

**SCHOOL DISTRICT
OF**

CAPE MAY CITY

**Cape May City Board of Education
Cape May, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

**Comprehensive Annual
Financial Report**

of the

Cape May City Board of Education

Cape May, New Jersey

For the Fiscal Year Ended June 30, 2016

**Prepared by
Cape May City Board of Education
Finance Department**

CAPE MAY CITY SCHOOL DISTRICT

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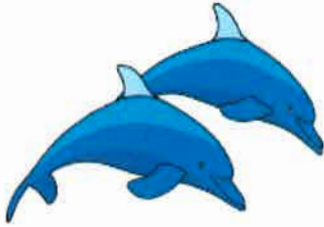
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Introductory Section

CAPE MAY CITY SCHOOL DISTRICT



Victoria Zelenak
Superintendent

John Thomas
Business Administrator

Board of Education
Edward B. Connolly, President
Joseph McKenna, Vice President
Alicia Auman
Dawn Austin
Anita de Satnick
Sharon Lee Kustra
Mark J. LeMunyon
Kathrine Meuse
Thomas Ribbman

October 21, 2016

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

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Cape May City School District for the fiscal year ended June 30, 2016 is hereby submitted. This CAFR includes the District's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory Section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial Section includes the 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 Title 2 U.S. Code of Federal regulations, cost principles, and audit requirements for Federal awards (uniform guidance); and State of New Jersey Circular OMB15-08. 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.

"To Achieve Excellence in Partnership with Family and Community."

1. REPORTING ENTITY AND ITS SERVICES:

Cape May City School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Cape May City Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to Four Year Old Preschool through Grade 6. These include regular as well as special education for handicapped youngsters. The District completed the 2015-2016 school year with an enrollment of 188.1 students, which is 13 students above the previous year's enrollment. The following details the changes in the student enrollment of the District over the last nine years.

Average Daily Enrollment		
Fiscal Year	Student Enrollment	Percent Change
2015-16	188.1	7.36%
2014-15	175.2	9.37%
2013-14	160.2	19.91%
2012-13	133.6	-7.16%
2011-12	143.9	-6.07%
2010-11	153.2	-12.91%
2009-10	175.9	3.84%
2008-09	169.4	11.96%
2007-08	151.3	-7.57%

2. ECONOMIC CONDITION AND OUTLOOK:

One of the key objectives of the Cape May City's Municipal Government is to maintain the City's environmental and historic quality by control of commercial land use patterns and adoption of improved design and performance standards for land use in all of the areas regardless of whether they are in the historic district. Another objective-related strategy involves support for the continued existence of the Coast Guard, fishing, and tourism industries so as to enhance their important economic contributions. The City Council and Taxpayers Association continually meet to form a new vision for Cape May that would involve upgrading structures and services to attract new visitors to Cape May.

Affordable housing for families has decreased dramatically, impacting on student enrollment. As in all South Jersey shore communities, school enrollment remains flat or reflects a decrease which will impact on budget concerns.

Approximately three fifths of the school's students come from Coast Guard families who are based in Cape May. The number of students is projected to increase coinciding with the increase in family sizes. A strong educational partnership exists between the Coast Guard, the school and the Housing Authority.

3. MAJOR INITIATIVES:

- To implement the use of individual Chromebooks for 100% of students in grades 2-6 and shared Chromebooks for grades K-1 to enhance learning through technology integration.
- To establish Students Growth Objectives (SGOs) to assess student achievement in alignment with the Common Core State Standards (CCSS).
- In partnership with the City of Cape May, to renovate the existing school natatorium and swimming pool, install a full-power standby generator, and to achieve energy cost savings through participation in the State of NJ's Energy Savings Improvement Plan (ESIP).
- To integrate English Language Arts (ELA) writing activities for 100% of students in grades 3-6 using the technology tools contained in the NJ State Student Achievement Assessments.
- To provide Professional Development Opportunities for 100% of the teachers in Professional Learning Communities (PLCs) to implement Danielson's Domain 4e, Growing and Developing Professionally, in the areas of curriculum, technology, classroom management and/or student engagement activities.

Our Mission Statement: "To teach and achieve excellence in partnership with family and community."

4. INTERNAL ACCOUNTING CONTROLS:

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

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

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 and the special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

6. ACCOUNTING SYSTEMS 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 that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8. RISK MANAGEMENT:

The Board carried various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, boiler insurance, parent volunteer insurance, student accident insurance and fidelity bonds. Staff training of safety procedures is on-going and the district was reviewed by the insurance company inspector for compliance.

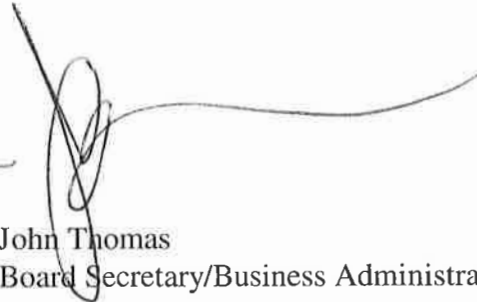
9. OTHER INFORMATION:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart, LLC, was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and New Jersey OMB's Circular 04-04. 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.

Respectfully submitted,

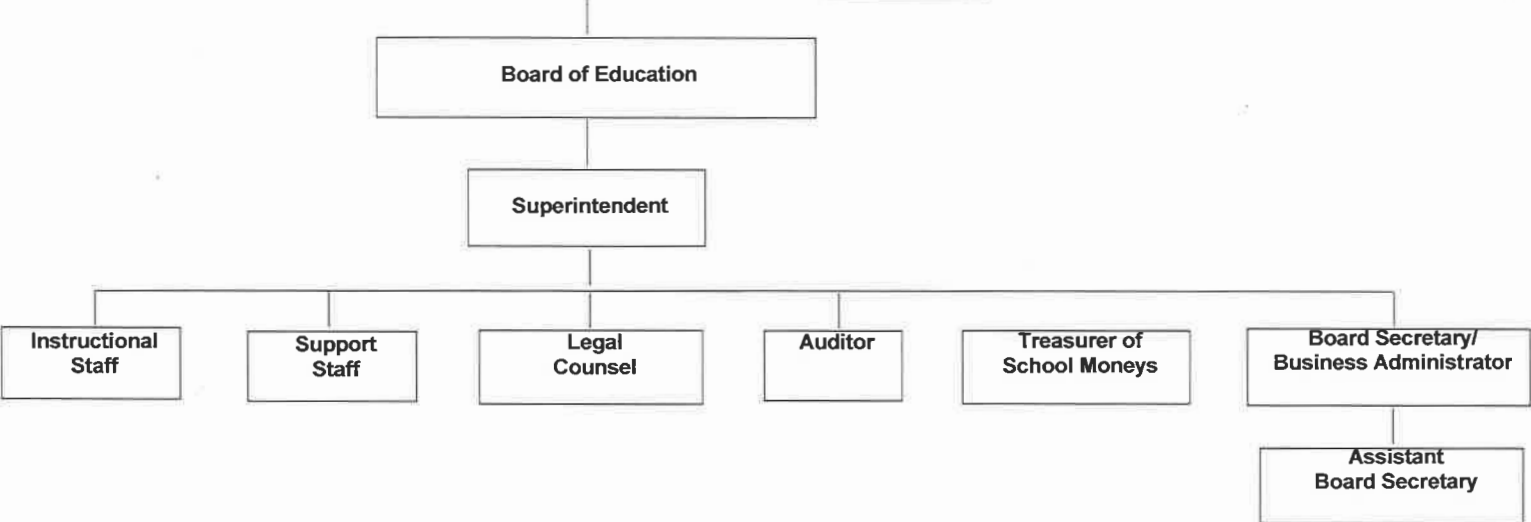


Victoria Zelenak
Superintendent



John Thomas
Board Secretary/Business Administrator

CAPE MAY CITY BOARD OF EDUCATION
Organizational Chart
(Unit Control)



**CAPE MAY CITY BOARD OF EDUCATION
CAPE MAY, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2016**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Edward Connolly - President	2016
Joseph McKenna - Vice-President	2018
Alicia Auman	2018
Dawn Austin	2016
Anita de Satnick	2016
Sharon Lee Kustra	2017
Mark J. LeMunyon	2018
Kathrine Meuse	2017
Thomas Rippman	2017

Other Officials

Victoria Zelenak, Chief School Administrator
John Thomas, Business Administrator/Board Secretary
Robert Fineberg, Esq., Solicitor

**CAPE MAY CITY BOARD OF EDUCATION
Consultants and Advisors**

Architect

Garrison Architects
713 Creek Road
Bellmawr, NJ 08031

Audit Firm

Inverso & Stewart, LLC
651 Route 73 North
Suite 402
Marlton, NJ 08053

Attorney

Robert Fineberg
208 N. Main Street
Cape May Court House, NJ 08210

Official Depository

Sturdy Savings Bank
701 Washington Street
Cape May, NJ 08204

Financial Section

INVERSO & STEWART, LLC
Certified Public Accountants

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New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I 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 Cape May City School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 Office of School Finance, Department of Education, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Cape May City School District, in the County of Cape May, State of New Jersey, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cape May City School District's basic financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Treasury Circular OMB 15-08, as applicable, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2016 on my consideration of the Cape May City School District's internal control over financial reporting and my 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 my 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* in considering the Cape May City School District's internal control over financial reporting and compliance.

INVERSO & STEWART, LLC
Certified Public Accountants

A handwritten signature in black ink, appearing to read 'R. P. Inverso', written in a cursive style.

Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
September 30, 2016

INVERSO & STEWART, LLC
Certified Public Accountants

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 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***

INDEPENDENT AUDITOR'S REPORT

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cape May City School District, in the County of Cape May, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued my report thereon dated September 30, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Cape May City School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Cape May City School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cape May City School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey which is described in the accompanying *Schedule of Findings and Questioned Costs and Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* as finding no: 2016-001.

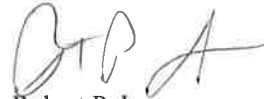
The Cape May City School District's Response to Findings

The Cape May City School District's response to the finding identified in my audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
September 30, 2016

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Cape May City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

As management of the Board of Education of Cape May City, New Jersey (School District), 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, 2016. 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 \$1,895,183 (*net position*).
- Governmental activities have a deficit unrestricted balance of \$111,385. The accounting treatments in the governmental funds for compensated absences payable, net pension liability, 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 are primarily responsible for this minimal amount.
- The total net position of the School District increased by \$345,662, or a 22.31% increase from the prior fiscal year-end balance. The majority of this increase is attributable to the payment of long-term debt including reduction in the compensated absences balance at year end.
- Fund balance of the School District's governmental funds increased by \$378,191 resulting in an ending fund balance of \$1,240,238. This increase was largely due to the results of operations in the general fund.
- Business-type activities have an unrestricted balance of \$29,331, which may be used to meet the School District's ongoing obligations of the food service and child care operations.
- The School District's long-term obligations increased by \$279,709, which is the result of an increase in compensated absences and net pension liability.

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 position and the statement of activities.

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

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 and equipment. 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 2017. 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 2017.

The assets of the primary government activities exceeded liabilities by \$1,863,174 with a deficit unrestricted balance of \$111,385. The net position of the primary government does not include internal balances.

A net investment of \$1,433,367 in land, improvements, buildings, equipment and vehicles provides the services to the School District's 160 public school students. A balance of \$541,192 has been restricted as follows:

Restricted for Future Capital Projects	\$	814
Restricted for Future Maintenance Projects		68
Restricted for Emergency		13,049
Reserve for Special Revenue (Deficit)		(10,077)
Reserve for Future Budget Appropriation		<u>537,338</u>
Total	\$	<u><u>541,192</u></u>

**Comparative Summary of Net Position
As of June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current assets	\$ 1,227,089	\$ 845,688	\$ 96,654	\$ 73,825	\$ 1,323,743	\$ 919,513
Capital assets	1,433,367	1,494,960	2,678	3,231	1,436,045	1,498,191
Total assets	<u>2,660,456</u>	<u>2,340,648</u>	<u>99,332</u>	<u>77,056</u>	<u>2,759,788</u>	<u>2,417,704</u>
Deferred Outflows of Resources	<u>242,819</u>	<u>26,216</u>			<u>242,819</u>	<u>26,216</u>
LIABILITIES						
Current liabilities	(13,149)	(16,359)	67,323	64,053	54,174	47,694
Noncurrent liabilities	766,933	487,224			766,933	487,224
Total liabilities	<u>753,784</u>	<u>470,865</u>	<u>67,323</u>	<u>64,053</u>	<u>821,107</u>	<u>534,918</u>
Deferred Inflows of Resources	<u>286,317</u>	<u>359,481</u>			<u>286,317</u>	<u>359,481</u>
Net Position	<u>\$ 1,863,174</u>	<u>\$ 1,536,518</u>	<u>\$ 32,009</u>	<u>\$ 13,003</u>	<u>\$ 1,895,183</u>	<u>\$ 1,549,521</u>
Net Position Consists of:						
Invested in Capital Assets	\$ 1,433,367	\$ 1,494,960	\$ 2,678	\$ 3,231	\$ 1,436,045	\$ 1,498,191
Restricted Assets	541,192	515,125			541,192	515,125
Unrestricted Assets	<u>(111,385)</u>	<u>(473,567)</u>	<u>29,331</u>	<u>9,772</u>	<u>(82,054)</u>	<u>(463,795)</u>
Net Position	<u>\$ 1,863,174</u>	<u>\$ 1,536,518</u>	<u>\$ 32,009</u>	<u>\$ 13,003</u>	<u>\$ 1,895,183</u>	<u>\$ 1,549,521</u>

Governmental Activities

Governmental activities increased the net position of the School District by \$326,656 during the current fiscal year, thereby accounting for almost all the total increase in the net position of the School District. Key elements of the increase in net position for governmental activities are as follows:

- Excess of current year revenues over expenditures in the amount of \$378,191

Business-type Activities

Business-type activities increased the School District's net position by \$19,006. Operations of the food service fund produced a gain of \$24,371 and the Child Care Program produced a loss of \$5,365 for the current fiscal year.

**Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
Revenues:						
Charges for services	\$ -	\$ -	\$ 33,216	\$ 38,560	\$ 33,216	\$ 38,560
Operating grants and contributions	563,360	470,970	93,046	73,932	656,406	544,902
Property taxes	1,731,557	1,574,143			1,731,557	1,574,143
State aid	1,822,464	1,708,647			1,822,464	1,708,647
Tuition	41,996	68,063			41,996	68,063
Other revenues	6,064	288	32	10	6,096	298
Total Revenues	4,165,441	3,822,111	126,294	112,502	4,291,735	3,934,613
Expenses:						
Governmental Activities:						
Instruction	1,670,530	1,641,532			1,670,530	1,641,532
Tuition	88,431	89,986			88,431	89,986
Related services	452,330	416,911			452,330	416,911
Administrative services	168,044	168,484			168,044	168,484
Central Services	80,344	78,161			80,344	78,161
Operations and Maintenance	396,742	338,590			396,742	338,590
Transportation	53,207	55,063			53,207	55,063
Employee benefits	908,577	866,717			908,577	866,717
Other	3,080	3,899			3,080	3,899
Business-Type Activities:						
Operations			124,788	126,535	124,788	126,535
Total Expenses	3,821,285	3,659,343	124,788	126,535	3,946,073	3,785,878
Increase (Decrease) in Net Position before transfers						
	344,156	162,768	1,506	(14,033)	345,662	148,735
Transfers	(17,500)	(20,000)	17,500	20,000		
Change in Net Position	326,656	142,768	19,006	5,967	345,662	148,735
Net Position July 1	1,536,518	1,393,750	13,003	7,036	1,549,521	1,400,786
Net Position June 30	\$ 1,863,174	\$ 1,536,518	\$ 32,009	\$ 13,003	\$ 1,895,183	\$ 1,549,521

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, unassigned 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 \$1,240,238, an increase of \$378,191 in comparison with the prior year.

The unreserved fund balance for the School District at the end of the fiscal year includes a combination of unreserved fund balance for the General Fund of \$699,046, and a deficit unreserved fund balance of (\$10,077) for the Special Revenue 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) appropriated as a revenue source in the subsequent year's budget \$537,338, 2) reserved for maintenance \$68, 4) reserved for Emergency \$13,049 or 5) reserved for capital reserve \$814. The general fund is the chief operating fund of the School District.

The balance in the unreserved fund balance is limited primarily, due to the accounting treatment of the June state aid payments and state statutes that prohibit New Jersey school districts from maintaining more than 2% of its adopted budget as unreserved fund balance.

Revenue in the special revenue fund is generally recognized at the time that the outlays are identified; therefore no fund balances are normally generated.

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 \$749,596, while total fund balance (budgetary basis) was \$1,300,865. 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 \$3,581,123. Unassigned fund balance (budgetary basis) represents 20.93% of expenditures while total fund balance (budgetary basis) represents 36.33% of that same amount.

Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental activities as of June 30, 2016, totaled \$1,436,045 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 62,146 or a 4.15% decrease.

Major capital assets events during the current fiscal year included the following:

- Depreciation expense for the current fiscal year was \$62,146.

Capital Asset (net of accumulated depreciation) June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
Land	\$ 538,500	\$ 538,500	\$ -	\$ -	\$ 538,500	\$ 538,500
Site Improvements					-	-
Building and Building Improvements	832,495	887,867			832,495	887,867
Equipment	62,372	68,593	2,678	3,231	65,050	71,824
Total	\$ 1,433,367	\$ 1,494,960	\$ 2,678	\$ 3,231	\$ 1,436,045	\$ 1,498,191

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.

Economic Factors and Next Year's Budgets and Rates

For the 2016-2017 school year, the School District was able to sustain its budget through the tax levy, federal aid, state aid, and miscellaneous revenue sources. One of the most important factors affecting the School District's budget is the amount of state aid it will receive in comparison to its enrollment. The 2016-2017 budget was adopted based on a \$1,700 increase in aid from the State of New Jersey and a \$72,725 increase in school property taxes. The School District continues to examine its costs in an effort to prevent additional burden on the taxpayers.

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 Cape May City School District Business Administrator, 921 Lafayette Street, Cape May, New Jersey, 08204.

Basic Financial Statements

District-Wide Financial Statements

CAPE MAY CITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 1,087,941	\$ 88,496	\$ 1,176,437
Receivables, net	138,334	6,219	144,553
Inventory		1,939	1,939
Restricted Assets:			
Restricted Cash and Cash Equivalents	814		814
Capital Assets, net (Note 5)	1,433,367	2,678	1,436,045
Total Assets	<u>2,660,456</u>	<u>99,332</u>	<u>2,759,788</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	<u>242,819</u>		<u>242,819</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	<u>2,903,275</u>	<u>99,332</u>	<u>3,002,607</u>
LIABILITIES:			
Accounts Payable	53,164		53,164
Internal Balances	(66,313)	66,313	
Unearned Revenue		1,010	1,010
Noncurrent Liabilities:			
Due beyond one year	<u>766,933</u>		<u>766,933</u>
Total Liabilities	<u>753,784</u>	<u>67,323</u>	<u>821,107</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	<u>286,317</u>		<u>286,317</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
	<u>1,040,101</u>	<u>67,323</u>	<u>1,107,424</u>
NET POSITION:			
Net Investment in Capital Assets	1,433,367	2,678	1,436,045
Restricted for:			
Special Revenue Fund	(10,077)		(10,077)
Capital Projects	814		814
Other Purposes	550,455		550,455
Unrestricted	<u>(111,385)</u>	<u>29,331</u>	<u>(82,054)</u>
Total Net Position	<u>\$ 1,863,174</u>	<u>\$ 32,009</u>	<u>\$ 1,895,183</u>

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 1,270,164	\$ -	\$ 132,722	\$ (1,137,442)	\$ -	\$ (1,137,442)
Special education	203,176		54,510	(148,666)		(148,666)
Other instruction	197,190			(197,190)		(197,190)
Support Services:						
Tuition	88,431			(88,431)		(88,431)
Student & instruction related services	452,330		18,895	(433,435)		(433,435)
General administrative services	106,377			(106,377)		(106,377)
School administrative services	61,667			(61,667)		(61,667)
Central services	80,344			(80,344)		(80,344)
Plant operations and maintenance	396,742			(396,742)		(396,742)
Pupil transportation	53,207			(53,207)		(53,207)
Employee benefits	908,577		357,233	(551,344)		(551,344)
Unallocated depreciation and amortization	3,080			(3,080)		(3,080)
Total governmental activities	<u>3,821,285</u>		<u>563,360</u>	<u>(3,257,925)</u>		<u>(3,257,925)</u>
Business-type activities:						
Child Care Program	18,852	13,483			(5,369)	(5,369)
Food Service	105,936	19,733	93,046		6,843	6,843
Total business-type activities	<u>124,788</u>	<u>33,216</u>	<u>93,046</u>		<u>1,474</u>	<u>1,474</u>
Total primary government	<u>\$ 3,946,073</u>	<u>\$ 33,216</u>	<u>\$ 656,406</u>	<u>\$ (3,257,925)</u>	<u>\$ 1,474</u>	<u>\$ (3,256,451)</u>
General revenues:						
Taxes:						
Property taxes for general purposes				1,731,557		1,731,557
Federal and State Aid not restricted				1,822,464		1,822,464
Tuition Fees				41,996		41,996
Capital Reserve - interest				30		30
Miscellaneous Income				6,034	32	6,066
Transfer				(17,500)	17,500	
Total general revenues and transfers				<u>3,584,581</u>	<u>17,532</u>	<u>3,602,113</u>
Change in Net Position				<u>326,656</u>	<u>19,006</u>	<u>345,662</u>
Net Position--July 1				<u>1,536,518</u>	<u>13,003</u>	<u>1,549,521</u>
Net Position--June 30				<u>\$ 1,863,174</u>	<u>\$ 32,009</u>	<u>\$ 1,895,183</u>

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

Fund Financial Statements

CAPE MAY CITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 1,011,961	\$ 75,980	\$ -	\$ -	\$ 1,087,941
Receivables, net	25,141	49,378	11,047		85,566
Interfund Receivables, net	257,992				257,992
Restricted Cash and Cash Equivalents	814				814
Total Assets	\$ 1,295,908	\$ 125,358	\$ 11,047	-	\$ 1,432,313
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	45,593	7,571			53,164
Interfund Payables, net		127,864	11,047		138,911
Total liabilities	45,593	135,435	11,047	-	192,075
Fund Balances:					
Restricted for:					
Capital Reserve	814				814
Maintenance Reserve	68				68
Emergency Reserve	13,049				13,049
Assigned to:					
Subsequent Year's Expenditures	537,338				537,338
Unassigned	699,046	(10,077)			688,969
Total Fund Balances	1,250,315	(10,077)			1,240,238
Total Liabilities and Fund Balances	\$ 1,295,908	\$ 125,358	\$ 11,047	\$ -	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,779,677 and the accumulated depreciation is \$2,346,310. 1,433,367

The District's proportionate share of net pension assets and liabilities as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Deferred Outflows of resources from Pensions	242,819	
Net Pension Liability	(610,254)	
Deferred Inflows of resources from Pensions	(286,317)	(653,752)

Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (156,679)

Net position of governmental activities \$ 1,863,174

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes In Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 1,731,557	\$ -	\$ -	\$ -	\$ 1,731,557
Tuition charges	41,996				41,996
Capital reserve - interest	30				30
Maintenance reserve - interest	20				20
Miscellaneous	6,014				6,014
Total revenues-local sources	1,779,617				1,779,617
State sources	908,127	97,310			1,005,437
Federal sources	1,275,025	105,362			1,380,387
Total revenues	3,962,769	202,672			4,165,441
EXPENDITURES:					
Current expense:					
Regular instruction	1,120,643	132,722			1,253,365
Special education instruction	148,666	54,510			203,176
Other instruction	154,075				154,075
Support services and undistributed costs:					
Tuition	88,431				88,431
Student & instruction related services	433,435	18,895			452,330
General administrative services	100,218				100,218
School administrative services	61,667				61,667
Central services	80,344				80,344
Plant operations and maintenance	284,342				284,342
Pupil transportation	53,207				53,207
Unallocated employee benefits	935,434				935,434
Capital outlay	103,161				103,161
Total expenditures	3,563,623	206,127			3,769,750
Excess (deficiency) of revenues over (under) expenditures	399,146	(3,455)			395,691
Other Financing Sources (Uses):					
Transfers out	(17,500)				(17,500)
Total other financing sources (uses)	(17,500)				(17,500)
Net change in fund balance	381,646	(3,455)			378,191
Fund balances, July 1	868,669	(6,622)			862,047
Fund balances, June 30	\$ 1,250,315	\$ (10,077)	\$ -	\$ -	\$ 1,240,238

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

**CAPE MAY CITY 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, 2016**

Total net change in fund balances - governmental funds (from B-2) \$ 378,191

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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 outlays exceeded depreciation in the current fiscal year.

Depreciation expense	\$ (61,593)	
Capital outlay		(61,593)

Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities. 26,857

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 (+).

(16,799)

Change in position of governmental activities \$ 326,656

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities		
	<u>Child Care Program</u>	<u>Food Service Program</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 3,263	\$ 85,233	\$ 88,496
Accounts Receivable		6,219	6,219
Inventories		<u>1,939</u>	<u>1,939</u>
Total Current Assets	<u>3,263</u>	<u>93,391</u>	<u>96,654</u>
Noncurrent Assets:			
Equipment		9,964	9,964
Less: Accumulated Depreciation		<u>(7,286)</u>	<u>(7,286)</u>
Total Noncurrent Assets		<u>2,678</u>	<u>2,678</u>
Total Assets	<u>\$ 3,263</u>	<u>\$ 96,069</u>	<u>\$ 99,332</u>
LIABILITIES			
Current Liabilities:			
Unearned Revenue		1,010	1,010
Interfund Payable	<u>1,028</u>	<u>65,285</u>	<u>66,313</u>
Total Liabilities	<u>1,028</u>	<u>66,295</u>	<u>67,323</u>
NET POSITION			
Net Investment in Capital Assets		2,678	2,678
Unrestricted	<u>2,235</u>	<u>27,096</u>	<u>29,331</u>
Total Net Position	<u>\$ 2,235</u>	<u>\$ 29,774</u>	<u>\$ 32,009</u>

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Position
Proprietary Funds
for the Fiscal Year Ended June 30, 2016

	Business-type Activities		
	Enterprise Funds		
	<u>Child Care Program</u>	<u>Food Service Program</u>	<u>Total</u>
Operating revenues:			
Charges for services:			
Daily sales-reimbursable programs	\$ -	\$ 15,730	\$ 15,730
Daily sales-non-reimbursable programs		2,983	2,983
Special functions		1,020	1,020
Program fees	13,483		13,483
Miscellaneous			
Donations			
Total operating revenue	<u>13,483</u>	<u>19,733</u>	<u>33,216</u>
Operating expenses:			
Salaries	13,440	37,723	51,163
Employee benefits	1,028	2,886	3,914
Supplies and materials	804	441	1,245
Depreciation		553	553
Repairs and maintenance		227	227
Other purchased services		17,500	17,500
Miscellaneous	3,500	708	4,208
Cost of sales - reimbursable programs		36,587	36,587
Cost of sales - nonreimbursable programs	80	9,311	9,391
Total operating expenses	<u>18,852</u>	<u>105,936</u>	<u>124,788</u>
Operating income (loss)	<u>(5,369)</u>	<u>(86,203)</u>	<u>(91,572)</u>
Nonoperating revenues (expenses):			
State sources:			
State school lunch program		1,127	1,127
Federal sources:			
National school lunch program		52,084	52,084
National school breakfast program		31,590	31,590
After school snack program		90	90
U.S.D.A. commodities		8,155	8,155
Local sources:			
Interest revenue	4	28	32
Total nonoperating revenues (expenses)	<u>4</u>	<u>93,074</u>	<u>93,078</u>
Net income (loss) before transfers	(5,365)	6,871	1,506
Operating transfers in		17,500	17,500
Change in net position	(5,365)	24,371	19,006
Total net position - July 1, 2015	<u>7,600</u>	<u>5,403</u>	<u>13,003</u>
Total net position - June 30, 2016	<u>\$ 2,235</u>	<u>\$ 29,774</u>	<u>\$ 32,009</u>

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
for the Fiscal Year Ended June 30, 2016

	Business-type Activities		
	<u>Child Care Program</u>	<u>Food Service Program</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 13,858	\$ 20,040	\$ 33,898
Payments to employees	(13,440)	(37,723)	(51,163)
Payments to suppliers	(4,384)	(55,277)	(59,661)
Net cash used for operating activities	<u>(3,966)</u>	<u>(72,960)</u>	<u>(76,926)</u>
Cash flows from noncapital financing activities:			
Miscellaneous		49	49
Board contribution		17,500	17,500
Cash received from state and federal reimbursements		82,195	82,195
Net cash provided by non-capital financing activities		<u>99,744</u>	<u>99,744</u>
Cash flows from capital activities:			
Purchases of fixed assets			
Cash flows from investing activities:			
Interest and dividends	4	28	32
Net cash provided by investing activities	<u>4</u>	<u>28</u>	<u>32</u>
Net increase in cash and cash equivalents	(3,962)	26,812	22,850
Balances - July 1, 2015	<u>7,225</u>	<u>58,421</u>	<u>65,646</u>
Balances - June 30, 2016	<u>\$ 3,263</u>	<u>\$ 85,233</u>	<u>\$ 88,496</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (5,369)	\$ (86,203)	\$ (91,572)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		553	553
Federal commodities		8,155	8,155
(Increase) decrease in accounts receivable	375		375
(Increase) decrease in inventories		1,342	1,342
Increase/(decrease) in interfund payable	1,028	2,886	3,914
Increase/(decrease) in unearned revenue		307	307
Total adjustments	<u>1,403</u>	<u>13,243</u>	<u>14,646</u>
Net cash provided by (used for) operating activities	<u>\$ (3,966)</u>	<u>\$ (72,960)</u>	<u>\$ (76,926)</u>

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Unemployment Compensation Insurance Trust	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and Cash Equivalents	\$ 7,398	\$ 66,378
Total Assets	<u>\$ 7,398</u>	<u>\$ 66,378</u>
LIABILITIES:		
Payroll Deductions Payable		13,610
Accounts Payable	574	
Interfund Payable		<u>52,768</u>
Total Liabilities	<u>\$ 574</u>	<u>\$ 66,378</u>
NET POSITION:		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 6,824</u>	

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	Unemployment Compensation Insurance Trust
ADDITIONS:	
Contributions:	
Employee contributions	\$ 9,422
Total Contributions	9,422
Investment earnings:	
Interest	1
Net investment earnings	1
Total additions	9,423
DEDUCTIONS:	
Unemployment claims	7,018
Total deductions	7,018
Change in net position	2,405
Net Position - July 1, 2015	4,419
Net Position - June 30, 2016	\$ 6,824

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

Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Cape May City School District (District) is a Type II school district located in Cape May County, New Jersey and covers an area of approximately one square mile. 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 District is to provide educational services for all of Cape May City's students in grades K through 6. Students in grades 7 through 8 attend Richard Teitleman Middle School. Students in grades 9 through 12 attend Lower Cape May Regional High School. The Cape May City School District has an approximate enrollment at June 30, 2016 of 188 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.

Component Units – GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Unit*, provide guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. 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 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 position 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 position 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 position 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.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

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.

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.

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.

Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Child Care Program - This fund accounts for all revenues and expenses pertaining to the operations of the before and after school program sponsored by the 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 position) is segregated into investment in capital assets, net of related debt, and unrestricted net position, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. 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 two fiduciary funds; an unemployment compensation trust 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 position.

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 position. The statement of changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net total position. 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.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 unearned 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 unearned 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.

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.

Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control (Continued) - 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, and all eligibility and time requirements satisfied are reflected on the balance sheet as unearned grant revenue 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.

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, 2016 and 2015 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2016.

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 Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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 position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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 position 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 position and the proprietary fund statement of net position.

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.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the School District is eligible to realize the revenue.

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.

Net Position - Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net investment in capital assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - Net position is 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 law or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016.

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. 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.

Interfunds – Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed.

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.

Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements – In February 2015, the GASB issued Statement 72, Fair Value Measurement and Application. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This Statement is effective for financial statements for periods beginning after June 15, 2015 and will not have any effect on the District's financial reporting.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. This Statement is effective for financial statements for periods beginning after June 15, 2016 and will not have any effect on the District's financial reporting.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria. This Statement is effective for financial statements for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In June, 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for financial statements for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In March 2016, the GASB issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. Furthermore, this Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. Also, this Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

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 might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41et 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. However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the School District's amount on deposit of \$1,289,064 as of June 30, 2016, \$250,000 was insured under FDIC and the remaining balance of 1,039,064 was collateralized under GUDPA.

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.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

3. CAPITAL RESERVE ACCOUNT (Continued)

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, 2015 to June 30, 2016 fiscal year is as follows:

Balance – July 1, 2015	\$	75,784
Increased by:		
Interest earned		30
		75,814
Decreased by:		
Budgeted Withdrawal		75,000
Balance – June 30, 2016	\$	814

The June 30, 2016 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted projects.

4. ACCOUNTS RECEIVABLES

Accounts receivables at June 30, 2016 consisted of accounts (fees) and intergovernmental grants. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

Accounts receivable at June 30, 2016 for the School District’s individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Proprietary Funds	Total
State Aid	\$ 16,742	\$ -	\$ 11,047	\$ 85	\$ 27,874
Federal Aid		49,378		6,134	55,512
Other	8,399				8,399
Total	\$ 25,141	\$ 49,378	\$ 11,047	\$ 6,219	\$ 91,785

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2016</u>
Governmental Activities:				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 538,500	\$ -	\$ -	\$ 538,500
Construction in progress	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets, not being Depreciated	<u>538,500</u>	<u> </u>	<u> </u>	<u>538,500</u>
<i>Capital Assets, being depreciated:</i>				
Site Improvements				
Building and Building Improvements	3,037,924			3,037,924
Equipment	<u>203,253</u>			<u>203,253</u>
Totals at historical cost	<u>3,241,177</u>	<u> </u>	<u> </u>	<u>3,241,177</u>
<i>Less Accumulated Depreciation:</i>				
Site Improvements				
Building and Building Improvements	(2,150,057)	(55,372)		(2,205,429)
Equipment	<u>(134,660)</u>	<u>(6,221)</u>		<u>(140,881)</u>
Totals accumulated depreciation	<u>(2,284,717)</u>	<u>(61,593)</u>		<u>(2,346,310)</u>
Total Capital Assets, being depreciated, net	<u>956,460</u>	<u>(61,593)</u>		<u>894,867</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,494,960</u>	<u>\$ (61,593)</u>		<u>\$ 1,433,367</u>
Business-Type Activities:				
<i>Capital Assets, being depreciated:</i>				
Equipment	\$ 9,964			\$ 9,964
Less accumulated depreciation	<u>(6,733)</u>	<u>(553)</u>		<u>(7,286)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,231</u>	<u>\$ (553)</u>	<u>\$ -</u>	<u>\$ 2,678</u>

Depreciation expense in the amount of \$61,593 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Instruction	\$ 43,115
Administration	6,159
Plant Operations and Maintenance	9,239
Unallocated	<u>3,080</u>
Total	<u>\$ 61,593</u>

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

6. INVENTORY

Inventory in the food service fund at June 30, 2016 consisted of the following:

Food	\$ 1,516
Supplies	<u>423</u>
	<u>\$ 1,939</u>

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2016, the following changes occurred in long-term obligations:

<u>Governmental Activities:</u>	<u>Principal Outstanding July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ 139,880	\$ 16,799	\$ -	\$ 156,679	\$ -
Net Pension Liability	<u>347,344</u>	<u>262,910</u>	<u> </u>	<u>610,254</u>	<u> </u>
Total Governmental Activity	<u>\$ 487,224</u>	<u>\$ 279,709</u>	<u>\$ -</u>	<u>\$ 766,933</u>	<u>\$ -</u>

Compensated Absences - Compensated absences will be paid from the fund from which the employees' salaries are paid.

8. OPERATING LEASES

At June 30, 2016, the District had operating lease agreements in effect for the following:

Copiers and a Postage Meter

Total operating lease payments made during the year ended June 30, 2016, and 2015 were \$7,761 and \$9,220 respectively.

Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2017	\$ 7,176
June 30, 2018	7,176
June 30, 2019	7,176
June 30, 2020	<u>3,588</u>
Total future minimum lease payments	<u>\$ 25,116</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.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

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 Chapters 113, 114, 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92 P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under current law to make temporary reductions in member 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 exist.

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.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the year ended June 30, 2016, the District recognized pension expense of \$588,205 and revenue of \$588,205 for support provided by the State. Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district.

The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	06/30/15	06/30/14
Collective deferred outflows of resources	\$ 7,521,378,257	\$ 2,306,623,861
Collective deferred inflows of resources	554,399,005	1,763,205,593
Collective net pension liability (Non-Employer – State of New Jersey)	63,577,864,440	53,446,745,367
State's portion of the net pension liability that was associated with the district	9,633,381	8,151,601
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	.0152416614%	0152518196%

Actuarial assumptions – The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation: 2.5%
- Salary Increases: Varies based on experience
- Investment Rate of Return: 7.90%

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	05.00%	0.53%
Government Bonds	01.75%	1.39%
Credit Bonds	13.50%	2.72%
Mortgages	02.10%	2.54%
Inflation-Indexed Bonds	01.50%	1.47%
High Yield Bonds	02.00%	4.57%
Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	06.40%	8.46%
Private Real Estate Property	04.25%	3.97%
Timber	01.00%	4.09%
Farmland	01.00%	4.61%
Private Equity	09.25%	9.15%
Commodities	01.00%	3.58%
Hedge Funds – MultiStrategy	04.00%	4.59%
Hedge Funds – Equity Hedge	04.00%	5.68%
Hedge Funds - Distressed	04.00%	4.30%
	<u>100.00%</u>	

Discount rate. The discount rate used to measure the State's total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Since the District has no proportionate share of the net pension liability, because of the special funding situation, the district would not be sensitive to any changes in the discount rate.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

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 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, 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. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012 and increases each subsequent July 1. 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 exist.

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>Normal Contributions</u>	<u>Adjustment</u>	<u>Accrued Liability</u>	<u>Non Contributory Life</u>	<u>Total Liability Paid by District</u>
2016	\$ 3,957	\$ -	\$ 18,227	\$ 1,188	\$ 23,372
2015	2,546	-	11,778	970	15,294
2014	5,427	-	23,865	498	29,790

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$6,811. At June 30, 2016, the District reported a liability of \$610,254 for its proportionate share of the PERS net pension liability and deferred outflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,559	\$ -
Changes of assumptions	65,536	
Net Difference between projected and actual earnings on pension plan investments		9,812
Changes in proportion	137,134	276,505
District contributions subsequent to the measurement date	25,590	
Total	\$ 242,819	\$ 286,317

\$25,590 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended:	Net Deferred Inflows of Resources
2016	\$ 47,905
2017	47,904
2018	47,905
2019	(41,966)
2020	(32,660)
Total	\$ 69,088

Additional Information

Collective balances at June 30, 2015 and 2014 are as follows:

	6/30/2015	6/30/2014
Collective deferred outflows of resources	\$ 3,578,755,666	\$ 952,194,675
Collective deferred inflows of resources	\$ 993,410,455	\$ 1,479,224,662
Collective net pension liability	\$ 22,447,996,119	\$ 18,722,735,003
District's Proportion	.0027185222%	.0018551999%

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Actuarial assumptions – The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation rate: 3.04%
- Salary Increases:
 - 2012-2021: 2.15-4.40% based on age
 - Thereafter: 3.15-5.40% based on age
- Investment Rate of Return: 7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	05.00%	01.04%
U.S. Treasuries	01.75%	01.64%
Investment Grade Credit	10.00%	01.79%
Mortgages	02.10%	01.62%
High Yield Bonds	02.00%	04.03%
Inflation Indexed Bonds	01.50%	03.25%
Broad US Equities	27.25%	08.52%
Developed Foreign Equities	12.00%	06.88%
Emerging Market Equities	06.40%	10.00%
Private Equity	09.25%	12.41%
Hedge Funds/Absolute Ret	12.00%	04.72%
Real Estate (Property)	02.00%	06.83%
Commodities	01.00%	05.32%
Global Debt ex US	03.50%	-0.40%
REIT	04.25%	5.12%
	<u>100.00%</u>	

Discount rate. The discount rate used to measure the State's total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.8% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability measured as of June 30, 2015, calculated using the discount rate of 4.90%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.90%) or 1 percentage point higher (5.90%) than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Borough's proportionate share of the net pension liability	\$ 758,471	\$ 610,254	\$ 485,990

Pension Plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

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. In addition to the employee contributions, the School District's contribution amounts 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, equal to the required contribution for each fiscal year, were as follows:

Fiscal Year	Paid by School District
2016	\$ 5,404
2015	5,243
2014	4,439

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a 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 employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

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, 2016 was \$137,700 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.

The School Employees Health Benefits Program (SEHBP) 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 Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website.

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2016, the School District has recognized as revenues and expenditures \$115,643 of on-behalf payments made by the State of New Jersey for normal retirement costs related to TPAF and \$103,890 for employer's share of social security contributions for TPAF members, as calculated on their base salaries.

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters.

Joint Insurance Pool - The School District is a member of the New Jersey School Boards Association Insurance Group (NJSBAIG). Insurance coverage as provided by the Fund can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

12. RISK MANAGEMENT (Continued)

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The School District is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

The Fund publishes its own financial report which can be obtained at: www.njsbaig.com.

New Jersey Unemployment Compensation Insurance - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School 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 School District is billed quarterly for amounts due to the State.

The following is a summary of School District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the School District's expendable trust fund for the current and previous two fiscal years:

<u>Fiscal Year</u>	<u>Interest Earnings</u>	<u>Board Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ 1	\$	\$ 9,422	\$ 7,018	\$ 6,824
2014-2015	1		7,714	3,345	4,419
2013-2014	1	6,000	6,456	15,714	50

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2016, the liability for compensated absences in the governmental activities fund type was \$156,679.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

15. INTERFUND BALANCES AND TRANSFERS

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2016. The following interfund balances were recorded on the various balance sheets as of June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 257,992	\$ -
Special Revenue		127,864
Capital Projects		11,047
Proprietary Fund		66,313
Fiduciary Fund		52,768
	<u>\$ 257,992</u>	<u>\$257,992</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, 2016, 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.

17. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$10,077 in the Special Revenue Fund as of June 30, 2016 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 \$10,077 in the Special Revenue Fund is equal to or less than the June state aid payment.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

18. DEFICIT UNRESTRICTED NET POSITIONS

As of June 30, 2016, a deficit of \$111,385 existed in the Unrestricted Net Position of the Governmental Activities. A reconciliation of Unreserved Fund Balance reported on Exhibit B-1 to Unrestricted Net Position reported on Exhibited A-1 as follows:

Balances June 30, 2016	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance – Unassigned	\$ 699,046
Liabilities:	
Net Pension Differences	(653,752)
Compensated Absences	<u>(156,679)</u>
Unrestricted Net Position (Deficit)	<u>\$ (111,385)</u>

19. SHARED SERVICES AGREEMENT

On May 7, 2016, the District entered a shared services agreement with the City of Cape May (City) providing for the District’s swimming pool reconstruction. Under the agreement, the cost of the reconstruction is estimated to be \$2,000,000 which will be funded by a City bond ordinance. The District will be responsible to pay to the City, in (10) ten equal annual instalments, one million (\$1,000,000) dollars to contribute to the final cost of the project, without interest, commencing one (1) year after the project receives a final certificate of occupancy.

In addition, the District and City shall equally share the maintenance expense of the pool, which is specifically the chemical and water costs, and mechanical repairs not covered by warranties.

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:

Capital Reserve – As of June 30, 2016, the balance in the capital reserve account is \$814. Of this amount \$814 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, 2016, the balance in the maintenance reserve account is \$68. 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).

Emergency Reserve – As of June 30, 2016, the balance in the emergency reserve is \$13,049. These funds are restricted for the purpose of financing unanticipated general fund expenditures required for a through and efficient education in accordance with N.J.S.A. 18A:7F-41c(1).

Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

20. FUND BALANCES (Continued)

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:

Designated for Subsequent Year's Expenditures – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2017, \$537,338 of general fund balance at June 30, 2016.

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, 2016, the fund balance of the general fund was \$699,046.

Special Revenue Fund – As of June 30, 2016, the fund balance of the special revenue fund was a deficit of \$10,077. 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

CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 1,731,557	\$ -	\$ 1,731,557	\$ 1,731,557	\$ -
Tuition - other LEA's within State	41,996		41,996	41,996	
Tuition - Individuals				30	30
Capital reserve - interest				20	20
Maintenance reserve - interest					
Miscellaneous	2,500		2,500	6,014	3,514
Total local sources	1,776,053		1,776,053	1,779,617	3,564
State sources:					
Special education aid	76,912		76,912	76,912	
Security aid	39,821		39,821	39,821	
Adjustment aid	276,347		276,347	276,347	
Transportation aid	5,682		5,682	5,682	
School choice aid	152,251		152,251	152,251	
PARCC Readiness Aid	1,330		1,330	1,330	
Per Pupil Growth Aid	1,330		1,330	1,330	
Extraordinary Aid				6,137	6,137
Nonpublic transportation aid				1,218	1,218
On-behalf TPAF pension contributions (non-budgeted)				115,643	115,643
On-behalf TPAF post retirement medical (non-budgeted)				137,700	137,700
Reimbursed TPAF social security contributions (non-budgeted)				103,890	103,890
Total state sources	553,673		553,673	918,261	364,588
Federal sources:					
P.L. 103-382 Impact Aid	575,000	88,314	663,314	1,257,690	594,376
Department of Defense				17,335	17,335
Total federal sources	575,000	88,314	663,314	1,275,025	611,711
TOTAL REVENUES	2,904,726	88,314	2,993,040	3,972,903	979,863
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Pre-Kindergarten	21,754	35,903	57,657	57,657	
Kindergarten	162,402	2,765	165,167	165,167	
Grades 1-5	550,501	(7,762)	542,739	542,739	
Grades 6-8	99,282	(1,342)	97,940	97,940	
Total Instruction	833,939	29,564	863,503	863,503	
Regular Programs - Home Instruction:					
Salaries of Teachers	2,000	(1,915)	85	85	
General Supplies		2,790	2,790	2,790	
Total Home Instruction	2,000	875	2,875	2,875	

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

CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	\$ 138,600	\$ (3,990)	\$ 134,610	\$ 134,610	\$ -
Purchased technical services	24,784	3,835	28,619	28,619	
Other purchased services	600	(19)	581	581	
General supplies	66,000	20,399	86,399	83,473	2,926
Textbooks	12,000	(6,914)	5,086	2,343	2,743
Miscellaneous Expenditures		3,000	3,000		3,000
Other objects	8,500	(2,798)	5,702	4,639	1,063
Total Undistributed Instruction	<u>250,484</u>	<u>13,513</u>	<u>263,997</u>	<u>254,265</u>	<u>9,732</u>
Total - Regular Programs - Instruction	<u>1,086,423</u>	<u>43,952</u>	<u>1,130,375</u>	<u>1,120,643</u>	<u>9,732</u>
Special Educ Instruction: Resource Room					
Salaries of teachers	161,910	1,785	163,695	148,166	15,529
General supplies	500		500	500	
Total Resource Room	<u>162,410</u>	<u>1,785</u>	<u>164,195</u>	<u>148,666</u>	<u>15,529</u>
Total Special Education - Instruction	<u>162,410</u>	<u>1,785</u>	<u>164,195</u>	<u>148,666</u>	<u>15,529</u>
Basic Skills/Remedial - Instruction					
Salaries of teachers	78,156	(2,068)	76,088	75,716	372
Other salaries for instruction		255	255	255	
General supplies	800	28	828	828	
Total Basic Skills/Remedial - Instruction	<u>78,956</u>	<u>(1,785)</u>	<u>77,171</u>	<u>76,799</u>	<u>372</u>
Summer School - Instruction					
Salaries of teachers	12,947		12,947	10,794	2,153
Other salaries for instruction	3,018	(245)	2,773	671	2,102
Purchased prof. and technical services	1,500		1,500		
General supplies	200		200	91	109
Total Summer School - Instruction	<u>17,665</u>	<u>(245)</u>	<u>17,420</u>	<u>11,556</u>	<u>4,364</u>
School-Sponsored Cocurricular Act - Inst.					
Salaries	44,000	(3,550)	40,450	40,420	30
Supplies and materials		25,350	25,350	25,300	50
Total School-Sponsored Cocurr. Act. - Inst	<u>44,000</u>	<u>21,800</u>	<u>65,800</u>	<u>65,720</u>	<u>80</u>
Undistributed Expenditures - Instruction					
Tuition to CSSD & Reg. Day Schools	110,500	18,650	129,150	88,431	40,719
Tuition to Private School for the Disabled	18,650	(18,650)			
Tuition - State Facilities					
Total Undistributed Expenditures - Instruction	<u>129,150</u>	<u></u>	<u>129,150</u>	<u>88,431</u>	<u>40,719</u>

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

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CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Attend. and Social Work					
Purchased professional and technical services	\$ 4,800	\$ 85	\$ 4,885	\$ 4,885	\$ -
Total Undistributed Expenditures - Attendance	4,800	85	4,885	4,885	
Undistributed Expenditures - Health Services					
Salaries	74,771	1,032	75,803	75,803	
Purchased prof. and technical services	1,600		1,600	1,600	
Other purchased services					
Supplies and materials	1,500	1,105	2,605	2,605	
Total Undistributed Expenditures - Health Svcs.	77,871	2,137	80,008	80,008	
Undist. Expend. - Speech, OT, PT & Rel. Serv.					
Purchased prof. and educational services	54,250	245	54,495	54,495	
Supplies and materials	300		300	282	18
Total Undst. Expend. - Speech, OT, PT & Rel. Serv.	54,550	245	54,795	54,777	18
Undist. Expend. - Guidance					
Salaries of other professional staff	38,821	993	39,814	39,814	
Supplies and materials	500		500	500	
Total Undst. Expend. - Guidance	39,321	993	40,314	40,314	
Undist. Expend. - Child Study Teams					
Salaries of secretarial and clerical assistants	28,935	1,969	30,904	30,904	
Purchased professional/educational services	99,637	(4,083)	95,554	95,448	106
Supplies and materials	4,000	(1,015)	2,985	2,985	
Total Undst. Expend. - Child Study Teams	132,572	(3,129)	129,443	129,337	106
Undist. Expend. - Improvement of Inst. Services					
Salaries of supervisor of instruction	34,502	(34,502)			
Salaries of other professional staff	18,750		18,750	18,750	
Salaries of secretarial and clerical assistants	12,307	35,680	47,987	47,987	
Supplies and Materials	8,000	(443)	7,557	7,557	
Total Undst. Expend. - Improvement of Inst. Services	73,559	735	74,294	74,294	
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	42,110	5,181	47,291	46,914	377
Salaries of technology coordinators	6,000	(6,000)			
Purchased prof/technical services	3,000		3,000	2,028	972
Supplies and materials	4,250		4,250	878	3,372
Total Undst. Expend. - Educ. Media Serv./Sch. Library	55,360	(819)	54,541	49,820	4,721

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

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CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	\$ 65,432	\$ 473	\$ 65,905	\$ 65,905	\$ -
Legal services	4,500	(670)	3,830	3,830	
Audit Fees	12,400	(673)	11,727	11,727	
Expenditure & Internal Control Audit Fees	3,000		3,000	3,000	
Architectural/Engineering Services	1,000	(1,000)			
Other purchased professional services					
Communications / telephone	7,600	794	8,394	4,614	3,780
BOE Other Purchased Services	500		500	212	288
BOE In-House training/meeting supplies	500		500	464	36
Miscellaneous expenditures	5,050	43	5,093	4,590	503
BOE membership dues and fees	4,800	1,076	5,876	5,876	
Total Undst. Expend. - Supp. Serv. General Admin.	104,782	43	104,825	100,218	4,607
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	53,125	5,364	58,489	53,125	5,364
Other purchased services		99	99	99	
Supplies and materials	3,000	494	3,494	3,494	
Other objects	5,000		5,000	4,949	51
Total Undst. Expend. - Supp. Serv. School Admin.	61,125	5,957	67,082	61,667	5,415
Undist. Expend. - Central Services					
Salaries	62,373	7,900	70,273	63,975	6,298
Other purchased services		3	3		3
Supplies and materials	2,200	263	2,463	2,463	
Miscellaneous expenditures	2,000	(266)	1,734	1,658	76
Total Undst. Expend. - Central Services	66,573	7,900	74,473	68,096	6,377
Undist. Expend. - Admin. Info. Technology					
Salaries		8,915	8,915	8,915	
Purchased technical services	12,500		12,500	3,333	9,167
Total Undst. Expend. - Admin. Info. Technology	12,500	8,915	21,415	12,248	9,167
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	58,157	1,089	59,246	59,246	
Cleaning, repair, and maintenance services	68,800	(11,881)	56,919	44,349	12,570
Supplies and materials	1,200		1,200	991	209
Total Undst. Expend. - Required Maint. Sch. Facilities	128,157	(10,792)	117,365	104,586	12,779
Undist. Expend. - Custodial Services					
Salaries	81,346	1,117	82,463	82,463	
Salaries of Non-Instructional					
Purchased professional & tech. services	650	(110)	540	540	
Insurance	31,500	(1,393)	30,107	30,107	
Misc. purchased services	150	278	428	421	7
General supplies	8,000	123	8,123	8,123	
Energy (electricity)	40,000		40,000	36,779	3,221
Energy (natural gas)	40,000	(1,208)	38,792	14,230	24,562
Energy (gasoline)	300	(38)	262	262	
Other objects	11,500	38	11,538	6,831	4,707
Total Undst. Expend. - Custodial Services	213,446	(1,193)	212,253	179,756	32,497

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

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CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Total Undst. Expend. - Oper. & Maint. of Plant Services	\$ 341,603	\$ (11,985)	\$ 329,618	\$ 284,342	\$ 45,276
Undist. Expend. - Student Trans. Services					
Sal. Of Non-Instructional Aides	6,208		6,208	5,356	852
Contr. serv. (other than bet. home & sch.) - vendors	3,500		3,500	1,990	1,510
Contr. serv. (bet. home & sch.) - joint agreements	12,418		12,418	7,837	4,581
Contr. serv. (sp ed stds) - vendors	22,000		22,000	20,224	1,776
Contr. serv. (sp ed stds) - joint agreements	18,800		18,800	17,800	1,000
Total Undst. Expend. - Student Trans. Services	62,926		62,926	53,207	9,719
Unallocated Benefits - Employee Benefits					
Social security contributions	40,000	5,925	45,925	42,011	3,914
Other retirement contributions - PERS	17,000	6,372	23,372	23,372	
Other retirement contributions - reg.	6,500	(567)	5,933	5,401	532
Unemployment compensation	10,000	(2,136)	7,864	107	7,757
Workmen's compensation	22,000	2,136	24,136	24,136	
Health benefits	483,585	5,620	489,205	440,137	49,068
Tuition reimbursement	6,000	(620)	5,380	2,086	3,294
Other employee benefits	47,200	(5,000)	42,200	40,951	1,249
Unused sick payments to terminated/retired staff	18,000	(18,000)			
Total Unallocated Benefits - Employee Benefits	650,285	(6,270)	644,015	578,201	65,814
On-behalf TPAF pension contributions (non-budgeted)				115,643	(115,643)
On-behalf TPAF post retirement medical (non-budgeted)				137,700	(137,700)
Reimbursed TPAF social security contributions (non-budgeted)				103,890	(103,890)
Total Undistributed Expenditures - TPAF				357,233	(357,233)
Total Undistributed Expenditures	1,866,977	4,807	1,871,784	2,037,078	(165,294)
Total General Current Expense	3,256,431	70,314	3,326,745	3,460,462	(135,217)
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Admin info tech	15,000		15,000		15,000
Non-Instruction Equipment		120,000	120,000	100,000	20,000
Required Maintenance for School Facilities	10,000		10,000		10,000
Total Equipment	25,000	120,000	145,000	100,000	45,000

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

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CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Facilities Acquisition and Construction Services					
Construction services	\$ 120,000	\$ (120,000)	\$ -	\$ -	\$ -
Assessment for Debt Service on SDA Funding	3,161		3,161	3,161	
Total Facilities Acquisition and Construction Services	123,161	(120,000)	3,161	3,161	
Total Capital Outlay	148,161		148,161	103,161	45,000
Total Expenditures	3,404,592	70,314	3,474,906	3,563,623	(88,717)
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(499,866)	18,000	(481,866)	409,280	891,146
Other Financing Sources:					
Operating Transfer Out - Food Service Fund	(8,000)	(18,000)	(26,000)	(17,500)	(8,500)
Total Other Financing Sources	(8,000)	(18,000)	(26,000)	(17,500)	(8,500)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(507,866)		(507,866)	391,780	899,646
Fund Balance, July 1	909,085		909,085	909,085	
Fund Balance, June 30	\$ 401,219	\$ -	\$ 401,219	\$ 1,300,865	\$ 899,646
Recapitulation of Fund Balance					
Restricted Fund Balance:					
Maintenance Reserve				\$ 68	
Emergency Reserve				13,049	
Capital Reserve				814	
Assigned Fund Balance					
Designated for Subsequent Years Expenditures				537,338	
Unassigned Fund Balance				749,596	
				1,300,865	
Reconciliation on Governmental Fund Statements (GAAP):					
Less: State Aid Payment not Recognized on GAAP Basis				(50,550)	
Fund Balance per Government Fund (GAAP)				\$ 1,250,315	

CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State sources	\$ 100,765	\$ -	\$ 100,765	\$ 100,765	\$ -
Federal sources	83,293	44,352	127,645	105,362	(22,283)
Total revenues	184,058	44,352	228,410	206,127	(22,283)
EXPENDITURES:					
Instruction:					
Salaries of teachers	129,804	24,994	154,798	132,722	22,076
Tuition	41,300	11,200	52,500	52,500	
General supplies	1,700	310	2,010	2,010	
Total instruction	172,804	36,504	209,308	187,232	22,076
Support services:					
Personal services - employee benefits		7,571	7,571	7,571	
Other purchased services	11,254		11,254	11,089	165
Travel		277	277	235	42
Total support services	11,254	7,848	19,102	18,895	207
Total expenditures	184,058	44,352	228,410	206,127	22,283
Total outflows	184,058	44,352	228,410	206,127	22,283
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

CAPE MAY CITY 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	\$ 3,972,903	\$ 206,127
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
The last State aid payment for the prior year is recognized as revenue for GAAP purposes and differs from budgetary basis which recognized this revenue in the prior year.	40,416	6,622
The last State aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognizes this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	<u>(50,550)</u>	<u>(10,077)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 3,962,769</u>	<u>\$ 202,672</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 3,563,623	\$ 206,127
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.	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,563,623</u>	<u>\$ 206,127</u>

Required Supplementary Information - Part III
Schedules Related to Accounting and Reporting
For Pensions (GASB 68)

CAPE MAY CITY SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees Retirement System
Last Three Fiscal Years

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0027185222%	0.0018551999%	0.0039536573%
District's proportionate share of the net pension liability (asset)	\$ 610,254	\$ 347,344	\$ 755,622
District's covered-employee payroll	196,958	183,842	189,026
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	309.84%	188.94%	399.75%
Plan fiduciary net position as a percentage of the total pension liability	38.21%	42.74%	40.71%

This schedule does not contain ten years of information as GASB 68 was implemented during the fiscal year ended June 30, 2015.

**CAPE MAY CITY SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Contributions
Public Employees Retirement System
Last Three Fiscal Years**

	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 25,590	\$ 23,372	\$ 15,294
Contributions in relation to the contractually required contributions	<u>(25,590)</u>	<u>(23,372)</u>	<u>(15,294)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	196,958	183,842	189,026
Contributions as a percentage of covered-employee payroll	12.99%	12.71%	8.09%

This schedule does not contain ten years of information as GASB 68 was implemented during the fiscal year ended June 30, 2015.

CAPE MAY CITY SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Teachers' Pension and Annuity Fund
Last Three Fiscal Years

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0152416614%	0.0152518196%	0.0154010277%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 9,633,381</u>	<u>\$ 8,151,601</u>	<u>\$ 7,783,558</u>
Total	<u><u>\$ 9,633,381</u></u>	<u><u>\$ 8,151,601</u></u>	<u><u>\$ 7,783,558</u></u>
District's covered-employee payroll	1,409,569	1,458,772	1,499,909
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%

This schedule does not contain ten years of information as GASB 68 was implemented during the fiscal year ended June 30, 2015.

Cape May City School District
Notes to Required Supplementary Information
Pension Schedules
For the Fiscal Year Ended June 30, 2016

1. Teacher's Pension and Annuity Fund (TPAF)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

2. Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

Other Supplementary Information

Special Revenue Fund
Detail Statements

CAPE MAY CITY SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2016

	No Child Left Behind (N.C.L.B.)			Individuals With Disabilities Act (I.D.E.A.)		Preschool Education Aid	Total
	Title I	Title II - Part A	Title II - Part A	Part B - Basic	Part B - Preschool		
	Current Year	Current Year	Prior Year	Current Year	Current Year		
REVENUES:							
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,765	\$ 100,765
Federal sources	37,930	11,448	1,474	52,500	2,010		105,362
Total Revenues	37,930	11,448	1,474	52,500	2,010	100,765	206,127
EXPENDITURES:							
Instruction:							
Salaries of Teachers	30,359	1,598				100,765	132,722
Tuition				52,500			52,500
General Supplies					2,010		2,010
Total instruction	30,359	1,598		52,500	2,010	100,765	187,232
Support services:							
Personal Services - Employee Benefits	7,571						7,571
Other Purchased Services		9,615	1,474				11,089
Travel		235					235
Total support services	7,571	9,850	1,474				18,895
Total Expenditures	37,930	11,448	1,474	52,500	2,010	100,765	206,127
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CAPE MAY CITY SCHOOL DISTRICT
Special Revenue Fund
Statement of Preschool Education Aid
Budgetary Basis
for the Fiscal Year Ended June 30, 2016

<u>District-Wide Total</u>			
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of teachers	\$ 100,765	\$ 100,765	\$ -
Other salaries for instruction	<u> </u>	<u> </u>	<u> </u>
Total Instruction	<u>100,765</u>	<u>100,765</u>	<u> </u>
Support Services:			
Salaries of supervisor of instruction	<u> </u>	<u> </u>	<u> </u>
Personal Services - Employee Benefits	<u> </u>	<u> </u>	<u> </u>
Total support services	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 100,765</u>	<u>\$ 100,765</u>	<u>\$ -</u>

CALCULATION OF BUDGET AND CARRYOVER

Total Revised 2015-2016 Preschool Education Allocation	\$ 100,765
Add: Actual Preschool Ed Aid Carryover (June 30, 2015)	<u> </u>
Total Preschool Education Aid Funds Available for 2015-2016	100,765
Less: 2015-2016 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	<u>(100,765)</u>
Available & Unbudgeted Preschool Education Funds as of June 30, 2016	<u> </u>
Add: June 30, 2016 Unexpended Preschool Education Aid	<u> </u>
2015-2016 Preschool Education Aid Carryover	<u>\$ -</u>
2015-2016 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2016-17	<u>\$ -</u>

Proprietary Funds
Detail Statements

CAPE MAY CITY SCHOOL DISTRICT
Enterprise Funds
Statement of Net Position
as of June 30, 2016

	Child Care Program	Food Service	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 3,263	\$ 85,233	\$ 88,496
Accounts Receivable:			
State		85	85
Federal		6,134	6,134
Inventories		1,939	1,939
Total Current Assets	<u>3,263</u>	<u>93,391</u>	<u>96,654</u>
Fixed Assets:			
Equipment		9,964	9,964
Less: Accumulated Depreciation		<u>(7,286)</u>	<u>(7,286)</u>
Total Fixed Assets		<u>2,678</u>	<u>2,678</u>
Total Assets	<u>\$ 3,263</u>	<u>\$ 96,069</u>	<u>\$ 99,332</u>
LIABILITIES:			
Current liabilities:			
Unearned Revenue		1,010	1,010
Interfund Payable	<u>1,028</u>	<u>65,285</u>	<u>66,313</u>
Total Current Liabilities	<u>1,028</u>	<u>66,295</u>	<u>67,323</u>
NET POSITION:			
Net Investment in Capital Assets		2,678	2,678
Unreserved Retained Earnings	<u>2,235</u>	<u>27,096</u>	<u>29,331</u>
Total Net Position	<u>\$ 2,235</u>	<u>\$ 29,774</u>	<u>\$ 32,009</u>

CAPE MAY CITY SCHOOL DISTRICT
Enterprise Funds
 Combined Statement of Revenues, Expenses and Changes in Net Position
 for the Fiscal Year ended June 30, 2016

	<u>Child Care Program</u>	<u>Food Service</u>	<u>Total</u>
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs	\$ -	\$ 15,730	\$ 15,730
Total-daily sales-reimbursable programs		15,730	15,730
Daily sales non-reimbursable programs		2,983	2,983
Special functions		1,020	1,020
Program fees	13,483		13,483
Donations			
Total operating revenue	<u>13,483</u>	<u>19,733</u>	<u>33,216</u>
OPERATING EXPENSES:			
Salaries	13,440	37,723	51,163
Employee benefits	1,028	2,886	3,914
Supplies and materials	804	441	1,245
Depreciation		553	553
Repairs and Maintenance		227	227
Other purchased services		17,500	17,500
Miscellaneous	3,500	708	4,208
Cost of Sales - reimbursable programs		36,587	36,587
Cost of Sales - nonreimbursable programs	80	9,311	9,391
Total operating expenses	<u>18,852</u>	<u>105,936</u>	<u>124,788</u>
Operating income (loss)	<u>(5,369)</u>	<u>(86,203)</u>	<u>(91,572)</u>
Non-operating revenues:			
State sources:			
State school lunch program		1,127	1,127
Federal sources:			
National school lunch program		52,084	52,084
National school breakfast program		31,590	31,590
After school snack program		90	90
U.S.D.A. commodities		8,155	8,155
Interest revenue	4	28	32
Total non-operating revenues	<u>4</u>	<u>93,074</u>	<u>93,078</u>
Net income (loss) before transfers	(5,365)	6,871	1,506
Other Financing Sources and Uses:			
Operating transfers in		17,500	17,500
Change in Net Position	(5,365)	24,371	19,006
Net Position - July 1	7,600	5,403	13,003
Net Position - June 30	<u>\$ 2,235</u>	<u>\$ 29,774</u>	<u>\$ 32,009</u>

CAPE MAY CITY SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Year ended June 30, 2016

	Child Care Program	Food Service	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 13,858	\$ 20,040	\$ 33,898
Cash payments to employees for services	(13,440)	(37,723)	(51,163)
Cash payments to suppliers for goods and services	(4,384)	(55,277)	(59,661)
Net cash used by operating activities	(3,966)	(72,960)	(76,926)
Cash flows from noncapital financing activities:			
Miscellaneous		49	49
Board Contribution		17,500	17,500
Cash received from state and federal reimbursements		82,195	82,195
Net cash provided by noncapital financing activities	-	99,744	99,744
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	4	28	32
Net cash provided by investing activities	4	28	32
Net increase (decrease) in cash and cash equivalents	(3,962)	26,812	22,850
Cash and cash equivalents, July 1	7,225	58,421	65,646
Cash and cash equivalents, June 30	\$ 3,263	\$ 85,233	\$ 88,496
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (5,369)	\$ (86,203)	\$ (91,572)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation		553	553
Federal commodities		8,155	8,155
Change in assets and liabilities:			
(Increase)/decrease in inventory		1,342	1,342
(Increase)/decrease in accounts receivable	375		375
Increase/(decrease) in interfund payable	1,028	2,886	3,914
Increase/(decrease) in unearned revenue		307	307
Net cash used by operating activities	\$ (3,966)	\$ (72,960)	\$ (76,926)

Fiduciary Funds
Detail Statements

CAPE MAY CITY SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2016

	<u>Agency Funds</u>	<u>Employee Benefit Trust Funds</u>	
	<u>Payroll</u>	<u>Unemployment Compensation Insurance Fund</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 66,378	\$ 7,398	\$ 73,776
TOTAL ASSETS	<u>\$ 66,378</u>	<u>\$ 7,398</u>	<u>\$ 73,776</u>
LIABILITIES			
LIABILITIES:			
Payroll Deductions Payable	13,610		13,610
Accounts Payable		574	574
Interfund Payable	<u>52,768</u>		<u>52,768</u>
Total Liabilities	<u>66,378</u>	<u>574</u>	<u>66,952</u>
NET POSITION			
Reserved for Unemployment Claims		<u>6,824</u>	<u>6,824</u>
Total Net Position	<u>\$ -</u>	<u>\$ 6,824</u>	<u>\$ 6,824</u>

CAPE MAY CITY SCHOOL DISTRICT
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
for the Fiscal Year ended June 30, 2016

	<u>Employee Benefit Trust Funds</u> <u>Unemployment Compensation Insurance Fund</u>
REVENUES:	
Local sources:	
Employee contributions	\$ 9,422
Interest on investments	<u>1</u>
Total Revenues	<u>9,423</u>
EXPENDITURES:	
Current Expense:	
Undistributed Expenditures:	
Unemployment claims	<u>\$ 7,018</u>
Total Expenditures	<u>7,018</u>
 Excess (deficiency) of revenues over (under) expenditures)	 2,405
 Net Position July 1, 2015	 <u>4,419</u>
 Net Position June 30, 2016	 <u>\$ 6,824</u>

CAPE MAY CITY SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
ASSETS:				
Cash and cash equivalents	\$ 14,279	\$ 2,259,742	\$ 2,207,643	\$ 66,378
Total assets	\$ 14,279	\$ 2,259,742	\$ 2,207,643	\$ 66,378
LIABILITIES:				
Payroll deductions and withholdings	\$ -	\$ 943,997	\$ 930,387	\$ 13,610
Net payroll		1,268,320	1,268,320	
Interfund payable	14,279	47,425	8,936	52,768
Total liabilities	\$ 14,279	\$ 2,259,742	\$ 2,207,643	\$ 66,378

Statistical Section

Cape May City School District
Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Net Investment in Capital Assets	\$ 2,163,274	\$ 2,085,039	\$ 1,990,488	\$ 1,877,400	\$ 1,806,878	\$ 1,713,775	\$ 1,663,528	\$ 1,572,948	\$ 1,494,960	\$ 1,433,367
Restricted for:										
Special Revenue	(9,004)	(10,828)	(3,197)	(3,197)	(3,028)	(2,478)	(3,366)	(4,319)	(6,622)	(10,077)
Capital Projects				75,590	75,662	75,688	75,723	75,753	75,784	814
Other Purposes	400,736	449,264	526,636	1,290,355	1,065,653	953,568	935,650	606,192	445,963	550,455
Unrestricted	(45,423)	56,444	916,389	101,144	222,232	360,364	139,660	(130,992)	(473,567)	(111,385)
Total Governmental Activities Net Position	<u>\$ 2,509,583</u>	<u>\$ 2,579,919</u>	<u>\$ 3,430,316</u>	<u>\$ 3,341,292</u>	<u>\$ 3,167,397</u>	<u>\$ 3,100,917</u>	<u>\$ 2,811,195</u>	<u>\$ 2,119,582</u>	<u>\$ 1,536,518</u>	<u>\$ 1,863,174</u>
Business-Type Activities:										
Net Investment in Capital Assets	\$ 3,884	\$ 3,438	\$ 2,991	\$ 1,943	\$ 1,723	\$ 4,891	\$ 4,338	\$ 3,784	\$ 3,231	\$ 2,678
Unrestricted	4,420	6,549	8,127	4,128	2,655	10,084	10,887	3,252	9,772	29,331
Total Business-Type Activities Net Position	<u>\$ 8,304</u>	<u>\$ 9,987</u>	<u>\$ 11,118</u>	<u>\$ 6,071</u>	<u>\$ 4,378</u>	<u>\$ 14,975</u>	<u>\$ 15,225</u>	<u>\$ 7,036</u>	<u>\$ 13,003</u>	<u>\$ 32,009</u>
District-Wide:										
Net Investment in Capital Assets	\$ 2,167,158	\$ 2,088,477	\$ 1,993,479	\$ 1,879,343	\$ 1,808,601	\$ 1,718,666	\$ 1,667,866	\$ 1,576,732	\$ 1,498,191	\$ 1,436,045
Restricted:										
Special Revenue	(9,004)	(10,828)	(3,197)	(3,197)	(3,028)	(2,478)	(3,366)	(4,319)	(6,622)	(10,077)
Capital Projects				75,590	75,662	75,688	75,723	75,753	75,784	814
Other Purposes	400,736	449,264	526,636	1,290,355	1,065,653	953,568	935,650	606,192	445,963	550,455
Unrestricted	(41,003)	62,993	924,516	105,272	224,887	370,448	150,547	(127,740)	(463,795)	(82,054)
Total District Net Position	<u>\$ 2,517,887</u>	<u>\$ 2,589,906</u>	<u>\$ 3,441,434</u>	<u>\$ 3,271,773</u>	<u>\$ 3,171,775</u>	<u>\$ 3,115,892</u>	<u>\$ 2,826,420</u>	<u>\$ 2,126,618</u>	<u>\$ 1,549,521</u>	<u>\$ 1,895,183</u>

Cape May City School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 1,198,244	\$ 1,272,439	\$ 1,212,101	\$ 1,408,535	\$ 1,454,252	\$ 1,320,931	\$ 1,405,163	\$ 1,253,104	\$ 1,312,897	\$ 1,270,164
Special education	102,671	82,927	75,309	156,120	135,315	201,479	174,812	186,529	171,441	203,176
Other instruction	146,493	66,583	113,930	82,984	75,584	161,915	135,795	187,810	157,194	197,190
Support Services:										
Tuition	98,744	40,902	36,060	9,124	2,255		63,881	170,479	89,986	88,431
Student & instruction related services	422,005	429,933	339,277	436,082	377,209	378,733	405,282	417,051	416,911	452,330
School administrative services	37,156	47,036	53,924	52,740	58,973	54,907	54,581	61,758	60,446	61,667
General and business administrative services	163,787	168,151	183,334	182,509	206,649	192,094	178,890	187,707	186,199	186,721
Plant operations and maintenance	405,483	352,577	435,893	449,175	386,030	411,389	397,424	361,714	338,590	396,742
Pupil transportation	34,632	25,268	18,934	60,076	77,806	16,392	63,840	71,543	55,063	53,207
Unallocated employee benefits	773,335	745,368	596,480	634,642	710,531	805,634	914,357	883,052	866,717	908,577
Interest on long-term debt										
Unallocated depreciation	4,798	4,859	4,727	5,861	4,502	4,322	4,512	7,690	3,899	3,080
Total governmental activities expenses	<u>3,387,348</u>	<u>3,236,043</u>	<u>3,069,969</u>	<u>3,477,848</u>	<u>3,489,106</u>	<u>3,547,796</u>	<u>3,798,537</u>	<u>3,788,437</u>	<u>3,659,343</u>	<u>3,821,285</u>
Business-type activities:										
Food service	87,418	99,676	76,644	97,465	84,647	84,851	81,148	98,066	112,031	105,936
Child care program	-	19,227	20,143	18,159	12,692	13,638	18,627	20,806	14,504	18,852
Total business-type activities expense	<u>87,418</u>	<u>118,903</u>	<u>96,787</u>	<u>115,624</u>	<u>97,339</u>	<u>98,489</u>	<u>99,775</u>	<u>118,872</u>	<u>126,535</u>	<u>124,788</u>
Total district expenses	<u>\$ 3,474,766</u>	<u>\$ 3,354,946</u>	<u>\$ 3,166,756</u>	<u>\$ 3,593,472</u>	<u>\$ 3,586,445</u>	<u>\$ 3,646,285</u>	<u>\$ 3,898,312</u>	<u>\$ 3,907,309</u>	<u>\$ 3,785,878</u>	<u>\$ 3,946,073</u>
Program Revenues:										
Governmental activities:										
Operating grants and contributions	388,445	782,285	396,270	475,426	359,720	267,301	457,559	137,419	470,970	563,360
Total governmental activities program revenues	<u>388,445</u>	<u>782,285</u>	<u>396,270</u>	<u>475,426</u>	<u>359,720</u>	<u>267,301</u>	<u>457,559</u>	<u>137,419</u>	<u>470,970</u>	<u>563,360</u>

(Continued)

Cape May City School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services:										
Food service	\$ 14,507	\$ 14,791	\$ 20,907	\$ 23,448	\$ 21,283	\$ 20,453	\$ 20,870	\$ 17,981	\$ 17,897	\$ 19,733
Child care program		21,765	18,154	14,132	18,109	18,457	16,894	12,835	20,663	13,483
Operating grants and contributions	38,200	36,823	49,565	71,033	47,893	57,209	52,652	63,850	73,932	93,046
Capital grants and contributions										
Total business type activities program revenues	<u>52,707</u>	<u>73,379</u>	<u>88,626</u>	<u>108,613</u>	<u>87,285</u>	<u>96,119</u>	<u>90,416</u>	<u>94,666</u>	<u>112,492</u>	<u>126,262</u>
Total district program revenues	<u>\$ 441,152</u>	<u>\$ 855,664</u>	<u>\$ 484,896</u>	<u>\$ 584,039</u>	<u>\$ 447,005</u>	<u>\$ 363,420</u>	<u>\$ 547,975</u>	<u>\$ 232,085</u>	<u>\$ 583,462</u>	<u>\$ 689,622</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (2,998,903)	\$ (2,453,758)	\$ (2,673,699)	\$ (3,002,422)	\$ (3,129,386)	\$ (3,280,495)	\$ (3,340,978)	\$ (3,651,018)	\$ (3,188,373)	\$ (3,257,925)
Business-type activities	(34,711)	(45,524)	(8,161)	(7,011)	(10,054)	(2,370)	(9,359)	(24,206)	(14,043)	1,474
Total district-wide net expense	<u>\$ (3,033,614)</u>	<u>\$ (2,499,282)</u>	<u>\$ (2,681,860)</u>	<u>\$ (3,009,433)</u>	<u>\$ (3,139,440)</u>	<u>\$ (3,282,865)</u>	<u>\$ (3,350,337)</u>	<u>\$ (3,675,224)</u>	<u>\$ (3,202,416)</u>	<u>\$ (3,256,451)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 1,338,359	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,513,599	\$ 1,574,143	\$ 1,731,557
Unrestricted grants and contributions	1,284,262	1,044,356	1,996,252	1,374,538	1,390,853	1,655,773	1,532,289	1,418,777	1,708,647	1,822,464
Investment earnings	31,673	14,266	25,600	30,016	23,488	26	35	1,767	63	30
Miscellaneous income	37,102	28,402	27,551	26,866	65,572	87,240	1,867	41,262	68,288	48,030
Transfers	(33,700)	(46,851)	(9,228)	(1,943)	(8,343)	(12,945)	(9,599)	(16,000)	(20,000)	(17,500)
Total governmental activities	<u>2,657,696</u>	<u>2,524,094</u>	<u>3,524,096</u>	<u>2,913,398</u>	<u>2,955,491</u>	<u>3,214,015</u>	<u>3,008,513</u>	<u>2,959,405</u>	<u>3,331,141</u>	<u>3,584,581</u>
Business-type activities:										
Investment earnings	72	356	64	21	18	22	10	17	10	32
Transfers	33,700	46,851	9,228	1,943	8,343	12,945	9,599	16,000	20,000	17,500
Total business-type activities	<u>33,772</u>	<u>47,207</u>	<u>9,292</u>	<u>1,964</u>	<u>8,361</u>	<u>12,967</u>	<u>9,609</u>	<u>16,017</u>	<u>20,010</u>	<u>17,532</u>
Total district-wide	<u>\$ 2,691,468</u>	<u>\$ 2,571,301</u>	<u>\$ 3,533,388</u>	<u>\$ 2,915,362</u>	<u>\$ 2,963,852</u>	<u>\$ 3,226,982</u>	<u>\$ 3,018,122</u>	<u>\$ 2,975,422</u>	<u>\$ 3,351,151</u>	<u>\$ 3,602,113</u>
Change in Net Position:										
Governmental activities	\$ (341,207)	\$ 70,336	\$ 850,397	\$ (89,024)	\$ (173,895)	\$ (66,480)	\$ (332,465)	\$ (691,613)	\$ 142,768	\$ 326,656
Business-type activities	(939)	1,683	1,131	(5,047)	(1,693)	10,597	250	(8,189)	5,967	19,006
Total district-wide	<u>\$ (342,146)</u>	<u>\$ 72,019</u>	<u>\$ 851,528</u>	<u>\$ (94,071)</u>	<u>\$ (175,588)</u>	<u>\$ (55,883)</u>	<u>\$ (332,215)</u>	<u>\$ (699,802)</u>	<u>\$ 148,735</u>	<u>\$ 345,662</u>

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

EXHIBIT J-3

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved for:										
Encumbrances	\$ 560	\$ 21,801	\$ 3,552	\$ -	\$ 9,042	\$ 2,916	\$ 650	\$ -	\$ -	\$ -
Capital reserve	45,027	96,768	75,314	75,590	75,662	75,688	75,723	75,753	75,784	814
Maintenance reserve					200,000	200,000	150,000	50,028	48	68
Emergency reserve					50,000	50,000	50,000	50,000	50,000	13,049
Unreserved - designated for subsequent year's expenditures	355,149	330,695	447,770	1,290,355	806,611	700,652	735,000	506,164	395,915	537,338
Unreserved	142,873	223,221	1,062,878	252,935	419,830	534,895	283,809	(28,768)	346,922	699,046
Total general fund	<u>\$ 543,609</u>	<u>\$ 672,485</u>	<u>\$ 1,589,514</u>	<u>\$ 1,618,880</u>	<u>\$ 1,561,145</u>	<u>\$ 1,564,151</u>	<u>\$ 1,295,182</u>	<u>\$ 653,177</u>	<u>\$ 868,669</u>	<u>\$ 1,250,315</u>
All Other Governmental Funds										
Reserved:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Encumbrances										
Unreserved, reported in:										
Special revenue fund	(9,004)	(10,828)	(3,197)	(3,197)	(3,028)	(2,478)	(3,366)	(4,319)	(6,622)	(10,077)
Capital projects fund										
Debt service fund										
Total all other governmental funds	<u>\$ (9,004)</u>	<u>\$ (10,828)</u>	<u>\$ (3,197)</u>	<u>\$ (3,197)</u>	<u>\$ (3,028)</u>	<u>\$ (2,478)</u>	<u>\$ (3,366)</u>	<u>\$ (4,319)</u>	<u>\$ (6,622)</u>	<u>\$ (10,077)</u>

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

Exhibit J-4

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	\$ 1,338,359	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,513,599	\$ 1,574,143	\$ 1,731,557
Tuition charges	13,500	3,500	25,600	30,016	23,488	48,564	25,934	38,136	68,063	41,996
Interest earnings	31,673	14,266	10,165	7,299	5,393	1,806	35	1,767	63	50
Miscellaneous	23,602	24,902	17,386	19,567	60,179	36,896	18,676	3,126	225	6,014
State sources	892,281	951,661	758,568	666,747	585,765	674,332	783,053	790,233	846,276	1,005,437
Federal sources	780,426	874,980	1,633,954	1,194,264	1,164,808	1,248,742	1,206,795	765,963	1,333,341	1,380,387
Total revenue	3,079,841	3,353,230	3,929,594	3,401,814	3,323,554	3,494,261	3,518,414	3,112,824	3,822,111	4,165,441
Expenditures										
Instruction										
Regular Instruction	1,135,276	1,225,939	1,166,203	1,321,171	1,345,430	1,283,491	1,372,372	1,231,623	1,220,649	1,253,365
Special education instruction	102,671	82,927	75,309	156,120	135,315	201,479	174,812	186,529	171,441	203,176
Other instruction	146,493	66,583	113,930	82,984	75,584	161,915	135,795	187,810	157,194	154,075
Support Services:										
Tuition	98,744	40,902	36,060	9,124	2,255	-	63,881	170,479	89,986	88,431
Student & instruction related services	422,005	429,933	339,277	436,082	377,209	378,733	405,282	417,051	416,911	452,330
General and business admin. services	77,920	81,597	93,852	86,664	103,682	84,269	87,922	103,930	100,239	100,218
School administrative services	37,156	47,036	53,924	52,740	58,973	54,907	54,581	61,758	60,446	61,667
Central Services	76,269	76,837	80,027	84,122	93,965	99,181	81,943	74,719	78,161	80,344
Plant operations and maintenance	370,617	315,336	340,553	369,615	367,561	356,221	358,351	348,127	323,731	284,342
Pupil transportation	34,632	25,268	18,934	60,076	77,806	16,392	63,840	71,543	55,063	53,207
Unallocated employee benefits	773,335	745,368	596,480	634,642	710,531	805,634	914,357	883,052	911,940	935,434
Capital outlay	42,655	41,601	81,157	77,165	24,466	35,538	65,536	3,161	3,161	103,161
Debt service:										
Principal										
Interest and other charges										
Total expenditures	3,317,773	3,179,327	2,995,706	3,370,505	3,372,777	3,477,760	3,778,672	3,739,782	3,588,922	3,769,750
Excess (Deficiency) of revenues over (under) expenditures	(237,932)	173,903	933,888	31,309	(49,223)	16,501	(260,258)	(626,958)	233,189	395,691
Other Financing Sources (Uses):										
Transfers in				16,571						
Transfers out	(33,700)	(46,851)	(9,228)	(18,514)	(8,343)	(12,945)	(9,599)	(16,000)	(20,000)	(17,500)
Total other financing sources (uses)	(33,700)	(46,851)	(9,228)	(1,943)	(8,343)	(12,945)	(9,599)	(16,000)	(20,000)	(17,500)
Net change in fund balances	\$ (271,632)	\$ 127,052	\$ 924,660	\$ 29,366	\$ (57,566)	\$ 3,556	\$ (269,857)	\$ (642,958)	\$ 213,189	\$ 378,191
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

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

Exhibit J-5

<u>Fiscal Year Ending June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Donations</u>	<u>Building Use</u>	<u>Refund of Prior Year Expenditures</u>	<u>Miscellaneous</u>	<u>Total</u>
2007	\$ 31,673	\$ 13,500	\$ 32	\$ 16,060	\$ 7,510	\$ -	\$ 68,775
2008	14,266	3,500		16,000	8,902		42,668
2009	10,165	25,600		17,175		211	53,151
2010	7,023	30,016		16,825	2,742		56,606
2011	5,321	23,488		16,603	43,576		88,988
2012	1,780	48,564		17,135	18,393	1,368	87,240
2013	714	25,934		16,624	77	1,296	44,645
2014	1,767	38,136		225	2,901		43,029
2015	63	68,063		225			68,351
2016	411	41,996		3,725		1,928	48,060
	<u>\$ 73,183</u>	<u>\$ 318,797</u>	<u>\$ 32</u>	<u>\$ 120,597</u>	<u>\$ 84,101</u>	<u>\$ 4,803</u>	<u>\$ 601,513</u>

Source: District records

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

Exhibit J-6

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Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
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	121,649,800	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	2,796,407,600	750,281	2,797,157,881	419,138,600	0.054	2,904,884,781
2013	53,163,900	2,168,319,400	435,863,300	139,510,400	2,796,857,000	815,630	2,797,672,630	429,768,200	0.054	2,812,671,567
2014	53,288,200	2,173,873,900	431,761,000	135,723,600	2,794,646,700	589,060	2,795,235,760	431,981,900	0.057	2,738,737,239
2015	64,370,700	2,177,186,500	430,297,700	133,612,100	2,805,467,000	621,231	2,806,088,231	433,484,900	0.062	2,742,474,025
2016	62,194,300	2,187,231,000	429,579,600	133,420,700	2,812,425,600	625,355	2,813,050,955	433,758,300	0.065	2,711,154,162

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

c Information not available.

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

Exhibit J-7

Fiscal Year Ended June 30,	Cape May City School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Regional School District	City of Cape May	Cape May County	
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
2013	0.054		0.054	0.226	0.310	0.248	0.838
2014	0.057		0.057	0.234	0.329	0.245	0.865
2015	0.062		0.062	0.215	0.339	0.249	0.865
2016	0.065		0.065	0.178	0.340	0.249	0.832

Source: Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation 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 .

**Cape May City School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

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Taxpayer	2016		Taxpayer	2007	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Congress Hall LLC	\$ 28,418,200	1.01%	Congress Hall LLC	\$ 22,972,500	1.06%
Oceanfront Properties LLC	25,310,200	0.90%	Oceanfront Properties LLC	20,379,500	0.94%
ADIS Inc.	21,787,600	0.77%	ADIS Inc.	15,021,600	0.69%
Ocean Club Hotel CM, LLC	13,000,000	0.46%	Statt Corporation	10,451,900	0.48%
Cape Coachman Realty, LLC	11,989,500	0.43%	Sandpiper Beach Associates, LLC	9,391,100	0.43%
Kejzman Hospitality, LLC	11,473,100	0.41%	CIRJ Inc.	8,330,200	0.38%
Montreal Inn	10,089,700	0.36%	Montreal Inn	7,889,700	0.36%
Osprey Landing Development Co. LLC	9,223,900	0.33%	Keystone Enterprises Inc.	7,755,800	0.36%
Individual #1	8,812,600	0.31%	JPR Enterprises	7,357,800	0.34%
Bogle Investment Properties, LLC	7,768,300	0.28%	Cape Motels Inc.	6,875,600	0.32%
Total	\$ 147,873,100	5.27%		\$ 116,425,700	5.35%

Source: Municipal Tax Assessor

**Cape May City 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	
2007	\$ 1,338,359	\$ 1,338,359	100.00%	-
2008	1,483,921	1,483,921	100.00%	-
2009	1,483,921	1,483,921	100.00%	-
2010	1,483,921	1,483,921	100.00%	-
2011	1,483,921	1,483,921	100.00%	-
2012	1,483,921	1,483,921	100.00%	-
2013	1,483,921	1,483,921	100.00%	-
2014	1,513,599	1,513,599	100.00%	-
2015	1,574,143	1,574,143	100.00%	-
2016	1,731,557	1,731,557	100.00%	-

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.

Cape May City 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	Unfunded Pension Liability	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	-
2008	-	-	-	-	-	-	0.00%	-
2009	-	-	-	-	-	-	0.00%	-
2010	-	-	-	-	-	-	0.00%	-
2011	-	-	-	-	-	-	0.00%	-
2012	-	-	-	-	-	-	0.00%	-
2013	-	-	-	-	-	-	0.00%	-
2014	-	-	-	-	-	-	0.00%	-
2015	-	-	-	-	-	-	0.00%	-
2016	-	-	-	-	-	-	0.00%	-

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

Cape May City 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 ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	None	None	None	0.00%	-
2008	None	None	None	0.00%	-
2009	None	None	None	0.00%	-
2010	None	None	None	0.00%	-
2011	None	None	None	0.00%	-
2012	None	None	None	0.00%	-
2013	None	None	None	0.00%	-
2014	None	None	None	0.00%	-
2015	None	None	None	0.00%	-
2016	None	None	None	0.00%	-

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.

**Cape May City School District
Ratios of Overlapping Governmental Activities Debt
As of December 31, 2015**

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:			
City of Cape May	\$ 45,288,011	100.000%	\$ 45,288,011
Lower Cape May Regional School Debt	4,695,000	39.509%	1,854,952
County of Cape May - City's Share	181,705,600	5.807%	<u>10,551,644</u>
Subtotal, overlapping debt			57,694,607
Cape May City School District Direct Debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 57,694,607</u></u>

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis
	2013 \$2,727,310,580
	2014 2,719,056,918
	2015 2,691,611,820
	<u>[A] \$8,137,979,318</u>
Average equalized valuation of taxable property	<u>[A/3] \$2,712,659,773</u>
Debt limit (2.5% of average equalized valuation)	<u>[B] 67,816,494 a</u>
Net bonded school debt	<u>[C] -</u>
Legal debt margin	<u>[B-C] \$ 67,816,494</u>

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	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 54,301,682	\$ 60,649,504	\$ 65,420,810	\$ 68,008,390	\$ 69,524,581	\$ 70,762,990	\$ 71,028,034	\$ 70,080,555	\$ 68,701,450	\$ 67,816,494
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 54,301,682</u>	<u>\$ 60,649,504</u>	<u>\$ 65,420,810</u>	<u>\$ 68,008,390</u>	<u>\$ 69,524,581</u>	<u>\$ 70,762,990</u>	<u>\$ 71,028,034</u>	<u>\$ 70,080,555</u>	<u>\$ 68,701,450</u>	<u>\$ 67,816,494</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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 6 district; other % limits would be applicable for other districts

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2007	3,742	\$ 154,791,572	\$ 41,366	7.0%
2008	3,713	159,755,538	43,026	8.6%
2009	3,699	162,818,883	44,017	12.2%
2010	3,604	162,053,860	44,965	12.8%
2011	3,581	170,494,991	47,611	13.4%
2012	3,571	176,075,297	49,307	14.4%
2013	3,551	176,541,516	49,716	14.6%
2014	3,532	182,999,984	51,812	12.9%
2015	3,514	e	e	12.5%
2016	e	e	e	e

Source:

- ^a Population information provided by the NJ Dept of Labor and Workforce Development.
- ^b Personal income for Cape May City.
- ^c Per Capita for Cape May County.
- ^d Unemployment data provided by the NJ Dept of Labor and Workforce Development.
- ^e Not available.

Cape May City School District
 Full-time Equivalent District Employees by Function/Program,
 Last Ten Fiscal Years

Exhibit J-16

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular	15.7	17.5	18.9	17.2	13.9	14.6	14.6	15.6	15.6	16.6
Special education	3.0	1.8	1.0	0.8	0.7	3.5	3.5	3.5	3.5	3.5
Other special education	3.4	5.8	5.8	7.8	4.5	2.9	2.9	2.9	2.9	2.9
Other instruction	2.3	1.6	1.6	1.7	4.7	2.4	2.4	2.4	2.4	2.4
Support Services:										
Student & instruction related services	1.3	1.3	1.3	1.7	2.7	2.5	2.0	2.0	2.0	2.0
School administrative services	1.6	1.0	1.0	1.0	1.8	0.5	0.5	0.5	0.5	0.5
General and business administrative services	0.5	0.5	0.5	1.3	2.5	2.0	2.1	2.1	2.1	2.1
Plant operations and maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Pupil transportation	0.3	0.3	0.3	0.3						
Business and other support services	1.6	0.4	0.4	0.8						
Special Schools	0.0	0.0	0.0	0.0	0.3					
Food Service	1.9	1.9	1.9	1.0	1.0	1.0	1.6	1.6	1.6	1.6
Total	<u>34.6</u>	<u>35.1</u>	<u>35.7</u>	<u>36.6</u>	<u>35.1</u>	<u>32.4</u>	<u>32.6</u>	<u>33.6</u>	<u>33.6</u>	<u>34.6</u>

Source: District Personnel Records

Cape May City 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
						Elementary					
2007	164	\$ 3,275,118	\$ 20,006.83	-8.18%	17.8	9.20	163.7	153.0	13.68%	93.46%	
2008	151	3,137,726	20,779.64	3.86%	18.8	8.03	151.3	141.2	-7.57%	93.32%	
2009	169	2,914,549	17,245.85	-17.01%	18.9	11.80	169.4	156.7	11.96%	92.50%	
2010	176	3,293,340	18,712.16	8.50%	17.2	10.34	175.9	163.2	3.84%	92.78%	
2011	153	3,348,311	21,884.39	16.95%	18.4	8.32	153.2	142.4	-12.91%	92.95%	
2012	149	3,442,222	23,102.16	5.56%	21.7	6.63	143.9	134.3	-6.07%	93.33%	
2013	142	3,713,136	26,148.85	13.19%	21.7	6.54	133.6	125.3	-7.15%	93.79%	
2014	160	3,736,621	23,353.88	-10.69%	21.7	7.34	160.2	151.5	26.60%	94.57%	
2015	175	3,585,761	20,490.06	-12.26%	21.7	8.06	175.2	165.2	9.36%	94.29%	
2016	188	3,666,589	19,503.13	-4.82%	22.7	8.29	188.1	178.4	7.36%	94.82%	

Sources: District records

Note: Enrollment based on average daily enrollment.

- 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).

**Cape May City School District
 School Building Information
 Last Ten Fiscal Years**

Exhibit J-18

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>District Building</u>										
<u>Elementary</u>										
Cape May City Elementary (1967)										
Square Feet	32,412	32,412	32,412	32,412	32,412	32,412	32,412	32,412	32,412	32,412
Capacity (students)	275	275	275	275	275	275	275	275	275	275
Enrollment	164	151	169	176	153	144	134	160	175	188

Number of Schools at June 30, 2016
 Elementary = 1

Source: District Facilities Office
 Note: Year of original construction is shown in parentheses. Enrollment is based on average daily enrollment.

Cape May City School District
 Schedule of Required Maintenance
 Last Ten Years

Exhibit J-19

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
* School Facilities											
Cape May City Elementary	\$ 145,610	\$ 103,038	\$ 121,023	\$ 131,943	\$ 105,404	\$ 122,351	\$ 123,542	\$ 135,364	\$ 132,526	\$ 104,586	\$ 1,225,387
Project # (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total School Facilities	<u>\$ 145,610</u>	<u>\$ 103,038</u>	<u>\$ 121,023</u>	<u>\$ 131,943</u>	<u>\$ 105,404</u>	<u>\$ 122,351</u>	<u>\$ 123,542</u>	<u>\$ 135,364</u>	<u>\$ 132,526</u>	<u>\$ 104,586</u>	<u>\$ 1,225,387</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

**Cape May City School District
Insurance Schedule
June 30, 2016**

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Board Association Insurance Group -		
School Package Policy -		
Blanket Real and Personal Property	\$ 8,944,789	\$ 1,000
Blanket Extra Expense	50,000,000	1,000
Employee Dishonesty	25,000	500
Errors & Omissions	6,000,000	5,000
General Liability	5,000,000	
Business Auto	5,000,000	
Workers Compensation	2,000,000	
National Union Insurance Company -		
Student Accident	1,000,000	
Group Accident	500,000	50
New Jersey School Board Association Insurance Group -		
Public Officials Bond		
Business Administrator/Board Secretary	70,000	500

Source: District records

Single Audit Section

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 New Jersey Society of CPAs

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
 REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
 ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
 UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
 ASSISTANCE AS REQUIRED BY NEW JERSEY TREASURY CIRCULAR OMB 15-08**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

I have audited Cape May City 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 Compliance Supplement*, and the *New Jersey State Aid/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, 2016. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal and state programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the School District's major federal and state programs based on my audit of the types of compliance requirements referred to above. I conducted my 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey Treasury Circular OMB 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey Treasury Circular OMB 15-08 require that I 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 and 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 I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal and state program. However, my audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal and State Program

In my opinion, the Cape May City School District, in the County of Cape May, State of New Jersey complied, in all material respects, with the types of 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, 2016.

Report on Internal Control Over Compliance

Management of the Cape May City School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey Treasury Circular OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Cape May City 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My 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 material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

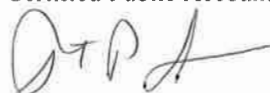
The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the New Jersey Treasury Circular OMB 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cape May City School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. I issued my report thereon dated September 30, 2016, which contained unmodified opinions on those financial statements. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey Treasury Circular OMB 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended for the information of the Board of Education, the New Jersey Department of Education, and Federal awarding agencies.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
September 30, 2016

CAPE MAY CITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2015			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	June 30, 2016		
						Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
U.S. Department of Education															
General Fund:															
Impact Aid	84,041	S041B163047	40-NJ-2016-0208	\$ 496,888	07/01/15-06/30/16	\$ -	\$ -	\$ -	\$ -	\$ 375,718	\$ (375,718)	\$ -	\$ -	\$ -	
Impact Aid	84,041	S041B153047	40-NJ-2015-0208	1,052,342	07/01/14-06/30/15					386,472	(386,472)				
Impact Aid	84,041	S041B143047	40-NJ-2014-0208	954,556	07/01/13-06/30/14					407,186	(407,186)				
Impact Aid	84,041	S041B133047	40-NJ-2013-0208	1,259,808	07/01/12-06/30/13					88,314	(88,314)				
Department of Defense	12,558	57NJ201510146	40-NJ-2016-0208	17,335	07/01/15-06/30/16					17,335	(17,335)				
Total General Fund										1,275,025	(1,275,025)				
U.S. Department of Education															
Special Revenue Fund:															
No Child Left Behind (N.C.L.B.)															
Title I	84,010	S010A150030	NCLB-0710-16	60,006	07/01/15-06/30/16						(37,930)		(37,930)		
Title I - Prior Year	84,010	S010A150030	NCLB-0710-15	34,164	07/01/14-06/30/15	(33,206)				33,206					
Title I - Two Years Prior	84,010	S010A150030	NCLB-0710-14	42,177	07/01/13-06/30/14	(5,442)				5,442					
Title IIA	84,367	S367A150029	NCLB-0710-16	17,978	07/01/15-06/30/16						(11,448)		(11,448)		
Title IIA	84,367	S367A150029	NCLB-0710-15	11,506	07/01/14-06/30/15		1,474				(1,474)				
Individuals With Disabilities Act (I.D.E.A.)															
Part B - Basic	84,027	H027A150100	IDEA-0710-16	52,500	07/01/15-06/30/16					52,500	(52,500)				
Part B - Basic - Prior Year	84,027	H027A150100	IDEA-0710-15	48,649	07/01/14-06/30/15	(38,885)				38,885					
Part B - Preschool	84,173	H173A150114	IDEA-0710-16	2,010	07/01/15-06/30/16					2,010	(2,010)				
Part B - Preschool	84,173	H173A150114	IDEA-0710-15	1,939	07/01/14-06/30/15	(1,939)				1,939					
Total Special Revenue Fund						(79,472)	1,474	-	-	133,982	(105,362)		(49,378)		
U.S. Department of Agriculture															
Enterprise Fund:															
Food Distribution Program	10,565	16161NJ304N1099	N/A	8,155	07/01/15-06/30/16					8,155	(8,155)				
School Breakfast Program	10,553	16161NJ304N1099	N/A	31,590	07/01/15-06/30/16					29,334	(31,590)		(2,256)		
School Breakfast Program	10,553	16161NJ304N1099	N/A	24,384	07/01/14-06/30/15	(1,592)				1,592					
School Snack Program	10,555	16161NJ304N1099	N/A	90	07/01/15-06/30/16					90	(90)				
School Snack Program	10,555	16161NJ304N1099	N/A	386	07/01/14-06/30/15	(21)				21					
National School Lunch Program	10,555	16161NJ304N1099	N/A	52,084	07/01/15-06/30/16					48,206	(52,084)		(3,878)		
National School Lunch Program	10,555	16161NJ304N1099	N/A	38,617	07/01/14-06/30/15	(2,842)				2,842					
Total Enterprise Fund						(4,455)	-	-	-	90,240	(91,919)		(6,134)		
Total Federal Awards						\$ (83,927)	\$ 1,474	\$ -	\$ -	\$ 1,499,247	\$ (1,472,306)	\$ -	\$ (55,512)	\$ -	

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

CAPE MAY CITY SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2016

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2015			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Paid to Grantor	Adjustments	June 30, 2016		
				Accounts Receivable	Deferred Revenue	Due to Grantor at						(Accounts Receivable)	Deferred Revenue	Due to Grantor at
State Department of Education														
<u>General Fund:</u>														
Reimbursement of Nonpublic Transportation Aid	16-103190	\$ 1,218	07/1/15 - 06/30/16	\$ -	\$ -	\$ -	\$ -	\$ (1,218)	\$ -	\$ -	\$ (1,218)	\$ -	\$ -	
Reimbursement of Nonpublic Transportation Aid	15-103190	1,570	07/1/14 - 06/30/15	(1,570)	-	-	-	1,570	-	-	-	-	-	
Transportation Aid	16-495-034-5120-014	5,682	07/1/15 - 06/30/16	-	-	-	-	5,163	(5,682)	-	(519)	-	-	
Transportation Aid	15-495-034-5120-014	5,682	07/1/14 - 06/30/15	(488)	-	-	-	488	-	-	-	-	-	
Special Education Categorical Aid	16-495-034-5120-089	76,912	07/1/15 - 06/30/16	-	-	-	-	69,890	(76,912)	-	(7,022)	-	-	
Special Education Categorical Aid	15-495-034-5120-089	76,912	07/1/14 - 06/30/15	(6,605)	-	-	-	6,605	-	-	-	-	-	
Security Aid	16-495-034-5120-084	39,821	07/1/15 - 06/30/16	-	-	-	-	36,185	(39,821)	-	(3,636)	-	-	
Security Aid	15-495-034-5120-084	39,821	07/1/14 - 06/30/15	(3,420)	-	-	-	3,420	-	-	-	-	-	
Adjustment Aid	16-495-034-5120-085	276,347	07/1/15 - 06/30/16	-	-	-	-	251,117	(276,347)	-	(25,230)	-	-	
Adjustment Aid	15-495-034-5120-085	276,347	07/1/14 - 06/30/15	(23,732)	-	-	-	23,732	-	-	-	-	-	
School Choice Aid	16-495-034-5120-068	152,251	07/1/15 - 06/30/16	-	-	-	-	138,350	(152,251)	-	(13,901)	-	-	
School Choice Aid	15-495-034-5120-068	69,205	07/1/14 - 06/30/15	(5,943)	-	-	-	5,943	-	-	-	-	-	
PARCC Readiness Aid	16-495-034-5120-098	1,330	07/1/15 - 06/30/16	-	-	-	-	1,209	(1,330)	-	(121)	-	-	
PARCC Readiness Aid	15-495-034-5120-098	1,330	07/1/14 - 06/30/15	(114)	-	-	-	114	-	-	-	-	-	
Per Pupil Growth Aid	16-495-034-5120-097	1,330	07/1/15 - 06/30/16	-	-	-	-	1,209	(1,330)	-	(121)	-	-	
Per Pupil Growth Aid	15-495-034-5120-097	1,330	07/1/14 - 06/30/15	(114)	-	-	-	114	-	-	-	-	-	
Extraordinary Aid	16-495-034-5120-044	6,137	07/1/15 - 06/30/16	-	-	-	-	-	(6,137)	-	(6,137)	-	-	
On Behalf TPAF - Pension Contributions	16-495-034-5094-002	115,643	07/1/15 - 06/30/16	-	-	-	-	115,643	(115,643)	-	-	-	-	
On Behalf TPAF Post Retirement	16-495-034-5094-001	137,700	07/1/15 - 06/30/16	-	-	-	-	137,700	(137,700)	-	-	-	-	
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	103,890	07/1/15 - 06/30/16	-	-	-	-	94,503	(103,890)	-	(9,387)	-	-	
Reimbursed TPAF Social Security Contributions	15-495-034-5094-003	104,864	07/1/14 - 06/30/15	(9,029)	-	-	-	9,029	-	-	-	-	-	
Total General Fund				(51,015)	-	-	-	901,984	(918,261)	-	(67,292)	-	-	
<u>Special Revenue Fund</u>														
Preschool Education Aid - Current Year	16-495-034-5120-086	100,765	07/1/15 - 06/30/16	-	-	-	-	90,688	(100,765)	-	(10,077)	-	-	
Preschool Education Aid - Prior Year	15-495-034-5120-086	66,217	07/1/14 - 06/30/15	(6,622)	-	-	-	6,622	-	-	-	-	-	
Total Special Revenue Fund				(6,622)	-	-	-	97,310	(100,765)	-	(10,077)	-	-	
New Jersey Schools Development Authority														
<u>Capital Projects Fund</u>														
Cape May City Elementary School	0710-050-09-2001	11,047	07/1/09 - 06/30/10	(11,047)	-	-	-	-	-	-	(11,047)	-	-	
Total Capital Projects Fund				(11,047)	-	-	-	-	-	-	(11,047)	-	-	
State Department of Agriculture														
<u>Enterprise Fund:</u>														
State School Lunch Program	16-100-010-3350-023	1,127	07/1/15 - 06/30/16	-	-	-	-	1,042	(1,127)	-	(85)	-	-	
State School Lunch Program	15-100-010-3350-023	887	07/1/14 - 06/30/15	(68)	-	-	-	68	-	-	-	-	-	
Total Enterprise Fund				(68)	-	-	-	1,110	(1,127)	-	(85)	-	-	
Total State Financial Assistance				\$(68,752)	\$ -	\$ -	\$ -	\$1,000,404	\$(1,020,153)	\$ -	\$(88,501)	\$ -	\$ -	
Less: State Financial Assistance Not Subject to Major Program Determination On-Behalf TPAF Contribution - Pension (Non-Budgeted) (115,643) On-Behalf TPAF Contribution - Post-Retirement Medical (Non-Budgeted) (137,700) Total State Financial Assistance Subject to Major Program Determination (766,810)														

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

**Cape May City School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2016**

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, Cape May City School District. The Board of Education is defined in Note 1 to the School Districts 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 Title 2 U.S. Code of Federal Regulations Part 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; 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 (\$10,134) for the general fund and (\$3,455) 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	\$ 1,275,025	\$ 908,127	\$ 2,183,152
Special Revenue Fund	105,362	97,310	202,672
Food Service Fund	<u>91,919</u>	<u>1,127</u>	<u>93,046</u>
Total Awards & Financial Assistance	<u>\$ 1,472,306</u>	<u>\$ 1,006,564</u>	<u>\$ 2,478,870</u>

**Cape May City School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2016
(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, 2016. 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, 2016.

6. MAJOR PROGRAMS

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

**CAPE MAY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Section I --Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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? X yes 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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.041</u>	<u>S041B160347</u>	<u>Impact Aid</u>
<u>10.555</u>	<u>16161NJ304N1099</u>	<u>National School Lunch Program</u>
<u>10.553</u>	<u>16161NJ304N1099</u>	<u>School Breakfast Program</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

**CAPE MAY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Section 2 -- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding No. 2016-001

Criteria or specific requirement:

Good internal control requires strict adherence to payment of approved salaries.

Condition:

Two employees were not paid in accordance with their approved salaries.

Context:

Of the twenty-five employees tested, one employee was overpaid \$1,000 and another employee was overpaid \$1,500.

Effect:

The Board overpaid \$2,500 in salaries.

Cause:

Oversight.

Recommendation:

That employees be paid in accordance with their approved salaries.

View of Responsible Officials and Planned Corrective Action:

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**CAPE MAY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* and NJOMB Circular Letter 15-08, as applicable.

FEDERAL AWARDS:

No findings and/or questioned costs identified.

STATE AWARDS:

No findings and/or questioned costs identified.

**CAPE MAY CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT**

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*, USOMB *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and NJOMB's Circular 14-04 and/or 15-08, as applicable.

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings

FEDERAL AWARDS

Finding #2015-001

My examination disclosed differences between the Impact Aid Program application and supporting documentation.

Current Status

The finding has been corrected.

STATE AWARDS

Finding #2015-002

The student counts for resident low income and resident LEP not low income did not agree to supporting documents.

Current Status

The finding has been corrected.