

**SCHOOL DISTRICT
OF
LOWER
CAPE MAY
REGIONAL**

Lower Cape May Regional Board of Education
Cape May, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

Comprehensive Annual Financial Report

of the

**Lower Cape May Regional Board of Education
Cape May, New Jersey**

For the Fiscal Year Ended June 30, 2012

Prepared by

Lower Cape May Regional Board of Education
Finance Department

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT

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Introductory Section

JACK J. PFIZENMAYER
Superintendent

RICHARD J. HOOYMAN
President

FRANK A. ONORATO
Business Administrator/Board Secretary

GARY PLAYFORD
Vice-President

Board of Education
Lower Cape May Regional School District
687 Route 9 Cape May, New Jersey 08204
(609) 884-3475 Fax: (609) 884-7067

CITY OF CAPE MAY

TOWNSHIP OF LOWER

BOROUGH OF WEST CAPE MAY

October 23, 2012

Honorable President and
Members of the Board of Education
Lower Cape May Regional School District
Cape May County, NJ

The comprehensive annual financial report of the Lower Cape May Regional School District for the fiscal year ended June 30, 2012 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 has been prepared in accordance with Governmental Accounting Standards Board Statement 34 and 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 general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented 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 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, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

Lower Cape May Regional School District is an independent reporting entity with the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Lower Cape May Regional Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels 7 through 12. These include regular and vocational, as well as special education for handicapped youngsters. The District completed the 2011/12 fiscal year with an enrollment of 1,528 students, which is 81 students below the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2011/12	1,528	(5.03)%
2010/11	1,609	(.43)%
2009/10	1,616	(.98)%
2008/09	1632	(5.70)%
2007/08	1732	(0.08)%
2006/07	1746	(3.05)%
2005/06	1801	1.81%
2004/05	1769	(1.08)%
2003/04	1788	1.70%
2002/03	1758	(2.06)%

2. ECONOMIC CONDITION AND OUTLOOK:

Lower Township

Description of Governmental Structure:

The Township encompasses 30.5 square miles in the southern part of Cape May County. Its boundaries include the Delaware Bay to the South, the Atlantic Ocean to the East, the City of Cape May to the Southeast, and the Township of Middle to the North. The area was purchased from the original settlers, the Kechemeche Indians, in the early 1600's. Its abundant natural resources made it a center for whaling, fishing and fur trapping.

The Township was formed as a precinct in 1723 and was incorporated as a township on February 21, 1798. From its incorporation until July 1, 1984, three members formed a township committee which governed the Township. Since July 1, 1984, the governing body consists of a mayor and four council members (three elected from wards and one at-large). Since 1984, a Township Manger supervises all departments and is responsible for the preparation and administration of the annual budget.

The municipality provides, for the population of the township, various services including but not limited to, police and volunteer fire departments, rescue squad, and recreation. There is also a municipal authority for both sewer and^awater.

Population:

The population growth in the Township of Lower for the 1940 to 2010 period is as follows:

1940 Federal Census	1,705
1950 Federal Census	2,737
1960 Federal Census	6,332
1970 Federal Census	10,154
1980 Federal Census	17,037
1990 Federal Census	20,820
2000 Federal Census	22,945
2010 Federal Census	22,866

Cape May

Governmental Structure:

The City is governed by the small municipalities form of government, providing for the election of a five member City Council, a legislative body, which serves three year terms and which selects one of its members a Mayor. Council selects the Clerk, Assessor, Treasurer, City Attorney, Engineer, Auditor and Municipal Court Judge.

History and Geography:

The City, the nation’s oldest seashore resort, is located at the southern tip of New Jersey, where the Atlantic Ocean meets the Delaware Bay.

Discovered by Henry Hudson in 1609, settled by the Dutch in 1623 and colonized by the Pilgrims of Plymouth, the City has a rich history that today is a major source of local prosperity.

Named for Dutch explorer Cornelius Jacobsen Mey, the City is located in the County of Cape May on the New Jersey peninsula known as Cape May. It is a surprise to many that the City is actually located below the Mason-Dixon Line and is further south than Washington, D.C.

Following the “Great Fire of 1878” that destroyed half of the town, residents and vacationers rebuilt the city in the Victorian architectural style popular in the era. As a result, the City has the largest concentration of authentic Victorian structures in America. Today, several hundred beautifully manicured houses and public buildings retain this priceless heritage.

The entire City has been designed by the National Park Service a “National Historic Landmark”.

The City has a three-mile beachfront on the Atlantic Ocean and is bounded on the Northeast by Cape May Harbor and on the Northwest by Cape Island Creek. Together with neighboring municipality West Cape May, Cape May is separated from the mainland by the Cape May Canal, dug during World War II for national defense reasons. The Canal connects the Ocean through Cape May Harbor west to the Delaware Bay.

The City is located at the southern terminus of the Garden State Parkway, 150 miles south of New York City, 100 miles southeast of Philadelphia, and 35 miles south of Atlantic City.

The city provides fire protection and emergency services, public library, and various municipal departments including public works, civic affairs, and a sewer and water utility.

West Cape May

The West Cape May area has been experiencing a degree of development and expansion. The residential tax base should continue to increase; it does appear that the numbers of families with school aged children locating in the area will increase the average daily enrollment.

3. MAJOR INITIATIVES:

The district continues to implement the tenets of the SREB “High Schools That Work” initiative. This includes the full implementation of an Advisory program, individual student learning plans, and additional supplemental math and English courses for students in academic jeopardy in both schools. At the High School we are also expanding dual college credit, career and technical education courses, and the expansion of community based career development experiences.

Educational and support technology access and systems continue to evolve. The district now requires 20mb bandwidth for managing a variety of web based applications and programs used throughout the 7-12 curriculums. A five year virtualization project has begun that will ensure the continued expansion of educational internet resources and tools while stemming recurring costs of devices. The addition of IOS devices such as ipads coupled with building out infrastructure to allow students to use their own devices (BYOD) also has costs but significant real world learning applications.

Staff development is more critical than ever as we transition to the new common core standards, a new teacher/Principal evaluation system, new state testing via PARCC, an increasingly diverse student population, and all the associated and rapidly changing technological demands of being an educator in the 21st Century.

The District continues to strive to solicit parent and community input on all matters pertaining to the schools. This initiative will continue into the future with an emphasis on developing goals, objectives, and priorities for the next five years.

4. INTERNAL ACCOUNTING CONTROLS:

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

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

5. BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. (Project length budgets are approved for the capital improvements accounted for in the capital projects 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 at June 30, 2012.

6. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7. CASH MANAGEMENT:

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

8. RISK MANAGEMENT:

The Board of Education carried 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:

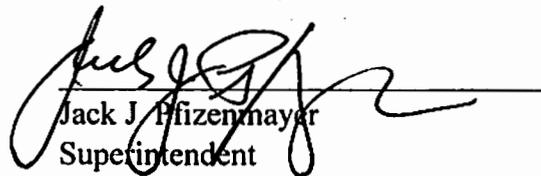
Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart was selected by the Board of Education's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-128 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules 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. ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Lower Cape May Regional School District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance of our financial operation.

The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



Jack J. Pfizenmayer
Superintendent



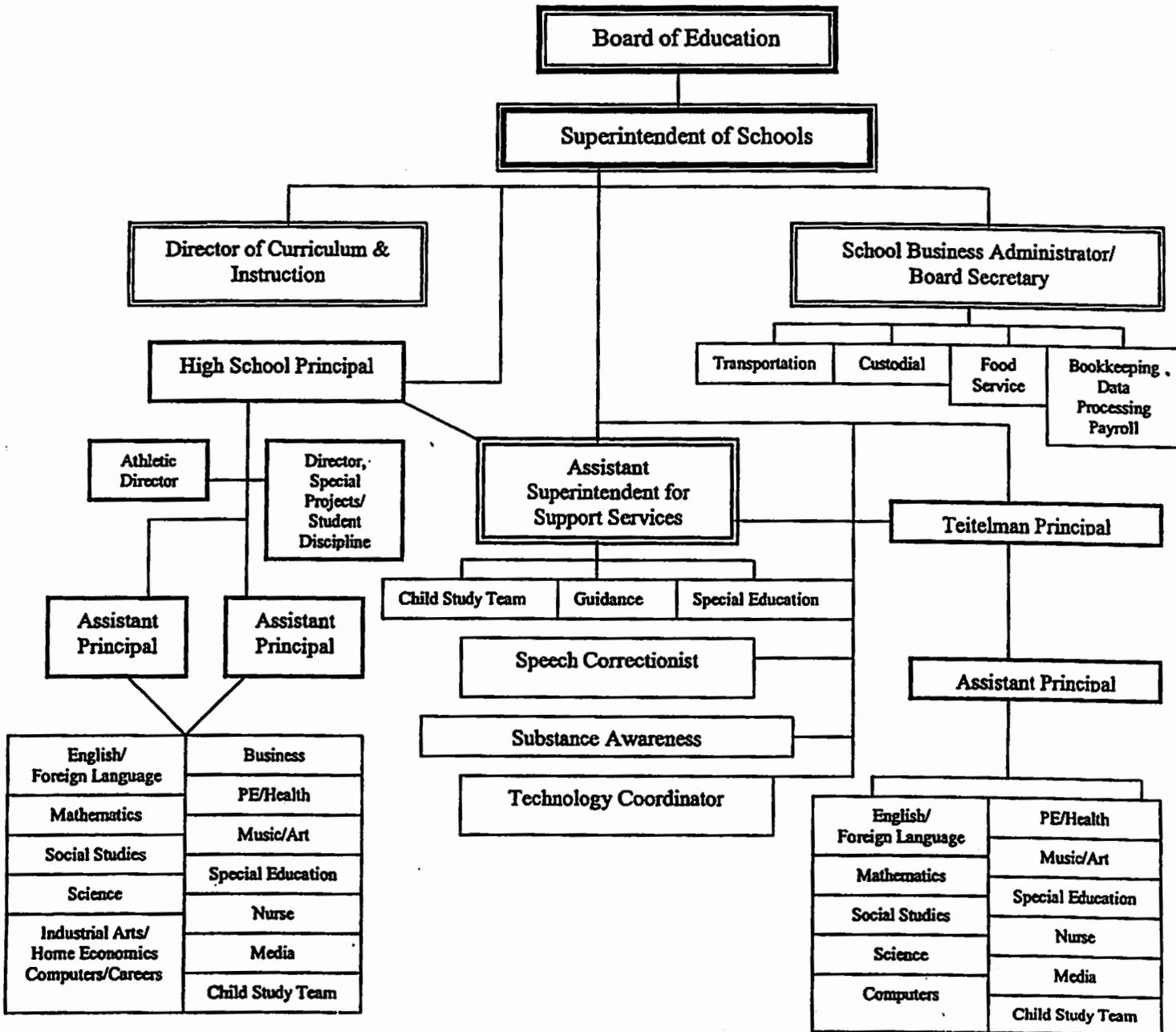
Frank A. Donato
Business Administrator/
Board Secretary

POLICY

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT

ADMINISTRATION
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Organizational Chart

1110 ORGANIZATIONAL CHART



Adopted: 21 October 2008



**LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
CAPE MAY, NEW JERSEY 08204
ROSTER OF OFFICIALS
JUNE 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Richard J. Hooyman President	2012
Gary Playford Vice President	2012
Vicki Clark	2013
Thomas Connelly, Jr.	2014
Gary Douglass	2013
Kathleen Elwell	2014
Garry Gilbert	2012 (unexpired term)
Robert Osborn	2014
Helen Wallace	2013

***Note: School Election is now in November along with the General Election.**

Other Officials

Jack J. Pfizenmayer, Superintendent

Frank A. Onorato, Business Administrator/Board Secretary

Ruth J. Foley, Treasurer

Peter Tourison, Solicitor

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT

Consultants and Advisors

Architect

Garrison Architects
406 Lippincott Drive, Suite M
Marlton, NJ 08053

Audit Firm

Inverso and Stewart
12000 Lincoln Drive West
Suite 402
Marlton, NJ 08053

Attorney

Peter Tourison
P. O. Box 766
North Cape May, NJ 08204

Fiscal Agents

The Bank of New York
385 Rifle Camp Road, 3rd floor
West Paterson, New Jersey 07424

J P Morgan Chase Bank
2001 Bryan St., 10th Floor
Dallas, TX 75201

TD Bank, National Association
Corporate Trust Services
101 Haddonfield Rd., 2nd Floor
Cherry Hill, NJ 08002-4401

Official Depository

Sturdy Savings Bank
3851 Bayshore Road
North Cape May, NJ 08204

Financial Section

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: iscpas@concentric.net

**-Member of-
American Institute of CPAs
New Jersey Society of CPAs**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
of the Board of Education
Lower Cape May Regional School District
County of Cape May
Cape May, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Cape May Regional School District School District, in the County of Cape May, State of New Jersey (School District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District'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 in compliance with 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. 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, each major fund and the aggregate remaining fund information of the Lower Cape May Regional School District School District, in the County of Cape May, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

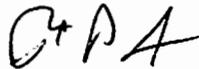
In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2012 on our consideration of the Lower Cape May Regional School District School District, in the County of Cape May, State of New Jersey's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's 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 Lower Cape May Regional School District School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the financial statements. In addition, the introductory section, combining statements and related major fund supporting statements and schedules, and statistical section listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance, 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.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
October 23, 2012

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: jscpas@concentric.net

**-Member of-
American Institute of CPAs
New Jersey Society of CPAs**

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

The Honorable President and Members
of the Board of Education
Lower Cape May Regional School District
County of Cape May
Cape May, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Cape May Regional School District (School District), in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 23, 2012. 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 in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Lower Cape May Regional School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Lower Cape May Regional School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District'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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or 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 was not designed to 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 Lower Cape May Regional School District's 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

We noted certain matters that we reported to management of the Lower Cape May Regional School District in a separate report entitled, *Auditors Management Report on Administrative Findings - Financial, Compliance and Performance* dated October 23, 2012.

This report is intended solely for the information and use of the management of the School District, the Division of Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
October 23, 2012

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Lower Cape May Regional School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012**

As management of the Board of Education of the Lower Cape May Regional School District in Cape May New Jersey, we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by \$13,020,440 (*net assets*).
- Governmental activities have an unrestricted net assets deficit of \$1,622,792. The accounting treatments in the governmental funds for compensated absences payable, and the June state aid payments, and the state statute that prohibits school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net assets of the School District increased by \$2,055,736, or a 18.75% increase from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds increased by \$1,373,863 resulting in an ending fund balance of \$2,116,458. This increase is largely due to the results of operations in the General Fund.
- Business-type activities have unrestricted net assets of \$58,563, which may be used to meet the School District's ongoing obligations of the food service operations.
- The School District's long-term obligations decreased by \$1,236,905 which is the result of the reduction of certificates of participation, serial bond debt and compensated absences.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The district-wide financial statements include the statement of net assets and the statement of activities.

The *statement of net assets* presents information about all of the School District's assets and liabilities. The difference between the assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the School District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Business-type activities include the Food Service Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Proprietary funds are used to present the same functions as the business-type activities presented in the district-wide financial statements. The School District maintains one type of proprietary fund - the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the district-wide financial statements, only in more detail.

The School District's enterprise fund is the Food Service Fund and is considered to be a major fund.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the School District's programs.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains other supplementary information and schedules required by the New Jersey Audit Program, issued by the New Jersey Department of Education.

District-wide Financial Analysis

The assets of the School District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the School District. The majority of the current assets are the results of the tax levy and state aid collection process.

Capital assets are used in the operations of the School District. These assets are land, buildings, improvements, equipment and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2012. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2012.

The assets of the primary government activities exceeded liabilities by \$12,929,041 with an unrestricted deficit balance of \$1,622,792. The net assets of the primary government do not include internal balances.

A net investment of \$12,182,168 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's 1,528 public school students. Net assets of \$21,919 have been restricted to provide resources for future capital expansion and renovation projects, \$267,368 is reserved for debt service, \$50,000 is reserved for maintenance, \$20,000 is reserved for scholarships, while \$2,010,378 has been restricted for budget appropriation.

As mentioned earlier, deficit unrestricted net assets are primarily due to the accounting treatment for compensated absences payable and the June state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

**Lower Cape May Regional School District
Comparative Summary of Net Assets
As of June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
Assets:						
Current assets	\$ 2,207,036	\$ 1,753,745	\$ 71,891	\$ 29,237	\$ 2,278,927	\$ 1,782,982
Capital assets	<u>20,062,168</u>	<u>20,655,947</u>	<u>32,836</u>	<u>38,089</u>	<u>20,095,004</u>	<u>20,694,036</u>
Total assets	<u>22,269,204</u>	<u>22,409,692</u>	<u>104,727</u>	<u>67,326</u>	<u>22,373,931</u>	<u>22,477,018</u>
Liabilities:						
Current Liabilities	1,164,402	2,234,344	13,328	15,304	1,177,730	2,249,648
Noncurrent Liabilities	<u>8,175,761</u>	<u>9,262,666</u>			<u>8,175,761</u>	<u>9,262,666</u>
Total liabilities	<u>9,340,163</u>	<u>11,497,010</u>	<u>13,328</u>	<u>15,304</u>	<u>9,353,491</u>	<u>11,512,314</u>
Net assets	<u>\$ 12,929,041</u>	<u>\$ 10,912,682</u>	<u>\$ 91,399</u>	<u>\$ 52,022</u>	<u>\$ 13,020,440</u>	<u>\$ 10,964,704</u>
Net assets consist of:						
Invested in capital						
Assets	\$ 12,182,168	\$ 11,495,947	\$ 32,836	\$ 38,089	\$ 12,215,004	\$ 11,534,036
Restricted net assets	2,369,665	902,825			2,369,665	902,825
Unrestricted net assets	<u>(1,622,792)</u>	<u>(1,486,090)</u>	<u>58,563</u>	<u>13,933</u>	<u>(1,564,229)</u>	<u>(1,472,157)</u>
Net assets	<u>\$ 12,929,041</u>	<u>\$ 10,912,682</u>	<u>\$ 91,399</u>	<u>\$ 52,022</u>	<u>\$ 13,020,440</u>	<u>\$ 10,964,704</u>

**Lower Cape May Regional School District
Comparative Schedule of Changes in Net Assets
As of and for the Fiscal Year Ended June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues						
Charges for services			\$ 453,884	\$ 443,652	\$ 453,884	\$ 443,652
Operating grants and Contributions	\$ 2,989,121	\$ 3,099,000	399,491	370,726	2,989,121	3,469,726
Capital grants and Contributions						
General Revenues:						
Property Taxes	19,199,200	18,860,045			19,199,200	18,860,045
Unrestricted State Aid	9,730,774	8,977,954			9,730,774	8,977,954
Tuition	31,156	57,576			31,156	57,576
Other Revenues	180,202	173,725	87	108	180,289	173,833
Total Revenues	32,130,453	31,168,300	853,462	814,486	32,983,915	31,982,786
Expenses:						
Governmental Activities:						
Instruction	13,197,310	14,115,045			13,197,310	14,115,045
Tuition	2,023,446	2,253,954			2,023,446	2,253,954
Related Services	2,330,130	2,249,542			2,330,130	2,249,542
Administrative Services	1,592,794	1,785,926			1,592,794	1,785,926
Central Services	269,820	274,476			269,820	274,476
Operations and Maintenance	2,736,751	2,494,661			2,736,751	2,494,661
Transportation	1,393,584	1,321,877			1,393,584	1,321,877
Employee benefits	5,999,682	5,410,186			5,999,682	5,410,186
Special Schools	25,022	19,225			25,022	19,225
Charter Schools						
Interest on long-term Debt	328,873	381,877			328,873	381,877
Other	51,682	139,056			51,682	139,056
Business-Type Activities:						
Food Service Operations			979,085	1,021,039	979,085	1,021,039
Total Expenses	29,949,094	30,445,825	979,085	1,021,039	30,928,179	31,466,864
Increase in net assets						
Before transfers	2,181,359	722,475	(125,623)	(206,553)	2,055,736	515,922
Transfers	(165,000)	(193,000)	165,000	193,000		
Changes in net assets	2,016,359	529,475	39,377	(13,553)	2,055,736	515,922
Net assets, July 1,	10,912,682	10,383,207	52,022	65,575	10,964,704	10,448,782
Net assets, June 30,	\$ 12,929,041	\$ 10,912,682	\$ 91,399	\$ 52,022	\$ 13,020,440	\$ 10,964,704

Governmental Activities

Governmental activities increased the net assets of the School District by \$2,016,359 during the current fiscal year. Key elements of the increase in net assets for governmental activities are as follows:

- Total Governmental Funds results of operation increased \$1,373,863
- Serial bonds were reduced by principal payments of \$ 1,280,000

Business-type Activities

Business-type activities increased the School District's net assets slightly. Key elements of the increase in net assets for business-type activities are as follows:

- The Food Service Fund had a net gain of \$39,377

Financial Analysis of the Governmental Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$2,116,458, an increase of \$1,373,863 in comparison with the prior year. Most of this increase is the results of operations in the General Fund.

The unreserved fund balance for the School District at the end of the fiscal year includes a combination of a deficit unreserved fund balance for the General Fund of \$253,207 and \$4 in the Debt Service Fund. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) as restricted cash reserved for future capital outlay expenditures of \$21,919, 2) \$983,233 reserved as excess surplus, 3) \$267,363 reserved for debt service, 4) \$50,000 reserved for maintenance, 5) \$226,887 reserved for encumbrances, 5) \$800,259 assigned for subsequent years expenditures, and 6) \$20,000 reserved for the permanent fund.

The general fund is the chief operating fund of the School District. As discussed earlier, the balance in the unreserved fund balance is due, primarily, to the accounting treatment of the June state aid payments as discussed in Note 18 of the notes to the basic financial statements, and state statutes that prohibit New Jersey school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

General Fund Budgetary Highlights

There was no difference between the original budget and the final amended budget.

At the end of the current fiscal year, unreserved fund balance (budgetary basis) of the general fund was \$572,013 while total fund balance (budgetary basis) was \$2,654,310. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$28,296,406, unreserved fund balance (budgetary basis) represents 2.02% of expenditures while total fund balance (budgetary basis) represents 9.38 % of that same amount.

Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totaled \$20,095,004 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was \$ 599,032, or a 2.89% decrease. The decrease is primarily due to depreciation expense.

Capital Asset (net of accumulated depreciation) June 30, 2012 and 2010

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
Land	\$ 100	\$ 100			\$ 100	\$ 100
Site Improvements	420,000	450,000			420,000	450,000
Buildings and Building Improvements	17,865,105	18,351,713			17,865,105	18,351,713
Equipment	<u>1,776,963</u>	<u>1,854,134</u>	<u>\$ 32,836</u>	<u>\$ 38,059</u>	<u>1,809,799</u>	<u>1,892,193</u>
Net assets	<u>\$ 20,062,168</u>	<u>\$ 20,655,947</u>	<u>\$ 32,836</u>	<u>\$ 38,059</u>	<u>\$ 20,095,004</u>	<u>\$ 20,694,006</u>

Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

Long-term debt – During the fiscal year ended June 30, 2012, the School District had \$7,390,000 in serial bonds payable, \$490,000 in certificates of participation payable and \$1,425,761 in compensated absences.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$262,421,266. The available amount as of June 30, 2012 is \$255,031,266.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 7) of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the School District's budget for the 2012-13 fiscal year.

- For 2012-13 fiscal year the School District will be receiving an increase in state aid. The local tax levy in the General Fund increased by \$355,615 or 2.00%. Salaries continue to increase contractually; however, the District has managed to control costs. The 2012-13 General Fund Budget is \$589,822 greater than the previous year or a 2.14% increase.

For the Future

The Lower Cape May Regional School District is in very good financial condition presently. However, a major concern is maintaining aging buildings of the district with an increased reliance on local property taxes as state aid has remained stagnant. Cape May City, Lower Township and West Cape May are primarily residential communities, with few large ratables; thus the burden is focused on homeowners to share the tax burden.

In conclusion, the Lower Cape May Regional School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Lower Cape May Regional School District Business Administrator, 687 Route 9, Cape May, New Jersey, 08204.

Basic Financial Statements

District-Wide Financial Statements

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$1,808,468	\$53,149	\$1,861,617
Receivables, net	286,862	14,367	301,229
Inventory		4,375	4,375
Restricted assets:			
Capital reserve account	21,919		21,919
Deferred bond issuance costs - net	89,787		89,787
Capital assets, net (Note 5)	<u>20,062,168</u>	<u>32,836</u>	<u>20,095,004</u>
Total assets	<u>22,269,204</u>	<u>104,727</u>	<u>22,373,931</u>
LIABILITIES:			
Accounts Payable		8,328	8,328
Scholarships payable	538		538
Deferred revenue	253		253
Accrued Interest	33,611		33,611
Other liabilities		5,000	5,000
Noncurrent liabilities (Note 7):			
Due within one year	1,130,000		1,130,000
Due beyond one year	<u>8,175,761</u>		<u>8,175,761</u>
Total liabilities	<u>9,340,163</u>	<u>13,328</u>	<u>9,353,491</u>
NET ASSETS:			
Invested in capital assets, net of related debt	12,182,168	32,836	12,215,004
Restricted for:			
Debt Service	267,368		267,368
Capital Projects	21,919		21,919
Other purposes	2,080,378		2,080,378
Unrestricted	<u>(1,622,792)</u>	<u>58,563</u>	<u>(1,564,229)</u>
Total net assets	<u>\$12,929,041</u>	<u>\$91,399</u>	<u>\$13,020,440</u>

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

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$9,542,650		\$270,872	(\$9,271,778)		(\$9,271,778)
Special education	2,846,667		443,314	(2,403,353)		(2,403,353)
Other instruction	802,021			(802,021)		(802,021)
Support Services:						
Tuition	2,023,446			(2,023,446)		(2,023,446)
Student & instruction related services	2,330,130		117,918	(2,212,212)		(2,212,212)
General administrative services	684,458			(684,458)		(684,458)
School administrative services	908,336			(908,336)		(908,336)
Central services	269,820			(269,820)		(269,820)
Plant operations and maintenance	2,736,751		2,642	(2,734,109)		(2,734,109)
Pupil transportation	1,393,584			(1,393,584)		(1,393,584)
Unallocated employee benefits	5,999,682		1,992,595	(4,007,087)		(4,007,087)
Special schools	25,022			(25,022)		(25,022)
Interest on long-term debt	328,873		155,808	(173,065)		(173,065)
Unallocated depreciation and amortization	51,682			(51,682)		(51,682)
Total governmental activities	<u>29,943,122</u>		<u>2,983,149</u>	<u>(26,959,973)</u>		<u>(26,959,973)</u>
Business-type activities:						
Food service program	979,085	\$453,884	399,491		(\$125,710)	(125,710)
Total business-type activities	<u>979,085</u>	<u>453,884</u>	<u>399,491</u>		<u>(125,710)</u>	<u>(125,710)</u>
Total primary government	<u>\$30,922,207</u>	<u>\$453,884</u>	<u>\$3,382,640</u>	<u>(\$26,959,973)</u>	<u>(\$125,710)</u>	<u>(\$27,085,683)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net				17,780,740		17,780,740
Taxes levied for debt service				1,418,460		1,418,460
Federal and state aid not restricted				9,730,774		9,730,774
Tuition				31,156		31,156
Transportation fees				76,611		76,611
Miscellaneous income				103,591	87	103,678
Transfer				(165,000)	165,000	
Total general revenues, special items, extraordinary items and transfers				<u>28,976,332</u>	<u>165,087</u>	<u>29,141,419</u>
Change in Net Assets				2,016,359	39,377	2,055,736
Net Assets -- July 1				<u>10,912,682</u>	<u>52,022</u>	<u>10,964,704</u>
Net Assets -- June 30				<u>\$12,929,041</u>	<u>\$91,399</u>	<u>\$13,020,440</u>

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

Fund Financial Statements

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2012

ASSETS	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$1,520,562		\$267,363	\$5	\$20,538	\$1,808,468
Receivables, net	123,567	\$150,632		5,000		279,199
Interfund receivable	163,042			267,363		430,405
Restricted cash and cash equivalents	<u>21,919</u>					<u>21,919</u>
Total assets	<u>\$1,829,090</u>	<u>\$150,632</u>	<u>\$267,363</u>	<u>\$272,368</u>	<u>\$20,538</u>	<u>\$2,539,991</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Scholarships payable					538	538
Interfund payable		150,379	267,363	5,000		422,742
Deferred revenues		<u>253</u>				<u>253</u>
Total liabilities	<u>---</u>	<u>150,632</u>	<u>267,363</u>		<u>538</u>	<u>423,533</u>
Fund Balances:						
Restricted for:						
Excess surplus	983,233					983,233
Excess surplus designated for Subsequent Years Expenditures	523,519					523,519
Debt service reserve				267,363		267,363
Capital reserve	21,919					21,919
Maintenance reserve	50,000					50,000
Permanent fund					20,000	20,000
Assigned to:						
Year-end encumbrances	226,887					226,887
Subsequent year's expenditures	276,739			1		276,740
Unassigned	<u>(253,207)</u>			<u>4</u>		<u>(253,203)</u>
Total fund balances	<u>1,829,090</u>			<u>267,368</u>	<u>20,000</u>	<u>2,116,458</u>
Total liabilities and fund balances	<u>\$1,829,090</u>	<u>\$150,632</u>	<u>\$267,363</u>	<u>\$267,368</u>	<u>\$20,538</u>	

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

The cost associated with the issues of various bonds are expensed in the governmental funds in the year the bonds are issued, but are capitalized in the Statement of Net Assets. The bond issuance costs are \$320,176 and the accumulated amortization is \$230,389.

89,787

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$31,204,650 and the accumulated depreciation is \$11,142,482

20,062,168

Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the funds.

(33,611)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(9,305,761)

Net assets of governmental activities

\$12,929,041

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

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
REVENUES:						
Local sources:						
Local tax levy	\$17,780,740			\$1,418,460		\$19,199,200
Tuition	31,156					31,156
Transportation fees	76,611					76,611
Interest earned	95					95
Miscellaneous	103,496					103,496
Total revenues-local sources	17,992,098			1,418,460		19,410,558
State sources	11,317,482			155,808		11,473,290
Federal sources	405,887	834,746				1,240,633
Local sources						
Total revenues	29,715,467	834,746		1,574,268		32,124,481
EXPENDITURES:						
Current expense:						
Regular instruction	8,662,256	270,872				8,933,128
Special education instruction	2,403,353	443,314				2,846,667
Other instruction	802,021					802,021
Support services and undistributed costs:						
Tuition	2,023,446					2,023,446
Student & instruction related services	2,212,212	117,918				2,330,130
General administrative services	603,540					603,540
School administrative services	908,336					908,336
Business services	269,820					269,820
Plant operations and maintenance	2,687,255					2,687,255
Pupil transportation	1,393,584					1,393,584
Unallocated employee benefits	5,999,682					5,999,682
Transfer to charter schools	25,022					25,022
Capital outlay	140,879	2,642				143,521
Debt service:						
Principal				1,280,000		1,280,000
Interest and other charges				339,466		339,466
Total expenditures	28,131,406	834,746		1,619,466		30,585,618
Excess (deficiency) of revenues over (under) expenditures	1,584,061			(45,198)		1,538,863
Other Financing Sources (Uses):						
Transfers in						
Transfers out	(165,000)					(165,000)
Total other financing sources (uses)	(165,000)					(165,000)
Net change in fund balance	1,419,061			(45,198)		1,373,863
Fund balances, July 1	410,029			312,566	\$20,000	742,595
Fund balances, June 30	\$1,829,090	-	-	\$267,368	\$20,000	\$2,116,458

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

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Fiscal Year Ended June 30, 2012

Total net change in fund balances - governmental funds (from B-2)		\$1,373,863
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
<p style="margin-left: 40px;">Capital outlays are reported in the governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current fiscal year.</p>		
Depreciation expense	(\$809,181)	
Capital outlay	<u>215,402</u>	(593,779)
<p style="margin-left: 40px;">Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is reported in the statement of activities.</p>		
		1,050,000
<p style="margin-left: 40px;">Repayment of certificates of participation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is reported in the statement of activities.</p>		
		230,000
<p style="margin-left: 40px;">The disposal of assets is reflected in the statement of activities, however, the disposal of assets is not reported in the governmental funds.</p>		
<p style="margin-left: 40px;">In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is a reduction in the reconciliation.</p>		
		10,593
<p style="margin-left: 40px;">Bond issuance costs are reported in the governmental fund as expenditures in year the bonds are issued. However, on the statement of activities, the costs are amortized over the life of the bonds.</p>		
		(11,223)
<p style="margin-left: 40px;">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 (+).</p>		
		<u>(43,095)</u>
Change in net assets of governmental activities		<u><u>\$2,016,359</u></u>

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

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
for the Fiscal Year Ended June 30, 2012

	Business-type Activities Enterprise Funds
	Food Service Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	\$53,149
Accounts receivable	14,367
Inventories	4,375
Total current assets	71,891
Noncurrent assets:	
Equipment	184,814
Less accumulated depreciation	(151,978)
Total noncurrent assets	32,836
Total assets	\$104,727
 LIABILITIES	
Current liabilities:	
Accounts payable	\$8,328
Interfund payable	5,000
Total liabilities	13,328
 NET ASSETS	
Invested in capital assets net of related debt	32,836
Unrestricted	58,563
Total net assets	\$91,399

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

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
for the Fiscal Year Ended June 30, 2012

	Business-type Activities Enterprise Funds
	Food Service Fund
Operating revenues:	
Charges for services:	
Daily sales-reimbursable programs	\$162,552
Daily sales-non-reimbursable programs	291,332
	453,884
Total operating revenue	453,884
Operating expenses:	
Salaries	371,775
Employee benefits	200,064
Supplies and materials	18,490
Depreciation	5,253
Purchased professional services	300
Cost of sales	374,837
Repairs and maintenance	4,684
Miscellaneous	3,682
	979,085
Total operating expenses	979,085
Operating income (loss)	(525,201)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	7,840
Federal sources:	
National school lunch program	259,072
National school breakfast program	84,267
U.S.D.A. commodities	48,312
Local sources:	
Operating transfer in	165,000
Interest revenue	87
	564,578
Total nonoperating revenues (expenses)	564,578
Change in net assets	39,377
Total net assets - July 1	52,022
Total net assets - June 30	\$91,399

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

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
for the Fiscal Year Ended June 30, 2012

	Business-type Activities Enterprise Funds
	Food Service Fund
Cash flows from operating activities:	
Receipts from customers	\$451,914
Payments to employees for services	(571,839)
Payments to suppliers	(353,044)
Net cash used for operating activities	(472,969)
Cash flows from noncapital financing activities:	
Board contribution	165,000
State sources	7,586
Federal sources	331,196
Net cash provided by non-capital financing activities	503,782
Cash flows from capital activities:	
Purchases of fixed assets	-
Cash flows from investing activities:	
Interest and dividends	87
Net cash provided by investing activities	87
Net increase in cash and cash equivalents	30,900
Balances - July 1	22,249
Balances - June 30	\$53,149
Reconciliation of operating loss to net cash provided (used) by operating activities:	
Operating income (loss)	(\$525,201)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	5,253
Federal commodities	48,312
(Increase) decrease in inventories	2,613
(Increase) decrease in accounts receivable	(1,970)
Increase (decrease) in accounts payable	(1,976)
Total adjustments	52,232
Net cash provided by (used for) operating activities	(\$472,969)

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

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trusts	Unemployment Compensation Insurance Trust	Flexible Spending Account	Agency Funds
ASSETS:				
Cash and cash equivalents	\$4,628	\$133,381		\$264,924
Interfund receivable	5,000		---	
Total assets	9,628	133,381	---	264,924
 LIABILITIES:				
Accounts payable		17,653		
Payroll deductions and withholdings				46,508
Due to teacher's association				177
Interfund payable				7,663
Due to student groups			---	210,576
Total liabilities	---	17,653	---	\$264,924
 NET ASSETS:				
Restricted for:				
Unemployment claims		115,728		
Scholarship payments	9,628		---	
	\$9,628	\$115,728	---	

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust Funds Scholarship Funds	Unemployment Compensation Insurance Trust	Flexible Spending Account
ADDITIONS:			
Contributions:			
Employee withholdings		\$45,484	
Board contributions		25,000	\$219,817
Other contributions	\$2,005		
Total Contributions	<u>2,005</u>	<u>70,484</u>	<u>219,817</u>
Investment earnings:			
Interest	5	133	
Net investment earnings	<u>5</u>	<u>133</u>	---
Total additions	<u>2,010</u>	<u>70,617</u>	<u>219,817</u>
DEDUCTIONS:			
Unemployment claims		54,584	
Other expenses			219,817
Scholarships awarded	1,200		
Total deductions	<u>1,200</u>	<u>54,584</u>	<u>219,817</u>
Change in net assets	810	16,033	
Net assets - July 1	<u>8,818</u>	<u>99,695</u>	
Net assets - June 30	<u>\$9,628</u>	<u>\$115,728</u>	---

**Lower Cape May Regional School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

The Lower Cape May Regional School District (District) is a Type II school district located in Cape May County, New Jersey and covers an area of approximately 34 square miles. As a Type II school district, it functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the School District is to provide educational services for all of Lower Cape May Regional's students in grades 7 through 12. The Lower Cape May Regional School District has an approximate enrollment at June 30, 2012 of 1,528 students.

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

Basis of Presentation

The basic financial statements of the School 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 School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

The School District's basic financial statements consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Statements - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. The policy of the School District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

**Lower Cape May Regional School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The general fund is the general operating fund of the School District and is used to account for all 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 classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America 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 which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

In addition to the capital outlay sub-fund, the School District is accountable for an additional sub-fund, the Education Jobs Fund ("Ed Jobs"), resulting from federal legislation signed into law on August 10, 2011. The Ed Jobs program was created to provide funding assistance to states in order to save or create education jobs for the period from the September 30, 2011 through September 30, 2012. Jobs funded under this program include those that provide educational and related services for early childhood, elementary, and secondary education. Ed Jobs revenues and expenditures are recorded in the general fund (fund 18) on a reimbursement basis. As such, revenue is not included in the fiscal year surplus, and no portion of general fund balance at June 30, 2012 is considered to be attributable to Ed Jobs. Ed Jobs expenditures are included as a component of overall general fund expenditures, and are also included in general fund expenditures for purposes of the excess surplus calculation.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**Lower Cape May Regional School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds - Proprietary funds are used to account for the School District's ongoing activities, which are similar to those in the private sector.

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the School District is that all costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the School District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The School District's enterprise funds are:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net assets) is segregated into investment in capital assets, net of related debt, and unrestricted net assets, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

Internal Service Fund - The internal service fund has been established to account for the financing of transportation services and substitute teacher services provided by the Audubon School District for use by other school districts, as well as for the Audubon School District itself. Services are provided on a cost-reimbursement basis.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: trust funds and agency funds. Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds (i.e. payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has four fiduciary funds; an unemployment compensation trust fund, a private purpose scholarship fund, a student activity fund, and a payroll fund.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

**Lower Cape May Regional School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that 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 School District, available means expected to be received within sixty days after fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The School District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The School District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of restricted formula aids recorded in the special revenue fund, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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 specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end; tuition, grants, fees, and rentals.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as deferred revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Lower Cape May Regional School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for their approval. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:23A-16.2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund. 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 budgetary basis. The budgetary basis differs from GAAP in that the 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.

The budget, as detailed on Exhibit C-1, Exhibit C-2 and Exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances – governmental funds. Note that the School District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the one or more June state aid payments.

Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance 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 governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, 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.

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. 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. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

**Lower Cape May Regional School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments (Continued) - 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 Governmental Unit Deposit Protection Act (GUDPA), a multiple financial institution collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, 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.

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2012 and 2011 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

Inventories - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out basis.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed, and is not recorded since any amounts are considered immaterial to the basic financial statements.

Inventories recorded in the government-wide financial statements and in the proprietary fund types are recorded as expenditures when consumed rather than when purchased.

The proprietary fund type does not maintain any inventories as the School District has contracted with another governmental entity to purchase prepared lunches.

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

In the governmental fund types, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Deferred Expenditures - Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure/expense in the next fiscal period. Unlike prepaid expenses, deferred expenditures are not regularly recurring cost of operations.

Short-Term Interfund Receivables / Payables - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the School District and that are due within one year. These amounts are eliminated in the governmental and business-type columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Lower Cape May Regional School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and the proprietary fund statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land and Improvements	10-20 years	N/A
Buildings and Improvements	10-50 years	N/A
Furniture and Equipment	5-20 years	12 years
Vehicles	5-10 years	4-6 years

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School 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 School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

**Lower Cape May Regional School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 borrowings 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.

It is the School District's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance - The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2012.

Restricted - This fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, which for the School District is the Board of Education. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action imposing the commitment.

Assigned - This fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the Business Administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes.

Unassigned - This fund balance classification is the residual classification for the General Fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the School District's policy to spend restricted fund balances first. Likewise, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for the food service program and tuition fees for the before and after school program and transportation fees for the internal service fund. Non-operating revenues principally consist of interest income earned on various interest bearing accounts and federal and state subsidy reimbursements for the food service program.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. There are no non-operating expenses.

**Lower Cape May Regional School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity - Transfers between governmental and business-type activities on the government-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 proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District’s deposits may 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 Unit (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. Banks that qualify as public depositories under New Jersey statutes hold cash deposits, with bank balances totaling \$3,049,561 at June 30, 2012.

3. CAPITAL RESERVE ACCOUNT

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

Funds placed in the capital reserve account are restricted to capital projects in the School District’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the New Jersey Department of Education, a school district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Balance – July 1, 2011		\$11,824
Increased by:		
Budget Resolution	\$10,000	
Interest earned	95	
		10,095
Balance – June 30, 2012		\$21,919

The June 30, 2012 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

**Lower Cape May Regional School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

4. RECEIVABLES

Receivables at June 30, 2012 consisted of tuition fees charged other governmental units and governmental grants. All receivables are considered collectible in full due to the stable condition of the other governmental units, State programs and the current fiscal year guarantee of federal funds.

Receivables as of year-end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Funds</u>	<u>Total</u>
State Aid	\$ 92,958		\$ 254	\$ 93,212
Federal Aid	25,308	\$ 150,632	12,143	188,083
Other	5,301		1,970	7,271
Total	\$ 123,567	\$ 150,632	\$ 14,367	\$ 288,566

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2012</u>
<u>Governmental Activities:</u>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 100			\$ 100
Construction in progress				
Total capital assets, not being Depreciated	100			100
<i>Capital Assets, being depreciated:</i>				
Site Improvements	600,000			600,000
Building and Building Improvements	26,396,361			26,396,361
Equipment	3,992,787	\$ 215,402		4,208,189
Totals at historical cost	30,989,148	215,402		31,204,550
<i>Less Accumulated Depreciation:</i>				
Site Improvements	(150,000)	(30,000)		(180,000)
Building and Building Improvements	(8,044,648)	(486,608)		(8,531,256)
Equipment	(2,138,653)	(292,573)		(2,431,226)
Totals accumulated depreciation	(10,333,301)	(809,181)		(11,142,482)
Total Capital Assets, being depreciated, net	20,655,847	(593,779)		20,062,068
Governmental Activities Capital Assets, Net	\$ 20,655,947	\$ (593,779)	-	\$ 20,062,168

**Lower Cape May Regional School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

5. CAPITAL ASSETS (CONTINUED)

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2012</u>
<u>Business-Type Activities:</u>				
<i>Capital Assets, being depreciated:</i>				
Equipment	\$ 184,814			\$ 184,814
Less accumulated depreciation	<u>(146,725)</u>	<u>\$ (5,253)</u>		<u>(151,978)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 38,059</u>	<u>\$ (5,253)</u>	<u>-</u>	<u>\$ 32,836</u>

Depreciation expense in the amount of \$809,181 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$ 566,427
Administration	80,918
Plant Operations and Maintenance	121,377
Unallocated	<u>40,459</u>
Total depreciation expense	<u>\$809,181</u>

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2012 consisted of the following:

	<u>Food Service</u>
Food Supplies	\$ 4,375
	<u>-0-</u>
	<u>\$ 4,375</u>

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2012, the following changes occurred in long-term obligations:

<u>Governmental Activities:</u>	<u>Principal Outstanding July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ 1,382,666	\$ 43,095		\$ 1,425,761	
Certificates of Part. Payable	720,000		\$ 230,000	490,000	\$ 240,000
General Obligation Bonds	<u>8,440,000</u>		<u>1,050,000</u>	<u>7,390,000</u>	<u>890,000</u>
Total Governmental Activity	<u>\$ 10,542,666</u>	<u>\$ 43,095</u>	<u>\$ 1,280,000</u>	<u>\$ 9,305,761</u>	<u>\$ 1,130,000</u>

**Lower Cape May Regional School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

7. LONG-TERM OBLIGATIONS (CONT'D)

Bonds Payable - Bonds and loans are authorized in accordance with State law by the voters of the School District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the School District are as follows:

2001 Refunding Bonds dated October 1, 2001 in the amount of \$920,000 due in annual installments through March 1, 2015, bearing interest rates ranging from 3.625% - 4.250%.

2009 Refunding Bonds dated October 15, 2009 in the amount of \$6,470,000 due in annual installments through June 1, 2022, bearing interest rates ranging from 2.00% - 4.00%.

Debt Service Requirements

Principal and interest due on bonds outstanding is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 890,000	\$ 263,181	\$ 1,153,181
2014	875,000	238,900	1,113,900
2015	930,000	215,025	1,145,025
2016	600,000	187,800	787,800
2017	600,000	163,800	763,800
2018-2022	3,495,000	428,000	3,923,000
	\$ 7,390,000	\$ 1,496,706	\$ 8,886,706

Advance Refunding

The Board of Education adopted a resolution on August 23, 2001 for the purpose of issuing Refunding Bonds in order to advance refund up to all of the callable School Bonds dated March 1, 1995. The prior bonds were issued to finance various capital improvements to the District's facilities.

On October 1, 2001 the Board of Education issued \$2,985,000 Refunding Bonds and the proceeds of the Refunding Bonds were used to pay certain issuance costs and the remainder deposited in an escrow fund which will be used to pay the principal and interest of the refunded bonds when due.

Under the Refunding Bonds, the Board is required to pay principal in annual installments and interest in semi-annual installments through July 15, 2014. The Refunding Bonds carry interest rates in the range of 2.20% to 4.25%. As a result of this transaction, the prior refunded bonds are considered to be defeased and accordingly, the related liability has been removed from the general long-term debt account group. This advance refunding was undertaken to reduce the total payments over the next 17 years by \$176,507 and to obtain an economic gain of \$137,289 which resulted in a net present value cost savings of 5.368%.

The Board of Education also adopted a resolution on February 11, 2009 for the purpose of issuing Refunding Bonds in order to advance refund up to all of the callable School Bonds dated October 15, 2009. The prior bonds were issued to finance various capital improvements to the District's facilities.

On October 15, 2009 the Board of Education issued \$7,215,000 Refunding Bonds and the proceeds of the Refunding Bonds were used to pay certain issuance costs and the remainder deposited in an escrow fund which will be used to pay the principal and interest of the refunded bonds when due.

**Lower Cape May Regional School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

7. LONG-TERM OBLIGATIONS (CONT'D)

Advance Refunding (Continued)

Under the Refunding Bonds, the Board is required to pay principal in annual installments and interest in semi-annual installments through June 1, 2022. The Refunding Bonds carry interest rates in the range of 2.00% to 4.00%.

As a result of this transaction, the prior refunded bonds are considered to be defeased and accordingly, the related liability has been removed from the general long-term debt account group. This advance refunding was undertaken to reduce the total payments over the next 13 years by \$457,293 and to obtain a net present value savings of \$393,681 which resulted in a net present value cost savings of 5.6039%.

Certificates of Participation Payable

On June 18, 1999 pursuant to N.J.S.A. 18A:20-4.2(f) the District entered into a school building lease purchase agreement with the American-East, Inc. (the Lessor) to finance roof repairs to the High School and Middle School. The approval was obtained from the Commissioner of Education of the State of New Jersey and the New Jersey Local Finance Board in the Department of Community Affairs on May 28, 1998. The buildings are located on land owned by the District that has been leased to the American East, Inc. pursuant to a ground lease agreement dated June 18, 1999. Certificates of Participation (the Certificates) in the par amount of \$2,760,000 were issued and the proceeds budgeted as follows:

Project Construction Fund	\$	2,405,172
Reserve Account		267,362
Cost of Certificates Issuance		87,466
	\$	<u>2,760,000</u>

Under the lease, the District is required to pay basic rent, due on each July 1st and December 1st. Basic rent is composed of a principal component and an interest component. The Certificates carry interest rates in the range of 3.875% to 5.000%; and the Certificates mature on June 1, 2014. The Bank of New York has been appointed to serve as a trustee in the agreement.

Certificates of Participation Payable

The following is a schedule of the future minimum rent payments for the certificates of participation as of June 30, 2012:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 240,000	\$ 25,113	\$ 265,113
2014	<u>250,000</u>	<u>12,813</u>	<u>262,813</u>
	<u>\$ 490,000</u>	<u>\$ 37,926</u>	<u>\$ 527,926</u>

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

8. OPERATING LEASES

At June 30, 2012, the District had operating lease agreements in effect for copiers.

Total operating lease payments made during the year ended June 30, 2012 and June 30, 2011 were \$130,296 and \$70,672 respectively. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2013	\$ 60,811
June 30, 2014	60,811
June 30, 2015	<u>60,811</u>
Total future minimum lease payments	<u>\$ 182,433</u>

9. PENSION PLANS

Description of Plans – Substantially all of the School District's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund is a cost-sharing contributory defined benefit pension plan which was established on January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over the several preceding fiscal years.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

9. PENSION PLANS(CONTINUED)

Public Employees' Retirement System (PERS)(Continued)

The School District is billed annually for its normal contribution plus any accrued liability. The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Public Employees Retirement System</u>			<u>Total Liability</u>	<u>Paid by District</u>
	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Contr Group Ins</u>		
2012	\$ 136,878	\$ 273,756	\$ 26,162	\$ 436,796	\$ 436,796
2011	146,716	233,783	28,899	409,398	409,395
2010	123,198	158,295	39,037	320,530	320,530

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program is a cost-sharing multiple-employer defined contribution pension plan which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Divisions of Pensions and Benefits by Prudential Financial. 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. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, state statute also requires the return to the normal rate when such surplus pension assets no longer exist. The employee contributions along with the School District's contribution for each pay period are 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's contributions to the DCRP were as follows:

<u>Year</u>	<u>Total Liability</u>	<u>Paid by School District</u>
2012	\$ 5,192	\$ 5,192
2011	4,978	4,978
2010	-0-	-0-

Related Party Investments – The Division of Pensions and Benefits does not invest in securities issued by the School District.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

10. POST-RETIREMENT BENEFITS

The School District contributes to the New Jersey State Health Benefits Program (SHBP), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established to provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in 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 State of New Jersey Division of Pension issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011 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 to members of PERS and Alternate 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 2011.

The State establishes the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contribution to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the year ended June 30, 2012 was \$750,760, which equaled the required contributions. The State's contribution to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2012, the School District has recognized as revenues and expenditures \$373,464 of on-behalf payments made by the State of New Jersey for normal retirement costs related to TPAF and \$868,371 for employer's share of social security contributions for TPAF members, as calculated on their base salaries.

12. RISK MANAGEMENT

Property and Liability Insurance – The District is a member of the Atlantic and Cape May Counties Association of School Business Officials Joint Insurance Fund (ACCASBOJIF), a public entity risk pool currently operating as a common risk management and insurance program. The District pays an actuarial determined annual assessment to ACCASBOJIF for its insurance coverage. Supplemental assessments may be levied to supplement the fund. The District has not been notified of any supplemental assessments.

In addition, the District carries commercial insurance for all other risks of loss, including employee health, accident insurance and public official surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

A complete schedule of insurance coverage can be found in the "Statistical Section" of this report.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

12. RISK MANAGEMENT (CONTINUED)

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Business 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 four years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ 25,000	\$ 45,484	\$ 133	\$ 54,584	\$ 115,728
2010-2011		44,190	287	77,844	99,695
2009-2010		58,266	778	70,023	133,062
2008-2009		46,509	1,620	38,169	144,041
2007-2008		38,427	3,535	40,110	134,081

13. DEFERRED COMPENSATION

The School District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, available to all permanent School District employees, permit participants to defer a portion of their current salary to future years. Participation in the plans is optional. The deferred compensation is not available to the participants until termination, retirement, death, or an unforeseeable emergency occurs. The plan assets are held in trust for the benefit of the employee and are administered by a third party therefore they are not reflected on the financial statements of the School District.

14. COMPENSATED ABSENCES

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

School District employees are granted vacation and sick leave in varying amounts in accordance with the School District's personnel policies. Unused sick leave may be accumulated carried forward to the subsequent years. Employees who retire from the School District shall be paid for unused sick leave in accordance with the School District's agreement or personnel policy.

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2012, the liability for compensated absences in the governmental and proprietary funds was \$1,425,761.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various balance sheets as of June 30, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 163,042	
Special Revenue		\$ 150,379
Capital		267,363
Debt Service	267,363	5,000
Proprietary		5,000
Fiduciary	<u>5,000</u>	<u>7,663</u>
	<u>\$ 435,405</u>	<u>\$ 435,405</u>

16. CONTINGENCIES

The School District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School District may be required to reimburse the grantor government.

At June 30, 2012, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

17. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$253,207 in the General Fund as of June 30, 2012 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$253,207 is equal to or less than the June state aid payment.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

18. FLEXIBLE BENEFITS PROGRAM

The School District offers its employees a Flexible Benefits Program. The purpose of the program is to provide a tax incentive for plan participants incurring dependent care expenses and medical, dental or prescription expenses not covered by other insurance. The School District, who is the plan administrator, has contracted with a third party administrator to act as its agent to furnish reimbursement services. Because of Internal Revenue Service regulations, if at the end of any plan year unexpended funds remain, these funds will be forfeited by the participants and returned to the School District.

The following is a summary of School District contributions, reimbursements to the plan participants for benefits paid and the ending balance of the School District's fiduciary fund for the current and prior two years.

<u>Fiscal Year</u>	<u>Interest Earnings</u>	<u>Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$	\$ 219,817	\$ 219,817	\$ -
2010-2011				
2009-2010				

19. DEFICIT UNRESTRICTED NET ASSETS

As of June 30, 2012, a deficit of \$1,622,792 existed in the Unrestricted Net Assets of the Governmental Activities. A reconciliation of Unreserved Fund Balance reported on Exhibit B-1 to Unrestricted Net Assets reported on Exhibited A-1 as follows:

Balances June 30, 2012		
Fund Balance (Deficit)		
(Exclusive of Capital Projects and Debt Service Funds):		
Fund Balance – Unassigned	\$	(253,207)
Add – Unamortized Bond Issuance Costs		89,787
Liabilities:		
Accrued interest Payable		(33,611)
Compensated Absences		<u>(1,425,761)</u>
Unrestricted Net Assets (Deficit)	\$	<u>(1,622,792)</u>

20. FUND BALANCES

RESTRICTED

As stated in Note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

General Fund:

Excess Surplus – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund, fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$983,233 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$523,519 of excess fund balance generated during the 2010-2011 fiscal year has been restricted and designated for utilization in the 2012-2013 budget.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2012**

20. FUND BALANCES (CONTINUED)

Capital Reserve – As of June 30, 2012, the balance in the capital reserve account is \$21,919. This amount is restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan.

Maintenance Reserve Account – As of June 30, 2012, the balance in the maintenance reserve account is \$50,000. 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).

Debt Service Fund – As of June 30, 2012, the restricted fund balance amount was \$267,368 of which \$267,363 is reserved for payment of principal and interest of the certificates of participation, \$1 has been designated for utilization in the 2012-2013 budget and \$4 is restricted for future debt service expenditures.

Permanent Fund – As of June 30, 2012, the restricted fund balance amount was \$20,000 of which is restricted for future scholarships.

ASSIGNED

As stated in Note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund:

Other Purposes – At June 30, 2012 the School District has \$226,887 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

Designated for Subsequent Year's Expenditures – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2013, \$276,739 of general fund balance at June 30, 2012.

UNASSIGNED

As stated in Note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund – As of June 30, 2012, the fund balance of the general fund was a deficit of \$253,207, thus resulting in the fund balance classification of unassigned. The deficit is a result of the delay in the recording of the payment of state aid until the following fiscal year (See Note 17).

Required Supplementary Information - Part II

Budgetary Comparison Schedules

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$17,780,740		\$17,780,740	\$17,780,740	
Tuition from other LEAs	22,488		22,488	22,489	\$1
Tuition from individuals				8,667	8,667
Transportation fees from other LEAs	100,000		100,000	76,611	(23,389)
Interest earned on capital reserve funds	125		125	95	(30)
Unrestricted miscellaneous revenue	80,000		80,000	103,496	23,496
Total local sources	17,983,353		17,983,353	17,992,098	8,745
State sources:					
Categorical Special Education Aid	805,867		805,867	805,867	
Equalization Aid	118,399		118,399	118,399	
Categorical Security Aid	355,713		355,713	355,713	
Adjustment Aid	6,572,620		6,572,620	6,849,359	276,739
Categorical Transportation Aid	1,201,101		1,201,101	1,201,101	
Additional non-public transportation aid				10,885	10,885
Extraordinary aid				38,352	38,352
On-behalf TPAF NCGI Premium contributions (non-budgeted)				373,464	373,464
On-behalf TPAF Post Retirement Medical contributions (non-budgeted)				750,760	750,760
Reimbursed TPAF social security contributions (non-budgeted)				868,371	868,371
Total state sources	9,053,700		9,053,700	11,372,271	2,318,571
Federal sources:					
Education Jobs Fund	336,678	\$10,547	347,225	347,225	
Medicaid Assistance Program	57,852		57,852	58,662	810
Total federal sources	394,530	10,547	405,077	405,887	810
TOTAL REVENUES	27,431,583	10,547	27,442,130	29,770,256	2,328,126
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Grades 6-8	2,334,919	\$15,500	2,350,419	2,350,173	246
Grades 9-12	4,953,407	(41,530)	4,911,877	4,910,092	1,785
Total Instruction	7,288,326	(26,030)	7,262,296	7,260,265	2,031
Regular Programs - Home Instruction:					
Salaries of teachers					
	161,200	63,808	225,008	224,592	416
Total Home Instruction	161,200	63,808	225,008	224,592	416

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	\$704,372	\$66,934	\$771,306	\$771,305	\$1
Purchased professional - educ services	35,000	(35,000)			
Purchased technical services	59,000	(49,600)	9,400	8,735	665
Other purchased services	19,000		19,000	14,790	4,210
General supplies	410,000	(11,042)	398,958	373,560	25,398
Textbooks	80,416		80,416	9,009	71,407
Total Undistributed Instruction	1,307,788	(28,708)	1,279,080	1,177,399	101,681
Total - Regular Programs - Instruction	8,757,314	9,070	8,766,384	8,662,256	104,128
Special Educ Instruction: Multiple Disabilities					
Salaries of teachers	133,808		133,808	133,808	
Total Multiple Disabilities	133,808		133,808	133,808	
Special Educ Instruction: Res. Room/Res. Center					
Salaries of teachers	2,154,439	(78,548)	2,075,891	2,075,890	1
Other salaries for instruction	121,704	31,185	152,889	152,885	4
Purchased professional - educ services	1,000		1,000		1,000
General supplies	47,263	(1,215)	46,048	40,770	5,278
Textbooks	7,250		7,250		7,250
Total Resource Room/Resource Center	2,331,656	(48,578)	2,283,078	2,269,545	13,533
Total Special Education - Instruction	2,465,464	(48,578)	2,416,886	2,403,353	13,533
Bilingual Education - Instruction					
Salaries of teachers	18,000	15,840	33,840	33,835	5
Total Bilingual Education - Instruction	18,000	15,840	33,840	33,835	5
Vocational Programs - Local - Instruction					
Salaries of teachers	30,000		30,000	30,000	
Total Vocational Programs - Local - Instruction	30,000		30,000	30,000	
School-Sponsored Cocurricular Act - Inst.					
Salaries	186,249	16,500	202,749	202,152	597
Supplies and materials	27,000	(10,000)	17,000	12,342	4,658
Total School-Sponsored Cocurr. Act. - Inst	213,249	6,500	219,749	214,494	5,255
School-Sponsored Athletics - Inst.					
Salaries	406,385	(1,500)	404,885	391,273	13,612
Purchased services	30,000	(28,000)	2,000	639	1,361
Supplies and materials	52,000	23,000	75,000	71,780	3,220
Other objects	35,000		35,000	35,000	
Transfers to cover deficit (agency funds)	15,000		15,000	15,000	
Total School-Sponsored Athletics - Inst	538,385	(6,500)	531,885	513,692	18,193

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Instructional Programs - Instruction					
Salaries	\$5,000		\$5,000	\$5,000	
Supplies and materials	5,000		5,000	5,000	
Total Other Instructional Programs - Inst.	10,000		10,000	10,000	
Undistributed Expenditures - Instruction					
Tuition to other LEAs within the state - regular	270,000	(\$17,160)	252,840	216,927	\$35,913
Tuition county voc. school dist. - regular	653,880		653,880	653,880	
Tuition county voc. school dist. - special	131,420		131,420	131,420	
Tuition to CSSD & reg. day schools	852,581		852,581	541,683	310,898
Tuition to priv. sch. for the disabled w/i state	615,600	(224,834)	390,766	290,193	100,573
Tuition - state facilities	75,296	17,699	92,995	92,995	
Tuition - other	7,500	93,480	100,980	96,348	4,632
Total Undistributed Expenditures - Instruction	2,606,277	(130,815)	2,475,462	2,023,446	452,016
Undistributed Expenditures - Attendance & Social Work					
Salaries	37,590		37,590	31,648	5,942
Other purchased services (400-500)	100		100	100	100
Supplies and materials	1,000		1,000	1,000	1,000
Total Undistributed Expenditures - Attendance & Soc.	38,690		38,690	31,648	7,042
Undistributed Expenditures - Health Services					
Salaries	208,381	2,500	208,881	208,739	142
Purchased Professional Technical Services	24,255		24,255	21,695	2,560
Other purchased services	250		250	250	250
Supplies and materials	7,000		7,000	5,639	1,361
Total Undistributed Expenditures - Health Svcs.	237,886	2,500	240,386	236,073	4,313
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	48,091		48,091	31,236	16,855
Supplies and materials	1,000		1,000	1,000	1,000
Total Undst. Expend. - Speech, OT, PT & Related Services	49,091		49,091	31,236	17,855
Undist. Expend. - Guidance					
Salaries of other professional staff	431,468	200	431,668	431,611	57
Salaries of secretarial and clerical assistants	110,674	1,400	112,074	109,778	2,296
Other purchased prof. and tech. services	5,000		5,000	1,600	3,400
Supplies and materials	24,000	(1,600)	22,400	8,326	14,074
Total Undst. Expend. - Guidance	571,142		571,142	551,315	19,827
Undist. Expend. - Child Study Team					
Salaries of other professional staff	507,190		507,190	498,885	8,305
Salaries of secretarial and clerical assistants	69,819	(35,000)	34,819	23,583	11,236
Purchased professional - educ services	100,000	(25,000)	75,000	67,223	7,777
Supplies and materials	7,500		7,500	3,357	4,143
Other objects	2,500		2,500	2,500	2,500
Total Undst. Expend. - Child Study Team	687,009	(60,000)	627,009	593,048	33,961

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	\$269,228		\$269,228	\$265,240	\$3,988
Salaries of secretarial and clerical assistants	78,369		78,369	56,636	21,733
Total Undst. Expend. - Improvement of Instr. Services	347,597		347,597	321,876	25,721
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	238,504		238,504	234,876	3,628
Purchased professional and technical services	12,500	(\$11,600)	900	54	846
Supplies and materials	72,000	98,650	170,650	170,087	563
Total Undst. Expend. - Educ. Media Serv./Sch. Library	323,004	87,050	410,054	405,017	5,037
Undist. Expend. - Instructional Staff Training Services					
Salaries of supervisor of instruction	30,000		30,000	30,000	
Purchased professional - educ services	12,000		12,000	11,999	1
Total Undst. Expend. - Instructional Staff Training Svcs.	42,000		42,000	41,999	1
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	261,554	(3,920)	257,634	255,056	2,578
Legal services	22,500	3,000	25,500	25,483	17
Audit Fee	33,000	(6,500)	26,500	26,500	
Architectural/Engineering Fees	10,792	(7,500)	3,292	1,100	2,192
Purchased technical services	41,000	(5,000)	36,000	34,706	1,294
Communications / telephone	54,000	16,000	70,000	67,491	2,509
BOE Other Purchased Services					
Other purchased services	93,000	(5,580)	87,420	87,414	6
General Supplies	27,500	24,000	51,500	50,491	1,009
BOE In-House Training/Meeting Supplies	1,500	(1,000)	500	500	
Miscellaneous expenditures	40,000	(12,300)	27,700	26,755	945
BOE Membership Dues and Fees	30,000	(1,200)	28,800	28,544	256
Total Undst. Expend. - Supp. Serv. General Admin.	614,846		614,846	603,540	11,306
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	637,610	(2,550)	635,060	543,087	91,973
Salaries of secretarial and clerical assistants	279,661	11,950	291,611	291,580	31
Purchased professional and technical services	9,000		9,000	9,000	
Supplies and materials	48,500	(500)	48,000	47,295	705
Other objects	27,000	(8,900)	18,100	17,374	726
Total Undst. Expend. - Supp. Serv. School Admin.	1,001,771		1,001,771	908,336	93,435
Undist. Expend. - Central Services					
Salaries	249,751	6,000	255,751	253,961	1,790
Purchased technical services	22,000	(6,000)	16,000	9,472	6,528
Supplies and materials	10,000		10,000	256	9,744
Miscellaneous expenditures	4,500		4,500	3,131	1,369
Total Undst. Expend. - Central Services	286,251		286,251	266,820	19,431

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Admin. Info. Tech.					
Purchased technical services	\$1,000		\$1,000	\$1,000	
Supplies and materials	2,000		2,000	2,000	
Total Undst. Expend. - Admin. Info. Tech.	3,000		3,000	3,000	
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	199,569	\$113,798	313,367	313,367	
General supplies	370,000	151,010	521,010	477,735	\$43,275
Other objects	70,000	(70,000)			
Total Undst. Expend. - Required Maint. Sch. Facilities	639,569	194,808	834,377	791,102	43,275
Undist. Expend. - Custodial Services					
Salaries	736,494	(22,500)	713,994	711,801	2,193
Purchased professional & tech. services		4,150	4,150	4,148	2
Other purchased property services	518,191	89,450	607,641	587,151	20,490
Insurance	130,000	31,080	161,080	160,922	158
General supplies	100,000	22,350	122,350	120,943	1,407
Energy (Natural Gas)		40,000	40,000	26,625	13,375
Energy (Electricity)	225,000	(225,000)			
Other objects	5,000	(1,450)	3,550	2,565	985
Total Undst. Expend. - Custodial Services	1,714,685	(61,920)	1,652,765	1,614,155	38,610
Undist. Expend. - Care and Upkeep of Grounds					
Salaries	105,308		105,308	85,800	19,508
General supplies	10,000		10,000	10,000	
Total Undst. Expend. - Care and Upkeep of Grounds	115,308		115,308	95,800	19,508
Undist. Expend. - Security					
Salaries	113,298		113,298	113,298	
Purchased professional & tech. services	63,000	10,990	73,990	72,900	1,090
Total Undst. Expend. - Security	176,298	10,990	187,288	186,198	1,090
Total Undst. Expend. - Oper. & Maint. of Plant Services	2,645,860	143,878	2,789,738	2,687,255	102,483
Undist. Expend. - Student Transportation Services					
Salaries on Non-Instructional Aids		775,399	775,399	774,496	903
Salaries for pupil trans. (bet home & sch) - regular	586,299	(506,998)	79,301	79,011	290
Salaries for pupil trans. (bet home & sch) - spec ed.	269,301	(203,641)	65,660	65,267	393
Salaries for pupil trans. (other than bet home & sch)	54,000	(54,000)			
Other purchased professional and technical services	4,000	(4,000)			
Cleaning, repair, and maintenance services	99,780	3,825	103,605	103,597	8
Aide in Lieu - NonPublic Students		2,195	2,195	2,003	192
Aide in Lieu - Charter Schools		8,840	8,840	8,840	
Contr. serv. (bet. home & sch.) - vendors	53,000	(49,500)	3,500	2,725	775
Contr. serv. (other than bet. home & sch.) - vendors	20,000	(20,000)			
Contr. serv. (bet. home & sch.) - joint agrmts.	1,500	(1,500)			
Contr. serv. (sp ed stds) - vendors	1,500		69,600	71,079	21
Miscellaneous purchased services - transportation	30,000	(695)	29,305	29,305	
Supplies and materials	196,000	61,975	257,975	257,261	714
Other objects	6,500	(6,500)			
Total Undst. Expend. - Student Transportation Services	1,321,880	75,000	1,396,880	1,393,584	3,296

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated Benefits - Employee Benefits					
Social security contributions	\$446,182	(\$48,500)	\$397,682	\$392,256	\$5,426
Other retirement contributions - PERS	459,543	(20,900)	438,643	438,632	11
Unemployment compensation	5,500	19,500	25,000	25,000	
Health benefits	3,149,502	(181,348)	2,968,154	2,928,977	39,177
Tuition reimbursement	55,000	(10,000)	45,000	37,814	7,186
Other employee benefits	215,000	(24,100)	190,900	184,408	6,492
Total Unallocated Benefits - Employee Benefits	4,330,727	(265,348)	4,065,379	4,007,087	58,292
On-behalf TPAF NCGI pension contributions (non-budgeted)				373,464	(373,464)
On-behalf TPAF Post Retirement Medical contributions (non-budgeted)				750,760	(750,760)
Reimbursed TPAF social security contributions (non-bud.)				868,371	(868,371)
Total Undistributed Expenditures - TPAF				1,992,595	(1,992,595)
Total Undistributed Expenditures	15,107,031	(147,735)	14,959,296	16,097,875	(1,138,579)
Total General Current Expense	\$27,139,443	(\$171,403)	\$26,968,040	\$27,965,505	(\$997,465)
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Grades 6-8					
Grades 9-12					
Multiple Disabilities					
Undist. expenditures - instruction	17,000	42,950	59,950	29,950	30,000
School buses - regular	75,000	174,120	249,120	79,120	170,000
Total Equipment	92,000	217,070	309,070	109,070	200,000
Facilities acquisition and construction services:					
Construction Services		4,000	4,000	4,000	
Other Objects	27,809		27,809	27,809	
Total Facilities acquisition and construction services	27,809	4,000	31,809	31,809	
Total Capital Outlay	119,809	221,070	340,879	140,879	200,000
SPECIAL SCHOOLS:					
ADULT SCHOOL:					
Adult Education - Local - Instruction:					
Salaries of teachers	16,000		16,000		16,000
General supplies	3,500		3,500		3,500
Total Adult Education - Local - Instruction	19,500		19,500		19,500
Total Special Schools	19,500		19,500		19,500
Transfer of funds to charter schools	27,706		27,706	25,022	2,684
Total Expenditures	\$27,306,458	\$49,667	\$27,356,125	\$28,131,406	(\$775,281)

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2012

(Continued from prior page)	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	\$125,125	(\$39,120)	\$86,005	\$1,638,850	\$1,552,845
Other Financing Sources (Uses):					
Operating transfer out - Enterprise Fund	<u>(125,000)</u>	<u>(40,000)</u>	<u>(165,000)</u>	<u>(165,000)</u>	
Total Other Financing Sources	<u>(125,000)</u>	<u>(40,000)</u>	<u>(165,000)</u>	<u>(165,000)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	125	(79,120)	(78,995)	1,473,850	1,552,845
Fund Balance, July 1	<u>1,180,460</u>		<u>1,180,460</u>	<u>1,180,460</u>	
Fund Balance, June 30	<u>\$1,180,585</u>	<u>(\$79,120)</u>	<u>\$1,101,465</u>	<u>\$2,654,310</u>	<u>\$1,552,845</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Excess Surplus				\$983,233	
Excess Surplus - Designated for Subsequent Years Expenditures				523,519	
Capital Reserve				21,919	
Maintenance Reserve Account				50,000	
Assigned Fund Balance					
Year-end Encumbrances				226,887	
Designated for Subsequent Years Expenditures				276,739	
Unassigned Fund Balance				<u>572,013</u>	
				2,654,310	
Last State Aid Payment not Recognized on a GAAP Basis				<u>(825,220)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$1,829,090</u>	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Education Jobs Fund
Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal sources:					
Education Jobs Fund	<u>\$338,678</u>	<u>\$10,547</u>	<u>\$347,225</u>	<u>\$347,225</u>	
Total Revenues	<u>338,678</u>	<u>10,547</u>	<u>347,225</u>	<u>347,225</u>	
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Undistributed Instruction:					
Other Salary for Instruction	<u>159,390</u>	<u>10,547</u>	<u>169,937</u>	<u>169,937</u>	
Total Instruction	<u>159,390</u>	<u>10,547</u>	<u>169,937</u>	<u>169,937</u>	
Undist. Expend. - Security					
Salaries	<u>113,298</u>		<u>113,298</u>	<u>113,298</u>	
Purchased Prof & Technical Services	<u>63,990</u>		<u>63,990</u>	<u>63,990</u>	
Total Security	<u>177,288</u>	<u>---</u>	<u>177,288</u>	<u>177,288</u>	
Total General Current Expense	<u>338,678</u>	<u>10,547</u>	<u>347,225</u>	<u>347,225</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures:					
Fund Balance, July 1					
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
REVENUES:					
Local sources					
State sources					
Federal sources	\$719,285	\$160,152	\$879,437	\$834,746	\$44,691
Total revenues	<u>719,285</u>	<u>160,152</u>	<u>879,437</u>	<u>834,746</u>	<u>44,691</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	289,285	(79,483)	209,802	194,455	15,347
Other salaries					
Purchased professional - educ. services		8,103	8,103	8,103	
Purchased professional - tech. services					
Other purchased services					
Tuition	430,000	13,314	443,314	443,314	
General supplies		75,012	75,012	68,314	6,698
Textbooks					
Other objects					
Total instruction	<u>719,285</u>	<u>16,946</u>	<u>736,231</u>	<u>714,186</u>	<u>22,045</u>
Support services:					
Other salaries		47,440	47,440	31,238	16,202
Salaries of secretarial and clerical asst.					
Personal services - employee benefits		49,431	49,431	42,987	6,444
Other purchased professional services					
Purchased professional - educ. services					
Purchased professional and technical services		33,910	33,910	33,910	
Travel		5,400	5,400	5,400	
Other purchased services		3,808	3,808	3,808	
Supplies and materials		575	575	575	
Miscellaneous					
Total support services		<u>140,564</u>	<u>140,564</u>	<u>117,918</u>	<u>22,646</u>
Facilities acquisition and construction services:					
Equipment					
Instructional equipment		2,642	2,642	2,642	
Non-instructional equipment					
Total facilities acq. and const. services		<u>2,642</u>	<u>2,642</u>	<u>2,642</u>	
Transfer to charter schools					
Total expenditures	<u>719,285</u>	<u>160,152</u>	<u>879,437</u>	<u>834,746</u>	<u>44,691</u>
Total outflows	<u>719,285</u>	<u>160,152</u>	<u>879,437</u>	<u>834,746</u>	<u>44,691</u>
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)					

**Lower Cape May Regional School District
Notes to Required Supplementary Information
Budgetary Comparison**

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP
Revenues and Expenditures**

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 29,770,256	\$ 834,746
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	770,431	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(825,220)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 29,715,467	\$ 834,746
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 28,131,406	\$ 834,746
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 28,131,406	\$ 834,746

Other Supplementary Information

**Special Revenue Fund
Detail Statements**

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2012
(With comparative totals for June 30, 2011)

	Brought Forward (Exh. E-1B)	Brought Forward (Exh. E-1C)	Totals	
			2012	2011
REVENUES:				
State sources				
Federal sources	\$345,667	\$489,079	\$834,746	\$1,275,660
Local sources				5,000
Total Revenues	345,667	489,079	834,746	1,280,660
EXPENDITURES:				
Instruction:				
Salaries of teachers	194,455		194,455	212,748
Other salaries for instruction				
Purchase professional educational services	8,103		8,103	3,522
Purchase professional and technical services				
Other purchased services				
Travel				
General supplies	28,999	39,315	68,314	95,060
Tuition		443,314	443,314	594,249
Other objects				
Textbooks				
Total Instruction	231,557	482,629	714,186	905,579
Support services:				
Other salaries	31,238		31,238	33,465
Salaries of secretarial and clerical asst.				
Personal services-employee benefits	42,987		42,987	65,008
Purchased prof. and educational services				1,650
Purchase professional and technical services	33,910		33,910	18,028
Other purchased professional and technical serv.				
Travel	5,400		5,400	9,029
Other purchased services (400-500)		3,808	3,808	5,897
Supplies and materials	575		575	1,132
Miscellaneous				1,372
Total support services	114,110	3,808	117,918	135,581
Facilities acquisition and const. serv.:				
Equipment				239,500
Instructional equipment		2,642	2,642	
Non-Instructional equipment				
Total facilities acquisition and const. serv.:		2,642	2,642	239,500
Total Expenditures	345,667	489,079	834,746	1,280,660
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)				

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2012

	E.S.E.A. as amended by No Child Left Behind (N.C.L.B.)					Totals
	Title I	Title I	Title I ARRA	Title II - Part A	Title II - Part A	
	Current Yr.	Prior Yr.	Prior Yr.	Current Yr.	Prior Yr.	
REVENUES:						
State sources						
Federal sources	\$206,149	\$50,858	\$5,852	\$78,895	\$3,913	\$345,667
Local sources						
Total Revenues	206,149	50,858	5,852	78,895	3,913	345,667
EXPENDITURES:						
Instruction:						
Salaries of teachers	119,338	9,371		65,748		194,455
Other salaries for instruction						
Other purchased services (400-500)						
Purchase professional educational services	6,013	2,090				8,103
Purchase professional and technical services						
Travel						
General supplies	23,780	5,219				28,999
Tuition						
Textbooks						
Total Instruction	149,131	16,660		65,748		231,557
Support services:						
Salaries of principals/asst.						
Salaries of other professional staff						
Salaries of secretarial and clerical asst.						
Other salaries	5,100	20,288	5,852			31,238
Personal services-employee benefits	20,526	5,399		13,149	3,913	42,987
Purchased prof. and educational services						
Purchase professional and technical services	25,417	8,493				33,910
Other purchased professional and technical serv.						
Travel	5,400					5,400
Other purchased services (400-500)						
Supplies and materials	575					575
Miscellaneous						
Total support services	57,018	34,178	5,852	13,149	3,913	114,110
Facilities acquisition and const. serv.:						
Equipment						
Instructional equipment						
Non-instructional equipment						
Total facilities acquisition and const. serv.:						
Total Expenditures	206,149	50,858	5,852	78,895	3,913	345,667
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)						

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2012

	<u>IDEA Basic</u> <u>Current Yr.</u>	<u>Carl Perkins</u> <u>Grant</u>	<u>Totals</u>
REVENUES:			
State sources			
Federal sources	\$443,314	\$45,765	\$489,079
Local sources			
Total Revenues	<u>443,314</u>	<u>45,765</u>	<u>489,079</u>
EXPENDITURES:			
Instruction:			
Salaries of teachers			
Other salaries for instruction			
Other purchased services (400-500)			
Purchase professional educational services			
Purchase professional and technical services			
Travel			
General supplies		39,315	39,315
Tuition	443,314		443,314
Textbooks			
Total Instruction	<u>443,314</u>	<u>39,315</u>	<u>482,629</u>
Support services:			
Other salaries			
Personal services-employee benefits			
Purchased prof. and educational services			
Purchase professional and technical services			
Other purchased professional and technical serv.			
Travel			
Other purchased services (400-500)		3,808	3,808
Supplies and materials			
Miscellaneous			
Total support services		<u>3,808</u>	<u>3,808</u>
Facilities acquisition and const. serv.:			
Instructional Equipment		2,642	2,642
Non-Instructional equipment			
Total facilities acquisition and const. serv.:		<u>2,642</u>	<u>2,642</u>
Total Expenditures	<u>443,314</u>	<u>45,765</u>	<u>489,079</u>
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)			

**Proprietary Funds
Detail Statements**

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Enterprise Funds
Statement of Net Assets
as of June 30, 2012 and 2011

	2012	2011
ASSETS:		
Current assets:		
Cash and cash equivalents	\$53,149	\$22,249
Accounts receivable:		
State	254	
Federal	12,143	
Other	1,970	
Inventories	4,375	6,988
Total current assets	71,891	29,237
Fixed assets:		
Equipment	184,814	184,814
Less Accumulated depreciation	(151,978)	(146,725)
Total fixed assets	32,836	38,089
Total assets	\$104,727	\$67,326
 LIABILITIES:		
Current liabilities:		
Accounts payable	\$8,328	\$10,304
Interfund payable	5,000	5,000
Total current liabilities	13,328	15,304
 NET ASSETS:		
Invested in capital assets net of related debt	32,836	38,089
Unrestricted	58,563	13,933
Total net assets	\$91,399	\$52,022

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Enterprise Funds
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
for the Fiscal Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Local sources:		
Daily sales-reimbursable programs:		
School lunch program	<u>\$162,552</u>	<u>\$199,313</u>
Total-daily sales-reimbursable programs	162,552	199,313
Daily sales non-reimbursable programs:		
Adult and AlaCarte meals	<u>291,332</u>	<u>244,339</u>
Total operating revenue	<u>453,884</u>	<u>443,652</u>
OPERATING EXPENSES:		
Salaries	371,775	402,680
Employee benefits	200,064	208,094
Supplies and materials	18,490	17,718
Depreciation	5,253	5,959
Purchased Professional Services	300	454
Cost of sales	374,837	377,250
Repairs and maintenance	4,684	6,844
Miscellaneous	<u>3,682</u>	<u>2,040</u>
Total operating expenses	<u>979,085</u>	<u>1,021,039</u>
Operating income (loss)	<u>(525,201)</u>	<u>(577,387)</u>
Non-operating revenues:		
State sources:		
State school lunch program	7,840	7,990
Federal sources:		
National school lunch program	259,072	256,054
National school breakfast program	84,267	63,903
U.S.D.A. commodities	48,312	42,779
Operating transfer in	165,000	193,000
Interest revenue	<u>87</u>	<u>108</u>
Total non-operating revenues	<u>564,578</u>	<u>563,834</u>
Change in net assets	39,377	(13,553)
Total net assets - July 1	<u>52,022</u>	<u>65,575</u>
Total net assets - June 30	<u>\$91,399</u>	<u>\$52,022</u>

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash receipts from customers	\$451,914	\$443,651
Cash payments to employees for services	(571,839)	(610,773)
Cash payments to suppliers for goods and services	<u>(353,044)</u>	<u>(376,016)</u>
Net cash used by operating activities	<u>(472,969)</u>	<u>(543,138)</u>
Cash flows from noncapital financing activities:		
Interfund advance		
Board contribution	165,000	193,000
Cash received from state and federal reimbursements	<u>338,782</u>	<u>353,091</u>
Net cash provided by noncapital financing activities	<u>503,782</u>	<u>546,091</u>
Cash flows from capital financing activities:		
Purchases of fixed assets		
Net cash used by capital financing activities		
Cash flows from investing activities:		
Interest on investments	<u>87</u>	<u>108</u>
Net cash provided by investing activities	<u>87</u>	<u>108</u>
Net increase (decrease) in cash and cash equivalents	30,900	3,061
Cash and cash equivalents, July 1	<u>22,249</u>	<u>19,188</u>
Cash and cash equivalents, June 30	<u><u>\$53,149</u></u>	<u><u>\$22,249</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$525,201)	(\$577,387)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:		
Depreciation	5,253	5,959
Federal commodities	48,312	42,779
Change in assets and liabilities:		
(Increase)/decrease in inventory	2,613	(4,738)
(Increase)/decrease in accounts receivable	(1,970)	
Increase/(decrease) in interfund payable		
Increase/(decrease) in accounts payable	<u>(1,976)</u>	<u>(9,751)</u>
Net cash used by operating activities	<u><u>(\$472,969)</u></u>	<u><u>(\$543,138)</u></u>

**Fiduciary Funds
Detail Statements**

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Assets
June 30, 2012
(With comparative totals for June 30, 2011)

	<u>Agency Funds</u>		<u>Private Purpose Trust Fund</u>	<u>Unemployment Compensation Insurance Trust</u>	<u>Flexible Spending Account</u>	<u>Totals</u>	
	<u>Student Activity</u>	<u>Payroll</u>	<u>Scholarship Funds</u>			<u>2012</u>	<u>2011</u>
ASSETS:							
Cash and cash equivalents	\$210,576	\$54,348	\$4,628	\$133,381		\$402,933	\$356,810
Interfund receivable			5,000			5,000	5,000
TOTAL ASSETS	<u>\$210,576</u>	<u>\$54,348</u>	<u>\$9,628</u>	<u>\$133,381</u>	<u>---</u>	<u>\$407,933</u>	<u>\$361,810</u>
LIABILITIES:							
Accounts payable				\$17,653		\$17,653	\$12,550
Payroll deductions and withholdings		\$46,508				46,508	21,920
Due to teachers' association		177				177	3,269
Interfund payable		7,663				7,663	1,858
Due to student groups	\$210,576					210,576	213,700
Total liabilities	<u>210,576</u>	<u>54,348</u>	<u>---</u>	<u>17,653</u>		<u>282,577</u>	<u>253,297</u>
NET ASSETS:							
Restricted for:							
Unemployment claims				\$115,728		\$115,728	\$99,695
Scholarship payments			\$9,628			9,628	8,818
Total net assets	<u>---</u>	<u>---</u>	<u>\$9,628</u>	<u>\$115,728</u>	<u>---</u>	<u>\$125,356</u>	<u>\$108,513</u>

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Fiduciary Fund
Comparative Statement of Changes in Fiduciary Net Assets
for the Fiscal Years ended June 30, 2012 and 2011

	Private Purpose Trust Fund Scholarship Funds	Unemployment Compensation Insurance Trust Fund	Flexible Spending Account	Totals	
				2012	2011
REVENUES:					
Local sources:					
Board Contributions		\$25,000	\$219,817	\$244,817	
Employee withholdings		45,484		45,484	\$44,190
Other Contributions	\$2,005			2,005	4,165
Interest on Investments	5	133		138	294
Total Revenues	2,010	70,617	219,817	292,444	48,649
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Unemployment claims		\$54,584		\$54,584	\$77,844
Other expenses			\$219,817	219,817	558
Scholarship payments	\$1,200			1,200	2,800
Total Expenditures	1,200	54,584	219,817	275,601	81,202
Change in net assets	810	16,033		16,843	(32,553)
Total net assets - July 1	8,818	99,695		108,513	141,066
Total net assets - June 30	\$9,628	\$115,728	---	\$125,356	\$108,513

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u> <u>June 30, 2012</u>	<u>Balance</u> <u>June 30, 2012</u>
JUNIOR/SENIOR HIGH SCHOOLS:					
Lower Cape May Regional:					
Activities	\$213,909	\$351,182	\$357,491		\$207,600
Athletic	(209)	67,006	63,821		2,976
	<u>\$213,700</u>	<u>\$418,188</u>	<u>\$421,312</u>	<u>---</u>	<u>\$210,576</u>
Total					

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Payroll Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2012

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
ASSETS:				
Cash and cash equivalents	<u>\$27,047</u>	<u>\$19,141,422</u>	<u>\$19,114,121</u>	<u>\$54,348</u>
Total assets	<u><u>\$27,047</u></u>	<u><u>\$19,141,422</u></u>	<u><u>\$19,114,121</u></u>	<u><u>\$54,348</u></u>
LIABILITIES:				
Payroll deductions and withholdings	\$21,920	\$7,963,038	\$7,938,450	\$46,508
Summer pay		449,267	449,267	
Net payroll		10,722,442	10,722,442	
Due to teachers' association	3,269	537	3,629	177
Interfund payable	<u>1,858</u>	<u>6,138</u>	<u>333</u>	<u>7,663</u>
Total liabilities	<u><u>\$27,047</u></u>	<u><u>\$19,141,422</u></u>	<u><u>\$19,114,121</u></u>	<u><u>\$54,348</u></u>

Long-Term Debt Schedules

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Serial Bonds
June 30, 2012

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012
			Date	Amount					
Refunding Bonds	10/01/2001	\$2,985,000	03/01/2013	\$305,000	4.125%	\$1,230,000		\$310,000	\$920,000
			03/01/2014	300,000	4.125%				
			03/01/2015	315,000	4.250%				
School District Improvements	7/15/2006	595,000	07/15/2011			155,000		155,000	
Carried Forward						<u>\$1,385,000</u>	<u>-</u>	<u>\$465,000</u>	<u>\$920,000</u>

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Serial Bonds
 June 30, 2012

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012
			Date	Amount					
Brought Forward						\$1,385,000		\$465,000	\$920,000
Refunding Bonds	10/15/2009	\$7,215,000	06/01/2013	\$585,000	2.000%	7,055,000		585,000	6,470,000
			06/01/2014	575,000	2.000%				
			06/01/2015	615,000	2.250%				
			06/01/2016	600,000	4.000%				
			06/01/2017	600,000	4.000%				
			06/01/2018	645,000	4.000%				
			06/01/2019	665,000	4.000%				
			06/01/2020	735,000	4.000%				
			06/01/2021	730,000	4.000%				
			06/01/2022	720,000	4.000%				
Total						<u>\$8,440,000</u>	<u>-</u>	<u>\$1,050,000</u>	<u>\$7,390,000</u>

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$1,418,460		\$1,418,460	\$1,418,460	
Miscellaneous					
Total revenues - local sources	<u>1,418,460</u>		<u>1,418,460</u>	<u>1,418,460</u>	
State sources:					
Debt service aid type II	155,808		155,808	155,808	
Total revenues - state sources	<u>155,808</u>		<u>155,808</u>	<u>155,808</u>	
Total Revenues	<u>1,574,268</u>		<u>1,574,268</u>	<u>1,574,268</u>	
EXPENDITURES:					
Regular debt service:					
Principal on lease purchase agreement	230,000		230,000	230,000	
Interest on lease purchase agreement	36,613		36,613	36,610	\$3
Interest	302,857		302,857	302,856	1
Redemption of principal	1,050,000		1,050,000	1,050,000	
Total Expenditures	<u>1,619,470</u>		<u>1,619,470</u>	<u>1,619,466</u>	4
Excess (Deficiency) of revenues over (under) expenditures	(45,202)		(45,202)	(45,198)	4
Other Financing Sources (Uses):					
Operating transfer in					
Total Other Financing Sources (Uses)					
Excess (Deficiency) of revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(45,202)		(45,202)	(45,198)	4
Fund Balances, July 1	312,566		312,566	312,566	
Fund Balances, June 30	<u>\$267,364</u>		<u>\$267,364</u>	<u>\$267,368</u>	\$4
Recapitulation of Excess (Deficiency) or revenues over (under) expenditures					
Budgeted Fund Balance	<u>(\$45,202)</u>		<u>(\$45,202)</u>	<u>(\$45,198)</u>	\$4

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Certificates of Participation
June 30, 2012

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Rate of Interest</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>
			<u>Date</u>	<u>Amount</u>					
School District Improvements	06/15/1999	\$2,760,000	06/01/2013	\$240,000	5.125%	\$720,000		\$230,000	\$490,000
			06/01/2014	250,000	5.125%				
						<u>\$720,000</u>		<u>\$230,000</u>	<u>\$490,000</u>

Statistical Section

**Lower Cape May Regional School District
Net Assets by Component,
Last Ten Fiscal Years
(accrual basis of accounting)**

Exhibit J-1

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 8,519,823	\$ 9,356,882	\$ 10,093,434	\$ 10,294,625	\$ 10,399,170	\$ 10,434,446	\$ 10,542,318	\$ 11,364,603	\$ 11,495,947	\$ 12,182,168
Restricted for:										
Capital projects	1,107,891	498,652	391,617	482,676	404,960	11,617	11,704	11,764	11,824	21,919
Special revenue	(52,797)		(60,880)	(76,589)	(76,589)	(91,239)				
Debt service	193,196	389,293	13,966	(479)	11,392	397,651	226,175	265,456	268,362	267,388
Other purposes	1,789,537	2,070,559	1,687,652	1,424,376	1,301,106	1,144,627	900,670	566,181	622,639	2,080,378
Unrestricted	(655,747)	(1,373,628)	(1,395,560)	(1,590,131)	(1,493,847)	(1,718,588)	(1,813,382)	(1,824,797)	(1,488,090)	(1,622,792)
Total governmental activities net assets	<u>\$ 10,901,903</u>	<u>\$ 10,941,758</u>	<u>\$ 10,730,228</u>	<u>\$ 10,534,478</u>	<u>\$ 10,548,192</u>	<u>\$ 10,180,514</u>	<u>\$ 9,867,505</u>	<u>\$ 10,383,207</u>	<u>\$ 10,912,662</u>	<u>\$ 12,929,041</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 82,734	\$ 81,912	\$ 73,961	\$ 62,213	\$ 44,780	\$ 56,034	\$ 49,059	\$ 44,048	\$ 38,089	\$ 32,836
Unrestricted	23,085	35,128	21,092	25,325	31,825	17,888	37,078	21,527	13,933	58,563
Total business-type activities net assets	<u>\$ 105,819</u>	<u>\$ 117,040</u>	<u>\$ 95,043</u>	<u>\$ 87,538</u>	<u>\$ 76,605</u>	<u>\$ 73,922</u>	<u>\$ 86,137</u>	<u>\$ 65,575</u>	<u>\$ 52,022</u>	<u>\$ 91,399</u>
District-wide:										
Invested in capital assets, net of related debt	\$ 8,602,557	\$ 9,438,794	\$ 10,167,395	\$ 10,356,838	\$ 10,443,950	\$ 10,490,480	\$ 10,591,377	\$ 11,408,651	\$ 11,534,036	\$ 12,215,004
Restricted:										
Capital projects	1,107,891	498,652	391,617	482,676	404,960	11,617	11,704	11,764	11,824	21,919
Special revenue			(60,880)	(76,589)	(76,589)	(91,239)				
Debt service		389,293	13,966	(479)	11,392	397,651	226,175	265,456	268,362	267,388
Other purposes	1,789,537	2,070,559	1,687,652	1,424,376	1,301,106	1,144,627	900,670	566,181	622,639	2,080,378
Unrestricted	(632,662)	(1,338,500)	(1,374,478)	(1,564,808)	(1,462,022)	(1,698,700)	(1,776,284)	(1,803,270)	(1,472,157)	(1,564,229)
Total district net assets	<u>\$ 10,867,323</u>	<u>\$ 11,058,798</u>	<u>\$ 10,825,272</u>	<u>\$ 10,622,016</u>	<u>\$ 10,622,797</u>	<u>\$ 10,254,436</u>	<u>\$ 9,953,642</u>	<u>\$ 10,448,782</u>	<u>\$ 10,964,704</u>	<u>\$ 13,020,440</u>

Lower Cape May Regional School District
 Changes in Net Assets, Last Ten Fiscal Years
 (accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 10,699,023	\$ 10,979,145	\$ 11,014,560	\$ 9,546,437	\$ 10,212,659	\$ 10,786,022	\$ 10,340,318	\$ 10,213,080	\$ 10,002,765	\$ 9,542,650
Special education	2,224,898	2,633,253	2,710,593	2,337,919	2,337,351	2,581,306	2,881,873	2,956,499	3,409,275	2,846,667
Other instruction	644,617	692,273	666,738	682,636	640,481	679,185	749,364	827,748	703,005	602,021
Support Services:										
Tuition	1,738,727	1,890,367	2,085,072	2,270,776	2,517,262	2,650,051	2,905,570	2,818,501	2,253,954	2,023,446
Student & instruction related services	2,228,301	2,343,363	2,316,444	2,015,259	1,982,729	2,069,659	2,302,930	2,240,724	2,249,542	2,330,130
School administrative services	953,243	1,052,120	992,591	864,713	870,668	907,368	916,903	971,450	975,310	908,336
General and business administrative services	717,700	705,421	720,640	943,029	916,194	893,832	1,073,802	893,075	1,085,092	954,278
Plant operations and maintenance	2,082,573	2,361,168	2,753,568	2,029,431	2,375,248	2,513,071	2,224,952	2,675,579	2,494,661	2,736,751
Pupil transportation	1,188,977	1,287,946	1,494,774	1,278,871	1,210,771	1,277,827	1,295,841	1,248,046	1,321,877	1,393,584
Business and other support services	371,874	425,531	443,118	4,711,470	5,844,789	5,812,286	4,735,922	5,254,751	5,410,186	5,999,682
Unallocated employee benefits				4,711,470	5,844,789	5,812,286	4,735,922	5,254,751	5,410,186	5,999,682
Special schools	12,862	9,651	14,380	23,569	29,334	20,866	4,660	2,421	19,225	25,022
Charter schools	10,585	11,161	40,091	18,853	8,950	-	15,925	-	-	-
Interest on long-term debt	760,033	715,331	677,279	630,482	604,952	645,536	555,632	335,461	381,877	328,673
Unallocated depreciation	59,286	55,630	48,716	40,724	67,128	69,035	96,914	29,208	139,066	51,682
Total governmental activities expenses	<u>23,692,699</u>	<u>25,182,260</u>	<u>25,980,564</u>	<u>27,303,169</u>	<u>29,618,696</u>	<u>30,886,044</u>	<u>30,100,606</u>	<u>30,484,541</u>	<u>30,445,625</u>	<u>29,943,122</u>
Business-type activities:										
Food service	910,317	933,576	902,042	1,057,006	1,083,694	1,101,589	1,099,231	1,078,894	1,021,039	979,085
Total business-type activities expense	<u>910,317</u>	<u>933,576</u>	<u>902,042</u>	<u>1,057,006</u>	<u>1,083,694</u>	<u>1,101,589</u>	<u>1,099,231</u>	<u>1,078,894</u>	<u>1,021,039</u>	<u>979,085</u>
Total district expenses	<u>\$ 24,603,016</u>	<u>\$ 26,095,836</u>	<u>\$ 26,882,606</u>	<u>\$28,360,175</u>	<u>\$30,702,390</u>	<u>\$31,987,633</u>	<u>\$31,199,837</u>	<u>\$31,543,435</u>	<u>\$31,466,664</u>	<u>\$30,922,207</u>
Program Revenues:										
Governmental activities:										
Operating grants and contributions	\$ 3,859,229	\$ 4,011,309	\$ 3,680,288	\$ 2,691,000	\$ 4,918,702	\$ 5,298,181	\$ 2,764,272	\$ 3,106,174	\$ 3,099,000	\$ 2,983,149
Total governmental activities program revenues	<u>3,859,229</u>	<u>4,011,309</u>	<u>3,680,288</u>	<u>2,691,000</u>	<u>4,918,702</u>	<u>5,298,181</u>	<u>2,764,272</u>	<u>3,106,174</u>	<u>3,099,000</u>	<u>2,983,149</u>

(Continued)

Lower Cape May Regional School District
 Changes in Net Assets, Last Ten Fiscal Years
 (accrual basis of accounting)

Exhibit J-2

Fiscal Year Ending June 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:										
Charges for services:										
Food service	\$ 437,871	\$ 442,040	\$ 442,350	\$ 428,975	\$ 480,980	\$ 462,674	\$ 462,692	\$ 474,616	\$ 443,652	\$ 453,884
Operating grants and contributions	307,785	297,609	278,067	422,821	429,264	444,702	507,167	408,454	370,726	399,491
Capital grants and contributions										
Total business-type activities program revenues	<u>745,656</u>	<u>739,649</u>	<u>720,407</u>	<u>851,796</u>	<u>910,244</u>	<u>907,376</u>	<u>969,879</u>	<u>883,070</u>	<u>814,378</u>	<u>853,375</u>
Total district program revenues	<u>\$ 4,604,885</u>	<u>\$ 4,750,958</u>	<u>\$ 4,600,695</u>	<u>\$ 3,642,796</u>	<u>\$ 5,829,946</u>	<u>\$ 6,205,557</u>	<u>\$ 3,734,151</u>	<u>\$ 3,989,244</u>	<u>\$ 3,913,378</u>	<u>\$ 3,836,524</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (19,833,470)	\$ (21,160,951)	\$ (22,100,276)	\$ (24,612,169)	\$ (24,699,994)	\$ (25,587,863)	\$ (27,336,334)	\$ (27,358,367)	\$ (27,346,825)	\$ (26,959,973)
Business-type activities	(164,661)	(193,827)	(181,635)	(205,210)	(173,450)	(194,213)	(129,352)	(195,824)	(206,661)	(125,710)
Total district-wide net expense	<u>\$ (19,998,131)</u>	<u>\$ (21,344,878)</u>	<u>\$ (22,281,911)</u>	<u>\$ (24,817,379)</u>	<u>\$ (24,873,444)</u>	<u>\$ (25,782,076)</u>	<u>\$ (27,465,686)</u>	<u>\$ (27,554,191)</u>	<u>\$ (27,553,486)</u>	<u>\$ (27,085,683)</u>
General Revenues and Other Changes in Net Assets:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 11,218,667	\$ 12,196,179	\$ 12,420,631	\$ 13,600,629	\$ 15,107,882	\$ 15,497,072	\$ 16,116,956	\$ 16,761,633	\$ 17,432,098	\$ 17,780,740
Taxes levied for debt service	1,428,956	1,303,316	1,144,222	1,251,185	1,391,106	1,400,984	1,212,021	1,401,784	1,427,947	1,418,460
Unrestricted grants and contributions	7,067,748	7,616,732	8,066,895	9,533,173	7,904,209	8,117,950	9,614,151	9,721,599	8,977,954	9,730,774
Miscellaneous income	439,054	376,568	406,939	196,431	469,511	373,179	221,358	164,053	231,301	211,358
Transfers	(149,746)	(205,000)	(150,000)	(165,000)	(161,000)	(167,000)	(141,160)	(175,000)	(193,000)	(165,000)
Total governmental activities	<u>20,004,679</u>	<u>21,287,785</u>	<u>21,888,747</u>	<u>24,416,418</u>	<u>24,711,708</u>	<u>25,222,185</u>	<u>27,023,325</u>	<u>27,674,069</u>	<u>27,878,300</u>	<u>28,976,332</u>
Business-type activities:										
Investment earnings		148	157	1,092	1,517	24,530	407	262	108	87
Miscellaneous income			9,481	31,613	-	-	-	-	-	-
Transfers	149,746	205,000	150,000	165,000	161,000	167,000	141,160	175,000	193,000	165,000
Total business-type activities	<u>149,746</u>	<u>205,148</u>	<u>150,157</u>	<u>197,705</u>	<u>162,517</u>	<u>191,530</u>	<u>141,567</u>	<u>175,262</u>	<u>193,108</u>	<u>165,087</u>
Total district-wide	<u>\$ 20,154,425</u>	<u>\$ 21,492,933</u>	<u>\$ 22,048,904</u>	<u>\$ 24,614,123</u>	<u>\$ 24,874,225</u>	<u>\$ 25,413,715</u>	<u>\$ 27,164,892</u>	<u>\$ 28,049,331</u>	<u>\$ 28,069,408</u>	<u>\$ 29,141,419</u>
Change in Net Assets:										
Governmental activities	\$ 171,209	\$ 136,834	\$ (211,529)	\$ (195,751)	\$ 11,714	\$ (365,676)	\$ (313,009)	\$ 515,702	\$ 629,475	\$ 2,016,359
Business-type activities	(14,915)	11,221	(21,997)	(7,506)	(10,933)	(2,683)	12,215	(20,562)	(13,553)	39,377
Total district-wide	<u>\$ 156,294</u>	<u>\$ 148,055</u>	<u>\$ (233,526)</u>	<u>\$ (203,256)</u>	<u>\$ 781</u>	<u>\$ (368,361)</u>	<u>\$ (300,794)</u>	<u>\$ 495,140</u>	<u>\$ 615,922</u>	<u>\$ 2,055,736</u>

Lower Cape May Regional School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Reserved for:										
Encumbrances	\$ 102,412	\$ 35,497	\$ 31,967	\$ 130,610	\$ 1,512	\$ -	\$ -	\$ -	\$ 78,120	\$ 226,887
Capital reserve	10,829.00	10,829	10,954	11,284	11,392	11,617	11,704	11,764	11,824	21,919
Maintenance reserve										50,000
Legally restricted	295,098	18,486								
Excess surplus	1,372,027	1,856,887	1,422,730	1,273,766	1,229,594	805,547	795,670	532,959	523,519	983,233
Designated for Subsequent Years Expd.										800,258
Unreserved	822,005	457,418	337,334	149,535	247,919	489,739	(212,370)	(442,194)	(204,434)	(253,207)
Total general fund	\$ 2,602,371	\$ 2,381,117	\$ 1,802,985	\$ 1,585,195	\$ 1,490,417	\$ 1,306,903	\$ 595,004	\$ 102,529	\$ 410,029	\$ 1,829,090
All Other Governmental Funds										
Reserved:										
Encumbrances										
Debt service reserve	\$ 267,362	\$ 267,362	\$ 267,363	\$ 267,363	\$ 267,363	\$ 267,363	\$ 267,363	\$ 267,363	\$ 267,363	\$ 267,363
Unreserved, reported in:										
Special revenue fund	(52,787)		(60,880)	(76,589)	(76,589)	(91,239)	-	-	-	-
Capital projects fund	829,700	487,823	113,300	204,029						
Permanent fund	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Debt service fund	193,196	211,859	97,135	67,935	201,203	200,585	27,610	52,364	45,203	5
Total all other governmental funds	\$ 1,257,461	\$ 987,044	\$ 438,918	\$ 482,738	\$ 411,977	\$ 396,709	\$ 314,973	\$ 339,727	\$ 332,566	\$ 287,368

Lower Cape May Regional School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Tax levy	\$ 12,647,623	\$ 13,499,495	\$ 13,564,913	\$ 14,851,814	\$ 16,498,988	\$ 16,898,056	\$ 17,328,976	\$ 18,163,417	\$ 18,660,045	\$ 19,199,200
Tuition charges	26,683	31,945	72,717	68,516	27,592	4,754	4,389	-	57,576	31,156
Transportation fees	192,549	194,136	174,605	179,044	148,383	120,865	98,095	82,531	82,301	76,611
Interest earnings	175,579	101,437	74,265	149,863	183,733	120,270	37,146	18,096	5,681	95
Miscellaneous	56,295	49,040	85,845	46,568	110,233	145,315	81,921	68,556	90,743	103,496
State sources	9,976,834	10,502,858	10,939,460	11,336,098	11,906,033	12,480,354	11,524,275	11,433,595	10,748,638	11,473,290
Federal sources	938,291	1,125,183	1,007,230	869,585	916,448	917,752	853,955	1,389,048	1,323,316	1,240,633
Total revenue	24,013,654	25,504,094	25,919,035	27,501,488	29,791,410	30,687,366	29,928,757	31,155,243	31,168,300	32,124,481
Expenditures										
Instruction										
Regular instruction	8,348,622	8,417,895	8,651,378	8,884,577	9,448,767	9,752,046	9,482,761	9,804,829	8,939,499	8,933,128
Special education instruction	1,839,027	2,124,915	2,219,860	2,337,919	2,337,351	2,561,306	2,881,873	2,956,499	3,409,275	2,846,667
Other special instruction	532,819	558,633	546,030	592,636	640,461	679,185	749,364	827,748	703,005	802,021
Support Services:										
Tuition	1,738,727	1,890,367	2,085,072	2,270,776	2,517,262	2,650,051	2,905,570	2,816,501	2,253,954	2,023,446
Student & instruction related services	1,841,875	1,891,182	1,898,717	2,015,259	1,982,729	2,069,659	2,302,930	2,240,724	2,249,542	2,330,130
School administrative services	787,919	849,013	812,890	864,713	870,868	907,368	916,903	971,450	975,310	908,336
General and business admin. services	829,915	849,516	900,343	878,648	799,005	872,828	897,038	851,729	837,514	873,360
Plant operations and maintenance	1,615,350	1,774,237	2,037,571	2,014,209	2,133,114	2,161,272	2,524,800	2,686,824	2,610,777	2,687,255
Pupil transportation	982,769	1,039,233	1,145,068	1,180,300	1,210,771	1,277,827	1,295,841	1,248,046	1,321,877	1,393,584
Other support services	3,450,099	3,988,267	4,215,933	4,711,470	5,844,789	5,812,286	4,735,922	5,254,751	5,410,186	5,999,682
Special Schools	12,862	9,851	14,380	23,569	29,334	20,866	4,660	2,421	1,716	-
Charter Schools	10,585	11,161	40,091	19,853	8,950	15,925	-	-	17,509	25,022
Capital outlay	14,512,130	854,313	830,923	247,071	1,067,787	350,440	295,513	234,514	352,853	143,521
Debt service:										
Principal	795,000	810,000	815,000	845,000	870,000	990,000	1,015,000	1,210,000	1,200,000	1,280,000
Interest and other charges	760,033	722,382	684,037	645,239	609,761	614,014	557,132	426,221	391,944	339,466
Total expenditures	38,057,732	25,790,765	26,897,293	27,531,239	30,370,949	30,719,148	30,581,232	31,532,257	30,674,961	30,585,618
Excess (Deficiency) of revenues over (under) expenditures	(14,044,078)	(286,671)	(978,258)	(29,751)	(579,539)	(31,782)	(852,475)	(377,014)	493,339	1,538,863
Other Financing sources (uses)										
Proceeds from borrowing					595,000			7,665,786	-	-
Payment to escrow agent								(7,581,493)	-	-
Transfers in	102,410	206,375	8,145	21,066	35,872	285,520	6,144	115	-	-
Transfers out	(252,156)	(411,375)	(158,145)	(188,066)	(198,872)	(452,520)	(147,304)	(175,115)	(193,000)	(165,000)
Total other financing sources (uses)	(149,746)	(205,000)	(150,000)	(165,000)	434,000	(167,000)	(141,160)	(90,707)	(193,000)	(165,000)
Net change in fund balances	\$ (14,193,824)	\$ (491,671)	\$ (1,128,258)	\$ (194,751)	\$ (145,539)	\$ (198,782)	\$ (793,635)	\$ (467,721)	\$ 300,339	\$ 1,373,863
Debt service as a percentage of noncapital expenditures	6.60%	6.15%	5.75%	5.46%	5.05%	5.28%	5.19%	5.23%	5.25%	5.32%
Source: District records										
Note: Noncapital expenditures are total expenditures less capital outlay.										

Lower Cape May Regional School District
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit J-5

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<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Insurance</u> <u>Refunds</u>	<u>Transportaion</u>	<u>Other</u> <u>Refunds</u>	<u>Use of</u> <u>Facilities</u>	<u>Adult Education</u> <u>Program Fees</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$72,969	\$26,683		\$192,549			\$8,940	\$32,097	\$333,238
2004	50,587	31,945	\$ 570	194,136			6,740	41,730	325,708
2005	66,065	72,717		174,605			10,812	35,817	360,016
2006	127,878	68,516		179,044	\$ 8,592	\$ 20,175	11,054	6,747	422,006
2007	146,656	27,592	18,704	148,383	31,819	17,879	14,067	27,334	432,434
2008	101,531	4,754	49,667	120,865	28,224	26,423	12,503	10,473	354,440
2009	30,668	4,389	40,533	98,095	3,194	34,617	2,981	403	214,880
2010	18,096	-	21,285	82,531	5,237	29,623	1,536	5,630	163,938
2011	5,621	57,576	5,798	82,301	50,919	22,696	761	5,569	231,241
2012	4,779	31,156	27,060	76,611	55,311	10,985	-	5,361	211,263
	<u>\$ 624,850</u>	<u>\$ 325,328</u>	<u>\$ 163,617</u>	<u>\$ 1,349,120</u>	<u>\$ 183,296</u>	<u>\$ 162,398</u>	<u>\$ 69,394</u>	<u>\$ 171,161</u>	<u>\$ 3,049,164</u>

Source: District records

Lower Cape May Regional School District
 Assessed Value and Actual Value of Taxable Property,
 Last Ten Fiscal Years

Exhibit J-6

Fiscal Year Ended June 30,	<u>Borough of West Cape May</u>							Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax- Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
	Vacant Land	Residential	Farm Reg.	Ofarm	Commercial	Industrial	Apartment						
2003	\$ 6,667,300	\$ 144,669,800	\$ 713,100	\$ 162,900	\$ 17,937,900		\$ 488,100	\$ 170,637,100	\$ 246,000	\$ 170,883,100	\$ 6,184,300	\$ 0.455	\$ 225,832,378
2004	18,928,500	255,094,500	936,100	158,400	28,944,900		746,700	304,809,100	299,552	305,108,652	6,957,100	0.266	262,776,052
2005	19,493,000	256,750,500	936,100	158,400	28,934,400		746,700	307,019,100	260,603	307,279,703	6,957,100	0.275	330,629,236
2006	19,000,900	259,645,700	1,295,400	160,300	28,934,400		746,700	309,783,400	193,518	309,976,918	6,967,000	0.334	398,452,287
2007	29,117,700	432,355,900	3,610,600	239,600	40,776,000		1,189,500	507,289,300	249,741	507,539,041	8,686,100	0.171	465,437,929
2008	33,282,200	433,368,600	2,591,600	73,700	40,370,900		1,189,500	510,874,500	257,261	511,131,760	9,464,500	0.176	492,180,703
2009	29,943,600	439,225,500	3,483,600	165,800	41,342,300		1,189,500	515,330,300	274,134	515,604,434	9,464,500	0.174	550,005,474
2010	26,223,300	443,515,200	3,582,300	216,100	40,695,500		1,189,500	515,431,900	266,383	515,698,283	9,970,200	0.173	469,807,800
2011	20,996,200	385,812,600	3,828,600	205,800	35,180,700		1,066,100	448,090,000	225,357	448,315,357	9,143,300	0.202	490,883,238
2012	19,404,000	389,387,800	3,828,600	205,800	36,215,900		1,066,100	450,108,200	210,266	450,318,466	9,445,000	0.191	494,415,656

Source: Municipal Tax Assessor

Note:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

Continued

Lower Cape May Regional School District
 Assessed Value and Actual Value of Taxable Property,
 Last Ten Fiscal Years

Exhibit J-6

Fiscal Year Ended June 30,	City of Cape May								Public Utilities a	Net Valuation Taxable	Tax- Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
	Vacant Land	Residential	Farm Reg.	Ofarm	Commercial	Industrial	Apartment	Total Assessed Value					
2003	17,363,500	\$ 575,888,600			\$ 175,371,500		\$ 58,263,000	\$ 826,886,600	\$ 615,363	\$ 827,501,963	\$ 216,497,100	\$ 0.160	\$ 1,380,573,922
2004	57,373,400	1,509,757,200			368,225,000		139,371,000	2,074,726,600	966,795	2,075,693,395	327,039,200	0.079	1,661,837,252
2005	52,899,800	1,567,400,100			352,860,500		137,653,100	2,110,813,500	916,197	2,111,729,697	327,039,200	0.072	1,942,639,285
2006	45,893,000	1,647,701,200			349,082,000		131,993,800	2,174,670,000	813,297	2,175,483,297	326,172,100	0.062	2,242,649,910
2007	45,603,600	1,678,813,200			351,105,400		127,779,200	2,203,301,400	748,057	2,204,049,457	326,895,200	0.068	2,503,152,723
2008	43,644,800	1,693,968,100			350,790,200		125,900,300	2,214,303,400	728,282	2,215,031,682	327,656,700	0.067	2,688,901,384
2009	41,928,800	1,722,295,200			352,884,200		121,648,800	2,238,758,000	765,569	2,239,523,569	327,747,900	0.067	2,782,533,630
2010	57,139,000	2,138,841,000			453,981,300		148,999,800	2,798,961,100	952,965	2,799,914,065	420,382,900	0.053	2,793,454,421
2011	58,125,700	2,149,223,600			439,858,800		143,882,000	2,791,090,100	796,181	2,791,886,281	420,630,400	0.054	2,848,404,511
2012	57,451,900	2,160,163,500			435,731,100		143,061,100	2,798,407,600	750,281	2,797,157,881	419,138,600	0.054	2,904,884,781

Source: Municipal Tax Assessor

Note:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

Continued

Lower Cape May Regional School District
 Assessed Value and Actual Value of Taxable Property,
 Last Ten Fiscal Years

Exhibit J-6

Fiscal Year Ended June 30,	Township of Lower								Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized) Value
	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment							
2003	\$ 35,040,300	\$ 1,268,401,200	\$ 3,400,100	\$ 753,900	\$ 130,424,000	\$ 1,124,800	\$ 6,059,200	\$ 1,443,203,500	\$ 5,349,591	\$ 1,448,553,091	\$ 107,542,800	\$ 0.854	\$ 1,905,719,623	
2004	31,888,200	1,292,620,600	3,200,800	890,000	130,204,600	1,124,800	6,059,200	1,465,968,200	4,245,714	1,470,213,914	109,210,500	0.847	2,346,825,567	
2005	30,765,500	1,320,048,900	3,564,400	946,700	131,287,900	1,124,800	6,059,200	1,493,797,400	3,535,783	1,497,333,183	110,162,100	0.852	2,913,105,728	
2006	29,777,500	1,347,706,100	3,489,700	899,200	130,801,500		6,059,200	1,518,733,200	2,738,571	1,521,471,771	114,453,300	0.905	3,530,553,715	
2007	139,128,300	4,221,414,400	10,553,100	1,188,000	310,577,500		13,262,500	4,696,123,800	6,437,653	4,702,561,453	324,196,400	0.297	4,114,474,564	
2008	133,431,600	4,217,537,900	9,472,800	1,092,000	309,843,800		13,262,500	4,684,640,600	6,343,694	4,690,984,294	325,244,700	0.301	4,919,878,070	
2009	135,540,800	4,236,864,100	5,612,600	951,900	309,691,200		14,165,900	4,702,826,500	6,780,522	4,709,617,022	319,776,100	0.306	4,503,993,506	
2010	98,832,700	3,693,867,300	6,757,300	967,900	275,537,400		13,375,400	4,089,338,000	6,782,972	4,096,120,972	261,510,700	0.351	4,418,591,951	
2011	91,427,900	3,694,390,400	6,219,800	942,300	278,275,900		13,375,400	4,084,631,700	5,957,340	4,090,589,040	268,718,900	0.355	4,227,524,473	
2012	87,921,400	3,705,980,700	4,460,700	911,900	276,929,100		13,161,400	4,089,365,200	6,102,592	4,095,467,792	268,066,300	0.362	4,034,131,771	

Source: Municipal Tax Assessor

Note:

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

Reassessment occurs when ordered by the County Board of Taxation

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

^b Tax rates are per \$100

**Lower Cape May Regional School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)**

Exhibit J-7

Borough of West Cape May

Fiscal Year Ended June 30,	West Cape May School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service		Borough of West Cape May	Regional School	Cape May County	
		Total Direct					
2003	\$ 0.439	\$ 0.016	\$ 0.455	\$ 0.439	\$ 0.508	\$ 0.439	\$ 1.841
2004	0.250	0.016	0.266	0.253	0.313	0.248	1.080
2005	0.260	0.015	0.275	0.254	0.384	0.267	1.180
2006	0.317	0.017	0.334	0.271	0.443	0.272	1.320
2007	0.160	0.011	0.171	0.236	0.317	0.176	0.900
2008	0.167	0.009	0.176	0.279	0.306	0.184	0.945
2009	0.165	0.009	0.174	0.273	0.335	0.197	0.979
2010	0.164	0.009	0.173	0.283	0.333	0.202	0.991
2011	0.112	0.090	0.202	0.337	0.389	0.242	1.170
2012	-	-	0.191	0.346	0.356	0.256	1.149

City of Cape May

Fiscal Year Ended June 30,	Cape May City School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service		City of Cape May	Regional School	Cape May County	
		Total Direct					
2003	\$ 0.160		\$ 0.160	\$ 0.578	\$ 0.544	\$ 0.558	\$ 1.840
2004	0.079		0.079	0.215	0.233	0.233	0.760
2005	0.072		0.072	0.224	0.234	0.230	0.760
2006	0.062		0.062	0.247	0.245	0.216	0.770
2007	0.068		0.068	0.207	0.274	0.221	0.770
2008	0.067		0.067	0.226	0.307	0.233	0.833
2009	0.067		0.067	0.215	0.320	0.251	0.853
2010	0.053		0.053	0.196	0.277	0.214	0.740
2011	0.054		0.054	0.220	0.283	0.227	0.784
2012	0.054		0.054	0.237	0.294	0.242	0.827

Township of Lower

Fiscal Year Ended June 30,	Lower Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service		Township of Lower	Regional School	Cape May County	
		Total Direct					
2003	\$ 0.803	\$ 0.051	\$ 0.854	\$ 0.776	\$ 0.541	\$ 0.439	\$ 2.610
2004	0.797	0.050	0.847	0.772	0.557	0.464	2.640
2005	0.791	0.061	0.852	0.799	0.599	0.480	2.730
2006	0.874	0.031	0.905	0.844	0.642	0.489	2.880
2007	0.287	0.010	0.297	0.324	0.229	0.170	1.020
2008	0.291	0.010	0.301	0.349	0.230	0.181	1.061
2009	0.296	0.010	0.306	0.366	0.247	0.193	1.112
2010	0.351		0.351	0.433	0.265	0.230	1.299
2011	0.355		0.355	0.443	0.277	0.231	1.306
2012	0.362		0.362	0.443	0.273	0.229	1.307

Source: Municipal Tax Collector

Note: NJSIA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy. The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

Lower Cape May Regional School District
Principal Property Tax Payers,
Current Year and Nine Years Ago

Exhibit J-8

Borough of West Cape May

Taxpayer	2011-2012		Taxpayer	2002-2003	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Depot Travel Park, Inc.	\$4,050,300	0.90%	Raysun Property Management	\$ 1,962,500	0.74%
Rayson Properties	3,382,200	0.75%	CVS Property Management	1,677,800	0.44%
Wibraham Mansion, LLC	2,854,600	0.63%	Individual #1	1,113,300	0.38%
CVS	2,479,000	0.55%	Depot Travel Park	1,089,100	0.32%
Cape May Lumber	2,138,900	0.47%	Cape May Lumber Company	1,020,000	0.30%
Individual #1	2,058,200	0.46%	Individual #2	876,900	0.28%
Cape West Associates	1,862,800	0.41%	Cape West Associates, Inc.	866,600	0.27%
Individual #2	1,594,300	0.35%	Wibraham Partnership	852,900	0.27%
Individual #3	1,018,500	0.23%	Individual #3	705,600	0.22%
Individual #4	996,400	0.22%	SPE Labrusciano LLC	695,600	0.22%
Total	\$ 22,435,200	4.97%	Total	\$ 10,860,500	3.44%

City of Cape May

Taxpayer	2011-2012		Taxpayer	2002-2003	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Congress Hall LLC	\$28,412,795	1.02%	Grant Cape May LLC	\$ 9,500,000	1.17%
Oceanfront Properties LLC	25,304,795	0.90%	Montreal Inc., Hirsch Partnership	7,449,300	0.92%
ADIS Inc.	20,878,501	0.75%	ADIS Inc.	7,172,800	0.88%
Ocean Club Hotel CM, LLC	12,500,000	0.45%	Statt Corporation	4,828,100	0.59%
Cape Coachman Realty, LLC	11,989,500	0.43%	CIRJ Inc.	4,330,400	0.53%
Osprey Landing Development Co. LLC	11,780,300	0.42%	Kejzman Enterprises	4,142,300	0.51%
Kejzman Enterprises Inc	11,473,100	0.41%	Robert and Ruth Escher	3,661,800	0.45%
Montreal Inn	10,089,700	0.36%	Whissell	3,365,600	0.41%
Keystone Inc	9,837,735	0.35%	Paul & Joseph Bogle	3,336,800	0.41%
Individual #1	8,812,600	0.32%	Keystone, Inc.	3,298,900	0.41%
Total	\$151,079,026	5.41%	Total	\$51,086,000	6.29%

Township of Lower

Taxpayer	2011-2012		Taxpayer	2002-2003	
	Taxable Assessed Value (1)	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Jenlo Corp. & Harlo Inc.	\$10,408,800	0.25%	Diamond Beach Resort, LLC	\$ 7,250,000	0.51%
Achristavest Pier 6600, LLC	9,350,000	0.23%	Cape May Mall	5,500,000	0.39%
Bayshore Mall 1A, LLC	8,795,000	0.22%	Bell Atlantic	5,349,591	0.38%
Lake Laurie RV Resort, LLC	7,133,600	0.17%	Chas. & Margaret Masciarella	5,100,000	0.36%
Seashore Campsites Inc.	6,500,000	0.16%	North Cape Convalescent Center	4,927,000	0.35%
Channels Apartments	6,242,600	0.15%	Victoria Health Corp.	4,700,000	0.33%
Victoria Health Corp.	6,203,600	0.15%	Beer World, Inc.	3,797,100	0.27%
Verizon - New Jersey	6,112,592	0.15%	Snows/Doxsee, Inc.	3,591,000	0.25%
Beachcomber Campground Inc.	5,932,600	0.15%	Harbortown Resort Marina, Inc.	3,435,300	0.24%
North Cape Convalescent Center	5,890,000	0.14%	Shaw Limited Partnership	3,229,400	0.23%
Total	\$72,569,392	1.77%	Total	\$46,879,391	3.30%

Source: Municipal Tax Assessor

**Lower Cape May Regional School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 12,647,623	\$ 12,647,623	100.00%	-
2004	13,499,495	13,499,495	100.00%	-
2005	13,564,913	13,564,913	100.00%	-
2006	14,851,814	14,851,814	100.00%	-
2007	16,498,988	16,498,988	100.00%	-
2008	16,898,058	16,898,058	100.00%	-
2009	17,328,976	17,328,976	100.00%	-
2010	18,163,417	18,163,417	100.00%	-
2011	18,860,045	18,860,045	100.00%	-
2012	19,199,200	19,194,200	99.97%	\$ 5,000

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

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

Lower Cape May Regional School District
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 (dollars in thousands, except per capita)

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income (a)			Per Capita (b)		
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Borough of West Cape May	City of Cape May	Township of Lower	Borough of West Cape May	City of Cape May	Township of Lower
2003	\$ 13,930,000	\$ 2,200,000	\$ -	\$ -	\$ -	\$ 16,130,000	40.87%	11.35%	1.99%	14,853	4,125	722
2004	13,280,000	2,040,000	-	-	-	15,320,000	37.64%	10.39%	1.83%	14,494	4,002	703
2005	12,630,000	1,875,000	-	-	-	14,505,000	35.23%	9.70%	1.71%	14,096	3,881	684
2006	11,955,000	1,705,000	-	-	-	13,660,000	32.39%	8.54%	1.57%	13,579	3,580	659
2007	11,860,000	1,525,000	-	-	-	13,385,000	30.54%	8.06%	1.48%	13,548	3,577	658
2008	11,060,000	1,335,000	-	-	-	12,395,000	26.92%	7.14%	1.30%	12,584	3,338	609
2009	10,245,000	1,135,000	-	-	-	11,380,000	25.11%	6.69%	1.22%	11,553	3,077	562
2010	9,425,000	935,000	-	-	-	10,360,000	21.32%	6.05%	0.95%	10,127	2,872	453
2011	8,440,000	720,000	-	-	-	9,160,000	(c)	(c)	(c)	9,007	2,554	403
2012	7,390,000	490,000	-	-	-	7,880,000	(c)	(c)	(c)	(c)	(c)	(c)

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

(a) Based on Per Capita Income for Cape May County

(b) Based on School District Population as of July 1,

(c) Not available

Lower Cape May Regional School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property(a)			Per Capita(b)			
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Borough of West Cape May	City of Cape May	Township of Lower	Borough of West Cape May	City of Cape May	Township of Lower
2003	\$ 13,930,000		\$ 13,930,000	8.15%	1.68%	0.96%	12,827	3,563	624
2004	13,280,000		13,280,000	4.35%	0.64%	0.90%	12,564	3,469	610
2005	12,630,000		12,630,000	4.11%	0.60%	0.84%	12,274	3,380	595
2006	11,955,000		11,955,000	3.86%	0.55%	0.79%	11,884	3,133	577
2007	11,860,000		11,860,000	2.34%	0.54%	0.25%	12,004	3,169	583
2008	11,060,000		11,060,000	2.16%	0.50%	0.24%	11,228	2,979	543
2009	10,245,000		10,245,000	1.99%	0.46%	0.22%	10,401	2,770	506
2010	9,425,000		9,425,000	1.83%	0.34%	0.23%	9,213	2,613	452
2011	8,440,000		8,440,000	1.88%	0.30%	0.21%	8,299	2,353	408
2012	7,390,000		7,390,000	1.64%	0.26%	0.18%	(c)	(c)	(c)

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.
(a) See Exhibit J-6 for property tax data.
(b) Population data can be found in Exhibit J-14.
(c) Not available.

**Lower Cape May Regional School District
 Ratios of Overlapping Governmental Activities Debt
 As of December 31, 2011**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Borough of West Cape May	\$ 332,202	100.000%	\$ 332,202
Township of Lower	17,590,494	100.000%	17,590,494
City of Cape May	43,177,554	100.000%	43,177,554
Cape May County General Obligation Debt	133,812,537	15.067%	<u>20,161,535</u>
Subtotal, overlapping debt			80,929,583
Lower Cape May Regional School District Direct Debt			<u>8,285,000</u>
Total direct and overlapping debt			<u><u>\$ 89,214,583</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Cape May County Board of Taxation.

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

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

Lower Cape May Regional School District
 Legal Debt Margin Information,
 Last Ten Fiscal Years
 (dollars in thousands)

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2012

	Equalized valuation basis	
	2012	\$ 7,450,940,770
	2011	7,497,750,467
	2010	7,544,560,164
	[A]	<u>\$ 22,493,251,401</u>
Average equalized valuation of taxable property	[A/3]	\$ 7,497,750,467
Debt limit (3.5% of average equalized valuation)	[B]	262,421,266 ^a
Net bonded school debt	[C]	9,425,000
Legal debt margin	[B-C]	<u>\$ 252,996,266</u>

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 105,383,362	\$ 115,974,833	\$ 147,928,064	\$ 152,758,434	\$ 171,127,031	\$ 239,860,179	\$ 259,521,046	\$ 266,269,300	\$ 266,091,905	\$ 262,421,266
Total net debt applicable to limit	<u>13,930,000</u>	<u>13,280,000</u>	<u>12,630,000</u>	<u>11,955,000</u>	<u>11,860,000</u>	<u>11,080,000</u>	<u>10,245,000</u>	<u>9,425,000</u>	<u>8,440,000</u>	<u>7,390,000</u>
Legal debt margin	<u>\$ 91,433,362</u>	<u>\$ 102,694,833</u>	<u>\$ 135,298,064</u>	<u>\$ 140,803,434</u>	<u>\$ 159,267,031</u>	<u>\$ 228,800,179</u>	<u>\$ 249,276,046</u>	<u>\$ 256,844,300</u>	<u>\$ 257,651,905</u>	<u>\$ 255,031,266</u>
Total net debt applicable to the limit as a percentage of debt limit	13.22%	11.45%	8.54%	7.83%	6.93%	4.61%	3.95%	3.54%	3.17%	2.82%

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

^a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts

**Lower Cape May Regional School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population^a</u>	<u>Personal Income (thousands of dollars)^b</u>	<u>Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
<u>Borough of West Cape May</u>				
2003	1,086	\$ 39,470,670	\$ 36,345	5.2%
2004	1,057	40,705,070	38,510	7.4%
2005	1,029	41,176,464	40,016	7.4%
2006	1,006	42,179,568	41,928	7.8%
2007	988	43,827,680	44,360	7.4%
2008	985	46,045,795	46,747	9.1%
2009	985	45,314,925	46,005	13.0%
2010	1,023	48,590,454	47,498	13.5%
2011	1,017	e	e	14.2%
2012	e	e	e	e
<u>City of Cape May</u>				
2003	3,910	\$ 142,108,950	\$ 36,345	8.4%
2004	3,828	147,416,280	38,510	5.7%
2005	3,737	149,539,792	40,016	7.0%
2006	3,816	159,997,248	41,928	7.3%
2007	3,742	165,995,120	44,360	7.0%
2008	3,713	173,571,611	46,747	8.6%
2009	3,699	170,172,495	46,005	12.2%
2010	3,607	171,325,286	47,498	12.8%
2011	3,587	e	e	13.4%
2012	e	e	e	e
<u>Township of Lower</u>				
2003	22,337	\$ 811,838,265	\$ 36,345	10.5%
2004	21,777	838,632,270	38,510	7.2%
2005	21,216	848,979,456	40,016	7.9%
2006	20,731	869,209,368	41,928	8.4%
2007	20,329	901,794,440	44,360	8.0%
2008	20,369	952,189,643	46,747	9.9%
2009	20,239	931,095,195	46,005	13.9%
2010	22,862	1,085,899,276	47,498	14.5%
2011	22,707	e	e	15.2%
2012	e	e	e	e

Source:

- a Population information provided by the NJ Dept of Labor and Workforce Development.
- b Personal income has been estimated based upon the municipal population and per capita income.
- c Per Capita for Cape May County.
- d Unemployment data provided by the NJ Dept of Labor and Workforce Development.
- e Not available.

Lower Cape May Regional School District
 Full-time Equivalent District Employees by Function/Program,
 Last Eight Fiscal Years

Exhibit J-16

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction								
Regular	152	152	152	153	152	152	147	136
Special education	30	30	30	30	30	30	30	32
Other special education	5	5	5	5	5	5	5	6
Vocational								
Other instruction								
Nonpublic school programs								
Adult/continuing education programs								
Support Services:								
Student & instruction related services	22	21	21	21	21	34	34	34
School administrative services	9	9	9	9	9	9	8	12
General and business administrative services	6	6	6	6	6	6	6	6
Plant operations and maintenance	24	24	24	24	23	23	23	24
Pupil transportation	22	22	22	22	22	22	22	22
Special Schools								
Food Service	20	20	20	20	19	19	19	19
Total	<u>290</u>	<u>289</u>	<u>289</u>	<u>290</u>	<u>287</u>	<u>300</u>	<u>294</u>	<u>291</u>

Source: District Personnel Records

This schedule does not contain ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2008.

Lower Cape May Regional School District
 Operating Statistics,
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change In Average Daily Enrollment	Student Attendance Percentage
						Middle School	Senior High School				
2003	1,756	\$21,990,569	\$12,523	10.69%	139	1:11.3	1:13.6	1,758	1,622	-2.01%	92.26%
2004	1,793	23,404,070	13,053	4.23%	139	1:11.3	1:13.6	1,788	1,670	1.70%	93.40%
2005	1,773	24,567,733	13,857	6.15%	138	1:11.3	1:13.9	1,769	1,622	-1.06%	91.69%
2006	1,816	25,793,929	14,204	2.50%	138	1:11.5	1:14.5	1,801	1,648	1.81%	91.50%
2007	1,746	27,823,401	15,936	1.22%	138	1:11.3	1:13.9	1,746	1,617	-3.05%	92.61%
2008	1,729	28,764,694	16,637	4.40%	139	1:11.3	1:13.9	1,731	1,623	8.00%	93.76%
2009	1,623	28,713,587	17,692	6.34%	139	1:10.9	1:13.3	1,632	1,523	-5.72%	93.32%
2010	1,635	29,661,522	18,142	2.54%	139	1:11.1	1:13.5	1,616	1,514	0.98%	93.69%
2011	1,616	29,730,164	17,779	2.54%	140	1:12.4	1:15.1	1,609	1,499	-0.43%	93.16%
2012	1,538	28,822,631	18,740	5.41%	140	1:12.4	1:15.1	1,528	1,433	-5.03%	93.78%

Sources: District records

Note: Enrollment based on annual October district count.

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

This schedule does not contain ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2006.

**Lower Cape May Regional School District
School Building Information
Last Eight Fiscal Years**

Exhibit J-18

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
District Building								
Elementary								
Tietleman School (1973)								
Square Feet	99,638	99,638	99,638	99,638	99,638	99,638	99,638	99,638
Capacity (students)	796	796	796	796	796	796	796	796
Enrollment	647	658	619	598	547	543	558	535
High School (1960)								
Square Feet	231,944	231,944	231,944	231,944	231,944	231,944	231,944	231,944
Capacity (students)	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016
Enrollment	1,169	1,115	1,126	1,131	1,106	1,073	1,051	993
Other								
Central Administration (1989)								
Square Feet	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Number of Schools at June 30, 2012								
Middle School = 1								
Senior High School = 1								

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the annual October district count.

This schedule does not contain ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2006.

Lower Cape May Regional School District
 Schedule of Required Maintenance
 Last Ten Fiscal Years

Exhibit J-19

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
* School Facilities											
High School	\$ 180,129	\$ 211,199	\$ 293,488	\$ 312,163	\$ 406,722	\$ 437,080	\$ 511,519	\$ 566,495	\$ 475,485	\$ 544,357	\$ 3,938,637
Tietleman School	95,674	126,300	141,059	\$ 99,892	130,151	139,865	163,686	176,304	199,841	233,850	1,506,622
Other facilities	57,926	65,982	10,530	4,162	5,423	5,828	6,820	5,840	13,782	12,895	189,188
Total School Facilities	<u>\$ 333,729</u>	<u>\$ 403,481</u>	<u>\$ 445,077</u>	<u>\$ 416,217</u>	<u>\$ 542,296</u>	<u>\$ 582,773</u>	<u>\$ 682,025</u>	<u>\$ 748,639</u>	<u>\$ 689,108</u>	<u>\$ 791,102</u>	<u>\$ 5,634,447</u>

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

Source: District records

**Lower Cape May Regional School District
Insurance Schedule
June 30, 2012**

Exhibit J-20

	<u>Coverage</u>	<u>Self-Insured Retention</u>	<u>Deductible</u>
School Package Policy (1)			
Building and Contents (All Locations)			
Limits of liability per occurrence	\$ 150,000,000	\$ 2,000,000	\$ 500
Boiler and Machinery	125,000,000		1,000
Comprehensive General Liability	10,000,000	150,000	
Comprehensive Automobile Liability	10,000,000	150,000	
Worker's Compensation	Statutory	250,000	
Educators Legal Liability	10,000,000	100,000	
Crime coverage:			
Employee Dishonesty	500,000	200,000	500
Pollution and Mold	3,000,000		25,000
Student Accident Insurance (2)	1,000,000		
Athletic Blanket Coverage (2)	5,000,000		
Surety Bonds (3)			
Treasurer	250,000		
Board Secretary	100,000		

- (1) Atlantic and Cape May Counties Joint Insurance Fund
- (2) Peoples Benefit Life Insurance Company
- (3) RLI Insurance Company

Source: District records

Single Audit Section

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: iscpas@concentric.net

-Member of-
American Institute of CPAs
New Jersey Society of CPAs

INDEPENDENT AUDITOR'S 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

The Honorable President and Members
of the Board of Education
Lower Cape May Regional School District
County of Cape May

Compliance

We have audited Lower Cape May Regional School District School District (School District), in the County of Cape May, State of New Jersey's compliance with the types of compliance requirements described in the *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 the School District's major federal and state programs for the fiscal year ended June 30, 2012. The School District's major federal and 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 federal and state programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District'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; OMB Circular A-133 *Audits of State, Local Governments, and Non-Profit Organizations*; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the School District'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 School District's compliance with those requirements.

In our opinion, the Lower Cape May Regional School District School District, in the County of Cape May, State of New Jersey complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB and which are described in the accompanying Schedule of Findings and Questioned Costs as item #2012-1.

Internal Control Over Compliance

Management of the Lower Cape May Regional School District 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 the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, 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 School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or 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 federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of 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.

The Lower Cape May Regional School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit School District's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the management of the School District, the Division of Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Public School Accountant

Marlton, New Jersey
October 23, 2012

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2011			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2012		
					Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
U.S. Department of Education														
General Fund:														
Medical Assistance Program	93.778	N/A	\$58,662	7/1/11 - 6/30/12				\$52,113	(\$58,662)			(\$6,549)		
Education Jobs Fund	84.410A	N/A	347,225	7/1/11 - 6/30/12				328,466	(347,225)			(18,759)		
Total General Fund					---	---	---	380,579	(405,887)	---		(25,308)	---	---
U.S. Department of Education														
Special Revenue Fund:														
No Child Left Behind (N.C.L.B.)														
Title I - Current Year	84.010A	NCLB-2820-12	250,841	9/1/11 - 8/31/12				107,032	(206,150)			(\$99,118)		
Title I - Prior Year	84.010A	NCLB-2820-11	252,738	9/1/10 - 8/31/11	(\$135,855)			186,712	(50,857)					
Title I - ARRA - Prior Year	84.389	ARRA-2820-11	184,794	7/1/09 - 8/31/11	(298)				(5,852)			(6,150)		
Title II - Part A - Current Year	84.367A	NCLB-2820-12	78,895	9/1/11 - 8/31/12				43,180	(78,895)			(35,715)		
Title II - Part A - Prior Year	84.367A	NCLB-2820-11	87,592	9/1/10 - 8/31/11	(46,669)			50,582	(3,913)					
Title II - Part D - Prior Year	84.318X	NCLB-2820-11	583	9/1/10 - 8/31/11	(583)			583						
Individuals With Disabilities Act (I.D.E.A.)														
Part B - Basic - Current Year	84.027	FT-2820-12	443,314	9/1/11 - 8/31/12				443,314	(443,314)					
Part B - Basic - ARRA - Current Year	84.391	ARRA-2820-10	453,717	7/1/09 - 8/31/11	(400)							(400)		
Carl D. Perkins	84.048A	PERK-2820-12	45,765	7/1/11 - 6/30/12				36,516	(45,765)			(9,249)		
Carl D. Perkins - Prior Year	84.048A	PERK-2820-11	67,623	7/1/10 - 6/30/11	(67,623)			67,623						
Total Special Revenue Fund					(251,428)	---	---	935,542	(834,746)	---		(150,632)	---	---
U.S. Department of Agriculture														
Enterprise Fund:														
Food Distribution Program	10.550	N/A	48,312	9/1/11 - 6/30/12				48,312	(48,312)					
National School Lunch Program	10.555	N/A	259,072	9/1/11 - 6/30/12				250,183	(259,072)			(8,889)		
National School Breakfast Program	10.553	N/A	84,267	9/1/11 - 6/30/12				81,013	(84,267)			(3,254)		
Total Enterprise Fund					---	---	---	379,508	(391,651)	---		(12,143)	---	---
Total Federal Awards					(251,428)	---	---	\$1,695,629	(\$1,632,284)	---		(\$188,083)	---	---

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

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2012

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2011			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2012		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education													
General Fund:													
Equalization Aid	12-495-034-5120-078	\$118,399	7/1/11 - 6/30/12					\$107,928	(\$118,399)		(\$10,471)		
Equalization Aid	11-495-034-5120-078	118,399	7/1/10 - 6/30/11	(\$10,393)				10,393					
Transportation Aid	12-495-034-5120-014	1,201,101	7/1/11 - 6/30/12					1,094,871	(1,201,101)		(106,230)		
Transportation Aid	11-495-034-5120-014	1,201,101	7/1/10 - 6/30/11	(105,431)				105,431					
Special Education Aid	12-495-034-5120-089	805,867	7/1/11 - 6/30/12					734,593	(805,867)		(71,274)		
Special Education Aid	11-495-034-5120-089	805,867	7/1/10 - 6/30/11	(70,738)				70,738					
Security Aid	12-495-034-5120-084	355,743	7/1/11 - 6/30/12					324,250	(355,713)		(31,463)		
Security Aid	11-495-034-5120-084	355,713	7/1/10 - 6/30/11	(31,226)				31,226					
Adjustment Aid	12-495-034-5120-085	6,849,359	7/1/11 - 6/30/12					6,243,577	(6,849,359)		(605,782)		
Adjustment Aid	11-495-034-5120-085	6,295,881	7/1/10 - 6/30/11	(552,643)				552,643					
Extraordinary Aid	12-495-034-5120-473	38,352	7/1/11 - 6/30/12						(38,352)		(38,352)		
Extraordinary Aid	11-495-034-5120-473	33,056	7/1/10 - 6/30/11	(33,056)				33,056					
Additional Transportation Aid	12-495-034-5120-014	10,885	7/1/11 - 6/30/12						(10,885)		(10,885)		
Additional Transportation Aid	11-495-034-5120-014	6,264	7/1/10 - 6/30/11	(6,264)				6,264					
On Behalf TPAF Pension Contributions	12-495-034-5095-006	373,464	7/1/10 - 6/30/11					373,464	(373,464)				
On Behalf TPAF Post Retirement Medical	12-495-034-5095-001	750,760	7/1/11 - 6/30/12					750,760	(750,760)				
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	888,371	7/1/11 - 6/30/12					824,650	(888,371)		(43,721)		
Total General Fund				(809,751)	---	---	---	11,263,644	(11,372,271)	---	(918,178)	---	
Special Revenue Fund:													
N.J. Nonpublic Aid:													
Compensatory Education	11-100-034-5120-067	5,972	7/1/10 - 6/30/11			\$5,972				(\$5,972)			
Total Special Revenue Fund				---	---	5,972	---	---	---	(5,972)	---	---	
State Department of Education													
Debt Service Fund:													
Debt Service Aid Type II	12-495-034-5120-017	156,836	7/1/11 - 6/30/12					155,808	(155,808)				
State Department of Agriculture													
Enterprise Fund:													
State School Lunch Program	12-100-010-3350-023	7,840	7/1/11 - 6/30/12					7,588	(7,840)		(254)		
Total Enterprise Fund				---	---	---	---	7,588	(7,840)	---	(254)	---	
Total State Financial Assistance				(\$809,751)	---	\$5,972	---	\$11,427,238	(\$11,535,919)	(\$5,972)	(\$918,432)	---	

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

**Lower Cape May Regional School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2012**

1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of the Board of Education, Lower Cape May Regional School District. The Board of Education is defined in Note 1 to the School District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, 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.

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

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is (\$54,789) for the general fund and \$ -0- for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 405,887	\$ 11,317,482	\$ 11,723,369
Special Revenue Fund	834,746		834,746
Debt Service Fund		155,808	155,808
Food Service Fund	<u>391,651</u>	<u>7,840</u>	<u>399,491</u>
Total Awards & Financial Assistance	<u>\$ 1,632,284</u>	<u>\$ 11,481,130</u>	<u>\$ 13,113,414</u>

**Lower Cape May Regional School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2012
(Continued)**

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.

5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the School District for the year ended June 30, 2012. TPAF Social Security Contributions represents the amount reimbursed by the State for the School District's share of social security contributions for TPAF members for the year ended June 30, 2012.

6. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

**LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Section I --Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNQUALIFIED

Internal control over financial reporting:

- 1) Material weaknesses identified? yes X no
- 2) Significant deficiencies identified that are not considered to be a material weakness? yes X none reported

Noncompliance material to basic financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

- 1) Material weakness(es) identified? yes X no
- 2) Significant deficiencies identified that are not considered to be a material weakness? yes X none reported

Type of auditor's report on compliance for major programs: UNQUALIFIED

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 ? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.410A</u>	<u>Education Jobs Fund</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u> </u>	<u> </u>

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

Auditee qualified as low-risk auditee? X yes no

**LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Section 2 -- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

No findings identified.

**LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Section 3 – Schedule of Federal Awards and State Financial Assistance
Findings and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal and State programs, as required by OMB Circular A-133 and New Jersey Circular Letter 04-04.

FEDERAL AWARDS:

Finding #2012-1

Information on the federal program:

Education Jobs Fund - CFDA No. 84.410; U. S. Department of Education; Passed-through State of New Jersey, Department of Education

Criteria or specific requirement:

Under the Education Jobs Fund (Ed Jobs) requirements, an LEA may not use Ed Jobs funds to pay for contractual school –level services by individuals who are not employees of an LEA.

Condition:

The District used Ed Jobs funds for a contractual agreement with the Township of Lower for the services of a police officer.

Questioned Costs:

\$63,990.

Context:

Expenditures must be made in accordance with grant requirements.

Effect:

The district appeared to violate the Ed Jobs requirements.

Cause:

Business office was not aware of the grant requirement.

Recommendation:

That only those costs that qualify under the federal guidelines be charged to the grant.

Management's response:

Management agrees with the above finding and will address the matter as part of their corrective action plan.

STATE AWARDS

No findings and/or questioned costs identified.

**LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, OMB Circular A-133 and State of New Jersey OMB's Circular 04-04.

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

There were no prior year audit findings.