	3,910.28	2,903.72
Total Community Service Programs - Instruction	6,814.00	-	6,814.00	3,910.28	2,903.72
TOTAL INSTRUCTION	5,141,289.00	(107,190.89)	5,034,098.11	4,799,667.02	234,431.09
UNDISTRIBUTED EXPENDITURES					
Undistributed Expenditures - Health Services					
Salaries	196,494.00	1,567.11	198,061.11	198,061.01	0.10
Purchased Professional and Technical Services	17,000.00	(1,592.11)	15,407.89	12,949.00	2,458.89
Purchased Services (400-500 series)	300.00		300.00		300.00
Supplies & Materials	8,500.00		8,500.00	3,996.59	4,503.41
Other Objects	630.00	25.00	655.00	655.00	-
Total Undistributed Expenditures - Health Services	222,924.00	-	222,924.00	215,661.60	7,262.40
Undistributed Expenditures - Speech, OT, PT and Related Services					
Salaries of Other Professional Staff	723,480.00		723,480.00	723,480.00	-
Purchased Professional - Education Services	2,680.00		2,680.00		2,680.00
Supplies & Materials	6,820.00	606.73	7,426.73	5,171.50	2,255.23
Other Objects	300.00		300.00	266.90	33.10
Total Undistributed Expenditures - Speech, OT, PT and Related Services	733,280.00	606.73	733,886.73	728,918.40	4,968.33
Undistributed Expenditures - Child Study Teams					
Salaries of Other Professional Staff	457,766.00	(73,000.00)	384,766.00	384,508.65	257.35
Salaries of Secretarial and Clerical Assistants	68,578.00		68,578.00	68,577.86	0.14
Other Salaries	134,244.00		134,244.00	134,243.78	0.22
Purchased Professional and Technical Services	22,850.00	(865.86)	21,984.14	16,104.21	5,879.93
Other Purchased Services (400-500 series)	5,300.00	865.86	6,165.86	5,964.54	201.32
Supplies & Materials	3,500.00	(360.73)	3,139.27	1,972.03	1,167.24
Total Undistributed Expenditures-Child Study Teams	692,238.00	(73,360.73)	618,877.27	611,371.07	7,506.20

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	\$ 98,669.00	\$ -	\$ 98,669.00	\$ 98,668.90	\$ 0.10
Supplies & Materials	6,425.00	3,338.26	9,763.26	8,844.32	918.94
Total Undistributed Expenditures - Educational Media Services - School Library	<u>105,094.00</u>	<u>3,338.26</u>	<u>108,432.26</u>	<u>107,513.22</u>	<u>919.04</u>
Undist. Expend. - Instructional Staff Training Serv.					
Salaries of Other Professional Staff			-		-
Purchased Professional - Education Services	3,200.00		3,200.00	1,036.75	2,163.25
Other Purchased Professional and Technical Services	22,008.00		22,008.00	11,977.78	10,030.22
Supplies & Materials	1,000.00		1,000.00	691.75	308.25
Total Undistributed Expenditures - Instructional Staff Training Services	<u>26,208.00</u>	<u>-</u>	<u>26,208.00</u>	<u>13,706.28</u>	<u>12,501.72</u>
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	211,418.00	6,961.62	218,379.62	218,378.62	1.00
Legal Services	16,000.00	1,455.34	17,455.34	17,230.34	225.00
Audit Fees	20,000.00	(5,200.00)	14,800.00	14,800.00	-
Other Purchased Professional Services	9,500.00		9,500.00	9,500.00	-
Communications/Telephone	78,727.00	(1,455.34)	77,271.66	56,940.25	20,331.41
BOE Other Purchased Services	4,000.00		4,000.00		4,000.00
Other Purchased Services (400-500 series)	11,500.00		11,500.00	10,332.72	1,167.28
General Supplies	9,622.00	(140.38)	9,481.62	6,948.17	2,533.45
BOE In- House Training/Meeting Supplies	3,477.00		3,477.00	3,187.14	289.86
Miscellaneous Expenditures	5,250.00		5,250.00	3,322.00	1,928.00
BOE Membership Dues and Fees	6,900.00		6,900.00	6,335.25	564.75
Total Undistributed Expenditures - Support Services - General Administration	<u>376,394.00</u>	<u>1,621.24</u>	<u>378,015.24</u>	<u>346,974.49</u>	<u>31,040.75</u>
Undist. Expend. - Supp. Serv. - School Admin.					
Salaries of Principals/Assistant Principals	179,869.00	10,878.41	190,747.41	190,602.14	145.27
Salaries of Other Professional Staff	84,122.00	2,133.77	86,255.77	86,255.77	-
Salaries of Secretarial and Clerical Assistants	139,508.00	5,952.48	145,460.48	145,460.48	-
Other Purchased Services (400-500 series)	10,258.00	(34.54)	10,223.46	6,899.89	3,523.57
Supplies & Materials	5,700.00	(211.84)	5,488.16	5,136.07	352.09
Other Objects	2,850.00		2,850.00	2,475.00	375.00
Total Undistributed Expenditures - Support Services - School Administration	<u>422,307.00</u>	<u>18,718.28</u>	<u>441,025.28</u>	<u>436,829.35</u>	<u>4,395.93</u>
Undistributed Expenditures - Central Services					
Salaries	197,555.00	10,455.86	208,010.86	205,010.86	3,000.00
Purchased Technical Services	7,940.16	(2,573.16)	5,367.00	5,367.00	-
Miscellaneous Purchased Services (400-500 series)	5,859.84		5,859.84	5,581.76	278.08
Supplies & Materials	3,000.00		3,000.00	2,560.03	439.97
Miscellaneous Expenditures	4,000.00	(772.66)	3,227.34	2,407.20	820.14
Total Undistributed Expenditures - Central Services	<u>218,355.00</u>	<u>7,110.04</u>	<u>225,465.04</u>	<u>220,926.85</u>	<u>4,538.19</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undistributed Expenditures - Admin. Info. Tech.					
Salaries	\$ 156,351.00	\$ (46,241.38)	\$ 110,109.62	\$ 104,633.68	\$ 5,475.94
Purchased Professional Services	1,000.00		1,000.00	849.00	151.00
Purchased Technical Services	1,000.00		1,000.00	200.00	800.00
Other Purchased Services (400-500 series)	7,700.00		7,700.00	5,347.42	2,352.58
Supplies & Materials	20,927.00	(11,000.00)	9,927.00	7,048.63	2,878.37
Miscellaneous Expenditures	950.00		950.00		950.00
Total Undistributed Expenditures - Admin. Information Technology	<u>187,928.00</u>	<u>(57,241.38)</u>	<u>130,686.62</u>	<u>118,078.73</u>	<u>12,607.89</u>
Undist. Expend. - Required Maint. School Fac.					
Salaries	163,473.00	(10,280.00)	153,193.00	151,122.65	2,070.35
Cleaning, Repair and Maintenance Service	71,000.00	4,000.00	75,000.00	70,218.04	4,781.96
General Supplies	117,000.00	35,160.00	152,160.00	130,189.28	21,970.72
Total Undistributed Expenditures - Required Maintenance for School Facilities	<u>351,473.00</u>	<u>28,880.00</u>	<u>380,353.00</u>	<u>351,529.97</u>	<u>28,823.03</u>
Undistributed. Expenditures. - Custodial Services					
Salaries	315,997.00	8,858.50	324,855.50	322,667.89	2,187.61
Purchased Professional and Technical Services	205,831.00	10,166.14	215,997.14	212,897.14	3,100.00
Cleaning, Repair and Maintenance Service	10,000.00	466.13	10,466.13	10,466.13	-
Rental of Land and Buildings	400,000.00		400,000.00	400,000.00	-
Other Purchased Property Services	44,442.00		44,442.00	43,855.15	586.85
Insurance	26,890.00	(19,221.81)	7,668.19	7,668.19	-
General Supplies	20,068.75	636.58	20,705.33	20,705.33	-
Natural Gas	163,643.75	27,092.26	190,736.01	137,437.64	53,298.37
Electricity	323,287.50	(17,997.80)	305,289.70	301,929.89	3,359.81
Total Undistributed Expenditures - Other Custodial Services	<u>1,510,160.00</u>	<u>10,000.00</u>	<u>1,520,180.00</u>	<u>1,457,627.36</u>	<u>62,532.64</u>
Total Undistributed Expenditures Operations and Maintenance of Plant	<u>1,861,633.00</u>	<u>38,880.00</u>	<u>1,900,513.00</u>	<u>1,809,157.33</u>	<u>91,355.67</u>
Unallocated Benefits					
Social Security Contribution	176,000.00	47,542.92	223,542.92	223,542.90	0.02
Other Retirement Contributions - Regular	105,268.00	118,149.34	223,417.34	216,424.38	6,992.96
Unemployment Compensation	11,000.00		11,000.00		11,000.00
Workmen's Compensation	180,000.00	(10,087.91)	169,912.09	161,052.80	8,859.29
Health Benefits	1,995,198.00	(56,404.35)	1,938,793.65	1,880,273.31	58,520.34
Tuition Reimbursement	40,000.00		40,000.00	3,685.68	36,314.32
Other Employee Benefits	80,183.00		80,183.00	37,205.28	22,977.72
Total Unallocated Benefits	<u>2,567,649.00</u>	<u>99,200.00</u>	<u>2,666,849.00</u>	<u>2,522,184.35</u>	<u>144,664.65</u>
On-Behalf Contributions					
On-behalf TPAF - Non-Contributory Insurance (non-budgeted)				19,981.00	(19,981.00)
On-behalf TPAF Postretirement Contributions (non-budgeted)				424,388.00	(424,388.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)				463,475.73	(463,475.73)
Total On-Behalf Contributions	-	-	-	<u>907,844.73</u>	<u>(907,844.73)</u>
Total Personal Services - Employee Benefits	<u>2,567,649.00</u>	<u>99,200.00</u>	<u>2,666,849.00</u>	<u>3,430,029.08</u>	<u>(763,180.08)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>7,414,010.00</u>	<u>38,872.44</u>	<u>7,452,882.44</u>	<u>8,038,966.40</u>	<u>(586,083.96)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>12,555,299.00</u>	<u>(68,318.45)</u>	<u>12,486,980.55</u>	<u>12,838,633.42</u>	<u>(351,652.87)</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
CAPITAL OUTLAY					
Equipment					
Central Services	\$ -	\$ 3,345.82	\$ 3,345.82	\$ 3,345.82	\$ -
Operation and Maint. Of Plant		82,208.00	82,208.00	73,582.47	8,625.53
Total Equipment	<u>-</u>	<u>85,553.82</u>	<u>85,553.82</u>	<u>76,928.29</u>	<u>8,625.53</u>
TOTAL CAPITAL OUTLAY	<u>-</u>	<u>85,553.82</u>	<u>85,553.82</u>	<u>76,928.29</u>	<u>8,625.53</u>
TOTAL EXPENDITURES	<u>12,555,299.00</u>	<u>17,235.37</u>	<u>12,572,534.37</u>	<u>12,915,561.71</u>	<u>(343,027.34)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(662,148.00)</u>	<u>(17,235.37)</u>	<u>(679,383.37)</u>	<u>(326,142.06)</u>	<u>353,241.31</u>
Other Financing Sources/(Uses):					
Operating Transfers In:					
None					
Operating Transfers Out:					
Capital Reserve-Transfer to Capital Projects Fund		(648,000.00)	(648,000.00)	(648,000.00)	-
Transfer to Internal Service Fund-Board Contrib.			-	(42,282.73)	(42,282.73)
Transfer to Food Service Fund-Board Contribution		(107,700.89)	(107,700.89)	(107,700.89)	-
Total Other Financing Sources:	<u>-</u>	<u>(755,700.89)</u>	<u>(755,700.89)</u>	<u>(797,983.62)</u>	<u>(42,282.73)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(662,148.00)	(772,936.26)	(1,435,084.26)	(1,124,125.68)	310,958.58
Fund Balance July 1	2,760,247.72		2,760,247.72	2,760,247.72	
Fund Balance June 30	<u>\$ 2,098,099.72</u>	<u>\$ (772,936.26)</u>	<u>\$ 1,325,163.46</u>	<u>\$ 1,636,122.04</u>	<u>\$ 310,958.58</u>
Recapitulation:					
Nonspendable Fund Balance					
None				\$ -	
Restricted Fund Balance:					
Capital Reserve				32,861.85	
Maintenance Reserve				29,580.00	
Committed Fund Balance:					
None				-	
Assigned Fund Balance:					
Year-end Encumbrances				16,449.04	
Designated for Subsequent Year's Expenditures				499,425.00	
Unsigned Fund Balance				1,057,806.15	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,636,122.04</u>	

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ -	\$ 115,619.25	\$ 115,619.25	\$ 88,962.46	\$ (26,656.79)
Federal Sources		99,965.00	99,965.00	94,480.24	(5,484.76)
State Sources		20,610.00	20,610.00	12,000.00	(8,610.00)
Total Revenues	-	236,194.25	236,194.25	195,442.70	(40,751.55)
EXPENDITURES:					
Instruction:					
Salaries of Teachers		41,112.00	41,112.00	39,571.90	1,540.10
Other Salaries for Instruction			-	-	-
Purchased Professional and Technical Services		39,944.66	39,944.66	36,000.00	3,944.66
General Supplies		102,718.54	102,718.54	60,703.69	42,014.85
Other Objects		500.00	500.00	500.00	-
Total Instruction	-	184,275.20	184,275.20	136,775.59	47,499.61
Support Services:					
Salaries of Other Professional Staff		4,320.00	4,320.00	2,250.00	2,070.00
Other Salaries		14,520.00	14,520.00	7,980.00	6,540.00
Personal Services - Employee Benefits			-	-	-
Purchased Professional Services			-	-	-
Contr. Serv. - Transportation		33,079.05	33,079.05	25,615.09	7,463.96
Other Purchased Services			-	-	-
Supplies & Materials			-	-	-
Other Objects			-	-	-
Total Support Services	-	51,919.05	51,919.05	35,845.09	16,073.96
Capital Outlay					
Non-Instructional Equipment			-	22,822.02	(22,822.02)
Total Capital Outlay	-	-	-	22,822.02	(22,822.02)
Total Outflows	-	236,194.25	236,194.25	195,442.70	40,751.55
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Required Supplementary Information
Budget to GAAP Reconciliation
Note to RSI
For the Year Ended June 30, 2011

Note A - Explanation of Differences Between Budgetary Inflows and Outflows GAAP Revenue and Expenditures

		<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$ 12,589,419.65	[C-2]	\$ 195,442.70
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 revenues reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	<u>\$ 12,589,419.65</u>	[B-2]	<u>\$ 195,442.70</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 13,023,262.60	[C-2]	\$ 195,442.70
Difference - budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		-		
	[B-2]	<u>\$ 13,023,262.60</u>	[B-2]	<u>\$ 195,442.70</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Year Ended June 30, 2011

	Total Brought Forward (Ex. E-1a)	Highpoint Grant	IBEW Donation	ROID 2010	ROID 2011	Totals 2011
REVENUES:						
Local Sources	\$ 87,062.86	\$ 399.60	\$ 1,500.00	\$ -	\$ -	\$ 88,962.46
Federal Sources	94,480.24			6,810.00	5,190.00	94,480.24
State Sources	-					12,000.00
Total Revenues	181,543.10	399.60	1,500.00	6,810.00	5,190.00	195,442.70
EXPENDITURES:						
Instruction:						
Salaries of Teachers	39,571.90					39,571.90
Other Salaries for Instruction	-					-
Purchased Professional and Technical Services	36,000.00					36,000.00
General Supplies	57,704.09	399.60	1,500.00		1,100.00	60,703.69
Other Objects	-				500.00	500.00
Total Instruction	133,275.99	399.60	1,500.00	-	1,600.00	136,775.59
Support Services:						
Salaries of Other Professional Staff	-			2,010.00	240.00	2,250.00
Other Salaries	3,000.00			4,800.00	180.00	7,980.00
Personal Services - Employee Benefits	-					-
Purchased Professional Services	-					-
Contr. Serv. - Transportation	22,445.09				3,170.00	25,615.09
Other Purchased Services	-					-
Supplies & Materials	-					-
Other Objects	-					-
Total Support Services	25,445.09	-	-	6,810.00	3,590.00	35,845.09
Capital Outlay						
Non-Instructional Equipment	22,822.02					22,822.02
Total Capital Outlay	22,822.02	-	-	-	-	22,822.02
Total Outflows	181,543.10	399.60	1,500.00	6,810.00	5,190.00	195,442.70
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Year Ended June 30, 2011

	Total Brought Forward (Ex. E-1b)	Sprint Grant	Tim Kerr Power Play Grant	Education Foundation Wishlist Grants	Education Foundation Mini-Grants	Total Carried Forward
REVENUES:						
Local Sources	\$ 18,672.10	\$ 25,000.00	\$ 512.00	\$ 29,385.03	\$ 13,493.73	\$ 87,062.86
Federal Sources	94,480.24					94,480.24
State Sources	-					-
Total Revenues	113,152.34	25,000.00	512.00	29,385.03	13,493.73	181,543.10
EXPENDITURES:						
Instruction:						
Salaries of Teachers	39,571.90					39,571.90
Other Salaries for Instruction	-					-
Purchased Professional and Technical Services	36,000.00					36,000.00
General Supplies	22,535.35	14,600.00	512.00	6,563.01	13,493.73	57,704.09
Other Objects	-					-
Total Instruction	98,107.25	14,600.00	512.00	6,563.01	13,493.73	133,275.99
Support Services:						
Salaries of Other Professional Staff	-					-
Other Salaries	3,000.00					3,000.00
Personal Services - Employee Benefits	-					-
Purchased Professional Services	-					-
Contr. Serv. - Transportation	12,045.09	10,400.00				22,445.09
Other Purchased Services	-					-
Supplies & Materials	-					-
Other Objects	-					-
Total Support Services	15,045.09	10,400.00	-	-	-	25,445.09
Capital Outlay						
Non-Instructional Equipment	-			22,822.02		22,822.02
Total Capital Outlay	-	-	-	22,822.02	-	22,822.02
Total Outflows	113,152.34	25,000.00	512.00	29,385.03	13,493.73	181,543.10
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Year Ended June 30, 2011

	Polar Bear Plunge Autism	ISY Grant	Education Foundation Tolerance thru the Arts	Education Foundation Transportation	Education Foundation Other	Total Carried Forward
REVENUES:						
Local Sources	\$ 5,000.00	\$ -	\$ 2,446.68	\$ 10,910.44	\$ 314.98	\$ 18,672.10
Federal Sources		94,480.24				94,480.24
State Sources						
Total Revenues	5,000.00	94,480.24	2,446.68	10,910.44	314.98	113,152.34
EXPENDITURES:						
Instruction:						
Salaries of Teachers		39,571.90				39,571.90
Other Salaries for Instruction		36,000.00				36,000.00
Purchased Professional and Technical Services		15,088.87	2,131.50		314.98	22,535.35
General Supplies	5,000.00					
Other Objects						
Total Instruction	5,000.00	90,660.77	2,131.50	-	314.98	98,107.25
Support Services:						
Salaries of Other Professional Staff		3,000.00				3,000.00
Other Salaries						
Personal Services - Employee Benefits						
Purchased Professional Services		819.47	315.18	10,910.44		12,045.09
Contr. Serv. - Transportation						
Other Purchased Services						
Supplies & Materials						
Other Objects						
Total Support Services	-	3,819.47	315.18	10,910.44	-	15,045.09
Capital Outlay						
Non-Instructional Equipment						
Total Capital Outlay	-	-	-	-	-	-
Total Outflows	5,000.00	94,480.24	2,446.68	10,910.44	314.98	113,152.34
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Capital Projects Funds
Summary Statement of Project Expenditures
For the Year Ended June 30, 2011

Project Title/Issue	Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Authorization Canceled	Unexpended Balance June 30, 2011
			Prior Years	Current Years		
George E. Bailey Middle School Wing Roof Replacement	9/21/2010	\$	\$	\$	\$	\$
<p>The total final eligible costs of the project approved by the Schhol Development Authority are \$1,080,000. The State Share of eligible costs is \$432,000 and the local share is \$648,000. The state share is being funded with a ROD (Regular Operating District) grant. The local share is being funded with a transfer from capital reserve.</p>						
		\$ 1,080,000.00		403,420.70		676,579.30
		\$ 1,080,000.00	\$ -	\$ 403,420.70	\$ -	\$ 676,579.30

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Capital Projects Fund
Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis
For the Year Ended June 30, 2011

REVENUES

State Sources:		
SDA Grant	\$	432,000.00
Local Sources		
Transfer from Capital Reserve		<u>648,000.00</u>
Total Revenues		<u>1,080,000.00</u>

EXPENDITURES

Purchased Professional and Technical Services		68,467.50
Construction Services		331,123.20
Other Objects		<u>3,830.00</u>
Total Expenditures		<u>403,420.70</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$	<u><u>676,579.30</u></u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
George E Bailey Middle School Wing Roof Replacement
From Inception and for the Year Ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Costs
REVENUES AND OTHER FINANCING SOURCES:				
State Sources:				
ROD Grant	\$ -	\$ 432,000.00	\$ 432,000.00	\$ 432,000.00
Local Sources				-
Transfer from Capital Reserve		648,000.00	648,000.00	648,000.00
Total Revenues	<u>-</u>	<u>1,080,000.00</u>	<u>1,080,000.00</u>	<u>1,080,000.00</u>
EXPENDITURES AND OTHER FINANCING USES:				
Purchased Professional/Technical Services		68,467.50	68,467.50	76,500.00
Construction Services		331,123.20	331,123.20	999,000.00
Other Objects		3,830.00	3,830.00	4,500.00
Total Expenditures	<u>-</u>	<u>403,420.70</u>	<u>403,420.70</u>	<u>1,080,000.00</u>
Excess (Deficiency) of Revenues Over Expenditures	-	676,579.30	676,579.30	
OTHER FINANCING SOURCES (USES)				
Unexpended Project Authorization Canceled			-	
Net Change to Project Fund Balance	-	676,579.30	676,579.30	-
ADDITIONAL PROJECT INFORMATION:				
Project Number	0715-075-10-1001			
Grant Date	September 2010			
Bond Authorization Date	N/A			
Bonds Authorized	\$ -			
Bonds Issued	-			
Original Cost Authorized	1,080,000.00			
Additional Authorized Cost	-			
Revised Authorized Cost	1,080,000.00			
Project Authorization Canceled				
Percentage Increase over Original Authorized Cost	0%			
Percentage Completion	37%			
Original Target Completion Date	September 2011			
Revised Target Completion Date	September 2011			

PROPRIETARY FUNDS – DETAILED STATEMENTS

Food Service Fund - This fund provides for the operation of food services in all schools within the school district. This fund has been included as a major fund and is reported separately in statements B-4, B-5 and B-6.

Day Care/Community Use Fund - This fund provides for the operation of day care services for staff and Cape May County residents and for the operation of the community use of facilities and programs that relate to building use..

Shop Rite - This fund provides for the operation of a Shop Rite store in the school.

Shared Services - Itinerant - This fund provides for the operation of a shared services enterprise fund that provides itinerant services to local school districts. This fund has been included as a major fund and is reported separately in statements B-4, B-5 and B-6.

Shared Services - Transportation - This fund provides for the operation of a shared services enterprise fund that provides transportation services to local school districts. This fund has been included as a major fund and is reported separately in statements B-4, B-5 and B-6.

Alternative Education (The COMPACT) - This fund provides for the operation of an Alternative Education Program for LEA's.

Adult Medical Day Care (Over 21 Program) - This fund provides for the operation of an over 21 adult medical day care program that is primarily funded by Medicare.

Extended School Year - This fund provides for the operation of an extended school year program over the summer months that is fully funded by tuition.

Business Office Services - This fund provides for the operation of Business Office Services provided to other school districts.

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Proprietary Funds
Combining Statement of Net Assets
June 30, 2011

	Business-Type Activities - Enterprise Fund						Totals (See B-4)
	Day Care/ Community Use	Community Use	Shop Rite	The "Compact"	Business Services	Over 21 Adult Day Care	
ASSETS							
Current Assets:							
Cash and Cash Equivalents	\$ 187,052.45	\$ -	\$ 25,225.27	\$ 137,915.24	\$ 10,005.58	\$ 16,051.97	\$ 677,639.39
Investments							
Accounts Receivable			50,350.00		6,945.61		57,295.61
Other Receivables			600.00				600.00
Interfund Receivable							
Inventory			2,050.80				2,050.80
Total Current Assets	187,052.45	-	27,276.07	188,865.24	10,005.58	22,997.58	677,639.39
Noncurrent Assets:							
Restricted Cash and Cash Equivalents							
Furniture, Machinery & Equipment	14,811.33		17,858.00	303,659.03	80,995.00		417,323.36
Less Accumulated Depreciation	(14,811.33)		(16,021.44)	(164,457.14)	(59,937.15)		(253,927.06)
Total Noncurrent Assets	-	-	1,836.56	139,201.89	22,357.85	-	163,396.30
Total Assets	\$ 187,052.45	\$ -	\$ 29,112.63	\$ 328,067.13	\$ 10,005.58	\$ 45,355.43	\$ 677,639.39
LIABILITIES							
Current Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ 2,049.77	\$ -	\$ -	\$ 2,049.77
Intergovernmental Accounts Payable:							
State			243.37			2,277.00	2,520.37
Interfunds Payable							
Deferred Revenue	4,100.00						4,100.00
Deposits Payable							
Total Current Liabilities	4,100.00	-	243.37	2,049.77	-	2,277.00	8,670.14
Noncurrent Liabilities:							
Capital Lease Payable	4,800.00			20,895.00	1,590.00		27,285.00
Compensated Absences							
Total Noncurrent Liabilities	4,800.00	-	-	20,895.00	1,590.00	-	27,285.00
NET ASSETS							
Invested in Capital Assets Net of Related Debt Unrestricted	178,152.45	-	1,836.56	139,201.89	10,005.58	22,357.85	163,396.30
			27,032.70	165,920.47	19,130.58	677,639.39	1,077,881.17
Total Net Assets	\$ 178,152.45	\$ -	\$ 28,869.26	\$ 305,122.36	\$ 10,005.58	\$ 41,488.43	\$ 1,241,277.47

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund					Totals (See B-5)
	Day Care/ Community Use	Community Use	Shop Rite	The "Compact"	Business Services	
Operating Revenue:						
Charges for Service:						
Daily Sales - Non-reimbursable Programs	\$ -	\$ -	\$ 49,945.35	\$ -	\$ -	\$ 49,945.35
Daily Sales - Reimbursable Programs						
Special Functions						
Itinerant and Professional Services						
Transportation Fees from Other LEA's Within the State						
Day Care Facility Rental	52,463.00					52,463.00
Adult Day Care - Easter Seals					45,715.93	45,715.93
Community Use Revenue and Fees	55,878.15			726,762.50		1,152,957.50
Tuition and Fees					426,195.00	426,195.00
Miscellaneous			15.62			15.62
Total Operating Revenue	108,341.15	-	49,960.97	726,762.50	45,715.93	1,356,975.55
Operating Expenses:						
Cost of Sales			44,022.95			44,022.95
Salaries	51,093.90			498,122.93	147,198.03	1,058,578.26
Employee Benefits	5,497.73			131,258.93	41,376.80	16,633.22
Transportation - Contracted Services				17,487.97	24,232.22	194,766.68
Other Purchased Professional Services				22,017.35		43,854.87
Other Purchased Services	1,611.68		1,311.68	2,307.13		22,517.35
Cleaning, Repair and Maintenance Services					500.00	5,230.49
Professional Development						
Rentals				5,922.00		5,922.00
Utilities and Gasoline				16,037.21	9,132.66	25,169.87
Insurance					3,934.32	3,934.32
Tuition				531.00		531.00
General Supplies	5,372.04		2,111.01	32,208.81	5,175.81	45,581.61
Depreciation			1,589.73	10,958.52	10,124.40	22,672.65
Total Operating Expenses	63,575.35	-	49,035.37	736,851.85	241,174.24	1,472,782.05
Operating Income (Loss)	44,765.80	-	925.60	(10,089.35)	(195,458.31)	(44,049.76)
Nonoperating Revenues (expenses):						
State Sources:						
Adult Day Care - DDD Contract	1,380.32		283.72		203,382.99	203,382.99
Interest and Investment Income						1,664.04
Miscellaneous Expenses	1,380.32		283.72		203,382.99	205,047.03
Total Nonoperating Revenues (expenses)	46,146.12	-	1,209.32	(10,089.35)	7,924.68	89,240.53
Income (loss) before Contributions & Transfers	(2,284.83)	2,284.83	1,209.32	(10,089.35)	7,924.68	89,240.53
Capital Contributions						
Transfers In (Out)						
Changes in Net Assets	43,861.29	2,284.83	1,209.32	(10,089.35)	7,924.68	44,049.76
Total Net Assets - Beginning	134,291.16	(2,284.83)	27,659.94	315,211.71	10,005.58	1,152,036.94
Total Net Assets - Ending	178,152.45	\$ -	\$ 28,869.26	\$ 305,122.36	\$ 10,005.58	\$ 1,241,277.47

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund						Totals (See B-6)
	Day Care/ Community Use	Community Use	Shop Rite	The "Compact"	Business Services	Over 21 Adult Day Care	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers and Other Income	\$ 108,341.15	\$ -	\$ 49,903.36	\$ 768,140.50	\$ -	\$ 49,592.76	\$ 426,195.00
Payments to Employees	(50,733.90)	-	-	(509,389.93)	-	(147,138.03)	(362,163.40)
Payments for Employee Benefits	(5,497.73)	-	-	(131,258.93)	-	(41,376.80)	(16,633.22)
Payments for Supplies and Services	(6,983.72)	-	(47,104.73)	(96,399.21)	-	(42,475.01)	(3,348.62)
Net Cash Provided by (Used for) Operating Activities	45,125.80	-	2,798.63	31,092.43	-	(181,397.08)	44,049.76
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State Sources						203,382.99	
Federal Sources						(5,933.94)	
Operating Subsidies and Transfers from/(to) Other Funds	2,155.17	(36,736.77)	(6,433.32)				
Net Cash Provided by (Used for) Noncapital Financing Activities	2,155.17	(36,736.77)	(6,433.32)			197,449.05	
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of Capital Assets							
Security Deposit Received							
Net Cash Provided by (Used for) Capital and Related Financing Activities							
CASH FLOW FROM INVESTING ACTIVITIES							
Interest and Dividends	1,380.32	-	283.72				
Proceeds from Sale/Maturities of Investments							
Net Cash Provided by (Used for) Investing Activities	1,380.32	-	283.72				1,664.04
Net Increase (Decrease) in Cash and Cash Equivalents	48,661.29	(36,736.77)	(3,350.97)	31,092.43	-	16,051.97	44,049.76
Balance - Beginning of Year	138,391.16	36,736.77	28,576.24	106,822.81	10,005.58	-	633,589.63
Balance - End of Year	\$ 187,052.45	\$ -	\$ 25,225.27	\$ 137,915.24	\$ 10,005.58	\$ 16,051.97	\$ 677,639.39
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$ 44,765.80	\$ -	\$ 925.60	\$ (10,089.35)	\$ -	\$ (195,458.31)	\$ 44,049.76
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (Used for) Operating Activities							
Depreciation and Net Amortization			1,589.73	10,958.52		10,124.40	
Federal Commodities							
(Increase) Decrease in Accounts Receivable							
(Increase) Decrease in Inventories			340.91	40,778.00		3,876.83	
Increase (Decrease) in Accounts Payable			(57.61)	712.26			
Increase (Decrease) in Deferred Revenue							
Increase (Decrease) in Interfunds Payable						60.00	
Increase (Decrease) in Accrued Salaries							
Total Adjustments	360.00	-	1,873.03	(11,267.00)	-	14,061.23	
Net Cash Provided by (Used for) Operating Activities	\$ 45,125.80	\$ -	\$ 2,798.63	\$ 31,092.43	\$ -	\$ (181,397.08)	\$ 44,049.76
							\$ (58,330.46)

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Internal Service Funds
Combining Statement of Net Assets
June 30, 2011

	Internal Service Funds	
	Extra Services	Totals
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ -
Receivables from Other Governments	1,100.00	1,100.00
Total Current Assets	<u>1,100.00</u>	<u>1,100.00</u>
Noncurrent Assets:		
Furniture, Machinery & Equipment	-	-
Less: Accumulated Depreciation	-	-
Total Noncurrent Assets	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,100.00</u>	<u>\$ 1,100.00</u>
LIABILITIES		
Current Liabilities:		
Interfunds Payable	\$ 1,100.00	\$ 1,100.00
Deferred Revenue	-	-
Total Current Liabilities	<u>1,100.00</u>	<u>1,100.00</u>
NET ASSETS		
Invested in Capital Assets Net of Related Debt	-	-
Unrestricted	-	-
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2011

	Internal Service Funds	
	Extra Services	Totals Internal Service
Operating Revenues:		
Charges for Services Provided to Students:		
Extra Services Above Contracts	\$ 63,500.00	\$ 63,500.00
Total Operating Revenue	<u>63,500.00</u>	<u>63,500.00</u>
Operating Expenses:		
Salaries	63,500.00	63,500.00
Benefits	-	-
Total Operating Expenses	<u>63,500.00</u>	<u>63,500.00</u>
Operating Income (Loss)	-	-
Nonoperating Revenues (Expenses):		
None	-	-
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>
Income (Loss) before Contributions & Transfers	-	-
Transfers In (Out)	<u>42,282.73</u>	<u>42,282.73</u>
Changes in Net Assets	42,282.73	42,282.73
Total Net Assets - Beginning	<u>(42,282.73)</u>	<u>(42,282.73)</u>
Total Net Assets - Ending	<u>\$ -</u>	<u>\$ -</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2011

	Internal Service Funds	
	Extra Services	Totals Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from School Districts - Extra Services	\$ 97,930.00	\$ 97,930.00
Payments to Employees	(63,500.00)	(63,500.00)
Payments for Employee Benefits	-	-
Payments for Supplies and Services	-	-
Net Cash Provided by (Used for) Operating Activities	<u>34,430.00</u>	<u>34,430.00</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers from Other Funds	(34,430.00)	(34,430.00)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(34,430.00)</u>	<u>(34,430.00)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
None	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES		
None	-	-
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Balance - Beginning of Year	-	-
Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ -	\$ -
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by (Used for) Operating Activities:		
(Increase) Decrease in Accounts Receivable	34,430.00	34,430.00
Increase (Decrease) in Deferred Revenue	-	-
Total Adjustments	<u>34,430.00</u>	<u>34,430.00</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 34,430.00</u>	<u>\$ 34,430.00</u>

FIDUCIARY FUNDS DETAIL STATEMENTS

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

Unemployment Fund - This trust fund is an expendable trust fund and limits expenses set aside for this purpose in current and prior budgets and contributions from employee withholding in prior years.

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

Student Activity Fund - This agency fund is used to account for student funds held at the schools.

Payroll Fund - This agency fund is used to account for the payroll transactions of the school district.

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
June 30, 2011

	Unemployment Compensation Trust	Private Purpose Trust	Agency Funds	Totals
ASSETS				
Cash and Cash Equivalents	\$ 103,454.57	\$ -	\$ 121,218.97	\$ 224,673.54
Interfunds Receivable			-	-
Total Assets	<u>103,454.57</u>	<u>-</u>	<u>121,218.97</u>	<u>224,673.54</u>
LIABILITIES				
Accounts Payable	5,246.50		-	5,246.50
Payable to Student Groups			28,291.01	28,291.01
Payroll Deductions & Withholdings			92,927.96	92,927.96
Total Liabilities	<u>5,246.50</u>	<u>-</u>	<u>121,218.97</u>	<u>126,465.47</u>
NET ASSETS				
Held in Trust for Unemployment Claims and Other Purposes	\$ <u>98,208.07</u>			<u>98,208.07</u>
Total Net Assets				<u>98,208.07</u>
Total Liabilities and Net Assets			\$	<u><u>224,673.54</u></u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

	Unemployment Compensation Trust	Private Purpose Trust	Totals
ADDITIONS			
Contributions:			
Enterprise Funds	\$ 18,813.40	\$	\$ 18,813.40
Employee Deductions	39,973.83		39,973.83
Total Contributions	<u>58,787.23</u>	<u>-</u>	<u>58,787.23</u>
Investments Earnings:			
Interest	1,113.08		1,113.08
Net Investment Earnings	<u>1,113.08</u>	<u>-</u>	<u>1,113.08</u>
Total Additions	<u>59,900.31</u>	<u>-</u>	<u>59,900.31</u>
Deductions			
Unemployment Claims	56,917.40		56,917.40
Total Deductions	<u>56,917.40</u>	<u>-</u>	<u>56,917.40</u>
Change in Net Assets	2,982.91	-	2,982.91
Net Assets - Beginning of the Year	<u>95,225.16</u>	<u>-</u>	<u>95,225.16</u>
Net Assets - End of the Year	<u>\$ 98,208.07</u>	<u>\$ -</u>	<u>\$ 98,208.07</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Student Activity Agency Fund
Schedule of Receipts and Disbursements
As of June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Ocean Academy Elementary School	\$ 5,356.34	\$ 16,685.55	\$ 9,123.79	\$ 12,918.10
Alternative High School	16,872.88	62,167.71	63,667.68	15,372.91
Total Assets	<u>\$ 22,229.22</u>	<u>\$ 78,853.26</u>	<u>\$ 72,791.47</u>	<u>\$ 28,291.01</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Payroll Agency Fund
Schedule of Receipts and Disbursements
As of June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 97,797.94	\$ 12,170,718.38	\$ 12,175,588.36	\$ 92,927.96
Accounts Receivable	322.65		322.65	-
Total Assets	\$ <u>98,120.59</u>	\$ <u>12,170,718.38</u>	\$ <u>12,175,911.01</u>	\$ <u>92,927.96</u>
LIABILITIES:				
Payroll Deductions & Withholding	\$ 98,120.59	\$ 5,040,546.99	\$ 5,045,739.62	\$ 92,927.96
Net Payroll Payable	-	7,128,730.49	7,128,730.49	-
Accounts Payable	-	1,440.90	1,440.90	-
Total Assets	\$ <u>98,120.59</u>	\$ <u>12,170,718.38</u>	\$ <u>12,175,911.01</u>	\$ <u>92,927.96</u>

Statistical Section

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 Net Assets by Component,
 Last Nine Fiscal Years
 (accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$ 481,230.26	\$ 447,012.53	\$ 488,069.86	\$ 484,320.49	\$ 452,561.98	\$ 407,942.14	\$ 402,687.63	\$ 354,181.10	\$ 841,833.38
Restricted	18,888.15	19,319.65	29,490.38	28,606.96	1,00	210,025.42	572,405.17	822,019.26	984,263.47
Unrestricted	1,936,330.89	1,367,197.89	1,148,429.54	1,145,221.31	1,341,435.51	1,547,688.73	1,737,070.05	1,378,244.73	181,489.15
Total governmental activities net assets	\$ 2,436,449.30	\$ 1,833,530.07	\$ 1,665,989.78	\$ 1,658,148.76	\$ 1,793,998.49	\$ 2,165,656.29	\$ 2,712,162.85	\$ 2,554,445.09	\$ 2,007,586.00
Business-type activities									
Invested in capital assets, net of related debt	\$ 233,309.94	\$ 222,548.94	\$ 213,163.90	\$ 250,865.70	\$ 227,483.52	\$ 201,881.46	\$ 340,588.56	\$ 284,071.37	\$ 246,661.03
Restricted	242,886.54	604,293.31	588,396.03	736,328.70	1,289,860.31	1,657,643.74	1,832,644.62	1,868,156.85	2,119,964.34
Unrestricted	476,196.48	826,842.25	801,559.93	987,194.40	1,517,343.83	1,859,525.20	2,173,233.18	2,152,228.22	2,366,825.37
Total business-type activities net assets	\$ 714,540.20	\$ 669,561.47	\$ 701,233.76	\$ 735,186.19	\$ 680,045.50	\$ 608,823.60	\$ 743,276.19	\$ 638,252.47	\$ 1,088,494.41
District-wide									
Invested in capital assets, net of related debt	\$ 18,888.15	\$ 19,319.65	\$ 29,490.38	\$ 28,606.96	\$ 1,00	\$ 210,025.42	\$ 572,405.17	\$ 822,019.26	\$ 984,263.47
Restricted	2,179,217.43	1,971,491.20	1,736,825.57	1,881,550.01	2,631,295.82	3,205,332.47	3,569,714.67	3,246,401.58	2,301,453.49
Unrestricted	2,912,645.78	2,660,372.32	2,467,549.71	2,645,343.16	3,311,342.32	4,025,181.49	4,885,396.03	4,706,673.31	4,374,211.37
Total district net assets	\$ 5,110,751.36	\$ 4,651,263.17	\$ 4,203,869.66	\$ 4,570,330.23	\$ 4,642,683.64	\$ 7,230,539.58	\$ 8,997,526.97	\$ 8,775,294.15	\$ 7,659,926.34

Source: CAFR Schedule A-1

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES

Changes in Net Assets,
Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
Instruction:									
Special education	\$ 5,135,196.49	\$ 4,678,141.95	\$ 4,570,762.20	\$ 5,114,988.59	\$ 5,531,113.69	\$ 5,245,151.20	\$ 5,451,382.04	\$ 5,587,320.68	\$ 5,568,860.28
Other instruction	1,284,592.69	1,429,626.86	1,496,836.07	1,535,465.33	1,438,943.19	1,362,444.53	1,506,453.51	1,558,452.45	1,514,644.27
Support Services:									
Student & instruction related services	2,467,089.94	2,537,836.92	2,470,873.19	2,705,757.68	2,859,680.68	2,581,416.67	2,438,083.79	2,430,010.90	2,427,200.74
General administrative/business services	934,010.21	952,071.69	1,106,993.42	1,186,951.91	1,255,303.21	1,072,912.30	980,213.99	971,306.08	902,168.18
School administrative services	659,526.23	716,751.46	658,331.61	615,360.33	601,160.53	527,488.38	577,280.59	582,679.72	636,079.85
Plant operations and maintenance	1,535,378.38	1,613,267.43	1,651,232.58	1,762,258.09	2,146,183.75	2,034,444.14	2,107,781.48	1,971,778.50	2,003,859.79
Unallocated depreciation	29,485.65	92,093.25	68,372.96	53,799.59	46,013.51	44,619.84	45,297.72	25,272.27	24,224.35
Total governmental activities expenses	12,045,278.59	12,019,789.56	12,022,992.03	12,974,581.52	13,878,398.56	12,888,477.06	13,106,493.12	13,126,820.60	13,077,037.46
Business-type activities:									
Food service	482,350.62	476,057.47	469,681.63	479,236.82	382,799.49	341,676.26	327,449.31	306,598.94	291,397.56
Shared services	2,985,884.72								
Itinerant services		1,509,188.07	1,679,968.97	1,785,138.78	1,901,467.56	1,854,292.04	1,905,205.38	2,007,068.39	2,093,383.62
Transportation services		1,491,354.11	1,851,914.82	1,823,401.41	1,837,698.19	1,920,392.86	1,914,067.03	2,036,106.60	1,838,664.94
Other	1,241,837.99	1,936,316.84	2,090,988.96	2,136,538.71	1,810,644.86	1,653,918.28	1,749,487.13	1,754,659.86	1,472,782.05
Total business-type activities expenses	4,720,073.33	5,412,916.49	6,092,554.38	6,224,315.72	5,932,610.10	5,770,279.44	6,104,433.79	6,104,433.79	5,694,228.17
Total district expenses	\$ 16,765,352.92	\$ 17,432,706.05	\$ 18,115,546.41	\$ 19,198,897.24	\$ 19,811,008.66	\$ 18,658,756.50	\$ 19,001,701.97	\$ 19,231,254.39	\$ 18,771,266.63

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES

Changes in Net Assets,
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues									
Governmental activities:									
Operating grants and contributions									
Charges for services:									
Total governmental activities program revenues	\$ 1,070,970.42	\$ 865,381.07	\$ 687,029.99	\$ 966,500.42	\$ 1,520,974.49	\$ 1,667,728.45	\$ 1,251,044.52	\$ 1,069,558.74	\$ 63,500.00
	<u>1,070,970.42</u>	<u>865,381.07</u>	<u>687,029.99</u>	<u>966,500.42</u>	<u>1,657,494.49</u>	<u>99,000.00</u>	<u>1,251,044.52</u>	<u>32,720.77</u>	<u>1,163,437.46</u>
Business-type activities:									
Charges for services:									
Food service	146,949.55	151,600.80	123,222.12	103,233.23	40,155.36	55,173.57	72,333.45	73,638.86	67,430.53
Shared services	2,931,632.38	1,659,588.33	1,764,955.92	1,960,160.00	2,190,589.88	1,994,579.88	1,994,122.21	2,128,661.44	2,131,822.42
Itinerant services	-	1,558,824.30	1,924,511.78	1,898,414.84	1,621,077.10	1,928,987.72	1,941,291.69	2,099,336.15	1,924,027.21
Transportation services	1,162,775.97	2,037,158.25	2,186,468.61	2,086,525.89	2,112,135.34	1,894,641.16	1,936,126.58	1,475,807.29	1,356,975.55
Other	114,622.40	97,869.50	121,517.70	98,134.60	94,784.09	104,168.25	104,189.22	324,758.26	318,303.31
Operating grants and contributions									
Capital grants and contributions	4,355,980.30	5,505,041.18	6,120,676.13	6,106,468.56	6,258,741.77	5,967,550.58	6,048,063.15	6,102,202.00	5,796,559.02
Total business-type activities program revenue	<u>5,426,950.72</u>	<u>6,370,422.25</u>	<u>6,807,706.12</u>	<u>7,072,968.98</u>	<u>7,916,236.26</u>	<u>7,734,279.03</u>	<u>7,299,107.67</u>	<u>7,204,481.51</u>	<u>7,025,496.48</u>
Total district program revenue									
	<u>\$ (10,974,309.17)</u>	<u>\$ (11,154,408.49)</u>	<u>\$ (11,335,962.04)</u>	<u>\$ (12,008,081.10)</u>	<u>\$ (12,220,904.07)</u>	<u>\$ (11,121,748.61)</u>	<u>\$ (11,855,448.60)</u>	<u>\$ (12,024,541.09)</u>	<u>\$ (11,850,100.00)</u>
Net (Expense)/Revenue									
Governmental activities	<u>(364,093.03)</u>	<u>92,124.69</u>	<u>28,121.75</u>	<u>(117,847.19)</u>	<u>326,131.67</u>	<u>197,271.14</u>	<u>152,854.30</u>	<u>(2,231.79)</u>	<u>104,330.85</u>
Business-type activities	<u>\$ (11,338,402.20)</u>	<u>\$ (11,062,283.80)</u>	<u>\$ (11,307,840.29)</u>	<u>\$ (12,125,928.26)</u>	<u>\$ (11,894,772.40)</u>	<u>\$ (10,924,477.47)</u>	<u>\$ (11,702,594.30)</u>	<u>\$ (12,026,772.88)</u>	<u>\$ (11,745,769.15)</u>
Total district-wide net expense									

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Changes in Net Assets,
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets									
Governmental activities:									
County appropriation levied for general purposes	\$ 3,077,531.00	\$ 3,172,751.00	\$ 3,267,934.00	\$ 3,431,331.00	\$ 3,499,957.00	\$ 3,674,956.00	\$ 3,821,954.00	\$ 3,974,832.00	\$ 3,974,832.00
Unrestricted grants and contributions			15,000.00					86,972.47	
Tuition received	7,316,335.60	7,111,915.50	7,226,037.93	8,158,628.67	8,322,722.84	7,346,479.55	8,145,267.63	7,443,173.00	6,788,024.48
Investment earnings	33,386.23	10,605.82	19,872.39	43,390.87	97,664.70	102,570.12	47,364.03	53,378.95	45,320.74
Miscellaneous income	492,596.89	514,297.15	538,098.98	665,463.60	621,954.20	512,245.03	417,389.80	399,855.47	422,218.66
Capital contributions (Uses)	(298,767.59)	(258,080.21)	54,390.00	(298,574.00)	(200,000.00)	(142,844.29)	(100,000.00)	44,532.00	184,190.30
Loss on Disposal of Capital Assets					(200,000.00)		(100,000.00)		(107,700.89)
Total governmental activities	10,621,082.13	10,551,489.26	11,121,333.30	12,000,240.14	12,356,753.74	11,493,406.41	12,376,507.46	11,865,823.33	11,303,240.91
Business-type activities:									
Investment earnings	809.48	440.87	985.93	4,907.63	4,017.76	2,065.94	813.01	749.87	2,365.41
Transfers	298,010.68	258,080.21	(54,390.00)	298,574.00	200,000.00	142,844.29	100,000.00	(19,523.04)	107,700.89
Loss on Disposal of Capital Assets									
Total business-type activities	298,820.16	258,521.08	(53,404.07)	303,481.63	204,017.76	144,910.23	100,813.01	(18,773.17)	110,066.30
Total district-wide	\$ 10,919,902.29	\$ 10,810,010.34	\$ 11,067,929.23	\$ 12,303,721.77	\$ 12,560,771.50	\$ 11,638,316.64	\$ 12,477,320.47	\$ 11,848,050.16	\$ 11,413,307.21
Changes in Net Assets									
Governmental activities	\$ (353,227.04)	\$ (602,919.23)	\$ (214,628.74)	\$ (7,840.96)	\$ 135,849.67	\$ 371,657.80	\$ 521,058.86	\$ (157,717.76)	\$ (546,859.09)
Business-type activities	(65,272.87)	350,645.77	(25,282.32)	165,634.47	530,149.43	342,181.37	253,667.31	(21,004.96)	214,397.15
Total district	\$ (418,499.91)	\$ (252,273.46)	\$ (239,911.06)	\$ 177,793.51	\$ 665,999.10	\$ 713,839.17	\$ 774,726.17	\$ (178,722.72)	\$ (332,461.94)

Source: CAFR Schedule A-2

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Fund Balances, Governmental Funds,
Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,441.85
Committed									16,449.04
Assigned									499,425.00
Unassigned	18,888.15	19,319.65	29,490.38	28,606.96	1.00	210,025.42	572,405.17	822,019.26	-
Reserved	2,356,613.79	1,779,646.71	1,566,044.71	1,602,340.49	1,778,630.06	2,000,334.98	2,220,219.35	1,938,228.46	-
Unreserved									
Total general fund	\$ 2,375,501.94	\$ 1,798,966.36	\$ 1,595,535.09	\$ 1,630,947.45	\$ 1,778,631.06	\$ 2,210,360.40	\$ 2,792,624.52	\$ 2,760,247.72	\$ 1,636,122.04
All Other Governmental Funds									
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed									
Assigned to									405,947.58
Capital projects fund									
Unassigned									
Reserved									
Unreserved, reported in:									
Capital projects fund			427,482.41	340,482.36	153,823.61	153,823.61	146,179.61	-	-
Total all other governmental funds	\$ -	\$ -	\$ 427,482.41	\$ 340,482.36	\$ 153,823.61	\$ 153,823.61	\$ 146,179.61	\$ -	\$ -

Source: CAFR Schedule B-1

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
County appropriation	\$ 3,032,050	\$ 3,077,531	\$ 3,172,751	\$ 3,267,934	\$ 3,431,331	\$ 3,499,957	\$ 3,674,956	\$ 3,821,954	\$ 3,974,832	\$ 3,974,832
Tuition charges	8,020,481	7,316,336	7,111,916	7,226,038	8,198,629	8,322,723	7,346,480	8,145,268	7,443,173	7,156,231
Nonresident fees	506,092	451,533	494,620	510,360	599,477	555,107	481,433	402,442	350,132	346,211
Miscellaneous	95,251	125,965	46,775	79,085	244,385	260,858	183,408	162,480	159,257	208,291
County - capital	949,028	926,288	815,573	1,665,745	782,208	1,280,371	1,477,167	934,681	922,944	1,081,213
State sources	139,852	93,167	33,317	6,396	49,285	158,713	140,535	253,073	177,433	177,452
Federal sources	12,742,754	11,990,820	11,674,952	14,750,368	13,265,315	14,077,729	13,303,979	13,719,908	13,027,771	12,946,230
Total revenue										
	\$ 3,822,269	\$ 4,018,656	\$ 3,486,639	\$ 3,401,996	\$ 3,747,825	\$ 3,823,628	\$ 3,597,684	\$ 3,995,260	\$ 3,995,627	\$ 3,882,341
Expenditures										
Instruction:										
Special education instruction	970,611	978,478	1,038,958	1,107,853	1,114,555	980,217	936,659	1,077,229	1,107,663	1,054,102
Other instruction	1,970,815	1,929,300	1,880,354	1,893,198	1,978,104	1,966,045	1,794,250	1,759,938	1,750,770	1,713,016
Support Services:										
Student & instruction related services	773,394	742,494	741,710	845,504	919,040	910,865	741,202	743,449	735,577	685,980
General & business administrative services	511,353	493,379	523,136	491,950	440,552	409,665	382,665	420,348	416,318	436,630
School administrative services	1,532,791	1,470,109	1,537,176	1,608,534	1,639,208	1,954,242	1,825,513	1,916,895	1,774,926	1,809,157
Plant operations and maintenance	2,072,300	2,351,569	2,785,435	2,660,345	3,069,424	3,797,046	3,502,303	3,087,637	3,233,813	3,430,029
Pupil transportation	92,552	11,669	-	2,571,327	109,621	200,914	-	44,532	45,454	503,171
Unallocated employee benefits	11,746,085	11,995,654	11,993,408	14,580,707	13,018,329	14,042,622	12,780,306	13,045,288	13,060,148	13,514,426
Special schools	996,669	(4,834)	(318,456)	169,661	246,986	35,107	523,673	674,620	(32,377)	(568,196)
Capital outlay	(220,922)	(298,768)	(258,080)	334,000	(298,574)	125,918	50,900	(100,000)	-	648,000
Total Expenditures	(220,922)	(298,768)	(258,080)	(279,610)	(298,574)	(200,000)	(142,844)	(100,000)	(146,180)	(797,984)
Excess (Deficiency) of revenues over (under) expenditures	\$ 775,747	\$ (303,602)	\$ (576,536)	\$ 224,051	\$ (51,588)	\$ (38,975)	\$ 431,729	\$ 574,620	\$ (178,557)	\$ (718,180)
Other Financing Sources (Uses)										
Transfers in										
Transfers out										
Capital Authorization Canceled										
Capital leases										
Total other financing sources (uses)										
Net change in fund balances										

Source: CAFR Schedule B-2

Exhibit J-5

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 General Fund Other Local Revenue by Source,
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Non-Resident Fees	E- Rate	Miscellaneous	Totals
2002	\$ 44,892.63	\$ 8,020,480.92	\$ 506,091.78	\$ -	\$ 40,532.87	\$ 8,611,998.20
2003	33,386.23	7,316,335.60	451,533.15		41,063.68	7,842,318.66
2004	10,331.10	7,111,915.50	494,619.68		19,952.29	7,636,818.57
2005	19,872.39	7,226,037.93	510,360.00		27,738.98	7,784,009.30
2006	43,390.87	8,158,628.67	599,476.54		200,994.11	9,002,490.19
2007	97,864.70	8,322,722.84	555,106.65	27,821.39	39,026.21	9,042,541.79
2008	102,570.12	7,346,479.55	481,433.00	29,096.86	1,714.87	7,961,294.40
2009	47,364.03	8,145,267.63	402,441.92	36,661.27	4,521.58	8,636,256.43
2010	53,378.95	7,443,173.00	350,132.46	36,282.13	13,440.88	7,896,407.42
2011	45,320.74	7,156,231.48	348,211.07	45,838.98	28,168.61	7,623,770.88

Source: District Records

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Demographic and Economic Statistics,
Last Ten Fiscal Years

Exhibit J-14

Fiscal Year Ended June 30,	(a) Population	(b) Personal Income (thousands of dollars)	© Per Capita Personal Income	(d) Unemployment Rate
2002	101,421	\$ 3,656,531,313	\$ 36,053	9.6%
2003	101,335	3,697,916,820	36,492	9.9%
2004	99,920	3,870,900,800	38,740	6.8%
2005	98,558	3,973,464,328	40,316	6.4%
2006	97,814	4,139,684,108	42,322	6.8%
2007	96,700	4,310,402,500	44,575	6.5%
2008	96,470	4,444,083,490	46,067	8.0%
2009	96,091	4,451,799,939	46,329	11.4%
2010	Not Available	Not Available	Not Available	13.3%
2011	Not Available	Not Available	Not Available	Not Available

Source:

- (a) U.S. Bureau of Census - Population Division - Cape May County
- (b) Personal income has been estimated based upon the municipal population and per capital personal income presented
- (c) Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce Development

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 Full-Time Equivalent District Employees by Function/Program,
 Last Ten Fiscal Years

Exhibit J-16

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction:										
Regular instruction										
Special education instruction	107	105	116	97	109	93	95	95	97	90
Other special education instruction										
Vocational education										
Other instruction										
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Tuition										
Student & instruction related services	41	37	42	34	30	23	23	28	28	27
General administrative services	4	6	7	4	4	4	3	4	3	3
School administrative services	8	10	10	9	8	8	7	7	7	7
Business administrative services	9	5	5	5	5	5	4	4	4	4
Plant operations and maintenance	11	11	11	12	12	12	11	12	12	12
Pupil transportation										
Special schools										
Food Service										
Child Care										
Total	180	174	191	160	167	145	143	150	151	143

Source: District Personnel Records

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Operating Statistics,
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Cost per Pupil	% Change	Teaching Staff	Pupil/Teacher Ratio Overall District	Average Daily Enrollment (ADE)	Average Daily Attendance (ADE)	% Change in Average Daily Enrollment	Student Attendance Percentage
2002	358	11,874,455	33,169	7.12%	109	3.0:1	329	287	-4.55%	87.33%
2003	333	12,282,753	36,885	11.20%	108	2.9:1	309	270	-6.05%	87.32%
2004	344	12,251,488	35,615	-3.44%	108	2.8:1	300	260	-2.85%	86.65%
2005	344	12,288,990	35,724	0.31%	97	3.2:1	306	267	1.73%	87.27%
2006	348	13,207,282	37,952	6.24%	109	2.7:1	296	265	-3.11%	89.53%
2007	348	14,041,708	40,350	6.32%	93	3.2:1	290	260	-2.06%	89.66%
2008	339	12,923,150	38,121	-5.52%	95	3.5:1	330	298	13.79%	90.30%
2009	330	13,100,756	39,699	4.14%	95	3.5:1	317	277	-3.94%	87.38%
2010	322	13,014,694	40,418	1.81%	97	3.3:1	315	278	-0.63%	88.25%
2011	277	12,861,271	46,431	14.88%	90	3.3:6	285	250	-9.68%	87.70%

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 School Building Information,
 Last Ten Fiscal Years

Exhibit J-18

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
District Buildings										
Elementary, Middle, High School										
CMC Special Services										
Square Feet	166,208	166,208	166,208	166,208	166,208	166,208	166,208	166,208	166,208	166,208
Capacity (students)	400	400	400	400	400	400	400	400	400	400
Enrollment (ASSA)	358	333	344	344	348	348	339	330	322	322

Number of Schools at June 30, 2011
 Elementary - 1
 Middle - 1
 Other - 1

Source: District Records, ASSA

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 General Fund
 Schedule of Required Maintenance for School Facilities,
 Last Ten Fiscal Years
 (Unaudited)

Undistributed Expenditures - Required Maintenance for School Facilities

School Facilities	Project # (s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Special Services - One Building		\$ 334,420	\$ 353,880	\$ 319,277	\$ 302,421	\$ 344,190	\$ 526,050	\$ 446,422	\$ 450,160	\$ 345,379	\$ 351,530
Total School Facilities		334,420	353,880	319,277	302,421	344,190	526,050	446,422	450,160	345,379	351,530
Other Facilities											
Grand Total		\$ 334,420	\$ 353,880	\$ 319,277	\$ 302,421	\$ 344,190	\$ 526,050	\$ 446,422	\$ 450,160	\$ 345,379	\$ 351,530

Source: District Records

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 Insurance Schedule
 For the Fiscal Year Ended June 30, 2011
 (Unaudited)

Exhibit J-20

Company and Type of Coverage	Amount of Coverage	Deductible
New Jersey School Boards Association Insurance Group		
Package Policy		
I Property		
Blanket Real & Personal Property - per occurrence	\$ 300,000,000	\$ 1,000
Blanket Extra Expense	50,000,000	1,000
Blanket Valuable Papers & Records	10,000,000	1,000
Demolition and Increased Cost of Construction	10,000,000	
Contingent Liability		
Flood - per occurrence/NJSBAIG annual aggregate - Zone A & V	10,000,000	500,000
Flood - per occurrence/NJSBAIG annual aggregate - All Other Zones	50,000,000	10,000
Earthquake - per occurrence/NJSBAIG annual aggregate	50,000,000	
Increased Cost of Construction/Demolition		
Terrorism - per occurrence/NJSAIG annual aggregate	1,000,000	
II Electronic Data Processing		
Blanket Hardware/Software	556,000	1,000
Blanket Extra Expense	Included	
Coverage Extensions:		
Transit	25,000	
Loss of Income	10,000	
III Equipment Breakdown		
Combined Single Limit per Accident for Property Damage & Expense	100,000,000	
Property Damage	Included	
Off Premises Property Damage	100,000	
Business Income	Included	
Extra Expense	10,000,000	
Service Interruption	10,000,000	
Perishable Goods	500,000	
Data Restoration	100,000	
Contingent Business Income	100,000	
Demolition	1,000,000	
Ordinance or Law	1,000,000	
Expediting Expenses	500,000	
Hazardous Substances	500,000	
Newly Acquired Locations	250,000	
IV Crime		
Public Employee Dishonesty with Faithful Performance	250,000	1,000
Theft, Disappearance and Destruction - Loss of Money and Securities on or off Premises	100,000	500
Forgery or Alteration	250,000	1,000
Public Officials Bond - Board Secretary/Business Administrator	2,000	500
Public Officials Bond - Board Treasurer	200,000	1,000

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Insurance Schedule
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Exhibit J-20

Company and Type of Coverage	Amount of Coverage	Deductible
V Comprehensive General Liability		
Bodily Injury & Property Damage - Combined Single Limit Premises & Operations	\$ 16,000,000	\$
Bodily Injury from Products & Operations - Annual Aggregate	16,000,000	
Child Molestation/Sexual Abuse - Annual Aggregate	17,000,000	
Personal Injury & Advertising Injury - Per Occurrence/Annual Aggregate	16,000,000	
Employee Benefit Liability - Per Claim/Annual Aggregate	16,000,000	
Premises Medical Payments - Per Accident	10,000	100
Terrorism - per occurrence	1,000,000	
VI Automobile		
Liability		
Combined Single Limits for Bodily Injury & Property Damage	16,000,000	
Uninsured/Under insured Mootrists	1,000,000	
Personal Injury Protection	250,000	
Medical Payments	10,000	
Terrorism	1,000,000	
Workers Compensation		
Bodily Injury by Accident - Per Accident	2,000,000	
Bodily Injury by Disease - Per Employee	2,000,000	
Bodily Injury by Disease - Agreement Limit	2,000,000	
Umbrella Liability		
Each Occurrence	10,000,000	
Aggregate	10,000,000	
Self Insured Retention	10,000	
Volunteer Workers		
Maximum Amount	500,000	
Errors & Omissions		
Coverage A		
Limit of Liability - Each Policy Period	16,000,000	5,000
Coverage B		
Limit of Liability - Each Claim	100,000	5,000
Each Policy Period	300,000	

Source: District records.

Single Audit Section



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable President and
Members of the Board of Education
Cape May County Special Services School
Cape May Court House, NJ 08210

We have audited the basic financial statements of the Board of Education of Cape May County Schools for Special Services, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated September 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements presented by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cape May County Schools for Special Services Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cape May County Schools for Special Services Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cape May County Schools for Special Services Board of Education's internal control over financial reporting.

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 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, detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cape May County Schools for Special Services Board of Education's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey. We noted certain other matters that we have reported to the Board of Education of the Cape May County Schools for Special Services in the separate *Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance* dated September 13, 2011.

This report is intended for the information of the management of the Cape May County Schools for Special Services Board of Education, the New Jersey State Department of Education (the cognizant audit agency), other state and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these parties.

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



Glen J. Ortman
Certified Public Accountant
Licensed Public School Accountant
No. 853

September 13, 2011



FORD - SCOTT

& ASSOCIATES, L.L.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Honorable President and
Members of the Board of Education
Cape May County Special Services School
Cape May Court House, NJ 08210

Compliance

We have audited the Board of Education of the Cape May County Schools for Special Services, State of New Jersey, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011. The Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Board of Education's management. Our responsibility is to express an opinion on the Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB 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*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board of Education's compliance with those requirements.

In our opinion, the Board of Education of the Cape May County Schools for Special Services complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Cape May County Schools for Special Services Board of Education School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Cape May County Schools for Special Services Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cape May County Schools for Special Services Board of Education's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state programs will not be prevented, detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the management of the Cape May County Schools for Special Services Board of Education, the New Jersey State Department of Education (cognizant audit agency), other state and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these parties.

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



Glen J. Ortman
Certified Public Accountant
Licensed Public School Accountant
No. 853

September 13, 2011

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2010	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education													
General Fund:													
Medical Assistance Program	93.778	82,972.04	7/1/2010 - 6/30/2011	\$	\$	\$	\$	82,972.04	(82,972.04)				\$
Total General Fund								82,972.04	(82,972.04)				\$
U.S. Department of Labor (Passed through Atlantic-Workforce Investment Board)													
Special Revenue Fund:													
In School Youth Grant-CMC High School	17.250	K08.207	7/1/2008 - 6/30/2010	132,586.00	(4,880.95)	0.12		4,880.83					
In School Youth Grant-CMC High School	17.250	K08.207	7/1/2008 - 6/30/2010	104,475.00	(17,844.56)	201.36		17,643.20					
In School Youth Grant-CMC High School	17.250	K08.207	7/1/2010 - 6/30/2011	99,965.00				94,689.65	(94,480.24)			209.41	
Total Special Revenue Fund					(22,725.51)	201.48		117,213.68	(94,480.24)			209.41	
U.S. Department of Agriculture													
Passed-Through State													
Department of Education													
Enterprise Funds:													
Food Distribution Program	10.550		7/1/2010 - 6/30/2011	13,335.14				13,335.14	(13,335.14)				
School Breakfast Program - Severe	10.553		7/1/2009 - 6/30/2010	34,836.70	(2,997.94)			2,997.94					
School Breakfast Program - Severe	10.553		7/1/2010 - 6/30/2011	34,096.18				31,971.42	(34,096.18)		(2,124.76)		
National School Lunch Program	10.555		7/1/2009 - 6/30/2010	66,024.44	(5,669.95)			5,669.95					
National School Lunch Program	10.555		7/1/2010 - 6/30/2011	63,324.10				59,478.40	(63,324.10)		(3,845.70)		
Federal Equipment Grant	10.579		7/1/2010 - 6/30/2011	2,582.00	(8,667.89)			2,582.00	(2,582.00)		(5,970.46)		
Total Child Nutrition Program Cluster:					(8,667.89)			102,699.71	(100,002.28)		(5,970.46)		
Total Enterprise Funds					(8,667.89)			116,034.85	(113,337.42)		(5,970.46)		
Total Federal Financial Awards					(31,393.40)	201.48		316,220.57	(290,789.70)		(5,970.46)	209.41	\$

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2011

Schedule B

Exhibit K-4

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2011			MEMO	
				Deferred Revenue/ (Accts Receivable)	Due to Grantor					(Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable #	Cumulative Total Expenditures
State Department of Education														
General Fund:														
Reimbursed TPAF Social Security Contributions	11-100-034-5095-002	07/01/10	06/30/11	\$ 463,475.73	\$	\$	\$ 442,713.15	\$ (463,475.73)	\$	\$ (20,762.58)	\$	\$	\$	\$ 463,475.73
On Behalf TPAF Non-Contributory Insurance	11-495-034-5095-007	07/01/10	06/30/11	19,981.00			19,981.00	(19,981.00)						19,981.00
On Behalf TPAF Post Retirement Medical	11-495-034-5095-001	07/01/10	06/30/11	424,388.00			424,388.00	(424,388.00)						424,388.00
Total General Fund							867,082.15	(907,844.73)		(20,762.58)				907,844.73
Special Revenue Fund:														
Autism In District Program Grant Carryover	07-100-034-5065-090	04/01/07	06/30/08	224,973.00		347.08			(347.08)					
State Department of Community Affairs														
Passed through County of Cape May														
Recreational Opportunities for Individuals with Disabilities	ROID	01/01/11	12/31/11	13,800.00				(5,190.00)		(5,190.00)				5,190.00
Recreational Opportunities for Individuals with Disabilities	ROID	01/01/10	12/31/10	13,920.00	(7,110.00)		13,920.00	(6,810.00)		-				13,920.00
Total Special Revenue Fund					(7,110.00)	347.08	13,920.00	(12,000.00)	(347.08)	(5,190.00)				19,110.00
N.J. School Develop. Authority (SDA)														
Regular Oper. District Grant (ROD)	0715-075-10-1001	N/A	N/A	432,000.00				(161,368.28)		(161,368.28)				161,368.28
Total Capital Projects Fund								(161,368.28)		(161,368.28)				161,368.28
State Department of Agriculture														
Enterprise Funds:														
Food Service Fund:														
Child Nutrition Program Cluster (State): School Breakfast Program - Severe (State Share)	10-100-010-3350-021	07/01/09	06/30/10	2,720.90	(223.20)		223.20			-				
National School Lunch Program (State Share)	11-100-010-3350-023	07/01/10	06/30/11	1,582.90			1,485.06	(1,582.90)		(97.84)				1,582.90
National School Lunch Program (State Share)	10-100-010-3350-023	07/01/09	06/30/10	2,812.58	(238.50)		238.50			-				
Total Child Nutrition Program Cluster (State)					(461.70)		1,946.76	(1,582.90)		(97.84)				1,582.90
State Department of Human Services														
Division of Developmental Disabilities														
Over 21 Adult Day Health Care Program	11EA1S	07/01/10	06/30/11	203,383.00			203,382.99	(203,382.99)		-				203,382.99
Over 21 Adult Day Health Care Program	10EA1S	07/01/09	06/30/10	203,383.00	(2,571.62)					(2,571.62)				
Total Enterprise Funds					(3,033.32)		205,329.75	(204,965.89)		(2,669.46)				204,965.89
Total State Financial Assistance				\$ (10,143.32)	\$ 347.08	\$ -	\$ 1,106,331.90	\$ (1,286,178.90)	\$ (347.08)	\$ (189,990.32)	\$ -	\$ -	\$ -	\$ 1,293,288.90

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2011**

NOTE 1. GENERAL

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state award programs of the Board of Education, Cape May County Schools for Special Services. The Board of Education is defined in Note 1(A) to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary of accounting with the exception of programs recorded in the enterprise funds, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) and 1(D) to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$0 for the general fund and \$0 for the special revenue fund. See *Notes to Required Supplementary Information* for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general fund and special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>TPAF Pension</u>	<u>Total</u>
General Fund	\$ 82,972.04	\$ 907,844.73	\$ (444,369.00)	\$ 546,447.77
Special Revenue Fund	94,480.24	12,000.00		106,480.24
Capital Projects Fund	-	161,368.28		161,368.28
Food Service Fund	<u>100,002.28</u>	<u>1,582.90</u>		<u>101,585.18</u>
Total Financial Award Revenues	<u>\$ 277,454.56</u>	<u>\$ 1,082,795.91</u>	<u>\$ (444,369.00)</u>	<u>\$ 915,881.47</u>

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2011
(CONTINUED)**

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 Food Distribution Program represent current year value received and current year distributions, respectively. The amount reported as TPAF Non-Contributory Insurance and TPAF post-retirement contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2011. These amounts, \$19,981.00 and \$424,388.00 respectively are reported in the basic financial statements as both a revenue and expenditure of the District. These amounts are also reported on the schedule of state financial assistance but were not considered for major program determination. TPAF social security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011. This amount, \$463,475.73 is reported in the basic financial statements as both a revenue and expenditure of the District. This amount is reported on the schedule of state financial assistance.

NOTE 6. ADJUSTMENTS

The District has instances where a grant period overlaps fiscal years and the grant has not closed out as of the end of the current fiscal year. Both favorable and unfavorable differences incurred in the liquidation of encumbrances charged as budgetary basis expenditures in the prior year are included in the schedule(s) of financial assistance in a column entitled "Adjustments."

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified Opinion

Internal control over financial reporting:

1) Material weakness(es) identified? Yes X No

2) Significant deficiencies identified? Yes X

Non-compliance material to basic financial statements noted? Yes X No

Federal Awards Not Applicable – No Federal Single Audit is required

Internal Control over major programs:

1) Material weakness(es) identified: Yes No

2) Significant deficiencies identified? Yes

Type of auditor's report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

Dollar threshold used to distinguish between type A and type B programs:

Auditee qualified as low-risk auditee? Yes No

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2011
 (CONTINUED)**

Section I - Summary of Auditor's Results (Continued)

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

Type of auditor's report issued on compliance for major programs: Unqualified Opinion

Internal Control over major programs:

1) Material weakness(es) identified? Yes X No

2) Significant deficiencies identified Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04? Yes X No

Identification of major programs:

GMIS Number(s)

Name of State Program

495-034-5095-002

Department of Education – TPAF FICA

Section II - Findings Related to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements that is required to be reported under this section.

Section III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AND STATE AWARDS

FEDERAL AWARDS:

None

STATE AWARDS:

None

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2011

STATUS OF PRIOR YEAR FINDINGS

FEDERAL PROGRAMS

There were no prior year findings.

STATE PROGRAMS

There were no prior year findings.