

Comprehensive Annual Financial Report

of the

**Cape May County Schools
For Special Services
Board of Education**
(A Component Unit of the County of Cape May)

Cape May County, New Jersey

**For the Fiscal Year Ended June 30, 2016
Prepared by the Finance Department**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION:	
Letter of Transmittal	1-3
Organizational Chart	4
Roster of Officials	5
Consultants and Advisors	6
FINANCIAL SECTION:	
Independent Auditor's Report	7-9
Required Supplementary Information - Part I Management Discussion and Analysis	10-19
Basic Financial Statements	
A District-Wide Financial Statements	
A-1 Statement of Net Position	20
A-2 Statement of Activities	21
B Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	22
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	23
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Proprietary Funds:	
B-4 Statement of Net Position	25
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	26-27
B-6 Statement of Cash Flows	28-29
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	30
B-8 Statement of Changes in Fiduciary Net Position	31
Notes to the Financial Statements	32-55

TABLE OF CONTENTS

	Page
Required Supplementary Information - Part II	
C Budgetary Comparison Schedules	
C-1 Budgetary Comparison Schedule - General Fund	56-64
C-2 Budgetary Comparison Schedule - Special Revenue Fund	65
Notes to Required Supplementary Information	
C-3 Budget to GAAP Reconciliation	66
Required Supplementary Information - Part III	
L-1 Schedule of the District's Proportionate Share of the Net Pension Liability (PERS)	67
L-2 Schedule of District Contributions (PERS)	68
L-3 Schedule of the District's Proportionate Share of the Net Pension Liability (TPAF)	69
Other Supplementary Information	
E Special Revenue Fund:	
E-1 Combining Schedule of Revenues and Expenditures - Special Revenue Fund - Budgetary Basis	70-71
E-2 Preschool Education Aid Schedule of Expenditures - Budgetary Basis	N/A
F Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis	N/A
F-2a Schedules of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis	N/A
G Proprietary Funds:	
Enterprise Funds:	
G-1 Combining Statement of Net Position	72
G-2 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	73
G-3 Combining Statement of Cash Flows	74
Internal Service Fund:	
G-4 Combining Statement of Net Assets	N/A
G-5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	N/A
G-6 Combining Statement of Cash Flows	N/A

TABLE OF CONTENTS

	Page
H Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Assets	75
H-2 Combining Statement of Changes in Fiduciary Net Assets	76
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	77
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	78
I Long-Term Debt:	
I-1 Schedule of Serial Bonds	N/A
I-2 Schedule of Obligations under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	N/A
STATISTICAL SECTION: (Unaudited)	
Financial Trends	
J-1 Net Assets by Component	79
J-2 Changes in Net Position	80-81
J-3 Fund Balances - Governmental Funds	82
J-4 Changes in Fund Balances - Governmental Funds	83
J-5 General Fund Other Local Revenue by Source	84
Revenue Capacity	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	N/A
J-7 Direct and Overlapping Property Tax Rates	N/A
J-8 Principal Property Taxpayers	N/A
J-9 Property Tax Levies and Collections	N/A
Debt Capacity	
J-10 Ratios of Outstanding Debt by Type	N/A
J-11 Ratios of General Bonded Debt Outstanding	N/A
J-12 Direct and Overlapping Governmental Activities Debt	N/A
J-13 Legal Debt Margin	N/A
Demographic and Economic Data	
J-14 Demographic and Economic Statistics	85
J-15 Principal Employers	N/A
Operating Information	
J-16 Full-Time Equivalent District Employees by Function/Program	86
J-17 Operating Statistics	87
J-18 School Building Information	88
J-19 Schedule of Required Maintenance Expenditures by School Facility	89
J-20 Insurance Schedule	90-91

TABLE OF CONTENTS

	Page
SINGLE AUDIT SECTION:	
K-1 Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	92-93
K-2 Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with Uniform Guidance and New Jersey OMB Circular 15-08	N/A
K-3 Schedule of Expenditures of Federal Awards, Schedule A	94
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	95
K-5 Notes to the Schedules of Awards and Financial Assistance	96-97
K-6 Schedule of Findings and Questioned Costs	N/A
K-7 Summary Schedule of Prior Audit Findings	98

Introductory Section

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

BARBARA J. MAKOSKI
Superintendent of Schools
Ext. 2200

KATHLEEN M. ALLEN
School Business Administrator
Board Secretary
Ext. 2211

JONATHAN PRICE
Director of Related Services
Ext. 4400

ANNAMARIE HAAS
Principal, CMC High School
Principal, Ocean Academy
Principal, COMPACT
Ext. 8800

NICHOLAS BAILEY
Assistant Principal
Ext. 5500



November 15, 2016

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

Dear Board Members:

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

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory Section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial Section includes the basic financial statements, schedules and the Management Discussion and Analysis as well as the auditor's report thereon. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Uniform Guidance, and the New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES: The Board of Education of the Cape May County Special Services School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds of the District are included in this report. The Cape May County Special Services Board of Education and all its schools constitute the District's reporting entity.

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

Cape Educational COMPACT is housed off campus and provides the educational program for approximately 50 students.

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

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2015-16	239	-4.4%
2014-15	250	-7.7%
2013-14	271	-1.5%
2012-13	275	-6.1%
2011-12	293	2.8%
2010-11	285	-9.7%

2. ECONOMIC CONDITION AND OUTLOOK: The 2015-16 school year ended with enrollment slightly less than the prior year and tuition revenue under the budgeted amount. We also completed several facility upgrades and improvements. Tuition adjustments for the 2013-2014 school year were completed resulting in a net refund to the sending districts of approximately \$632,325. We continue to closely monitor enrollment in light of the overall decline in year-round population in the County as well as the effects of the “least restrictive environment” mandate. We remain steadfast in our philosophy that we offer the optimum environment for a segment of the disabled youth of our County in a cost-effective manner.

3. MAJOR INITIATIVES: Our district continues to provide staff and students with updated technology—both hardware and software. This is an ongoing initiative requiring evaluation of obsolete equipment and the purchase of new equipment conducive to the needs of the district. The Unique Learning System, software designed to provide differentiated instruction around thematic units aligned to the standards, has been expanded to more classrooms. The contract with OnCourse was expanded to include a more efficient evaluation tool (Evaluate Prime) and the ability to electronically complete, review and approve Student Growth Objectives (SGO Module)

Due to the nature of our students’ varied disabilities, it is essential that staff members remain up to date on current issues and methodologies in education, therefore, the district continues to place strong emphasis on staff development for the purpose of increased student achievement. The district continues to focus on the requirements for teacher and principal evaluation systems, mentoring of new teachers, and state assessments (PARRC and DLM).

4. INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

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

The District is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District’s Management.

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

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of School Estimate of the county. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect accounting principles generally accepted in the United States of America, as promulgated by the GASB. The accounting system of the District is organized on the basis of entity-wide governmental and business type activities as well as various governmental, enterprise and fiduciary funds. These funds are explained in the "Notes to the Financial Statements," Note 1.

7. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to Financial Statements," Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

9. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ford, Scott & Associates L.L.C., CPAs, was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 as revised and the related Budget Uniform Guidance and New Jersey OMB Circular Letter 15-08. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

ACKNOWLEDGMENTS:

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

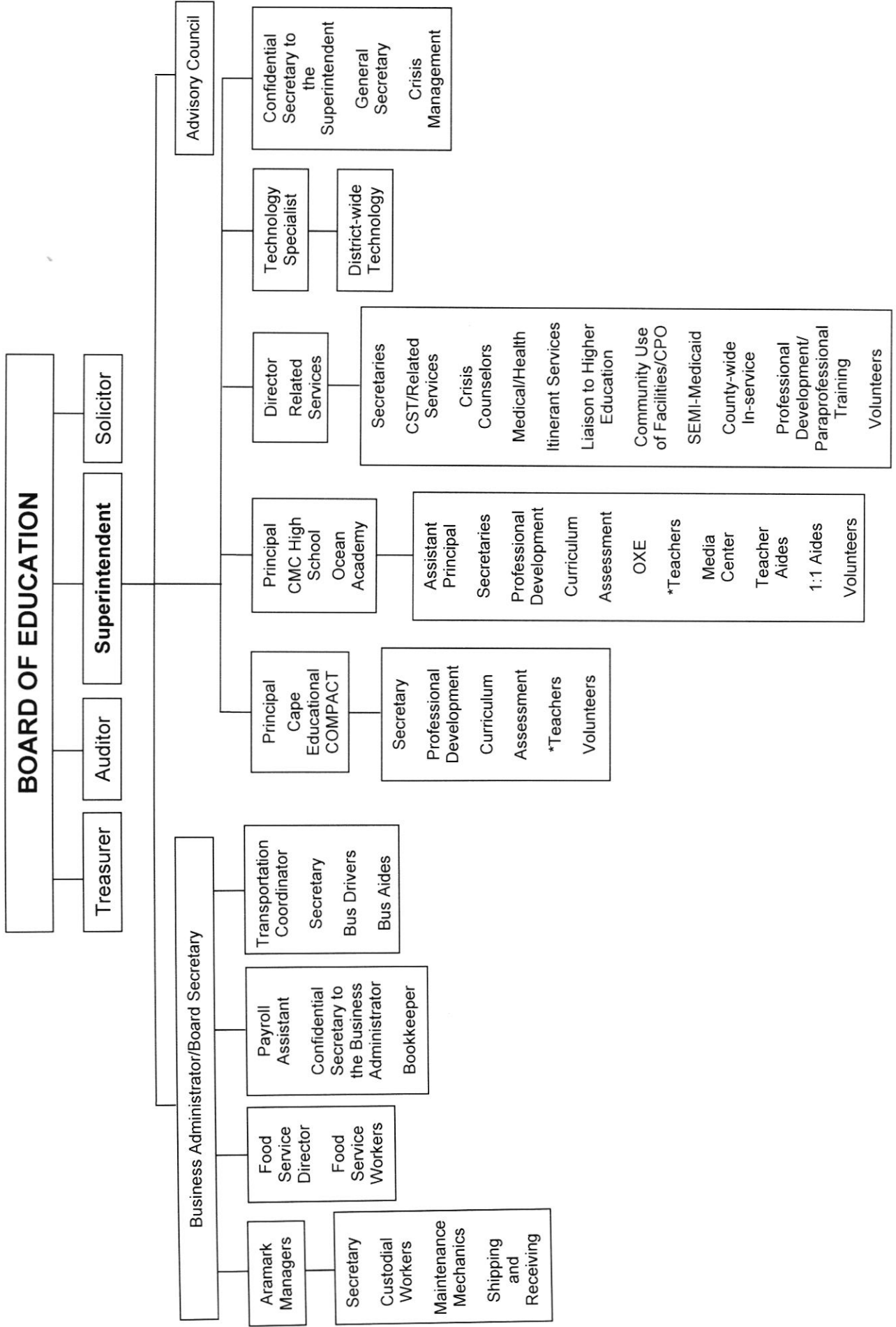
Respectfully submitted,

Barbara J. Makoski
Superintendent

Kathleen M. Allen
School Business Administrator/Board Secretary

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Cape May County Schools for Special Services 2015 – 2016 Organizational Chart



*COMPACT Principal will assist with Staff Evaluations in OA and CMCHS

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
BOARD OF EDUCATION
(A Component Unit of the County of Cape May)
CAPE MAY COUNTY, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2016**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Lenora B. Kodytek, President	2018
Michael T. Palombo, Sr., Vice President	2017
Thomas C. Whittington	2019
Nancy Delp	2019
Kenneth R. Merson	2018
Jane Elwell	2017
Richard Stepura, Ed.D	Ex-officio – with Vote

Other Officials

Barbara J. Makoski, Superintendent

Kathleen M. Allen, School Business Administrator/Board Secretary

Lewis J. Mawson, Treasurer

Michael P. Stanton, Esq., Solicitor

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
BOARD OF EDUCATION
(A Component Unit of the County of Cape May)
CONSULTANTS AND ADVISORS**

Audit Firm

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

Attorney

Michael Stanton, Esquire
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Ocean City, NJ 08226

Official Depository

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

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Financial Section



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cape May County Schools for Special Services (a component unit of 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 District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cape May County Schools for Special Services (a component unit of the County of Cape May), 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 Required Supplementary Information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cape May County Schools for Special Services' (a component unit of the County of Cape May) basic financial statements. The combining and individual non-major fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the schedule of state financial assistance as required by NJ OMB 15-08, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of state financial assistance as required by NJ OMB 15-08 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of state financial assistance as required by NJ OMB 15-08 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016 on our consideration of the Cape May County Schools for Special Services' (a component unit of the County of Cape May) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cape May County Schools for Special Services' (a component unit of the County of Cape May) internal control over financial reporting and compliance.

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

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Licensed Public School Accountant
No. 767

November 15, 2016

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REQUIRED SUPPLEMENTARY INFORMATION – PART I

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The discussion and analysis of Cape May County Schools for Special Services' financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position decreased by \$586,507, which represents an 11 percent decrease from 2015. This decrease is primarily attributed to a reduction in revenues, particularly tuition and federal aid, and an increase in expenses, specifically employee health benefits. The net position also reflects the second year of implementation of GASB 68 regarding pension liabilities.
- General revenues accounted for \$4,212,548 in revenue or 20 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$17,048,707 or 80 percent of total revenues of \$21,261,255.
- Total assets of governmental activities decreased by \$124,077 as cash and cash equivalents decreased by \$126,345, receivables increased by \$30,580, and capital assets decreased by \$16,436. There was no specific cause for these normal fluctuations.
- The School District had \$21,482,633 in expenses; \$17,048,707 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily the county appropriation) of \$4,212,548 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$12,834,498 in revenues and other financing sources and \$12,738,799 in expenditures and other financing uses. The General Fund's fund balance decreased \$73,807 over 2015. This change was the result of a decrease in tuition charges over 2015, as well as a decrease in Federal sources.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Cape May County Schools for Special Services as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District, as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- **Governmental Activities** - All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- **Business-Type Activity** - This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service, Shared Services Itinerant, Shared Service Transportation, Community Use and Extended School Year enterprise funds along with several "non-major" enterprise funds are reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Enterprise Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found in this report as shown in the table of contents.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The School District as a Whole

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

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

Table 1 provides a summary of the School District's net assets for 2016 and 2015.

**Table 1
Net Position**

	2016	2015
Assets		
Current and Other Assets	\$ 5,657,286	\$ 5,385,200
Capital Assets	1,688,556	1,734,329
Total Assets	7,345,842	7,119,529
Liabilities		
Long-Term Liabilities	9,603,279	8,698,842
Other Liabilities	228,606	268,670
Total Liabilities	9,831,885	8,967,512
Net Position		
Net Investment in Capital Assets	1,688,556	1,734,329
Restricted	741,526	540,801
Unrestricted	(4,279,673)	(3,903,343)
Total Net Position	\$ (1,849,591)	\$ (1,628,213)

The District's combined net position was \$(1,849,591) on June 30, 2016. This was a decrease of 14 percent from the prior year. The decrease was caused by an increase in long term liabilities attributable to the implementation of GASB 68. Table 2 shows changes in net position for fiscal year 2016.

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**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

**Table 2
Changes in Net Position**

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 13,381,690	\$ 13,645,568
Operating Grants and Contributions	3,667,017	2,958,825
General Revenues:		
County Appropriation	3,974,832	3,974,832
Other	237,716	353,944
Total Revenues	<u>21,261,255</u>	<u>20,933,169</u>
Program Expenses		
Instruction	6,124,541	5,803,869
Support Services:		
Pupils and Instructional Staff	2,147,201	2,069,238
General Administration, School Administration, Business Operations and Maintenance of Facilities	7,239,425	6,418,397
Food Service	251,997	263,867
Shared Services	4,596,814	4,292,258
Other Enterprise Funds	1,122,655	1,325,392
Total Expenses	<u>21,482,633</u>	<u>20,173,021</u>
Change in Net Position	<u>\$ (221,378)</u>	<u>\$ 760,148</u>

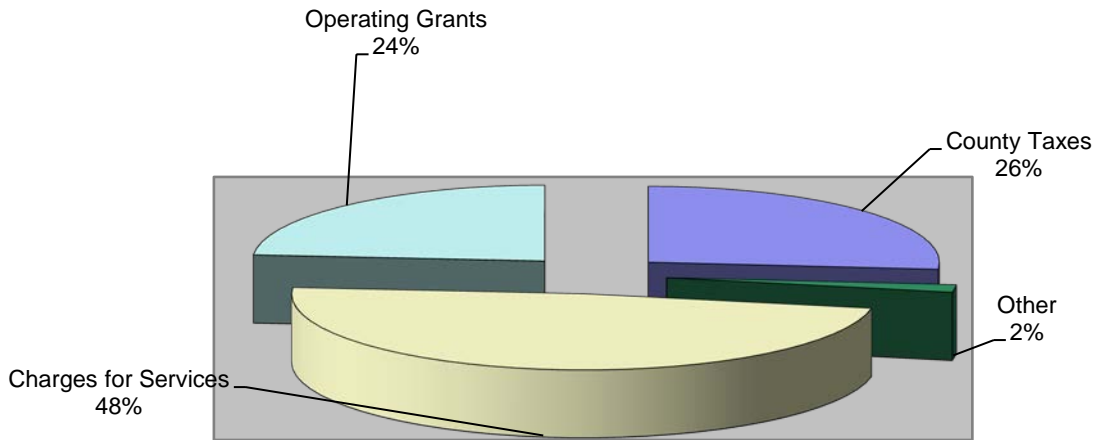
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**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

Governmental Activities

Charges for services (mostly tuition from sending districts) made up 48 percent of revenues for governmental activities for the Cape May County Schools for Special Services for fiscal year 2016 and 52 percent of revenues for fiscal 2015. Tuition received from sending districts and nonresident fees decreased by \$427,925, which is a 6% decrease from the prior year. The decrease in tuition revenue can be attributed to the tuition adjustment which was a net payable due to the districts. The District's total revenues were \$15,009,413 for the year ended June 30, 2016. The county appropriation accounted for 26 percent of revenue.

Sources of Revenue for Fiscal Year 2016

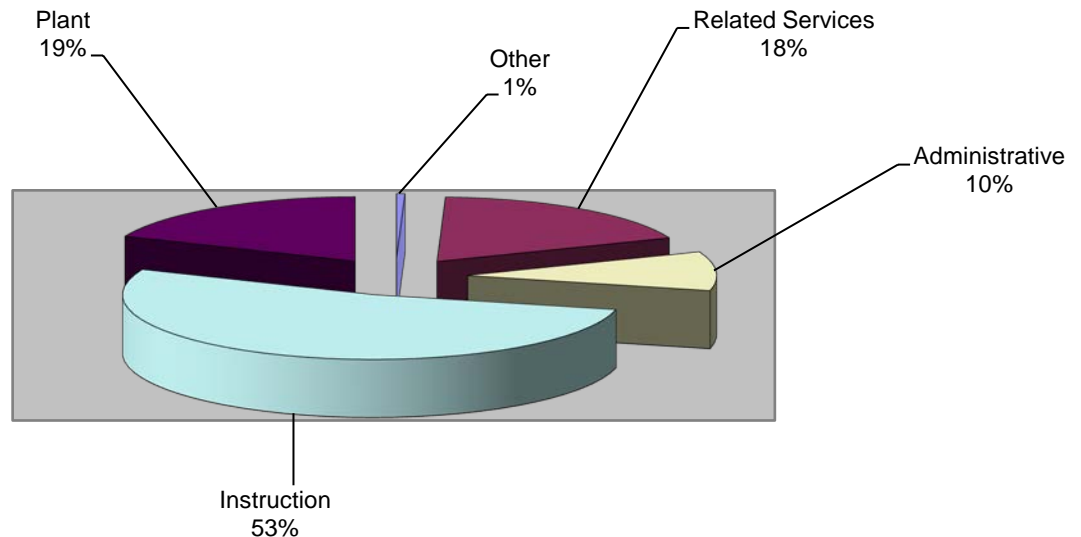


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**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The total cost of all program and services was \$15,595,920. Instruction comprises 53 percent of District expenses and Related Services another 18%.

Cost of Programs and Services for Fiscal Year 2016



Business-Type Activities

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

- Food service expenses exceeded revenues, both operating and non-operating by \$74,240 prior to a contribution from the general fund of \$84,753. These amounts are similar to the prior year as anticipated
- Charges for services in the food service fund represent \$67,746 of total revenue compared to \$63,267 in the prior year. This represents amounts paid by patrons for daily food service and amount received from catering and special functions.
- Federal and state reimbursement for meals, including payments for free and reduced lunches and breakfast, and donated commodities was \$110,011 compared to \$115,675 in the prior year
- Shared Services revenues for Itinerant Services exceeded expenses by \$178,604. Shared Services revenues for Transportation Services exceeded expenses by \$45,477.
- Charges for services in the Shared Service Fund for Itinerant Services represent \$2,517,999 of revenue. This represents amounts paid by users for itinerant services of other local school districts. Charges for services in the Shared Service Fund for Transportation Services represent \$2,302,896 of revenue. This represents amounts paid by users for transportation services provided by the district.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

Governmental Activities

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

**Table 3
Costs of Services**

	Total Cost of Services 2016	Net Cost/(Profit) of Services 2016	Total Cost of Services 2015	Net Cost/(Profit) of Services 2015
Instruction	\$ 8,201,034	\$ (1,380,498)	\$ 7,723,024	\$ (1,716,138)
Support Services:				
Pupils and Instructional Staff	2,880,544	2,098,546	2,760,628	2,147,900
General Administration, School Administration, Business Operations	1,520,111	1,372,233	1,334,557	1,205,835
Operation and Maintenance of Facilities	2,909,478	2,624,021	2,473,295	2,232,047
Total Expenses	<u>\$ 15,511,167</u>	<u>\$ 4,714,302</u>	<u>\$ 14,291,504</u>	<u>\$ 3,869,644</u>

The net cost of services in 2016 is comparable to 2015.

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

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

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

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

The School District's Funds

All governmental funds (i.e., general fund, special revenue and capital projects fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues and other financing sources amounted to \$12,970,951 compared to \$13,358,778 in 2015. The change is directly related to a decrease in tuition revenue related to a refund due to the districts for prior year tuition, as well as a decrease in federal aid. Expenditures and other financing uses were \$13,044,758 compared to \$12,973,794 in 2015. The increase was not in any one specific area but was the result of a slight increase in costs. The net decrease in fund balance for the year was directly related to a decrease in revenues.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2016, and the amount and percentage of increases and decreases in relation to prior year revenues.

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

Revenue	Amount	Percent of Total	Increase (Decrease) from 2015	Percent of Increase (Decrease)
Local Sources	\$ 11,234,917	87%	\$ (443,868)	-4%
State Sources	1,431,931	11%	153,473	13%
Federal Sources	304,103	2%	(97,432)	-55%
Total	\$ 12,970,951	100%	\$ (387,827)	-3%

The decrease in local revenues of \$443,868 is due to a debit of tuition for a prior year tuition adjustment.

State aid increased by \$153,473 primarily related to an increase in on-behalf TPAF pension and post retirement contributions.

Federal aid decreased by \$97,432 primarily due to and decrease medical assistance in the general fund.

The following schedule represents a summary of general fund, special revenue fund and capital projects fund expenditures for the fiscal year ended June 30, 2016, and the percentage of increases and decreases in relation to prior year amounts.

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

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2015	Percent of Increase (Decrease)
Current Expense:				
Instruction	\$ 4,576,468	35%	\$ (165,289)	-3%
Undistributed Expenditures	8,342,223	64%	248,681	3%
Capital Outlay	41,314	0%	(30,824)	-22%
Total	\$ 12,960,005	100%	\$ 52,568	-3%

Instruction expense decreased specifically in the area of multiple disabilities salaries and cognitive severe salaries. Undistributed expenditures increased and were mainly attributable to an increase in health benefits.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

General Fund Budgeting Highlights

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

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

- Actual tuition revenue was less than the budgeted amount by \$219,054.
- Salaries for Autism Teachers were increased by approximately \$107,671.
- Salaries for Multiple Disabilities Teachers were decreased by approximately \$94,623.
- Non-resident fees were more than the budgeted amount by \$40,398

Capital Assets

At the end of the fiscal year 2016, the School District had \$1,688,556 invested in land and building improvements, furniture and equipment, and vehicles. Table 6 shows fiscal year 2016 balances as compared to 2015.

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

Governmental Activities:

	2016	2015
Capital Assets Being Depreciated:		
Building Improvements	\$ 1,163,406	\$ 1,191,384
Infrastructure	108,074	70,233
Machinery and Equipment	284,801	309,145
Licensed Vehicles	570	2,525
Total Capital Assets Being Depreciated at Historical Cost	1,556,851	1,573,287

Business-Type Activities:

Capital Assets Being Depreciated:		
Equipment	131,705	161,043
	\$ 1,688,556	\$ 1,734,330

Overall capital assets decreased \$45,774 from fiscal year 2015 to fiscal year 2016. For more detailed information, please refer to the Notes to the Basic Financial Statements.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

For the Future

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

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

Contacting the School District's Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,589,555	3,001,886	4,591,441
Internal Balances	93,524	(93,524)	-
Receivables, Net	184,134	877,213	1,061,347
Inventory	-	4,498	4,498
Capital Assets:			
Capital Assets Being Depreciated, Net	1,556,851	131,705	1,688,556
Total Assets	3,424,064	3,921,778	7,345,842
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	1,284,934		1,284,934
Total Deferred Outflows of Resources	1,284,934	-	1,284,934
LIABILITIES			
Accounts Payable	86,211	9,741	95,952
Accrued Salaries and Benefits	10,907		10,907
Payable to Other Governments	11	245	256
Unearned Revenue	115,804		115,804
Advances from Students	-	837	837
Deposits Payable	-	4,850	4,850
Noncurrent Liabilities			
Due Beyond One Year	326,758	33,521	360,279
Net Pension Liability	9,243,000		9,243,000
Total Liabilities	9,782,691	49,194	9,831,885
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	648,482		648,482
NET POSITION			
Invested in Capital Assets, Net of Related Debt	1,556,851	131,705	1,688,556
Restricted for:			
Capital Projects	110,701	-	110,701
Other Purposes	630,825	-	630,825
Unrestricted	(8,020,552)	3,740,879	(4,279,673)
Total Net Position	\$ (5,722,175)	3,872,584	(1,849,591)

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

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)**

Statement of Activities

For the Fiscal Year Ended June 30, 2016

Function/Programs	Expenses	Program Revenue			Net (Expense Revenue and Changes in Net Assets)			
		Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:								
Instruction:								
Special Education	\$ 4,939,209	1,671,662	6,924,461	1,911,285	-	2,224,875	-	2,224,875
Other Instruction	1,185,332	404,831	315,398	430,388	-	(844,377)	-	(844,377)
Support Services:								
Student & Instruction Related Services	2,147,201	733,343		781,998	-	(2,098,546)		(2,098,546)
School Administrative Services	441,102	166,249		59,084	-	(548,267)		(548,267)
Plant Operation and Maintenance	2,106,263	803,215		285,457	-	(2,624,021)		(2,624,021)
General Administrative and Business Services	662,913	249,847		88,794	-	(823,966)		(823,966)
Unallocated Benefits	4,029,147	(4,029,147)						
Total Governmental Activities	15,511,167	-	7,239,859	3,557,006	-	(4,714,302)	-	(4,714,302)
Business-Type Activities:								
Food Service	251,997		67,746	110,011		(74,240)		(74,240)
Shared Services - Itinerant	2,339,395		2,517,999			178,604		178,604
Shared Services - Transportation	2,257,419		2,302,896			45,477		45,477
Community Use	83,326		132,681			49,355		49,355
Extended School Year	325,796		480,000			154,204		154,204
Non-major Enterprise Funds	713,533		640,509			(73,024)		(73,024)
Total Business-Type Activities	5,971,466	-	6,141,831	110,011	-	280,376	280,376	280,376
Total Primary Government	\$ 21,482,633	-	13,381,690	3,667,017	-	(4,714,302)	280,376	(4,433,926)

General Revenues:

Taxes:

County Appropriation, Levied for General Purposes, Net	\$ 3,974,832	-	3,974,832
Federal Aid Not Restricted	208,632	-	208,632
Investment Earnings	11,565	-	11,565
Miscellaneous Income	17,519	-	17,519
Transfers	(84,753)	84,753	-
Total General Revenues, Special Items, Extraordinary Items and Transfers	4,127,795	84,753	4,212,548
Change in Net Position	(586,507)	365,129	(221,378)
Net Position (Deficit) - Beginning	(5,135,668)	3,507,455	(1,628,213)
Net Position (Deficit) - Ending	<u>\$ (5,722,175)</u>	<u>3,872,584</u>	<u>(1,849,591)</u>

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

FUND FINANCIAL STATEMENTS

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,490,010	99,545	1,589,555
Due from Other Funds	148,898		148,898
Receivables from Other Governments	140,078		140,078
Other		8,425	8,425
Total Assets	1,778,986	107,970	1,886,956
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	86,011	200	86,211
Payable to Other Governments	11		11
Accrued Salaries and Benefits	10,907		10,907
Unearned Revenue	8,034	107,770	115,804
Total Liabilities	104,963	107,970	212,933
Fund Balances:			
Committed to:			
Maintenance Reserve	630,825		630,825
Capital Reserve	110,701		110,701
Encumbrances	2,288		2,288
Unassigned			
General Fund	930,209		930,209
Total Fund Balances	1,674,023	-	1,674,023
Total Liabilities and Fund Balances	\$ 1,778,986	107,970	

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

Capital assets used in governmental activities are not resources and therefore are not reported in the funds. The cost of the assets is \$2,165,482 and the accumulated depreciation is \$608,631.

1,556,851

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

(326,758)

Pension Liabilities Net of Deferred Outflows & Inflows

(8,606,548)

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

(19,743)

Net position of governmental activities

\$ (5,722,175)

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local Sources:			
County Line Item Appropriation	\$ 3,974,832		3,974,832
Tuition Charges	6,874,621		6,874,621
Non-Resident Fees	315,398		315,398
Miscellaneous	29,084	40,982	70,066
Total Local Sources	11,193,935	40,982	11,234,917
State Sources	1,431,931	-	1,431,931
Federal Sources	208,632	95,471	304,103
Total Revenues	<u>12,834,498</u>	<u>136,453</u>	<u>12,970,951</u>
EXPENDITURES			
Current:			
Special Education Instruction	3,550,151	134,093	3,684,244
Other Instruction	892,224		892,224
Support Services:			
Student & Instruction Related Serv.	1,613,883	2,360	1,616,243
School Administrative Services	366,402		366,402
Other Administrative Services	550,649		550,649
Plant Operation and Maintenance	1,779,782		1,779,782
Employee Benefits	4,029,147		4,029,147
Capital Outlay	41,314	-	41,314
Total Expenditures	<u>12,823,552</u>	<u>136,453</u>	<u>12,960,005</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,946</u>	<u>-</u>	<u>10,946</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			-
Transfers out	(84,753)		(84,753)
Total Other Financing Sources and Uses	<u>(84,753)</u>	<u>-</u>	<u>(84,753)</u>
Net Changes in Fund Balance	(73,807)	-	(73,807)
Fund Balance - July 1	1,747,830	-	1,747,830
Fund Balance - June 30	<u>\$ 1,674,023</u>	<u>-</u>	<u>1,674,023</u>

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Total Net Change in Fund Balance - Governmental Funds (from B-2)	\$	(73,807)
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount depreciation exceeded capital outlays for the period.</p>		
Depreciation expense	\$	(73,801)
Capital Outlays		<u>57,364</u>
		(16,437)
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of of employee contributions is reported as pension expense.</p>		
District pension contributions - PERS		353,996
Cost of benefits earned net of employee contributions		<u>(882,005)</u>
		(528,009)
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).</p>		
		26,547
<p>Internal service funds are used by management to charge the costs of certain activities, such as extra services, to individual funds or other governmental entities. The net revenue (expense) of the internal service funds is reported with governmental activities. (See B-5)</p>		
		5,199
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(586,507)</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Proprietary Funds
Statement of Net Position
June 30, 2016

	Business Type Activities - Enterprise Funds						Total 2016	Governmental Activities Internal Service Fund
	Food Service	Itinerant Services	Shared Services Transportation	Community Use	Extended School Year	Non-Major Enterprise Funds (See Note 1)		
ASSETS								
Current Assets:								
Cash and Cash Equivalents	\$ 19,209	1,078,127	270,917	443,189	1,041,502	148,942	3,001,886	-
Accounts Receivable	6,711	398,101	388,463	500	10,000	73,438	877,213	35,631
Inventory	2,873	-	-	-	-	1,625	4,498	-
Total Current Assets	\$ 28,793	1,476,228	659,380	443,689	1,051,502	224,005	3,883,597	35,631
Noncurrent Assets:								
Furniture, Machinery & Equipment	\$ 164,409	-	103,272	14,811	-	348,312	630,804	-
Less Accumulated Depreciation	(162,809)	-	(98,875)	(14,811)	-	(222,604)	(499,099)	-
Total Noncurrent Assets	\$ 1,600	-	4,397	-	-	125,708	131,705	-
Total Assets	\$ 30,393	1,476,228	663,777	443,689	1,051,502	349,713	4,015,302	35,631
LIABILITIES								
Current Liabilities:								
Accounts Payable		61	7,029	356	-	2,295	9,741	-
Intergovernmental Accounts Payable:								
State						245	245	-
Interfunds Payable	\$ 93,524	-	-	-	-	-	93,524	55,374
Unearned Revenue	837	-	-	-	-	-	837	-
Deposits Payable				4,850	-	-	4,850	-
Total Current Liabilities	\$ 94,361	61	7,029	5,206	-	2,540	109,197	55,374
Noncurrent Liabilities:								
Compensated Absences	\$ 8,500	8,267	-	-	-	16,754	33,521	-
Total Noncurrent Liabilities	\$ 8,500	8,267	-	-	-	16,754	33,521	-
NET POSITION								
Invested in Capital Assets Net of Related Debt	\$ 1,600	-	4,397	-	1,051,502	125,708	131,705	-
Unrestricted	(74,068)	1,467,900	652,351	438,483	-	204,711	3,740,879	(19,743)
Total Net Position	\$ (72,468)	1,467,900	656,748	438,483	1,051,502	330,419	3,872,584	(19,743)

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Fund						Governmental Activities Internal Service
	Food Service	Itinerant Services	Shared Services Transportation	Community Use	Extended School Year	Non-Major Enterprise Funds (See Note 1) (See G-2)	
Operating Revenue:							
Charges for Service:							
Daily Sales - Non-reimbursable Programs	\$ 12,009					40,621	52,630
Daily Sales - Reimbursable Programs	32,954					-	32,954
Special Functions and Other Revenue	22,601					-	22,601
Itinerant and Professional Services		2,517,999				-	2,517,999
Transportation Fees from Other LEA's			2,302,896			-	2,302,896
Within the State						-	50,278
Day Care Facility Rental				50,278		-	50,278
Pool/Gym Use and Community Swim				81,332	480,000	-	81,332
Tuition and Fees				1,071		595,301	1,075,301
Miscellaneous	182					4,587	5,840
Total Operating Revenue	67,746	2,517,999	2,302,896	132,681	480,000	640,509	6,141,831
Operating Expenses:							
Cost of Sales	67,181					35,366	102,547
Salaries	114,917	1,729,387	134,442	61,554	303,802	455,120	2,799,222
Employee Benefits	66,267	368,003	59,274	14,723	17,274	118,841	644,382
Transportation - Contracted Services			1,988,172	1,000		32,387	2,021,559
Other Purchased Professional Services	2,112	229,580	1,000		3,912	-	236,604
Other Purchased Services		3,271	24,392		808	20,862	49,333
Cleaning, Repair and Maintenance Services	375					4,185	4,560
Professional Development						125	125
Rentals						2,000	2,000
Utilities and Gasoline			8,140			11,155	11,155
Insurance						-	8,140
Tuition						1,204	1,204
General Supplies	973	9,154	28,393	2,174		15,430	56,124
Other			1,299	3,875		-	5,174
Depreciation	172		12,307			16,858	29,337
Total Operating Expenses	251,997	2,339,395	2,257,419	83,326	325,796	713,533	44,641
Operating Income (Loss)	(184,251)	178,604	45,477	49,355	154,204	(73,024)	5,199

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Fund						Governmental Activities Internal Service
	Food Service	Itinerant Services	Shared Services Transportation	Community Use	Extended School Year	Non-Major Enterprise Funds (See Note 1) (See G-2)	
Nonoperating Revenues (Expenses):							
State Sources:							
State School Lunch Program	1,415						1,415
Federal Sources:							
National School Lunch Program	63,345						63,345
School Breakfast Program	31,590						31,590
Food Distribution Program	13,661						13,661
	<u>110,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,011</u>
Total Nonoperating Revenues (Expenses)	(74,240)	178,604	45,477	49,355	154,204	(73,024)	280,376
Income (loss) before Contributions & Transfers							
Capital Contributions (Uses)							
Transfers In (Out)	84,753			(3,435)			84,753
Changes in Net Position	10,513	178,604	45,477	45,920	154,204	(69,589)	365,129
Total Net Position - Beginning	(82,981)	1,289,296	611,271	392,563	897,298	400,008	3,507,455
Total Net Position - Ending	<u>\$ (72,468)</u>	<u>1,467,900</u>	<u>656,748</u>	<u>438,483</u>	<u>1,051,502</u>	<u>330,419</u>	<u>3,872,584</u>

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Proprietary Funds
Comparative Statement of Cash Flows
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Fund						Governmental Activities Internal Service Fund
	Food Service	Itinerant Services	Shared Services Transportation	Community Use	Extended School Year	Non-Major Enterprise Funds (See Note 1) (See G-3)	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers	67,746	2,475,094	2,382,196	132,181	470,000	679,451	6,206,668
Payments to Employees	(112,717)	(1,740,463)	(134,442)	(61,554)	(303,802)	(459,952)	(2,812,930)
Payments for Employee Benefits	(66,267)	(368,003)	(59,274)	(14,723)	(17,274)	(118,841)	(644,382)
Payments for Supplies and Services	(69,503)	(247,903)	(2,045,239)	(6,693)	(4,720)	(124,331)	(2,498,389)
Net Cash Provided by (Used for) Operating Activities	(180,741)	118,725	143,241	49,211	144,204	(23,673)	250,967
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State Sources	1,438						1,438
Federal Sources	110,401						110,401
Operating Subsidies and Transfers to Other Funds	72,877			(3,435)	-	3,435	72,877
Net Cash Provided by (Used for) Noncapital Financing Activities	184,716	-	-	(3,435)	-	3,435	184,716
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of Capital Assets							
Interfund Returned							
Net Cash Provided by (Used for) Capital and Related Financing Activities	-	-	-	-	-	-	-
CASH FLOW FROM INVESTING ACTIVITIES							
Net Cash Provided by (Used for) Investing Activities							
Net Increase (Decrease) in Cash and Cash Equivalents	3,975	118,725	143,241	45,776	144,204	(20,238)	435,683
Balance - Beginning of Year	15,234	959,402	127,676	397,413	897,298	169,180	2,566,203
Balance - End of Year	19,209	1,078,127	270,917	443,189	1,041,502	148,942	3,001,886

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Proprietary Funds
Comparative Statement of Cash Flows
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Fund						Governmental Activities Internal Service Fund
	Food Service	Itinerant Services	Shared Services Transportation	Community Use	Extended School Year	Non-Major Enterprise Funds (See Note 1) (See G-3)	
	(184,251)	\$ 178,604	\$ 45,477	\$ 49,355	\$ 154,204	\$ (73,024)	\$ 170,365
	172		12,307			16,858	29,337
	1,063	(42,905)	79,300	(500)	(10,000)	38,942	64,837
		(5,898)	6,157	356		105	1,168
	75					(1,722)	(1,107)
	2,200	(11,076)				(4,832)	75
	3,510	(59,879)	97,764	(144)	(10,000)	49,351	80,602
	(180,741)	118,725	143,241	49,211	144,204	(23,673)	250,967

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation and Net Amortization	
(Increase) Decrease in Accounts Receivable	
(Increase) Decrease in Inventories	
Increase (Decrease) in Accounts Payable	
Increase (Decrease) in Deferred Revenue	
Increase (Decrease) in Accrued Salaries	
Total Adjustments	
Net Cash Provided by (Used for) Operating Activities	

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Fiduciary Funds
Statement of Net Position
June 30, 2016

	<u>Unemployment Compensation</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 186,382	108,290
Total Assets	<u>186,382</u>	<u>108,290</u>
LIABILITIES		
Accounts Payable	3,181	-
Payable to Student Groups	-	21,318
Payroll Deductions and Withholdings	-	86,972
Total Liabilities	<u>3,181</u>	<u>108,290</u>
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 183,201</u>	

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016

	Unemployment Compensation
ADDITIONS	
Contributions:	
Employee Withholdings	\$ 41,743
Enterprise Funds	952
Board Contribution	40,000
Total Contributions	82,695
Investment Earnings:	
Interest	322
Net Investment Earnings	322
Total Additions	83,017
DEDUCTIONS	
Unemployment Claims	26,888
Total Deductions	26,888
Changes in Net Assets	56,129
Net Position - Beginning of the Year	127,072
Net Position - End of the Year	\$ 183,201

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

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

The following organizations are considered component units; however, the School District has determined that they are not significant and, therefore, have not been included in the basic financial statements;

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

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

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**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

B. Basic Financial Statements – Government-Wide Statements

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

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

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

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

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

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

C. Basic Financial Statements – Fund Financial Statements

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The State of New Jersey Department of Education has mandated that all New Jersey School Districts must report all governmental funds as major, regardless of the fund meeting the GASB definition of a major fund. However, the criteria are applied to proprietary funds.

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

The following fund types are used by the District:

Governmental Funds

The District reports the following governmental funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District.

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

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue fund is specifically used to account for federal and state grant monies that have been allocated to the District.

Fund Balances – Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

The details of the fund balances are included in the Governmental Funds Balance Sheet. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the District:

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designated to recover similar costs.

Internal Service Fund is treated as governmental fund for the entity-wide financial reporting. This fund is used to account for extra services provided that are over the contractual amounts.

The District reports the following proprietary fund:

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

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

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

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

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

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

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

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

An Adult Medical Day Care Fund, which accounts for all revenues and expenses pertaining to the Over 21 Program maintained by the District. This program is no longer a part of the District as of the end of the year.

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

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

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

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position, and is reported using accounting principles similar to proprietary funds.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.), and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

All fund internal activity is eliminated when carried to the Government-wide statements.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

1. Cash and Cash Equivalents:

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

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

NJSA 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental units.

2. Investments:

Investments, including deferred compensation and pension funds, are stated at fair value, (quoted market price or the best available estimate). Interest earned on investments in the Capital Projects Fund is recognized as a reserve to pay future debt service or transferred to the general fund.

3. Inventories:

Inventories in the general fund consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method. Inventories in the enterprise fund are valued at cost, which approximates market, using the first-in, first –out method. As of June 30, 2016, the District did not have inventory in the general fund and had the following inventory in the enterprise fund:

Food	\$	3,538
Supplies		960
	\$	<u>4,498</u>

The value of Federal donated commodities is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements. The value of commodities included in the food inventory on June 30, 2016 is \$837.

4. Capital Assets:

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and equipment	5-10 years
Improvements	10-20 years
Infrastructure Assets	50-65 years

Infrastructure assets include roads, parking lots, underground pipe, etc. The District includes all infrastructure assets as depreciable assets in the financial statements.

5. Revenues:

Substantially all governmental fund revenues are accrued. The Districts primary source of revenue is a line item appropriation in the annual County of Cape May budget. The District records the entire approved appropriation as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non operating revenue. In respect to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient. Program revenues, including tuition revenue are reported as reductions to expenses in the statement of activities.

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

6. Expenditures:

Expenses are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

7. Compensated Absences:

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

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as both an expenditure and a fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the District-wide Financial Statements as a Governmental Activity.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

8. Interfund Activity:

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

9. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval and then to the Board of School Estimates for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:23-2(g). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year and are subject to two-thirds majority vote by the School Board and under certain circumstances require approval by the County Superintendent of Schools.

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**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

Significant transfers approved by the Board of Education during the fiscal year were as follows:

Special Education - Multiple Disabilities	
Salaries of Teachers	(88,079)
Special Education - Autism	
Salaries of Teachers	53,636
Other Salaries for Instruction	64,781
Special Education - Cognitive-Severe	
Other Salaries for Instruction	27,119
Undistributed Expenditures-Child Study Teams	
Other Salaries	(70,688)
Undistributed Expenditures-Custodial Services	
Electricity	(37,950)
Unallocated Benefits	
Unemployment Compensation	40,000

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

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

10. Tuition Receivable:

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined. The final cost is based on a determination by the State of New Jersey Department of Education pursuant to the provisions of NJAC 6A:23-17.1.

11. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those results.

12. Allocation of Costs:

In the government-wide statement of activities, the District has allocated unallocated benefits to various programs based on the budgetary expenditures by program.

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

13. Pensions:

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 Public Employee Retirement System (PERS) and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the TPAF and 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.

F. Recent Accounting Changes

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement, which is effective for fiscal periods beginning after June 30, 2016, establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this statement will not have any effect on the District's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement is effective for fiscal periods beginning after June 30, 2017. Although not determinable, the impact of this statement on the net position of the entity is anticipated to be significant.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77, "Tax Abatement Disclosure". This statement is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the District's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Pension Plans". This statement is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the District's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80, "Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14". This statement is effective for fiscal periods beginning after December 15, 2016, will not have any effect on District's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81, "Irrevocable Split-Interest Agreements". This statement is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the District's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, "Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73". This statement is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the District's financial reporting, however will affect the disclosure of pension related items.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Of the School District's bank balance of \$5,339,945 of June 30, 2016, \$121,181 was uninsured and uncollateralized.

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

NOTE 3 – CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board of Education by the inclusion of \$1.00 on October 17, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund.

Funds placed in the capital reserve account are restricted to capital projects in the district’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the Board of School Estimates has been obtained. Pursuant to N.J.A.C. 6:23A-5.1(d) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its LRFP.

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance, July 1, 2015	\$ 110,426
Interest earnings	275
Ending balance , June 30, 2016	<u>\$ 110,701</u>

The June 30, 2016 LRFP balance of local support costs of uncompleted capital projects at June 30, 2016 is greater than \$110,701.

NOTE 4 – MAINTENANCE RESERVE

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

The activity of the maintenance reserve for the fiscal year is as follows:

Beginning balance, July 1, 2015	\$ 430,375
Increased by:	
Interest earned	450
Transfer by Board Resolution	200,000
Ending Balance, June 30, 2016	<u>\$ 630,825</u>

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

NOTE 5 – RECEIVABLES

Receivables at June 30, 2016, consisted of accounts (tuition and miscellaneous), accrued interest, interfund, intergovernmental, and property taxes. All receivables are considered collectible in full. A summary of the principal items of accounts receivable follows:

	Governmental Fund Financial Statements	Government-Wide Financial Statements
State Aid	\$ 93,455	\$ 93,455
Federal Aid	46,623	46,623
Interfunds	148,898	
Other	8,425	921,269
Gross Receivables	<u>297,401</u>	<u>1,061,347</u>
Less: Allowance for Uncollectibles		
Total Receivables, Net	<u>\$ 297,401</u>	<u>\$ 1,061,347</u>

NOTE 6 – INTERFUND TRANSFERS AND BALANCES

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

The following interfund balances remained on the fund financial statements at June 30, 2016:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 148,898	
Food Service Fund		93,524
Internal Service Fund		55,374
Total	<u>\$ 148,898</u>	<u>148,898</u>

The general fund receivable relates to \$93,524 owed to the general fund, which the food service enterprise fund received to pay food service charges. It is not anticipated that this interfund will be cleared in the current fiscal year. The remaining receivable of \$55,374 is owed to the general fund from the internal service fund that is used to account for extra services provided that are over the contractual amounts.

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**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

NOTE 7 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets being depreciated:				
Land Improvements	\$ 6,250.00			6,250
Building Improvements	1,383,215			1,383,215
Infrastructure	73,582	39,114		112,696
Machinery and Equipment	596,079	18,250		614,329
Licensed Vehicles	48,992			48,992
Total capital assets being depreciated at historical cost	<u>2,108,118</u>	<u>57,364</u>	<u>-</u>	<u>2,165,482</u>
Less accumulated depreciation for:				
Land Improvements	(91)	(313)		(404)
Building Improvements	(197,990)	(27,665)		(225,655)
Infrastructure	(3,349)	(1,273)		(4,622)
Machinery and Equipment	(286,934)	(42,594)		(329,528)
Licensed Vehicles	(46,466)	(1,956)		(48,422)
Total accumulated depreciation	<u>(534,830)</u>	<u>(73,801)</u>	<u>-</u>	<u>(608,631)</u>
Governmental activity capital assets, net	<u>\$ 1,573,288</u>	<u>\$ (16,437)</u>	<u>\$ -</u>	<u>\$ 1,556,851</u>
Business-type activities:				
Capital assets being depreciated:				
Equipment	\$ 630,805	\$ -	\$ -	\$ 630,805
Less accumulated depreciation	(469,763)	(29,337)		(499,100)
Enterprise Fund capital assets, net	<u>\$ 161,042</u>	<u>\$ (29,337)</u>	<u>\$ -</u>	<u>\$ 131,705</u>

Depreciation expense was charged to governmental functions as follows:

Special Education Instruction	\$ 38,243
Other Special Education Instruction	9,262
Student and Instruction Related Services	16,777
School Administrative Services	3,803
Other Administrative Services	5,716
	<u>\$ 73,801</u>

No interest on debt was capitalized during the year.

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

NOTE 8 – GENERAL LONG-TERM DEBT

Changes in long-term obligations for the year ended June 30, 2016 are as follows:

	<u>Balance July 1, 2015</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Compensated Absences				-	
General Fund	\$ 353,304	\$ 90,245	\$ 116,792	\$ 326,758	-
Business Type Funds	<u>47,229</u>	<u>9,415</u>	<u>23,123</u>	<u>33,521</u>	-
	<u>\$ 400,533</u>	<u>\$ 99,660</u>	<u>\$ 139,915</u>	<u>\$ 360,279</u>	<u>-</u>

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

NOTE 9 – OPERATING LEASES

The District has commitments to lease the school building and certain office equipment under operating leases that expire in 2017. Total operating lease payments made during the year ended June 30, 2016 were \$441,691. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2017	41,159
Total future minimum lease payments	<u>\$ 41,159</u>

NOTE 10 – PENSION PLANS

Description of Plans

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

<http://www.state.nj.us/treasury/pensions/annrpts.shtml>

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

Teachers' Pension and Annuity Fund (TPAF)

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

Public Employees' Retirement System (PERS)

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

Defined Contribution Retirement Program (DCRP)

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.9% and the PERS rate is 6.9% of covered payroll. The School District's contributions to TPAF for the years ending June 30, 2016, 2015 and 2014 were \$474,402, \$323,660 and \$248,145 respectively, and paid by the State of New Jersey on behalf of the Board, equal to the required contributions for each year. The School District's contributions to PERS for the years ending June 30, 2016, 2015 and 2014 were \$353,996, \$365,385 and \$329,852 respectively, equal to the required contributions for each year.

During the fiscal years ended June 30, 2016, 2015 and 2014, the State of New Jersey contributed \$564,882, \$513,811, and \$406,866, respectively, to the TPAF for post-retirement medical benefits on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$392,647, \$415,995, and \$429,281, during the same fiscal years for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts, which are not required to be budgeted, have been included in the financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance in GASB standards.

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

For the DCRP, members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary. There were no employees enrolled in the DCRP for the year ended June 30, 2016.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Teacher's Pension and Annuity Fund (TPAF) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS and TPAF hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the systems is increased from age 63 to 65 for Tier 5 members.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years. For fiscal year 2013, the member contribution rates increased in October 2012. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement systems.

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS and TPAF from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS and TPAF to 1/60th from 1/55th, and it provided that new members of PERS and TPAF have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS and TPAF will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS and TPAF with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

NOTE 11: PUBLIC EMPLOYEES RETIREMENT SYSTEM

At June 30, 2016, the District reported a liability of \$9,243,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was 0.4117516630%, which was a decrease of 7.1% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$516,620. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$ 220,506	
Changes of assumptions	992,624	
Net difference between projected and actual earnings on pension plan investments		148,610
Changes in proportion and differences between District contributions and proportionate share of contributions	71,804	499,872
District contributions subsequent to the measurement date	353,996	
Total	<u>\$ 1,638,930</u>	<u>648,482</u>

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

\$353,996 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (June 30, 2015) will be recognized as a reduction of the net pension 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:

Year ended June 30,		
2017	\$	221,780
2018	\$	221,780
2019	\$	221,780
2020	\$	221,780
2021	\$	(174,076)
Thereafter	\$	<u>(76,593)</u>
Total	\$	<u>636,452</u>

Actuarial Assumptions

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

Inflation rate	3.01%
Salary increases:	
2012-2021	2.15% - 4.40% (based on age)
Thereafter	3.15% - 5.40% (based on age)
Investment rate of return:	7.90%

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

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviated 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.

In accordance with State statute, the long-term expected rate of return on plan investments (7.9% 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 weighing 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

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the 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 7.9%, and a municipal bond rate of 3.80% 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. 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, 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 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%)
District's proportionate share of the net pension liability	\$ 11,151,273	9,243,000	7,645,772.96

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

NOTE 12. TEACHERS' PENSION AND ANNUITY FUND (TPAF)

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net position liability associated with the District		<u>37,838,160</u>
Total	<u>\$</u>	<u>37,838,160</u>

The net pension liability was measured as of June 30, 2015 and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.00%, which was a decrease of 0.00% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,686,957 and revenue of \$1,686,957 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to TPAF from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expensed and actual experience	\$ 192,306	11,398
Changes of assumptions	4,310,477	
Net difference between projected and actual earnings on pension plan investments		320,501
Changes in proportion and differences between District contributions and proportionate share of contributions		1,077,621
District contributions subsequent to the measurement date		<u>321,738</u>
Total	<u>\$ 4,502,783</u>	<u>1,731,258</u>

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**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

\$321,738 reported as deferred inflows of resources related to pensions resulting from district contributions subsequent to the measurement date (June 30, 2015) will be recognized as a reduction of the net pension 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:

Year ended June 30,		
2017	\$	(743,909)
2018	\$	(743,909)
2019	\$	(743,909)
2020	\$	(743,909)
2021	\$	1,733,971
Thereafter	\$	4,334,929
Total	\$	<u>3,093,263</u>

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following assumptions, applied to all period included in the measurement:

Inflation Rate	2.50%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate with adjustments for mortality improvements based on Scale AA 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, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

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. The long-term expected rate of return was determined using a building block method in which best-estimated 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 weighing the expected future real rate 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 TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return.
US Cash	5.00%	53.00%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign Developed Equity	12.00%	6.22%
Emerging market equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - Multi Strategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

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

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 calculated using the discount rate of 4.13% 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 (3.13%) or 1-percentage point higher (5.13%) than the current rate:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net pension liability	\$ -	-	-

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

NOTE 13 – POST-RETIREMENT BENEFITS

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

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2008, C. 103 amended the law to eliminate the funding and payment of post-retirement medical benefits for retired state employees through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2012, there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126 which provides free health benefits for members PERS and the Alternative Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014. The State also makes on-behalf payments for Teacher Pension and Annuity Program retirees for health benefits. The on-behalf amount paid by the State of New Jersey in fiscal year 2016 was \$564,882.

NOTE 14 – COMPENSATED ABSENCES

The District accounts for compensated absences (e.g., unused vacation, sick leave) as required by GASB standards. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

In the District-Wide Statement of Net Assets, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

NOTE 15 – DEFERRED COMPENSATION

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

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

NOTE 16 – RISK MANAGEMENT

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

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability and surety bonds.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and prior year:

Fiscal Year	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2015-2016	\$ 41,274	41,743	26,888	183,201
2014-2015	19,287	12,070	50,972	127,072
2013-2014	30,123	16,307	16,625	146,687

NOTE 17 – CONTINGENT LIABILITIES

Federal and State Grants

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

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2016**

NOTE 18 – ECONOMIC DEPENDENCY

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

NOTE 19 – FUND BALANCE APPROPRIATED

General Fund – Of the \$1,674,023 General Fund fund balance, at June 30, 2016, \$2,288 is reserved for encumbrances; \$630,375 is reserved as Maintenance Reserve 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), \$110,426 has been reserved in the Capital Reserve Account; \$0 has been appropriated and included as anticipated revenue for the year ending June 30, 2017; and \$930,934 is classified and Unassigned.

NOTE 20 – CALCULATION OF EXCESS SURPLUS

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

NOTE 21 – DEFICIT IN NET POSITION – ENTERPRISE FUNDS

The Food Services Enterprise Fund has a cumulative deficit in net positions of \$72,468 as of June 30, 2016. This deficit will either be provided for in the 2016-17 budget or made up through operations.

NOTE 22 – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2016 through November 15, 2016, the date that the financial statements were available to be issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)

General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
REVENUES:					
Local Sources:					
County Line Item Appropriation	3,974,832		3,974,832	3,974,832	-
Tuition from LEAs	7,093,675		7,093,675	6,874,621	(219,054)
Non-Resident Fees	275,000		275,000	315,398	40,398
Interest Earned on Capital Reserve	275		275		(275)
Interest Earned on Maintenance Reserve	450		450		(450)
Interest Earned on Deposits	7,000		7,000	11,565	4,565
Other Miscellaneous	21,800		21,800	17,519	(4,281)
Total Local Sources	11,373,032	-	11,373,032	11,193,935	(179,097)
State Sources:					
On-behalf TPAF - Pension Contributions (non-budgeted)	-	-	-	474,402	474,402
On-behalf TPAF Postretirement Contributions (non-budgeted)	-	-	-	564,882	564,882
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	392,647	392,647
Total State Sources	-	-	-	1,431,931	1,431,931
Federal Sources:					
Medical Assistance Program	105,000	-	105,000	208,632	103,632
Total Federal Sources	105,000	-	105,000	208,632	103,632
Total Revenues	11,478,032	-	11,478,032	12,834,498	1,356,466

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)

General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
EXPENDITURES:					
CURRENT EXPENSE					
SPECIAL EDUCATION - INSTRUCTION					
Behavioral Disabilities					
Salaries of Teachers	482,776	12,519	495,295	494,495	800
Other Salaries for Instruction	204,408	35,703	240,111	239,883	228
Purchased Technical Services	2,000		2,000	2,000	-
Other Purchased Services (400-500 series)	26,000	(22,935)	3,065	2,867	198
General Supplies	11,500	(2,020)	9,480	9,418	62
Textbooks	5,000	9,143	14,143	14,148	(5)
Other Objects	1,000		1,000	1,000	-
Total Behavioral Disabilities	<u>732,684</u>	<u>32,410</u>	<u>765,094</u>	<u>763,811</u>	<u>1,283</u>
Multiple Disabilities					
Salaries of Teachers	1,120,431	(88,079)	1,032,352	1,031,420	932
Other Salaries for Instruction	480,190	6,507	486,697	486,697	-
Purchased Professional - Educational Services	31,500	(15,125)	16,375	16,374	1
Other Purchased Services (400-500 series)	14,500	(1,750)	12,750	12,523	227
General Supplies	35,000	(7,081)	27,919	27,919	-
Textbooks	4,250	10,905	15,155	15,153	2
Other Objects	4,500		4,500	4,500	-
Total Multiple Disabilities	<u>1,690,371</u>	<u>(94,623)</u>	<u>1,595,748</u>	<u>1,594,586</u>	<u>1,162</u>
Autism					
Salaries of Teachers	531,729	53,636	585,365	585,365	-
Other Salaries for Instruction	225,087	64,781	289,868	289,868	-
Other Purchased Services (400-500 series)	27,505	(22,796)	4,709	4,630	79
General Supplies	9,500	16,150	25,650	25,630	20
Other Objects	7,000	(4,100)	2,900	2,900	-
Total Autism	<u>800,821</u>	<u>107,671</u>	<u>908,492</u>	<u>908,393</u>	<u>99</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)

General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Preschool Disabilities - Full-Time					
Salaries of Teachers	146,887	230	147,117	147,117	-
Other Salaries for Instruction	33,774	6,375	40,149	40,149	-
Other Purchased Services (400-500 series)	950	(950)	-	-	-
General Supplies	2,750	2,678	5,428	5,428	-
Other Objects	1,000	1,775	2,775	2,775	-
Total Preschool Disabilities - Full-Time	185,361	10,108	195,469	195,469	-
Cognitive - Severe					
Salaries of Teachers	58,439	27,119	85,558	82,575	2,983
Other Purchased Services (400-500 series)	11,250	(8,500)	2,750	882	1,868
General Supplies	6,150	-	6,150	3,435	2,715
Other Objects	1,000		1,000	1,000	-
Total Cognitive - Severe	76,839	18,619	95,458	87,892	7,566
TOTAL SPECIAL EDUCATION - INSTRUCTION	3,486,076	74,185	3,560,261	3,550,151	10,110
Other Instructional Programs - Instruction					
Salaries	879,573	(15,381)	864,192	864,142	50
Purchased Services (300-500 series)	4,000	-	4,000	2,455	1,545
Supplies & Materials	12,500		12,500	8,927	3,573
Other Objects	11,000		11,000	11,000	-
Total Other Instructional Programs - Instruction	907,073	(15,381)	891,692	886,524	5,168
Community Service Programs - Instruction					
Salaries	6,500		6,500	5,700	800
Total Community Service Programs - Instruction	6,500	-	6,500	5,700	800
TOTAL INSTRUCTION	4,399,649	58,804	4,458,453	4,442,375	16,078

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)

General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
UNDISTRIBUTED EXPENDITURES					
Undistributed Expenditures - Health Services					
Salaries	193,543	(6,200)	187,343	187,024	319
Purchased Professional and Technical Services	17,300	(2,250)	15,050	14,959	91
Purchased Services (400-500 series)	300	(175)	125		125
Supplies & Materials	7,450	(2,550)	4,900	4,872	28
Other Objects	500	(425)	75	75	-
Total Undistributed Expenditures - Health Services	219,093	(11,600)	207,493	206,930	563
Undistributed Expenditures - Speech, OT, PT and Related Services					
Salaries of Other Professional Staff	826,822	9,787	836,609	833,770	2,839
Purchased Professional - Education Services	2,500	(1,950)	550	485	65
Supplies & Materials	7,250	2,250	9,500	8,911	589
Other Objects	300		300	300	300
Total Undistributed Expenditures - Speech, OT, PT and Related Services	836,872	10,087	846,959	843,166	3,793
Undistributed Expenditures - Child Study Teams					
Salaries of Other Professional Staff	282,291	2,500	284,791	284,748	43
Salaries of Secretarial and Clerical Assistants	53,538	725	54,263	54,049	214
Other Salaries	153,309	(70,688)	82,621	82,121	500
Purchased Professional and Technical Services	13,500	5,380	18,880	18,580	300
Other Purchased Services (400-500 series)	5,450	(1,500)	3,950	3,948	2
Supplies & Materials	3,000	-	3,000	2,915	85
Total Undistributed Expenditures-Child Study Teams	511,088	(63,583)	447,505	446,361	1,144

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)**

**General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	82,821		82,821	82,421	400
Supplies & Materials	6,000	-	6,000	5,900	100
Total Undistributed Expenditures - Educational					
Media Services - School Library	88,821	-	88,821	88,321	500
Undist. Expend. - Instructional Staff Training Serv.					
Purchased Professional - Education Services	3,000	-	3,000	-	3,000
Other Purchased Professional and Tech. Services	42,000	(1,000)	41,000	26,788	14,212
Supplies & Materials	2,000	1,000	3,000	2,317	683
Total Undistributed Expenditures - Instructional					
Staff Training Services	47,000	-	47,000	29,105	17,895
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	195,161		195,161	194,588	573
Legal Services	16,000		16,000	6,860	9,140
Audit Fees	18,500		18,500	17,200	1,300
Other Purchased Professional Services	9,800	5	9,805	9,805	-
Communications/Telephone	67,200		67,200	67,200	-
BOE Other Purchased Services	1,000		1,000		1,000
Misc. Purch Serv (400-500 series)	21,500	(5)	21,495	21,403	92
General Supplies	8,000	-	8,000	8,000	-
BOE In- House Training/Meeting Supplies	2,750		2,750	2,555	195
Miscellaneous Expenditures	5,500		5,500	4,994	506
BOE Membership Dues and Fees	7,000		7,000	6,962	38
Total Undistributed Expenditures - Support					
Services - General Administration	352,411	-	352,411	339,567	12,844

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)

General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undist. Expend. - Supp. Serv. - School Admin.					
Salaries of Principals/Assistant Principals	171,300	1,000	172,300	172,300	-
Salaries of Other Professional Staff	44,370		44,370	44,370	-
Salaries of Secretarial and Clerical Assistants	129,658	964	130,622	130,619	3
Other Purchased Services (400-500 series)	8,200	-	8,200	7,089	1,111
Supplies & Materials	7,375	5,500	12,875	9,489	3,386
Other Objects	2,850		2,850	2,535	315
Total Undistributed Expenditures - Support	363,753	7,464	371,217	366,402	4,815
Services - School Administration					
Undistributed Expenditures - Central Services					
Salaries	208,663	(17,550)	191,113	191,110	3
Purchased Technical Services	8,250	1,160	9,410	9,410	-
Miscellaneous Purchased Services (400-500 series)	5,500	40	5,540	5,345	195
Supplies & Materials	2,250	1,750	4,000	3,792	208
Miscellaneous Expenditures	3,500	(1,200)	2,300	1,425	875
Total Undistributed Expenditures - Central Services	228,163	(15,800)	212,363	211,082	1,281
Undist. Expend. - Required Maint. School Fac.					
Salaries	172,094		172,094	171,661	433
Cleaning, Repair and Maintenance Service	55,000	7,000	62,000	61,754	246
General Supplies	118,500	(5,500)	113,000	81,769	31,231
Total Undistributed Expenditures - Required	345,594	1,500	347,094	315,184	31,910
Maintenance for School Facilities					

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)

General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed. Expenditures. - Custodial Services					
Salaries	327,738	(9,184)	318,554	318,171	383
Purchased Professional and Technical Services	214,000	(3,000)	211,000	204,346	6,654
Cleaning, Repair and Maintenance Service	14,000		14,000	8,204	5,796
Rental of Land and Buildings	400,000		400,000	400,000	-
Other Purchased Property Services	50,000		50,000	40,590	9,410
Insurance	25,000		25,000	22,858	2,142
General Supplies	21,000	9,000	30,000	29,746	254
Natural Gas	213,700	(37,950)	175,750	88,404	87,346
Electricity	256,500		256,500	253,769	2,731
Total Undistributed Expenditures - Other Custodial Services	<u>1,521,938</u>	<u>(41,134)</u>	<u>1,480,804</u>	<u>1,366,088</u>	<u>114,716</u>
Undistributed. Expenditures. - Buildings and Grounds					
Purchased Professional and Technical Services	-	18,850	18,850	18,850	-
General Supplies	16,500	(13,000)	3,500	3,454	46
Total Undistributed Expenditures - Buildings and Grounds	<u>16,500</u>	<u>5,850</u>	<u>22,350</u>	<u>22,304</u>	<u>46</u>
Undistributed. Expenditures. - Security					
Purchased Professional and Technical Services	-	76,206	76,206	76,206	-
Total Undistributed Expenditures - Security	<u>-</u>	<u>76,206</u>	<u>76,206</u>	<u>76,206</u>	<u>-</u>
Total Undistributed Expenditures Operations and Maintenance of Plant	<u>1,884,032</u>	<u>42,422</u>	<u>1,926,454</u>	<u>1,779,782</u>	<u>146,672</u>
Unallocated Benefits					
Social Security Contribution	195,000		195,000	184,143	10,857
Other Retirement Contributions - PERS	225,000	(8,229)	216,771	214,914	1,857
Other Retirement Contributions - DCRP	1,000	7,164	8,164	8,164	-
Unemployment Compensation		40,000	40,000	40,000	-
Workmen's Compensation	127,600	(10,280)	117,320	102,719	14,601

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)

General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Health Benefits	2,042,000	(124,253)	1,917,747	1,917,639	108
Tuition Reimbursement	40,000	(24,664)	15,336	8,457	6,879
Other Employee Benefits	21,500	5,430	26,930	26,930	-
Unused Sick Payment to Terminated/Retired	94,250		94,250	94,250	-
Total Unallocated Benefits	<u>2,746,350</u>	<u>(114,832)</u>	<u>2,631,518</u>	<u>2,597,216</u>	<u>34,302</u>
On-Behalf Contributions					
On-behalf TPAF - Pension Contributions (non-budgeted)	-	-	-	474,402	(474,402)
On-behalf TPAF Postretirement Contributions (non-budgeted)				564,882	(564,882)
Reimbursed TPAF Social Security Contributions (non-budgeted)				392,647	(392,647)
Total On-Behalf Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,431,931</u>	<u>(1,431,931)</u>
Total Personal Services - Employee Benefits	<u>2,746,350</u>	<u>(114,832)</u>	<u>2,631,518</u>	<u>4,029,147</u>	<u>(1,397,629)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>7,277,583</u>	<u>(145,842)</u>	<u>7,131,741</u>	<u>8,339,863</u>	<u>(1,208,122)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>11,677,232</u>	<u>(87,038)</u>	<u>11,590,194</u>	<u>12,782,238</u>	<u>(1,192,044)</u>
CAPITAL OUTLAY					
Equipment					
Required Maintenance	182,400		182,400	39,114	143,286
Undistributed Expenditures					-
Support Services		2,285	2,285	2,200	85
Total Equipment	<u>182,400</u>	<u>2,285</u>	<u>184,685</u>	<u>41,314</u>	<u>143,371</u>
TOTAL CAPITAL OUTLAY	<u>182,400</u>	<u>2,285</u>	<u>184,685</u>	<u>41,314</u>	<u>143,371</u>
TOTAL EXPENDITURES	<u>11,859,632</u>	<u>(84,753)</u>	<u>11,774,879</u>	<u>12,823,552</u>	<u>(1,048,673)</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)

General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(381,600)</u>	<u>84,753</u>	<u>(296,847)</u>	<u>10,946</u>	<u>307,793</u>
Other Financing Sources/(Uses):					
Operating Transfers Out:					
Transfer to Food Service Fund-Board Contrib.	382,325	(84,753)	297,572	(84,753)	(382,325)
Total Other Financing Sources:	<u>382,325</u>	<u>(84,753)</u>	<u>297,572</u>	<u>(84,753)</u>	<u>(382,325)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	725	-	725	(73,807)	(74,532)
Fund Balance July 1	1,747,830	-	1,747,830	1,747,830	
Fund Balance June 30	<u>1,748,555</u>	<u>-</u>	<u>1,748,555</u>	<u>1,674,023</u>	<u>(74,532)</u>
Recapitulation:					
Nonspendable Fund Balance				-	
None					
Restricted Fund Balance:					
None					
Committed Fund Balance:					
Capital Reserve				110,701	
Maintenance Reserve				630,825	
Year-end Encumbrances				2,288	
Unassigned Fund Balance				930,209	
Fund Balance per Governmental Funds (GAAP)				<u>1,674,023</u>	

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)

Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 40,313		40,313	40,982	669
Federal Sources	127,258		127,258	95,471	(31,787)
State Sources			-	-	-
Total Revenues	167,571	-	167,571	136,453	(31,118)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	28,400		28,400	28,235	165
Purchased Professional and Technical Services	61,948		61,948	55,334	6,614
General Supplies	74,863		74,863	50,524	24,339
Total Instruction	165,211	-	165,211	134,093	31,118
Support Services:					
Salaries of Other Professional Staff	2,360		2,360	2,360	-
Total Support Services	2,360	-	2,360	2,360	-
Capital Outlay					
Non-Instructional Equipment	-	-	-	-	-
Total Capital Outlay	-	-	-	-	-
Total Outflows	167,571	-	167,571	136,453	31,118
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	-	-	-	-

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Required Supplementary Information
Budget to GAAP Reconciliation
Note to RSI
For the Year Ended June 30, 2016

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

		<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$ 12,834,498	[C-2]	136,453
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				
Prior Year				-
Current Year				-
Total revenues reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	<u>12,834,498</u>	[B-2]	<u>136,453</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 12,823,552	[C-2]	136,453
Difference - budget to GAAP:				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.				
Prior Year		-		-
Current Year				-
	[B-2]	<u>\$ 12,823,552</u>	[B-2]	<u>136,453</u>

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REQUIRED SUPPLEMENTARY INFORMATION – PART III

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee Retirement System
Last Three Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.0411751663%	0.0443221000%	0.0437771654%
District's proportionate of the net pension liability (asset)	\$ 9,243,000	\$ 8,298,309	\$ 8,366,686
District's covered payroll	\$ 2,711,933	\$ 2,832,299	\$ 3,047,499
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	340.83%	292.99%	274.54%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%	48.72%

Source: GASB 68 report on Public Employees' Retirement System; District records

Note: This schedule is required by GASB 68 to be show information for a 10 year period. However, information is only currently available for three years. Additional years will be presented as they become available.

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Schedule of District Contributions
Public Employee Retirement System
Last Three Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 353,996	\$ 365,385	\$ 329,852
Contributions in relation to the contractually required contribution	<u>353,996</u>	<u>365,385</u>	<u>329,852</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,711,933	\$ 2,832,299	\$ 3,047,499
Contributions as a percentage of covered-employee payroll	13.05%	12.90%	10.82%

Source: GASB 68 report on Public Employees' Retirement System; District records

Note: This schedule is required by GASB 68 to be show information for a 10 year period.
However, information is only currently available for three years.
Additional years will be presented as they become available.

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Schedule of the District's Proportionate Share of the Net Pension Liability
Teachers' Pension and Annuity Fund
Last Three Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%
District's proportionate of the net pension liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>32,756,275</u>	<u>31,350,599</u>	<u>31,642,150</u>
Total	<u>\$ 32,756,275</u>	<u>\$ 31,350,599</u>	<u>\$ 31,642,150</u>
District's covered payroll	\$ 5,642,686	\$ 5,814,330	\$ 5,807,877
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%

Source: GASB 68 report on Public Employees' Retirement System; District records

Note: This schedule is required by GASB 68 to be show information for a 10 year period. However, information is only currently available for three years. Additional years will be presented as they become available.

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OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Year Ended June 30, 2016

	Total Brought Forward (Ex. E-1a)	Education Foundation Cape Kids	Polar Bear	LEEP Donation	Woodbine Baptist	Totals 2016
REVENUES:						
Local Sources	\$ 19,540	\$ 5,838	\$ 5,624	\$ 8,840	\$ 1,140	\$ 40,982
Federal Sources	95,471					95,471
State Sources	-					-
Total Revenues	<u>115,011</u>	<u>5,838</u>	<u>5,624</u>	<u>8,840</u>	<u>1,140</u>	<u>136,453</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers	28,235					28,235
Purchased Professional and Technical Services	45,116	5,838		3,240	1,140	55,334
General Supplies	41,660		5,624	3,240		50,524
Total Instruction	<u>115,011</u>	<u>5,838</u>	<u>5,624</u>	<u>6,480</u>	<u>1,140</u>	<u>134,093</u>
Support Services:						
Salaries of Other Professional Staff	-			2,360		2,360
Total Support Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,360</u>	<u>-</u>	<u>2,360</u>
Capital Outlay						
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Outflows	<u>115,011</u>	<u>5,838</u>	<u>5,624</u>	<u>8,840</u>	<u>1,140</u>	<u>136,453</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Year Ended June 30, 2016

	Education Foundation Annual	NJSIG Safety Grant	In School youth Grant Prior Years	In School youth Grant FY 16	Total Carried Forward
REVENUES:					
Local Sources	\$ 17,699	\$ 1,841	\$ 45,676	\$ 49,795	\$ 19,540
Federal Sources					95,471
State Sources					-
Total Revenues	17,699	1,841	45,676	49,795	115,011
EXPENDITURES:					
Instruction:					
Salaries of Teachers	5,000		10,875	17,360	28,235
Purchased Professional and Technical Services	12,699	1,841	7,681	32,435	45,116
General Supplies			27,120		41,660
Total Instruction	17,699	1,841	45,676	49,795	115,011
Support Services:					
Personal Services - Employee Benefits	-	-	-	-	-
Total Support Services	-	-	-	-	-
Capital Outlay					
Non-Instructional Equipment	-	-	-	-	-
Total Capital Outlay	-	-	-	-	-
Total Outflows	17,699	1,841	45,676	49,795	115,011
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

PROPRIETARY FUNDS – DETAILED STATEMENTS

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

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

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

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

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

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

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

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

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Non-major Proprietary Funds
Combining Statement of Net Position
June 30, 2016

	Non-Major Business-Type Activities - Enterprise Fund				Total
	The "Compact"	Shop Rite	Business Services	Over 21 Adult Day Care	Non-Major Funds (See B-4)
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 101,847	37,089	10,006	-	148,942
Accounts Receivable	\$ 73,438	1,625			73,438
Inventory					1,625
Total Current Assets	\$ 175,285	38,714	10,006	-	224,005
Noncurrent Assets:					
Restricted Cash and Cash Equivalents					-
Furniture, Machinery & Equipment	\$ 327,908	20,404			348,312
Less Accumulated Depreciation	(204,399)	(18,205)			(222,604)
Total Noncurrent Assets	\$ 123,509	2,199	-	-	125,708
Total Assets	\$ 298,794	40,913	10,006	-	349,713
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 2,295				2,295
Intergovernmental Accounts Payable: State		245			245
Total Current Liabilities	\$ 2,295	245	-	-	2,540
Noncurrent Liabilities:					
Compensated Absences	\$ 16,754				16,754
Total Noncurrent Liabilities	\$ 16,754	-	-	-	16,754
NET POSITION					
Invested in Capital Assets Net of Related Debt	\$ 123,509	2,199			125,708
Unrestricted	\$ 156,236	38,469	10,006	0	204,711
Total Net Position	\$ 279,745	40,668	10,006	0	330,419

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)

Non-major Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2016

	Non-Major Business-Type Activities - Enterprise Fund				Totals Non-Major Funds (See B-5)
	The "Compact"	Shop Rite	Business Services	Over 21 Adult Day Care	
Operating Revenue:					
Charges for Service:					
Daily Sales - Non-reimbursable Programs	\$ -	40,621	-	-	40,621
Tuition and Fees	595,301				595,301
Miscellaneous	4,500	87			4,587
Total Operating Revenue	599,801	40,708	-	-	640,509
Operating Expenses:					
Cost of Sales		35,366			35,366
Salaries	454,533			587	455,120
Employee Benefits	115,021			3,820	118,841
Transportation - Contracted Services	32,387				32,387
Other Purchased Services	20,862				20,862
Cleaning, Repair and Maintenance Services	4,185				4,185
Professional Development	125				125
Rentals	2,000				2,000
Utilities and Gasoline	11,155				11,155
Tuition	1,204				1,204
General Supplies	15,430	170			15,430
Depreciation	16,688				16,688
Total Operating Expenses	673,590	35,536	-	4,407	713,533
Operating Income (Loss)	(73,789)	5,172	-	(4,407)	(73,024)
Nonoperating Revenues (expenses):					
State Sources:					
Adult Day Care - DDD Contract					-
Total Nonoperating Revenues (expenses)	-	-	-	-	-
Income (loss) before Contributions & Transfers	(73,789)	5,172	-	(4,407)	(73,024)
Transfers In (Out)				3,435	3,435
Changes in Net Position	(73,789)	5,172	-	(972)	(69,589)
Total Net Position - Beginning	353,534	35,496	10,006	972	400,008
Total Net Position - Ending	279,745	40,668	10,006	0	330,419

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Non-major Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2016

	Non Major Business-Type Activities - Enterprise Fund				
	The "Compact"	Shop Rite	Business Services	Over 21 Adult Day Care	Total Non-Major Funds (See B-6)
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Other Income	\$ 638,743	40,708			679,451
Payments to Employees	(459,365)			(587)	(459,952)
Payments for Employee Benefits	(115,021)			(3,820)	(118,841)
Payments for Supplies and Services	(89,097)	(35,234)			(124,331)
Net Cash Provided by (Used for) Operating Activities	<u>(24,740)</u>	<u>5,474</u>	<u>-</u>	<u>(4,407)</u>	<u>(23,673)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating Subsidies and Transfers from/(to) Other Funds	-			3,435	3,435
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,435</u>	<u>3,435</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of Capital Assets					-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Net Cash Provided by (Used for) Investing Activities					
Net Increase (Decrease) in Cash and Cash Equivalents	(24,740)	5,474	-	(972)	(20,238)
Balance - Beginning of Year	126,587	31,615	10,006	972	169,180
Balance - End of Year	<u>101,847</u>	<u>37,089</u>	<u>10,006</u>	<u>0</u>	<u>148,942</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (73,789)	5,172	-	(4,407)	(73,024)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (Used for) Operating Activities					
Depreciation and Net Amortization	16,688	170		-	16,858
(Increase) Decrease in Accounts Receivable	38,942				38,942
(Increase) Decrease in Inventories	-	105			105
Increase (Decrease) in Accounts Payable	(1,749)	27			(1,722)
Increase (Decrease) in Accrued Salaries	(4,832)				(4,832)
Total Adjustments	<u>49,049</u>	<u>302</u>	<u>-</u>	<u>-</u>	<u>49,351</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (24,740)</u>	<u>5,474</u>	<u>-</u>	<u>(4,407)</u>	<u>(23,673)</u>

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FIDUCIARY FUNDS DETAIL STATEMENTS

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

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

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

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

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
June 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Agency Funds</u>	<u>Totals</u>
ASSETS			
Cash and Cash Equivalents	\$ 186,382	108,290	294,672
Total Assets	<u>186,382</u>	<u>108,290</u>	<u>294,672</u>
LIABILITIES			
Accounts Payable	3,181	-	3,181
Payable to Student Groups	-	21,318	21,318
Payroll Deductions & Withholdings	-	86,972	86,972
Total Liabilities	<u>3,181</u>	<u>108,290</u>	<u>111,471</u>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 183,201</u>		<u>183,201</u>
Total Net Assets			<u>183,201</u>
Total Liabilities and Net Position			<u>294,672</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Totals</u>
ADDITIONS		
Contributions:		
Employee Withholdings	\$ 41,743	41,743
Enterprise Funds	952	952
Board Contribution	40,000	40,000
Total Contributions	<u>82,695</u>	<u>82,695</u>
Investments Earnings:		
Interest	322	322
Net Investment Earnings	<u>322</u>	<u>322</u>
Total Additions	<u>83,017</u>	<u>83,017</u>
Deductions		
Unemployment Claims	26,888	26,888
Total Deductions	<u>26,888</u>	<u>26,888</u>
Change in Net Position	56,129	56,129
Net Position - Beginning of the Year	<u>127,072</u>	<u>127,072</u>
Net Position - End of the Year	<u>\$ 183,201</u>	<u>183,201</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Student Activity Agency Fund
Schedule of Receipts and Disbursements
As of June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Ocean Academy Elementary School	\$ 7,985	7,035	6,302	8,718
Alternative High School	8,196	41,734	37,330	12,600
Total Assets	\$ <u>16,181</u>	<u>48,769</u>	<u>43,632</u>	<u>21,318</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Payroll Agency Fund
Schedule of Receipts and Disbursements
As of June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
ASSETS:				
Cash and Cash Equivalents	\$ 102,150	5,730,582	5,745,760	86,972
Total Assets	<u>102,150</u>	<u>5,730,582</u>	<u>5,745,760</u>	<u>86,972</u>
LIABILITIES:				
Payroll Deductions & Withholding	102,150	5,730,582	5,745,760	86,972
Accounts Payable	-	-	-	-
Total Assets	<u>\$ 102,150</u>	<u>5,730,582</u>	<u>5,745,760</u>	<u>86,972</u>

Statistical Section

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Invested in capital assets, net of related debt	452,562	407,942	402,688	354,181	841,833	1,457,231	1,476,610	1,564,573	1,573,287	1,556,851
Restricted	1	210,025	572,405	822,019	984,263	166,589	143,783	292,301	540,801	741,526
Unrestricted	1,341,436	1,547,689	1,737,070	1,378,245	181,489	860,085	961,671	(7,249,756)	(7,249,756)	(8,020,552)
Total governmental activities net position	1,793,999	2,165,656	2,712,163	2,554,445	2,007,585	2,483,905	2,562,064	(5,528,443) *	(5,135,668)	(6,722,175)
Business-type activities										
Invested in capital assets, net of related debt	227,484	201,881	340,589	284,071	246,661	207,428	210,764	190,704	161,042	131,705
Restricted	-	1,657,644	1,832,645	1,868,157	2,119,964	2,235,173	2,498,067	2,949,378	3,346,413	3,740,879
Unrestricted	1,289,860	1,859,625	2,173,234	2,152,228	2,366,625	2,442,601	2,708,831	3,140,082	3,507,455	3,872,584
Total business-type activities net position	1,517,344	3,718,150	4,286,468	4,304,456	4,733,250	4,785,209	5,417,662	6,280,164	7,014,920	7,745,168
District-wide										
Invested in capital assets, net of related debt	680,046	609,823	743,277	638,252	1,088,494	1,664,659	1,687,374	1,755,277	1,734,329	1,688,556
Restricted	1	210,025	572,405	822,019	984,263	166,589	143,783	292,301	540,801	741,526
Unrestricted	2,631,296	3,205,333	3,569,715	3,246,402	2,301,453	3,095,258	3,459,738	(4,435,839)	(3,903,343)	(4,279,673)
Total district net position	3,311,343	4,025,181	4,885,397	4,706,673	4,374,210	4,926,506	5,290,895	(2,368,361)	(1,628,213)	(1,849,591)

Source: CAFR Schedule A-1

Note: Previous year have been recaptioned to conform to current terminology

* Net Position was restated as of June 30, 2014 as required for implementation GASB 68

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Changes in Net Position,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
Instruction:										
Special education	5,531,114	5,245,151	5,451,382	5,587,321	5,568,860	5,719,315	5,760,886	5,278,160	6,211,214	6,610,871
Other instruction	1,438,943	1,382,445	1,506,454	1,588,452	1,514,644	1,345,408	1,397,302	1,317,978	1,511,810	1,590,163
Support Services:										
Student & instruction related services	2,859,681	2,681,417	2,438,084	2,430,011	2,427,201	2,344,928	2,472,502	2,355,022	2,760,628	2,880,544
General administrative/Business services	1,255,303	1,072,912	980,214	971,306	902,168	820,795	831,714	1,313,273	815,752	912,760
School administrative services	601,161	527,488	577,281	582,680	636,080	514,030	510,425	392,383	518,805	607,351
Plant operations and maintenance	2,146,184	2,034,444	2,107,781	1,971,779	2,003,860	1,984,942	2,027,214	2,060,727	2,473,295	2,909,478
Unallocated depreciation	46,014	44,620	45,298	25,272	24,224	25,895	-	-	-	-
Total governmental activities expenses	13,878,399	12,888,477	13,106,493	13,126,821	13,077,037	12,755,313	13,000,043	12,717,543	14,291,504	15,511,167
Business-type activities:										
Food service	382,799	341,676	327,449	306,599	291,398	248,600	254,556	254,399	263,867	251,997
Linerant services	1,901,468	1,854,292	1,905,205	2,007,068	2,093,384	2,318,968	2,304,081	2,262,064	2,211,815	2,339,395
Transportation services	1,837,698	1,920,293	1,914,067	2,036,107	1,836,665	1,933,313	1,842,056	1,773,602	2,080,443	2,257,419
Other	1,810,645	1,653,918	1,748,487	1,754,660	1,472,782	1,492,086	1,587,193	1,389,085	1,325,392	1,122,655
Total business-type activities expenses	5,932,610	5,770,279	5,995,209	6,104,434	5,694,226	5,992,967	5,987,886	5,679,150	5,881,517	5,971,466
Total district expenses	19,811,009	18,658,757	19,001,702	19,231,254	18,771,266	18,746,280	18,987,929	18,396,693	20,173,021	21,482,633
Program Revenues										
Governmental activities:										
Operating grants and contributions	1,520,974	1,667,728	1,251,046	1,069,559	1,163,437	1,294,808	1,460,342	1,292,949	2,775,356	3,557,006
Charges for services:	8,459,243	7,445,480	8,145,268	7,475,984	6,861,524	7,340,644	7,667,761	7,241,604	7,646,504	7,239,859
Total governmental activities program revenues	9,980,217	9,113,208	9,396,314	8,545,543	8,014,961	8,635,452	9,128,103	8,534,553	10,421,860	10,796,865
Business-type activities:										
Charges for services:										
Food service	40,155	55,174	72,333	73,639	67,431	66,398	61,915	66,852	63,267	67,746
Shared services	2,190,590	1,994,580	1,994,122	2,128,661	2,131,822	2,241,669	2,304,199	2,503,716	2,455,281	2,517,999
Linerant services	1,821,077	1,928,988	1,941,292	2,099,336	1,924,027	1,967,877	1,981,693	1,809,337	2,143,687	2,302,896
Transportation services	2,112,135	1,884,641	1,936,127	1,475,807	1,356,976	1,462,282	1,825,559	1,407,949	1,336,929	1,253,190
Other	94,784	104,168	104,189	324,758	318,303	324,546	324,784	324,401	183,469	110,011
Operating grants and contributions	6,258,742	5,967,551	6,048,063	6,102,202	5,798,559	6,061,772	6,198,150	6,112,255	6,182,533	6,251,842
Capital grants and contributions	16,238,959	15,080,759	15,444,377	14,647,655	13,813,520	14,697,224	15,326,253	14,646,808	16,604,393	17,048,707
Total business-type activities program revenue	22,492,426	21,156,212	21,525,001	21,282,419	20,586,360	21,147,396	21,857,095	21,834,216	23,637,088	24,017,013
Total district program revenue	32,472,643	30,269,420	30,921,315	30,027,962	28,601,321	29,782,848	31,005,198	30,368,769	34,058,948	34,813,878
Net (Expense)/Revenue										
Governmental activities	(3,898,182)	(3,775,269)	(3,710,179)	(4,581,368)	(5,062,076)	(4,119,861)	(3,871,940)	(4,182,990)	(3,869,644)	(4,714,302)
Business-type activities	326,132	197,271	152,854	(2,232)	104,331	68,805	210,264	433,105	301,016	280,376
Total district-wide net expense	(3,572,050)	(3,577,998)	(3,557,325)	(4,583,599)	(4,957,745)	(4,051,055)	(3,661,676)	(3,749,885)	(3,568,628)	(4,433,926)

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Changes in Net Position,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Assets										
Governmental activities:										
County appropriation	3,499,957	3,674,956	3,821,954	3,974,832	3,974,832	3,974,832	3,974,832	3,974,832	3,974,832	3,974,832
Unrestricted grants and contributions	-	-	-	86,972	-	-	-	-	323,018	208,632
Investment earnings	97,865	102,570	47,364	53,379	45,321	36,385	15,905	7,369	8,099	11,565
Miscellaneous income	621,954	512,245	417,390	399,855	422,219	331,045	40,252	73,642	22,827	17,519
Capital contributions (Uses)	14,255	-	44,532	-	184,190	253,918	-	-	-	-
Transfers	(200,000)	(142,844)	(100,000)	(91,389)	(107,701)	-	(60,890)	(69,531)	(66,357)	(84,753)
Gain/(Loss) on Disposal of Capital Assets	4,034,031	4,146,927	4,231,240	4,423,650	(3,644)	-	3,970,099	3,986,312	-	-
Total governmental activities					4,515,216	4,596,179	3,970,099	3,986,312	4,262,419	4,127,795
Business-type activities:										
Investment earnings	4,018	2,066	813	750	2,365	2,916	1,757	-	-	-
Transfers	200,000	142,844	100,000	-	107,701	-	60,890	69,531	66,357	84,753
Gain/(Loss) on Disposal of Capital Assets	-	-	-	(19,523)	-	4,254	(6,680)	-	-	-
Total business-type activities	204,018	144,910	100,813	(18,773)	110,066	7,170	55,967	69,531	66,357	84,753
Total district-wide	4,238,049	4,291,837	4,332,053	4,404,877	4,625,283	4,603,349	4,026,066	4,055,843	4,328,776	4,212,548
Changes in Net Assets	135,849	371,658	521,061	(157,717)	(646,860)	476,318	98,159	(196,678)	392,775	(586,507)
Governmental activities	530,149	342,181	253,667	(21,005)	214,397	75,975	266,231	502,636	367,373	365,129
Business-type activities	665,999	713,839	774,728	(178,722)	(332,463)	552,294	364,390	305,958	760,148	(221,378)
Total district										

Source: CAFR Schedule A-2

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Restricted	-	-	-	-	62,442	64,325	-	-	-	-
Committed	-	-	-	-	16,449	77,193	140,061	292,301	541,047	743,814
Assigned	-	-	-	-	499,425	-	403,722	-	-	-
Unassigned	-	-	-	-	1,057,806	1,297,160	989,908	1,362,846	1,206,783	930,209
Reserved	1	210,025	572,405	822,019	-	-	-	-	-	-
Unreserved	1,778,630	2,000,335	2,220,219	1,938,228	-	-	-	-	-	-
Total general fund	<u>1,778,631</u>	<u>2,210,360</u>	<u>2,792,625</u>	<u>2,760,248</u>	<u>1,636,122</u>	<u>1,438,678</u>	<u>1,533,691</u>	<u>1,655,147</u>	<u>1,747,830</u>	<u>1,674,023</u>
All Other Governmental Funds										
Restricted	-	-	-	-	-	25,071	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned to	-	-	-	-	405,948	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Capital projects fund	153,824	153,824	146,180	-	-	-	-	-	-	-
Total all other governmental funds	<u>153,824</u>	<u>153,824</u>	<u>146,180</u>	<u>-</u>	<u>405,948</u>	<u>25,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

As a result of GASB standards, the classification of fund balance was modified effective in fiscal year 2011

Source: CAFR Schedule B-1

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
County appropriation	3,499,957	3,674,956	3,821,954	3,974,832	3,974,832	3,974,832	3,974,832	3,974,832	3,974,832	3,974,832
Tuition charges	8,322,723	7,346,480	8,145,268	7,443,173	7,156,231	6,912,197	7,308,861	6,894,678	7,311,594	6,874,621
Nonresident fees	555,107	481,433	402,442	360,132	348,211	298,956	302,500	303,845	306,350	315,398
Miscellaneous	260,858	183,408	162,480	159,257	208,291	140,849	107,732	134,094	86,009	70,066
County - capital										
State sources	1,280,371	1,477,167	934,691	922,944	1,081,213	1,356,901	1,319,983	1,172,543	1,278,458	1,431,931
Federal sources	158,713	140,535	253,073	177,433	177,452	119,450	88,784	175,581	401,535	304,103
Total revenue	<u>14,077,729</u>	<u>13,303,979</u>	<u>13,719,908</u>	<u>13,027,771</u>	<u>12,946,230</u>	<u>12,803,185</u>	<u>13,102,692</u>	<u>12,655,573</u>	<u>13,358,778</u>	<u>12,970,951</u>
Expenditures										
Instruction:										
Special education instruction	3,823,628	3,597,684	3,995,260	3,995,627	3,882,341	4,004,744	3,857,854	3,710,751	3,810,382	3,684,244
Other instruction	980,217	936,659	1,077,229	1,107,663	1,054,102	907,779	931,961	937,770	931,375	892,224
Support Services:										
Student & instruction related services	1,966,045	1,794,250	1,759,938	1,750,770	1,713,016	1,605,379	1,667,474	1,675,649	1,700,790	1,616,243
General & business administrative services	910,865	741,202	743,449	735,577	685,980	604,231	621,115	571,760	571,891	550,649
School administrative services	409,665	382,695	420,348	416,318	436,630	369,598	346,368	279,189	363,713	366,402
Plant operations and maintenance	1,954,242	1,825,513	1,916,895	1,774,926	1,809,157	1,745,047	1,752,043	1,828,913	1,753,482	1,779,782
Pupil transportation										
Unallocated employee benefits	3,797,046	3,502,303	3,087,637	3,233,813	3,430,029	3,468,593	3,729,705	3,615,354	3,703,726	4,029,147
Special schools										
Capital outlay	200,914	-	44,532	45,454	503,171	643,420	65,340	137,501	72,138	41,314
Total Expenditures	<u>14,042,622</u>	<u>12,780,306</u>	<u>13,045,288</u>	<u>13,060,148</u>	<u>13,514,426</u>	<u>13,348,791</u>	<u>12,971,860</u>	<u>12,756,887</u>	<u>12,907,497</u>	<u>12,960,005</u>
Excess (Deficiency) of revenues over (under) expenditures	35,107	523,673	674,620	(32,377)	(568,196)	(545,606)	130,832	(101,314)	451,281	10,946
Other Financing Sources (Uses)										
Transfers in										
Transfers out	125,918	50,900			648,000	(32,715)	25,071	(69,531)	(66,357)	-
Capital Authorization Canceled	(200,000)	(142,844)	(100,000)	(146,180)	(797,984)	(85,961)	(85,961)	-	-	(84,753)
Capital leases										
Total other financing sources (uses)	<u>(74,082)</u>	<u>(91,944)</u>	<u>(100,000)</u>	<u>(146,180)</u>	<u>(149,984)</u>	<u>(32,715)</u>	<u>(60,890)</u>	<u>(69,531)</u>	<u>(66,357)</u>	<u>(84,753)</u>
Net change in fund balances	<u>(38,975)</u>	<u>431,729</u>	<u>574,620</u>	<u>(178,557)</u>	<u>(718,180)</u>	<u>(578,321)</u>	<u>69,942</u>	<u>(170,845)</u>	<u>384,924</u>	<u>(73,807)</u>

Source: CAFR Schedule B-2

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
General Fund Other Local Revenue by Source,
Last Ten Fiscal Years
 Unaudited

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u> <u>Revenue</u>	<u>Non-Resident</u> <u>Fees</u>	<u>E- Rate</u>	<u>Miscellaneous</u>	<u>Totals</u>
2007	97,865	8,322,723	555,107	27,821	39,026	9,042,542
2008	102,570	7,346,480	481,433	29,097	1,715	7,961,294
2009	47,364	8,145,268	402,442	36,661	4,522	8,636,256
2010	53,379	7,443,173	350,132	36,282	13,441	7,896,407
2011	45,321	7,156,231	348,211	45,839	28,169	7,623,771
2012	36,385	6,912,197	298,956	28,871	3,218	7,279,627
2013	15,905	7,308,861	302,500	36,993	3,259	7,667,518
2014	7,369	6,894,678	303,845	51,216	22,426	7,279,534
2015	8,099	7,311,594	306,350	44,296	231	7,670,570
2016	11,565	6,874,621	315,398	39,579	380	7,241,543

Source: District Records

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Demographic and Economic Statistics,
Last Ten Fiscal Years

Exhibit J-14

Fiscal Year Ended June 30,	(a) Population	(b) Personal Income (thousands of dollars)	(c) Per Capita Personal Income	(d) Unemployment Rate
2007	96,700	4,000,092,200	41,366	6.5%
2008	96,470	4,150,718,220	43,026	8.0%
2009	96,091	4,229,637,547	44,017	11.4%
2010	97,263	4,373,430,795	44,965	11.9%
2011	96,597	4,599,079,767	47,611	12.5%
2012	96,447	4,755,512,229	49,307	13.4%
2013	95,896	4,767,565,536	49,716	12.0%
2014	95,359	4,940,740,508	51,812	12.0%
2015	94,727	4,907,995,324	51,812	10.9%
2016	94,727	4,907,995,324	51,812	10.9%

Source:

- (a) Population information provided by the NJ Dept of Labor and Workforce Development - most current information is as of 7/1/2015
- (b) Personal income provided by the NJ Dept of Labor and Workforce Development - most current information is as of 4/15/16
- (c) Per capital personal income source Regional Economic Information System, Bureau of Economic Analysis, November 2014 estimate with revisions to 2005-2013
2015 and 2016 are estimated based on 2014 amount
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce Development

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 (A Component Unit of the County of Cape May)
Full-Time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years

Exhibit J-16

<u>Function/Program</u>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction:	93	95	95	97	90	86	81	80	78	72
Special education instruction										
Support Services:	23	23	28	28	27	26	25	24	25	25
Student & instruction related services	4	3	4	3	3	3	3	3	3	3
General administrative services	8	7	7	7	7	7	7	6	7	6
School administrative services	5	4	4	4	4	4	4	4	4	4
Business administrative services	12	11	12	12	12	12	12	12	11	12
Plant operations and maintenance										
Pupil transportation										
Special schools										
Food Service										
Child Care										
Total	145	143	150	151	143	138	132	129	130	123

Source: District Personnel Records

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 (A Component Unit of the County of Cape May)
 Operating Statistics,
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Cost per Pupil	% Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Overall	District				
2007	348	14,041,708	40,349.74	6.32%	93	3.2:1	290	260	-2.06%	89.66%	
2008	339	12,923,150	38,121	-5.52%	95	3.5:1	330	298	13.79%	90.30%	
2009	330	13,100,756	39,699	4.14%	95	3.5:1	317	277	-3.94%	87.38%	
2010	322	13,014,694	40,418	1.81%	97	3:3:1	315	278	-0.63%	88.25%	
2011	277	12,363,255	44,633	10.43%	90	3:3:1	285	250	-9.68%	87.70%	
2012	289	12,738,086	44,076	-1.25%	86	3:3:1	293	258	2.99%	88.05%	
2013	264	12,906,520	48,888	10.92%	81	3.1-1	275	242	-6.14%	88.00%	
2014	275	12,619,386	45,889	-6.14%	80	3.4-1	271	233	-1.53%	86.04%	
2015	251	12,835,299	51,137	11.44%	78	3.2-1	250	221	-7.54%	88.30%	
2016	225	12,918,691	57,416	12.28%	72	3.2-1	239	212	-4.53%	88.62%	

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 (A Component Unit of the County of Cape May)
School Building Information,
Last Ten Fiscal Years

Exhibit J-18

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
District Buildings										
Elementary, Middle, High School										
CMC Special Services										
Square Feet	166,208	166,208	166,208	166,208	166,208	166,208	166,208	166,208	166,208	166,208
Capacity (students)	400	400	400	400	400	400	400	400	400	400
Enrollment	348	339	330	322	277	238	264	275	251	225

Number of Schools at June 30, 2016
 Elementary - 1
 Middle - 1
 High - 1

Source: District Records, ASSA

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 (A Component Unit of the County of Cape May)
 General Fund
 Schedule of Required Maintenance for School Facilities,
 Last Ten Fiscal Years
 (Unaudited)

Undistributed Expenditures - Required Maintenance for School Facilities

School Facilities	Project # (s)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Special Services - One Building		526,050	446,422	450,160	345,379	351,530	325,380	334,978	366,873	288,246	315,184
Total School Facilities		526,050	446,422	450,160	345,379	351,530	325,380	334,978	366,873	288,246	315,184
Other Facilities											
Grand Total		526,050	446,422	450,160	345,379	351,530	325,380	334,978	366,873	288,246	315,184

Source: District Records

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Insurance Schedule
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Exhibit J-20

Company and Type of Coverage	Amount of Coverage	Deductible
New Jersey School Boards Association Insurance Group		
Package Policy		
I Property		
Blanket Real & Personal Property - per occurrence	\$ 350,000,000	\$ 1,000
Blanket Extra Expense	50,000,000	1,000
Blanket Valuable Papers & Records	10,000,000	1,000
Demolition and Increased Cost of Construction	10,000,000	
Fire Department Service Charge	10,000	
Arson Reward	10,000	
Pollutant Cleanup and Removal	250,000	
Contingent Liability		
Flood - per occurrence/NJSBAIG annual aggregate - Zone A & V	10,000,000	500,000
Flood - per occurrence/NJSBAIG annual aggregate - All Other Zones	50,000,000	10,000
Earthquake - per occurrence/NJSBAIG annual aggregate	50,000,000	
Increased Cost of Construction/Demolition		
Terrorism - per occurrence/NJSAIG annual aggregate	1,000,000	
II Electronic Data Processing		
Blanket Hardware/Software	556,000	1,000
Blanket Extra Expense	Included	
Coverage Extensions:		
Transit	25,000	
Loss of Income	10,000	
III Equipment Breakdown		
Combined Single Limit per Accident for Property Damage & Expense	100,000,000	1,000
Property Damage	Included	
Off Premises Property Damage	100,000	
Business Income	Included	
Extra Expense	10,000,000	
Service Interruption	10,000,000	
Perishable Goods	500,000	
Data Restoration	100,000	
Contingent Business Income	100,000	
Demolition	1,000,000	
Ordinance or Law	1,000,000	
Expediting Expenses	500,000	
Hazardous Substances	500,000	
Newly Acquired Locations	250,000	
Terrorism	Included	
IV Crime		
Public Employee Dishonesty with Faithful Performance	250,000	1,000
Theft, Disappearance and Destruction - Loss of Money and Securities on or off Premises	100,000	1,000
Forgery or Alteration	250,000	1,000
Public Officials Bond - Board Secretary/Business Administrator	2,000	500
Public Officials Bond - Board Treasurer	200,000	1,000

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Insurance Schedule
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Exhibit J-20

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

Source: District records.

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Single Audit Section



FORD - SCOTT

& ASSOCIATES, L.L.C.

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K-1 INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Education
Cape May County Schools for Special Services School District
(a component unit of the County of Cape May)
Cape May Court House, New Jersey

We have audited the basic financial statements of the Board of Education of the Cape May County Schools for Special Services School (a component unit of the County of Cape May), State of New Jersey, as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated November 15, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements presented by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cape May County Schools for Special Services' (a component unit of the County of Cape May) control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Cape May County Schools for Special Services' (a component unit of the County of Cape May) internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cape May County Schools for Special Services (a component unit of the County of Cape May) basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements prescribed by the Division of Finance, Department of Education, and State of New Jersey.

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

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

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Licensed Public School Accountant
No. 767

November 15, 2016

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 (A Component Unit of the County of Cape May)
 Schedule of Financial Statements
 For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2015	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures			Repayment of Prior Years' Balances	Balance at June 30, 2016	
										Pass Through	Direct	Total		Accounts Receivable	Deferred Revenue
U.S. Department of Education															
General Fund:															
Medical Assistance Program	93.778	1605NJSMAP	N/A	7/1/2015 6/30/2016	162,009	\$ -	-	-	162,009	(162,009.00)	(162,009.00)	-	-	(46,623)	-
Medical Assistance Program	93.778	1605NJSMAP	N/A	7/1/2013 6/30/2014	46,623	(46,623)	-	-	162,009	(162,009.00)	(162,009.00)	-	-	(46,623)	-
Total General Fund															
U.S. Department of Labor (Passed through Atlantic- Workforce Investment Board)															
Special Revenue Fund:															
In School Youth Grant-CMC High School	17.258/17.259	16-0174-0-1504	K08.207	7/1/2015 6/30/2016	122,622	10,596	-	-	122,622	(49,795.00)	(49,795.00)	-	-	72,827	3,805
In School Youth Grant-CMC High School	17.258/17.259	16-0174-0-1504	K08.207	7/1/2014 6/30/2015	56,825	21,421	-	-	12,405	(18,956.00)	(18,956.00)	-	-	16,021	-
In School Youth Grant-CMC High School	17.258/17.259	16-0174-0-1504	K08.207	7/1/2013 6/30/2014	139,897	2,169	-	-	12,405	(5,930.00)	(5,930.00)	-	-	-	-
In School Youth Grant-CMC High School	17.258/17.259	16-0174-0-1504	K08.207	7/1/2012 6/30/2013	139,897	2,169	-	-	12,405	(21,680.00)	(21,680.00)	-	-	-	-
Total Special Revenue Fund															
U.S. Department of Agriculture Passed Through State Department of Education															
Enterprise Funds:															
Food Distribution Program	10.555	16161NJ304N099	N/A	7/1/2015 6/30/2016	13,661	13,661	-	-	13,736	(12,899.00)	(12,899.00)	-	-	837	-
Child Nutrition Program - Cluster	10.555	16161NJ304N099	N/A	7/1/2014 6/30/2015	12,664	762	-	-	13,736	(762.00)	(762.00)	-	-	-	-
School Breakfast Program - Severe	10.553	16161NJ304N099	N/A	7/1/2015 6/30/2016	31,590	(2,882)	-	-	29,358	(31,590.00)	(31,590.00)	(2,232)	-	-	-
National School Lunch Program	10.555	16161NJ304N099	N/A	7/1/2014 6/30/2015	63,345	(5,639)	-	-	59,962	(63,345.00)	(63,345.00)	(4,383)	-	-	-
Total Child Nutrition Program Cluster:	10.555	16161NJ304N099	N/A	7/1/2014 6/30/2015	67,995	(8,421)	-	-	96,741	(94,935.00)	(94,935.00)	(6,615)	-	837	-
Total Enterprise Funds															
Total Federal Financial Awards						\$ (1,195)	-	-	407,513	(366,839)	(366,839.00)	-	-	(63,238)	93,490

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 (A Component Unit of the County of Cape May)
 Schedule of Expenditures of State Financial Assistance
 For the Year Ended June 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2016			MEMO
				Deferred Revenue/ (Accts Receivable)	Due to Grantor	Due to Grantor					(Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	
State Department of Education														
General Fund Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/2015 - 6/30/2016	392,647	\$ (18,888) (18,888)	-	-	392,831 392,831	(392,647) (392,647)	-	-	(18,704) (18,704)	-	-	392,647 392,647
Total General Fund														
Special Revenue Fund:														
State Department of Community Affairs														
Passed through County of Cape May Recreational Opportunities for Individuals with Disabilities	ROD	7/1/2014 - 6/30/2015	24,992	(13,731)	-	-	13,731	-	-	-	-	-	-	24,992
Total Special Revenue Fund														24,992
State Department of Agriculture														
Enterprise Funds:														
Child Nutrition Program Cluster (State):														
National School Lunch Program (State Share)	15-100-010-3350-023	7/1/2014 - 6/30/2015	1,449	(119)	-	-	119	-	-	-	-	-	-	1,449
National School Lunch Program (State Share)	16-100-010-3350-023	7/1/2015 - 6/30/2016	1,415	(119)	-	-	1,319	(1,415)	-	-	(96)	-	-	1,415
Total Child Nutrition Program Cluster (State)														2,864
Total Enterprise Funds														2,864
Total State Financial Assistance														420,503

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

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Schedules of Expenditures of Federal Awards and
State Financial Assistance
June 30, 2016**

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary of accounting with the exception of programs recorded in the enterprise funds, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) and 1(D) to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Guidance and NJ OMB 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has elected not to use the 10% de minimis indirect cost rate.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

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

	<u>Federal</u>	<u>State</u>	<u>TPAF Pension</u>	<u>Total</u>
General Fund	\$ 208,632	\$ 1,431,931	\$ (1,039,284)	\$ 601,279
Special Revenue Fund	95,471	-		95,471
Enterprise Funds	<u>108,596</u>	<u>1,415</u>		<u>110,011</u>
Total Financial Award Revenues	<u>\$ 412,699</u>	<u>\$ 1,433,346</u>	<u>\$ (1,039,284)</u>	<u>\$ 806,761</u>

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Schedules of Expenditures of Federal Awards and
State Financial Assistance
June 30, 2016**

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under Food Distribution Program represent current year value received and current year distributions, respectively. The amount reported as TPAF Pension and TPAF post-retirement contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2016. These amounts, \$474,402 and \$564,882 respectively are reported in the basic financial statements as both a revenue and expenditure of the District. These amounts are not reported on the schedule of state financial assistance and were not considered for major program determination. TPAF social security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016. This amount, \$392,647 is reported in the basic financial statements as both a revenue and expenditure of the District. This amount is reported on the schedule of state financial assistance.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2016**

STATUS OF PRIOR YEAR FINDINGS

FEDERAL PROGRAMS

There were no prior year findings.

STATE PROGRAMS

There were no prior year findings.

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