

**SCHOOL DISTRICT
OF**

**LOWER
CAPE MAY
REGIONAL**

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

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

**Comprehensive Annual
Financial Report**

of the

**Lower Cape May Regional
Board of Education**

Cape May, New Jersey

For the Fiscal Year Ended June 30, 2016

**Prepared by
Lower Cape May Regional Board of Education
Finance Department**

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT

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Introductory Section

CHRISTOPHER H. KOBIK
Superintendent

RICHARD J. HOOYMAN
President

MARK G. MALLET
Business Administrator/Board Secretary

GARY PLAYFORD
Vice-President

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

CITY OF CAPE MAY

TOWNSHIP OF LOWER

BOROUGH OF WEST CAPE MAY

October 21, 2016

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

The comprehensive annual financial report of the Lower Cape May Regional School District for the fiscal year ended June 30, 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 and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report has been prepared in accordance with Governmental Accounting Standards Board Statement 34 and is presented in four sections; introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart, and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations, cost principles, and audit requirements for federal awards (uniform guidance); and State of New Jersey Circular OMB15-08. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

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

The District provides a full range of educational services appropriate to grade levels 7 through 12. These include regular and vocational, as well as special education for handicapped youngsters. The District completed the 2015/16 fiscal year with an enrollment of 1,354 students, which is a 3.70% decrease from the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2015/16	1,354	(3.70)%
2014/15	1,406	0.72%
2013/14	1,396	(4.51)%
2012/13	1,462	(4.61)%
2011/12	1,528	(5.03)%
2010/11	1,609	(0.43)%
2009/10	1,616	(0.98)%
2008/09	1,632	(5.72)%
2007/08	1,731	(0.08)%
2006/07	1,746	(3.05)%

2. ECONOMIC CONDITION AND OUTLOOK:

Lower Township

Description of Governmental Structure:

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

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

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

Population:

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

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

Cape May

Governmental Structure:

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

History and Geography:

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

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

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

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

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

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

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

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

West Cape May

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

3. MAJOR INITIATIVES:

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

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

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

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

4. INTERNAL ACCOUNTING CONTROLS:

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

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

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

5. BUDGETARY CONTROLS:

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

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

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. CASH MANAGEMENT:

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

8. RISK MANAGEMENT:

The Board of Education carried various forms of insurance, including, but not limited to, general liability, automobile liability, and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

9. OTHER INFORMATION:

Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart was selected by the Board of Education's audit committee. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10. ACKNOWLEDGEMENTS:

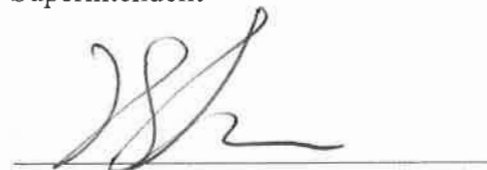
We would like to express our appreciation to the members of the Lower Cape May Regional School District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance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

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

Respectfully submitted,

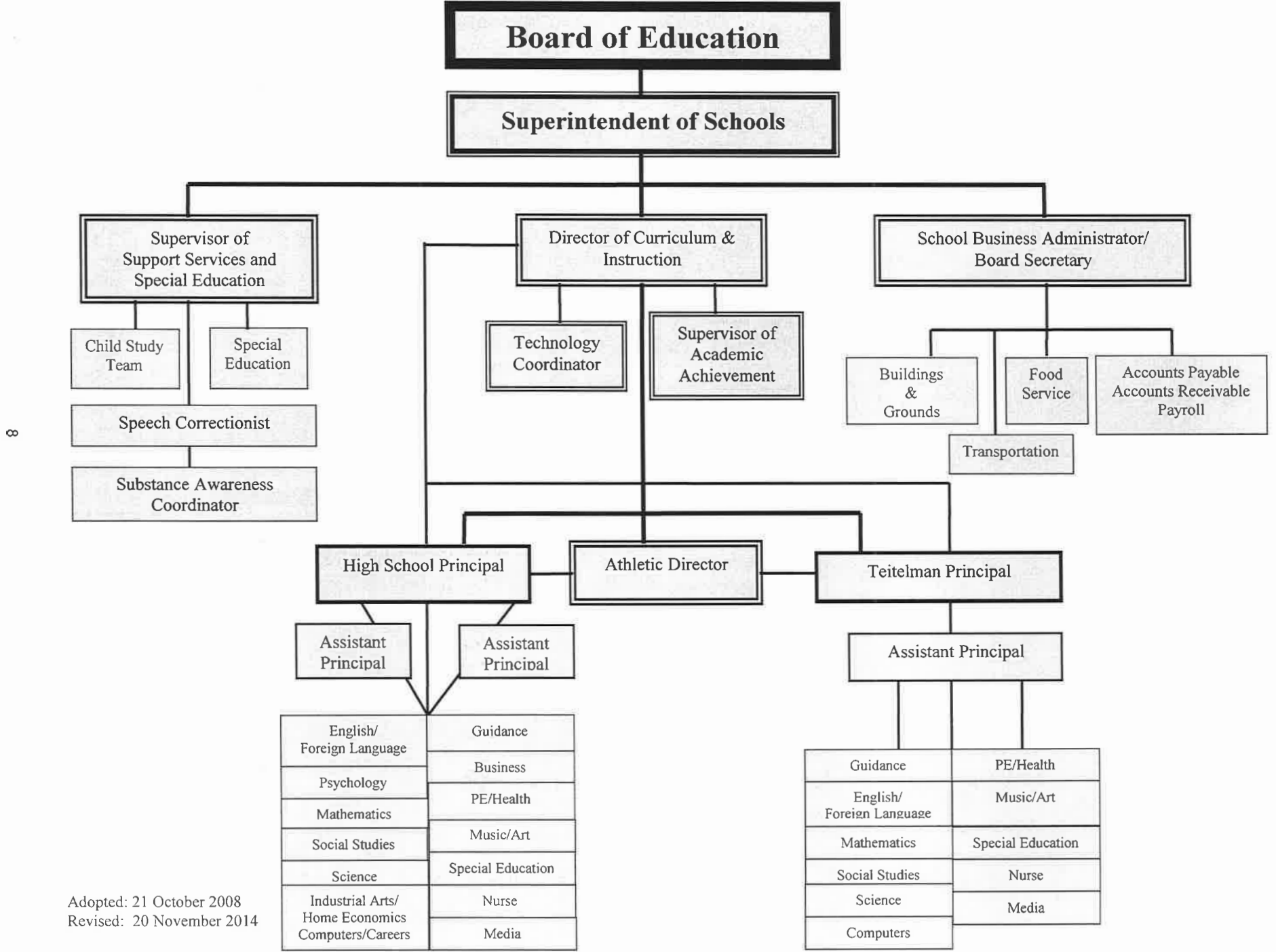


Christopher H. Kobik
Superintendent



Mark G. Mallett
Business Administrator/
Board Secretary

**Lower Cape May Regional School District
Organizational Chart**



Adopted: 21 October 2008
Revised: 20 November 2014

**LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
CAPE MAY, NEW JERSEY 08204
ROSTER OF OFFICIALS
JUNE 30, 2016**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Richard J. Hooyman President	2018
Gary Playford Vice President	2018
Vicki Clark	2016
Thomas Connelly, Jr.	2017
Gary Douglass	2016
Kathleen Elwell	2017
Harry Sundstrom	2018
Christopher Vassar	2017
Helen Wallace	2016

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

Other Officials

Christopher H. Kobik, Superintendent

Mark G. Mallett, Business Administrator/Board Secretary

Ruth J. Foley, Treasurer

Dotsie Garrabrant, Solicitor

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT

Consultants and Advisors

Architect

Garrison Architects
713 Creek Road
Bellmawr, NJ 08031

Audit Firm

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

Attorney

Dotsie Garrabrant, Esq.
PO Box 276
Wildwood, NJ 08260

Fiscal Agents

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

TD Bank, National Association
Corporate Trust Services
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Cherry Hill, NJ 08002-4401

Banc of America
PO Box 1009018
Atlanta, GA 30384-0918

Official Depository

Sturdy Savings Bank
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North Cape May, NJ 08204

Financial Section

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New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Cape May Regional School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 21, 2016 on my consideration of the Lower Cape May Regional School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lower Cape May Regional School District's internal control over financial reporting and compliance.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
October 21, 2016

INVERSO & STEWART, LLC
Certified Public Accountants

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 New Jersey Society of CPAs

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

INDEPENDENT AUDITOR'S REPORT

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lower Cape May Regional School District, in the County of Cape May, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued my report thereon dated October 21, 2016.

Internal Control Over Financial Reporting

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

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

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

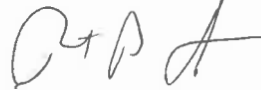
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lower Cape May Regional School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Purpose of this Report

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

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
October 21, 2016

Required Supplementary Information - Part I

Management's Discussion and Analysis

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

As management of the Board of Education of the Lower Cape May Regional School District in Cape May New Jersey, we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by \$4,100,157 (*net position*).
- Governmental activities have an unrestricted net position deficit of \$12,154,051. The accounting treatments in the governmental funds for compensated absences payable, and the June state aid payments, and the state statute that prohibits school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net position of the School District increased by \$2,354,408, or a 134.90% increase from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds increased by \$8,552,473 resulting in an ending fund balance of 12,314,663. This increase is largely due to the results of operations in the General Fund.
- Business-type activities have unrestricted net position of \$50,576, which may be used to meet the School District's ongoing obligations of the food service operations.
- The School District's long-term obligations increased by \$5,527,364 which is the result of the reduction of debt capital leases and the increase in serial bond debt and compensated absences.

Overview of the Basic Financial Statements

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

District-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Basic Financial Statements

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

Other Information

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

District-wide Financial Analysis

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2016. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2017.

The assets of the primary government activities exceeded liabilities by \$4,100,157 with an unrestricted deficit balance of \$12,154,051. The net position of the primary government does not include internal balances.

A net investment of \$3,689,154 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's 1,354 public school students. Net position of \$7,702,751 have been restricted to provide resources for future capital expansion and renovation projects, \$1,650,000 is reserved for maintenance, \$7,729 is reserved for debt service, \$20,000 is reserved for scholarships, while \$3,184,574 has been restricted for budget appropriation.

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

**Lower Cape May Regional School District
Comparative Summary of Net Position
As of June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
Assets:						
Current assets	\$ 12,421,691	\$ 5,242,169	\$ 61,835	\$ 36,896	\$ 12,483,526	\$ 5,279,065
Capital assets	16,978,762	17,403,723	23,029	24,195	17,001,791	17,427,918
Total assets	29,400,453	22,645,892	84,864	61,091	29,485,317	22,706,983
Deferred Outflows of Resources	2,069,290	720,455			2,069,290	720,455
Liabilities:						
Current Liabilities	1,215,246	2,411,256	11,259	12,426	1,226,505	2,423,682
Noncurrent Liabilities	25,567,335	18,149,162			25,567,335	18,149,162
Total liabilities	26,782,581	20,560,418	11,259	12,426	26,793,840	20,572,844
Deferred Inflows of Resources	587,005	1,060,180			587,005	1,060,180
Net position	\$ 4,100,157	\$ 1,745,749	\$ 73,605	\$ 48,665	\$ 4,173,762	\$ 1,794,414
Net position consist of:						
Net investment in						
Capital assets	\$ 3,689,154	\$ 9,628,492	\$ 23,029	\$ 24,195	\$ 3,712,183	\$ 9,652,687
Restricted net position	12,565,054	3,951,256			12,565,054	3,951,256
Unrestricted net position	(12,154,051)	(11,833,999)	50,576	24,470	(12,103,475)	(11,809,526)
Net position	\$ 4,100,157	\$ 1,745,749	\$ 73,605	\$ 48,665	\$ 4,173,762	\$ 1,794,414

**Lower Cape May Regional School District
Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues						
Charges for services	\$ -	\$ -	\$ 344,221	\$ 366,411	\$ 344,121	\$ 366,411
Operating grants and Contributions	3,795,741	3,366,499	429,320	398,183	4,225,061	3,764,682
Capital grants and Contributions						
General Revenues:						
Property Taxes	20,338,999	20,256,082			20,338,999	20,256,082
Unrestricted State Aid	9,833,476	9,758,588			9,833,476	9,758,588
Tuition	239,397	128,816			239,397	128,816
Other Revenues	352,916	197,171	25	36	352,941	197,207
Total Revenues	34,560,529	33,707,156	773,566	764,630	35,334,095	34,471,786
Expenses:						
Governmental Activities:						
Instruction	13,465,599	13,402,901			13,465,599	13,402,901
Tuition	2,370,107	3,038,667			2,370,107	3,038,667
Related Services	2,045,574	2,101,476			2,045,574	2,101,476
Administrative Services	1,680,009	1,670,437			1,680,009	1,670,437
Central Services	307,022	263,717			307,022	263,717
Operations and Maintenance	3,023,197	5,795,676			3,023,197	5,795,676
Transportation	1,339,556	1,376,761			1,339,556	1,376,761
Employee benefits	7,480,247	6,768,916			7,480,247	6,768,916
Charter Schools	23,644	32,644			23,644	32,644
Interest on long-term Debt	232,501	209,409			232,501	209,409
Other	34,053	31,733			34,053	31,733
Business-Type Activities:						
Food Service Operations			953,238	964,123	953,238	964,123
Total Expenses	32,001,509	34,692,337	953,238	964,123	32,954,747	35,656,460
Increase in net position						
Before transfers	2,559,020	(985,181)	(179,672)	(199,493)	2,379,348	(1,184,674)
Transfers	(204,612)	(184,140)	204,612	184,140		
Changes in net position	2,354,408	(1,169,321)	24,940	(15,353)	2,379,348	(1,184,674)
Net position, July 1,	1,745,749	2,915,070	48,665	64,018	1,794,414	2,979,088
Net position, June 30,	\$ 4,100,157	\$ 1,745,749	\$ 73,605	\$ 48,665	\$ 4,173,762	\$ 1,794,414

Governmental Activities

Governmental activities increased the net position of the School District by \$2,354,408 during the current fiscal year. Key elements of the decrease in net position for governmental activities are as follows:

- Total Governmental Funds results of operation increased \$8,552,473.
- Depreciation expense was \$681,068.
- Capital Leases decreased \$252,623
- Serial bonds were decreased by principal payments of \$600,000 and increased by the 2016 School Bonds of \$6,367,000.

Business-type Activities

Business-type activities decreased the School District's net position slightly. Key elements of the decrease in net position for business-type activities are as follows:

- The Food Service Fund had a net loss of \$24,940.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$5,837,317, an increase of \$8,552,473 in comparison with the prior year. Most of this increase is the results of operations in the General Fund.

The unreserved fund balance for the School District at the end of the fiscal year includes a deficit unreserved fund balance for the General Fund of \$250,391. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) as restricted cash reserved for future capital outlay expenditures of \$1,616,020, 2) \$1,924,537 reserved as excess surplus, 3) \$1,650,000 reserved for maintenance, 5) \$104,232 reserved for encumbrances, 5) \$1,155,805 assigned for subsequent years expenditures, and 6) \$7,729 reserved for the repayment of debt, 7) \$20,000 reserved for the permanent fund.

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

General Fund Budgetary Highlights

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

At the end of the current fiscal year, unreserved fund balance (budgetary basis) of the general fund was \$609,830 while total fund balance (budgetary basis) was \$7,060,424. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$30,311,334 unreserved fund balance (budgetary basis) represents 2.01% of expenditures while total fund balance (budgetary basis) represents 23.29% of that same amount.

Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totaled \$17,001,791 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was \$426,127, or a 2.44% decrease. The decrease is primarily due to depreciation expense.

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

	Governmental Activities		Business-Type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
Land	\$ 100	\$ 100	\$ -	\$ -	\$ 100	\$ 100
Site Improvements	300,000	330,000			300,000	330,000
Buildings and Building Improvements	14,813,505	15,363,686			14,813,505	15,363,686
Equipment	1,865,157	1,709,937	23,029	24,195	1,888,186	1,734,132
Total	\$ 16,978,762	\$ 17,403,723	\$ 23,029	\$ 24,195	\$ 17,001,791	\$ 17,427,918

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

Long-term debt – During the fiscal year ended June 30, 2016, the School District had \$10,462,000 in serial bonds payable, \$2,827,608 in capital leases payable, \$1,757,144 in compensated absences, and \$11,568,450 in net pension liability.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$240,306,913. The available amount as of June 30, 2016 is \$229,844,913.

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

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the School District's budget for the 2016-17 fiscal year.

- For 2016-17 fiscal year the School District will be receiving a slight increase in state aid. The local tax levy in the General Fund increased by \$391,023 or 2.00%. Salaries continue to increase contractually; however, the District has managed to control costs. The 2016-17 General Fund Budget is \$40,685 greater than the previous year or a .13% increase.

For the Future

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

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

Requests for Information

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

Basic Financial Statements

District-Wide Financial Statements

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 10,223,320	\$ 31,274	\$ 10,254,594
Receivables, net	499,817	19,385	519,202
Inventory		11,176	11,176
Restricted assets:			
Capital reserve account	1,616,020		1,616,020
Cash held by fiscal agent	82,534		82,534
Capital assets, net (Note 5)	<u>16,978,762</u>	<u>23,029</u>	<u>17,001,791</u>
Total assets	<u>29,400,453</u>	<u>84,864</u>	<u>29,485,317</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	<u>2,069,290</u>		<u>2,069,290</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	<u>31,469,743</u>	<u>84,864</u>	<u>31,554,607</u>
LIABILITIES:			
Accounts payable	23,644		23,644
Scholarships payable	597	5,000	5,597
Unearned revenue	253	6,259	6,512
Other liabilities	82,534		82,534
Accrued Interest	60,351		60,351
Noncurrent liabilities:			
Due within one year	1,047,867		1,047,867
Due beyond one year	<u>25,567,335</u>		<u>25,567,335</u>
Total liabilities	<u>26,782,581</u>	<u>11,259</u>	<u>26,793,840</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	<u>587,005</u>		<u>587,005</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	<u>27,369,586</u>	<u>11,259</u>	<u>27,380,845</u>
NET POSITION:			
Net investment in capital assets	3,689,154	23,029	3,712,183
Restricted for:			
Capital Projects	7,702,751		7,702,751
Debt Service	7,729		7,729
Other purposes	4,854,574		4,854,574
Unrestricted	<u>(12,154,051)</u>	<u>50,576</u>	<u>(12,103,475)</u>
Total net position	<u>\$ 4,100,157</u>	<u>\$ 73,605</u>	<u>\$ 4,173,762</u>

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 10,096,876	\$ -	\$ 347,678	\$ (9,749,198)	\$ -	\$ (9,749,198)
Special education	2,552,234		424,432	(2,127,802)		(2,127,802)
Other instruction	816,489			(816,489)		(816,489)
Support Services:						
Tuition	2,370,107			(2,370,107)		(2,370,107)
Student & instruction related services	2,045,574		109,713	(1,935,861)		(1,935,861)
General administrative services	554,034			(554,034)		(554,034)
School administrative services	1,125,975			(1,125,975)		(1,125,975)
Central services	307,022			(307,022)		(307,022)
Plant operations and maintenance	3,023,197		6,217	(3,016,980)		(3,016,980)
Pupil transportation	1,339,556			(1,339,556)		(1,339,556)
Unallocated employee benefits	7,480,247		2,907,701	(4,572,546)		(4,572,546)
Charter schools	23,644			(23,644)		(23,644)
Interest on long-term debt	232,501			(232,501)		(232,501)
Unallocated depreciation and amortization	34,053			(34,053)		(34,053)
Total governmental activities	<u>32,001,509</u>		<u>3,795,741</u>	<u>(28,205,768)</u>		<u>(28,205,768)</u>
Business-type activities:						
Food service program	953,238	344,221	429,320		(179,697)	(179,697)
Total business-type activities	<u>953,238</u>	<u>344,221</u>	<u>429,320</u>		<u>(179,697)</u>	<u>(179,697)</u>
Total primary government	<u>\$ 32,954,747</u>	<u>\$ 344,221</u>	<u>\$ 4,225,061</u>	<u>\$ (28,205,768)</u>	<u>\$ (179,697)</u>	<u>\$ (28,385,465)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net				19,551,199		19,551,199
Taxes levied for debt service				787,800		787,800
Federal and state aid not restricted				9,833,476		9,833,476
Tuition				239,397		239,397
Transportation fees				93,678		93,678
Miscellaneous income				259,238	25	259,263
Transfer				(204,612)	204,612	
Total general revenues, special items, extraordinary items and transfers				<u>30,560,176</u>	<u>204,637</u>	<u>30,764,813</u>
Change in Net Position				<u>2,354,408</u>	<u>24,940</u>	<u>2,379,348</u>
Net Position - July 1				<u>1,745,749</u>	<u>48,665</u>	<u>1,794,414</u>
Net Position - June 30				<u>\$ 4,100,157</u>	<u>\$ 73,605</u>	<u>\$ 4,173,762</u>

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

Fund Financial Statements

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

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 4,104,240	\$ -	\$ 6,086,731	\$ 11,752	\$ 20,597	\$ 10,223,320
Receivables, net	297,031	177,398				474,429
Interfund receivable	207,533			977		208,510
Restricted cash and cash equivalents	1,698,554					1,698,554
Total assets	\$ 6,307,358	\$ 177,398	\$ 6,086,731	\$ 12,729	\$ 20,597	\$ 12,604,813
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	23,644					23,644
Scholarships payable					597	597
Interfund payable	977	177,145		5,000		183,122
Other liabilities	82,534					82,534
Unearned revenues		253				253
Total liabilities	107,155	177,398		5,000	597	290,150
Fund Balances:						
Restricted for:						
Excess surplus	1,924,537					1,924,537
Excess surplus designated for Subsequent years expenditures	1,105,535					1,105,535
Capital reserve	1,616,020					1,616,020
Maintenance reserve	1,650,000					1,650,000
Permanent fund					20,000	20,000
Assigned to:						
Year-end encumbrances	104,232					104,232
Subsequent year's expenditures	50,270			6,752		57,022
Unassigned	(250,391)		6,086,731	977		5,837,317
Total fund balances	6,200,203	-	6,086,731	7,729	20,000	12,314,663
Total liabilities and fund balances	\$ 6,307,358	\$ 177,398	\$ 6,086,731	\$ 12,729	\$ 20,597	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$31,753,377 and the accumulated depreciation is \$14,774,615. 16,978,762

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

Deferred Outflows of resources from Pensions	2,069,290	
Net Pension Liability	(11,568,450)	
Deferred Inflows of resources from Pensions	(587,005)	(10,086,165)

Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the funds. (60,351)

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

Serial bonds payable	\$(10,462,000)	
Capital leases payable	(2,827,608)	
Compensated absences	(1,757,144)	(15,046,752)

Net position of governmental activities \$ 4,100,157

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

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
REVENUES:						
Local sources:						
Local tax levy	\$ 19,551,199	\$ -	\$ -	\$ 787,800	\$ -	\$ 20,338,999
Tuition	239,397					239,397
Transportation fees	93,678					93,678
Interest earned	3,675		977			4,652
Miscellaneous	<u>254,586</u>					<u>254,586</u>
Total revenues-local sources	20,142,535		977	787,800		20,931,312
State sources	12,701,205					12,701,205
Federal sources	<u>39,972</u>	<u>888,040</u>				<u>928,012</u>
Total revenues	<u>32,883,712</u>	<u>888,040</u>	<u>977</u>	<u>787,800</u>	<u>-</u>	<u>34,560,529</u>
EXPENDITURES:						
Current expense:						
Regular instruction	9,272,450	347,678				9,620,128
Special education instruction	2,127,802	424,432				2,552,234
Other instruction	816,489					816,489
Support services and undistributed costs:						
Tuition	2,370,107					2,370,107
Student & instruction related services	1,935,861	109,713				2,045,574
General administrative services	554,034					554,034
School administrative services	1,023,815					1,023,815
Business services	307,022					307,022
Plant operations and maintenance	2,704,963					2,704,963
Pupil transportation	1,339,556					1,339,556
Unallocated employee benefits	7,266,221					7,266,221
Transfer to charter schools	23,644					23,644
Capital outlay	569,370	6,217	280,269			855,856
Debt service:						
Principal				600,000		600,000
Interest and other charges				<u>187,800</u>		<u>187,800</u>
Total expenditures	<u>30,311,334</u>	<u>888,040</u>	<u>280,269</u>	<u>787,800</u>	<u>-</u>	<u>32,267,443</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,572,378</u>	<u>-</u>	<u>(279,292)</u>	<u>-</u>	<u>-</u>	<u>2,293,086</u>
Other Financing Sources (Uses):						
Proceeds of Capital Leases	96,999					96,999
Proceeds of Serial Bonds			6,367,000			6,367,000
Transfers in				977		977
Transfers out	<u>(204,612)</u>		<u>(977)</u>			<u>(205,589)</u>
Total other financing sources (uses)	<u>(107,613)</u>	<u>-</u>	<u>6,366,023</u>	<u>977</u>	<u>-</u>	<u>6,259,387</u>
Net change in fund balance	2,464,765	-	6,086,731	977	-	8,552,473
Fund balances, July 1	<u>3,735,438</u>			<u>6,752</u>	<u>20,000</u>	<u>3,762,190</u>
Fund balances, June 30	<u>\$ 6,200,203</u>	<u>\$ -</u>	<u>\$ 6,086,731</u>	<u>\$ 7,729</u>	<u>\$ 20,000</u>	<u>\$ 12,314,663</u>

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

**LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 for the Fiscal Year Ended June 30, 2016**

Total net change in fund balances - governmental funds (from B-2)		\$ 8,552,473
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p style="padding-left: 40px;">Capital outlays are reported in the governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current fiscal year.</p>		
Depreciation expense	\$ (681,068)	
Capital outlay	<u>256,107</u>	(424,961)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.		600,000
The issuance of bonds increases long-term liabilities, however has no effect on fund balance.		(6,367,000)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.		349,622
The proceeds of a capital lease is an other financing source of revenue in the governmental funds but is not reported in the statement of activities.		(96,999)
Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities.		(201,039)
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is a reduction in the reconciliation.		(44,701)
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 (+).		<u>(12,987)</u>
Change in net position of governmental activities		<u>\$ 2,354,408</u>

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

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
for the Fiscal Year Ended June 30, 2016

	Business-type Activities Enterprise Funds
	Food Service Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 31,274
Accounts receivable	19,385
Inventories	11,176
Total current assets	61,835
Noncurrent assets:	
Equipment	176,360
Less accumulated depreciation	(153,331)
Total noncurrent assets	23,029
Total assets	\$ 84,864
 LIABILITIES	
Current liabilities:	
Interfund payable	\$ 5,000
Unearned revenue	6,259
Total liabilities	11,259
 NET POSITION	
Net investment in capital assets	23,029
Unrestricted	50,576
Total net position	\$ 73,605

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

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

	Business-type Activities Enterprise Funds
	Food Service Fund
Operating revenues:	
Charges for services:	
Daily sales-reimbursable programs	\$ 139,569
Daily sales-non-reimbursable programs	204,652
	344,221
Operating expenses:	
Salaries	410,509
Employee benefits	204,612
Supplies and materials	5,074
Depreciation	3,342
Cost of sales - reimbursable programs	131,710
Cost of sales - nonreimbursable programs	193,128
Miscellaneous	4,863
	953,238
Total operating expenses	953,238
Operating income (loss)	(609,017)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	6,013
Federal sources:	
National school lunch program	251,488
National school breakfast program	121,255
U.S.D.A. commodities	50,564
Local sources:	
Operating transfer in	204,612
Interest revenue	25
	633,957
Total nonoperating revenues (expenses)	633,957
Change in net position	24,940
Total net position - July 1	48,665
Total net position - June 30	\$ 73,605

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

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

		Business-type Activities Enterprise Funds
		<u>Food Service Fund</u>
Cash flows from operating activities:		
Receipts from customers	\$	343,749
Payments to employees for services		(615,121)
Payments to suppliers		(289,440)
Net cash used for operating activities		<u>(560,812)</u>
Cash flows from noncapital financing activities:		
Board contribution		204,612
State sources		6,152
Federal sources		375,424
Net cash provided by non-capital financing activities		<u>586,188</u>
Cash flows from capital activities:		
Purchases of fixed assets		(2,176)
		<u>(2,176)</u>
Cash flows from investing activities:		
Interest and dividends		25
Net cash provided by investing activities		<u>25</u>
Net increase in cash and cash equivalents		23,225
Balances - July 1		<u>8,049</u>
Balances - June 30	\$	<u>31,274</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating income (loss)	\$	(609,017)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation		3,342
Federal commodities		50,564
(Increase) decrease in inventories		(5,229)
(Increase) decrease in accounts receivable		695
Increase (decrease) in unearned revenue		(1,167)
Total adjustments		<u>48,205</u>
Net cash provided by (used for) operating activities	\$	<u>(560,812)</u>

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

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	<u>Private Purpose Trusts</u>	<u>Unemployment Compensation Insurance Trust</u>	<u>Agency Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 52,476	\$ 163,899	\$ 247,835
Interfund receivable	<u>5,000</u>	<u> </u>	<u> </u>
Total assets	<u>57,476</u>	<u>163,899</u>	<u>247,835</u>
LIABILITIES:			
Accounts payable	<u> </u>	13,365	<u> </u>
Payroll deductions and withholdings	<u> </u>	<u> </u>	<u> </u>
Due to teacher's association	<u> </u>	<u> </u>	330
Interfund payable	<u> </u>	<u> </u>	25,388
Due to student groups	<u> </u>	<u> </u>	<u>222,117</u>
Total liabilities	<u> </u>	<u>13,365</u>	<u>\$ 247,835</u>
NET POSITION:			
Restricted for:			
Unemployment claims	<u> </u>	150,534	<u> </u>
Scholarship payments	<u>57,476</u>	<u> </u>	<u> </u>
	<u>\$ 57,476</u>	<u>\$ 150,534</u>	<u> </u>

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

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

	Private Purpose Trust Funds Scholarship Funds	Unemployment Compensation Insurance Trust
ADDITIONS:		
Contributions:		
Employee withholdings	\$ -	\$ 46,824
Other contributions	26	
Total Contributions	<u>26</u>	<u>46,824</u>
Investment earnings:		
Interest	1	90
Net investment earnings	<u>1</u>	<u>90</u>
Total additions	<u>27</u>	<u>46,914</u>
DEDUCTIONS:		
Unemployment claims		39,384
Scholarships awarded	2,000	
Total deductions	<u>2,000</u>	<u>39,384</u>
Change in net position	(1,973)	7,530
Net position - July 1	<u>59,449</u>	<u>143,004</u>
Net position - June 30	<u>\$ 57,476</u>	<u>\$ 150,534</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity -The Lower Cape May Regional School District (District) is a Type II school district located in Cape May County, New Jersey and covers an area of approximately 34 square miles. As a Type II school district, it functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the School District is to provide educational services for all of Lower Cape May Regional's students in grades 7 through 12. The Lower Cape May Regional School District has an approximate enrollment at June 30, 2016 of 1,354 students.

The primary criteria for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School district over which the Board exercises operating control.

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

Basis of Presentation

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

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

General Fund - The general fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

The School District's enterprise funds are:

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

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

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

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

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

Measurement Focus

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days after fiscal year end.

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, and all eligibility and time requirements satisfied are reflected on the balance sheet as unearned grant revenue at fiscal year end.

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

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

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

N.J.S.A. 17:9-41et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA), a multiple financial institution collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

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

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2016 and 2015 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

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

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

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

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

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

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

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

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

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2016.

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) -The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

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

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School district in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the School District's amount on deposit of \$12,600,502 as of June 30, 2016, \$250,000 was insured under FDIC and the remaining balance of \$12,350,502 was collateralized under GUDPA.

3. CAPITAL RESERVE ACCOUNT

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

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

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

3. CAPITAL RESERVE ACCOUNT (Continued)

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

Balance – July 1, 2015		\$	612,345
Increased by:			
Board resolution	\$	1,000,000	
Interest earned		<u>3,675</u>	<u>1,003,675</u>
Balance – June 30, 2016		<u>\$</u>	<u>1,616,020</u>

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

4. RECEIVABLES

Receivables at June 30, 2016 consisted of tuition fees charged other governmental units and governmental grants. All receivables are considered collectible in full due to the stable condition of the other governmental units, State programs and the current fiscal year guarantee of federal funds.

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

	General Fund	Special Revenue Fund	Proprietary Funds	Total
State Aid	\$ 106,997	\$ -	\$ 264	\$ 107,261
Federal Aid		177,398	18,906	196,304
Other	<u>190,034</u>		<u>215</u>	<u>190,249</u>
Total	<u>\$ 297,031</u>	<u>\$ 177,398</u>	<u>\$ 19,385</u>	<u>\$ 493,814</u>

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

5. CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Governmental Activities:</u>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 100	\$ -	\$ -	\$ 100
Construction in progress				
Total capital assets, not being depreciated	<u>100</u>			<u>100</u>
<i>Capital Assets, being depreciated:</i>				
Site Improvements	600,000			600,000
Building and Building Improvements	26,417,361			26,417,361
Equipment	4,479,809	256,107		4,735,916
Totals at historical cost	<u>31,497,170</u>	<u>256,107</u>		<u>31,753,277</u>
<i>Less Accumulated Depreciation:</i>				
Site Improvements	(270,000)	(30,000)		(300,000)
Building and Building Improvements	(11,053,675)	(550,181)		(11,603,856)
Equipment	(2,769,872)	(100,887)		(2,870,759)
Totals accumulated depreciation	<u>(14,093,547)</u>	<u>(681,068)</u>		<u>(14,774,615)</u>
Total Capital Assets, being depreciated, net	<u>17,403,623</u>	<u>(424,961)</u>		<u>16,978,662</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,403,723</u>	<u>\$ (424,961)</u>	<u>\$ -</u>	<u>\$ 16,978,762</u>
	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Business-Type Activities:</u>				
<i>Capital Assets, being depreciated:</i>				
Equipment	\$ 176,254	\$ 2,176	\$ 2,070	\$ 176,360
Less accumulated depreciation	(152,059)	(3,342)	(2,070)	(153,331)
Business-Type Activities Capital Assets, Net	<u>\$ 24,195</u>	<u>\$ (1,166)</u>	<u>\$ -</u>	<u>\$ 23,029</u>

Depreciation expense in the amount of \$681,068 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$ 476,748
Administration	102,160
Plant Operations and Maintenance	68,107
Unallocated	<u>34,053</u>
Total depreciation expense	<u>\$ 681,068</u>

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

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2016 consisted of the following:

		<u>Food Service</u>			
Food	\$	11,035			
Supplies		<u>141</u>			
	\$	<u>11,176</u>			

7. LONG-TERM OBLIGATIONS

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

<u>Governmental Activities:</u>	<u>Principal Outstanding July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ 1,744,157	\$ 106,674	\$ 93,687	\$ 1,757,144	\$ 62,424
Capital Leases	3,080,231	96,999	349,622	2,827,608	385,443
General Obligation Bonds	4,695,000	6,367,000	600,000	10,462,000	600,000
Net Pension Liability	<u>9,545,401</u>	<u>2,023,049</u>	<u> </u>	<u>11,568,450</u>	<u> </u>
Total Governmental Activity	<u>\$ 19,064,789</u>	<u>\$ 8,593,722</u>	<u>\$ 1,043,309</u>	<u>\$ 26,615,202</u>	<u>\$ 1,047,867</u>

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

2009 Refunding Bonds dated October 15, 2009 in the amount of \$4,095,000 due in annual installments through June 1, 2022, bearing interest rates ranging from 2.25% - 4.00%.

2016 School Bonds dated March 15, 2016 in the amount of \$6,367,000 due in annual installments through March 15, 2036, bearing interest rates ranging from 2.00% - 3.00%

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

7. LONG-TERM OBLIGATIONS (Continued)

Debt Service Requirements

Principal and interest due on bonds outstanding is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 600,000	\$ 317,356	\$ 917,356
2018	845,000	306,810	1,151,810
2019	865,000	277,010	1,142,010
2020	935,000	246,410	1,181,410
2021	930,000	213,010	1,143,010
2022-2026	2,520,000	719,850	3,239,850
2027-2031	2,000,000	445,050	2,445,050
2032-2036	<u>1,767,000</u>	<u>146,550</u>	<u>1,913,550</u>
	<u>\$ 10,462,000</u>	<u>\$ 2,672,046</u>	<u>\$ 13,134,046</u>

Capital Leases – During the fiscal year 2016, the school district has a Capital Lease for Energy Program and two Capital Leases for Dell Computers and Chromebooks totaling \$2,827,608. The following is a schedule of the future minimum lease payments under these capital lease agreements:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 385,443	\$ 65,584	\$ 451,027
2018	227,884	56,880	284,764
2019	140,935	50,777	191,712
2020	148,974	47,446	196,420
2021	157,308	43,927	201,235
2022-2026	922,546	159,731	1,082,277
2027-2030	<u>844,518</u>	<u>42,443</u>	<u>886,961</u>
	<u>\$ 2,827,608</u>	<u>\$ 466,788</u>	<u>\$ 3,294,396</u>

8. OPERATING LEASES

At June 30, 2016, the District had operating lease agreements in effect for copiers.

Total operating lease payments made during the year ended June 30, 2016 and June 30, 2015 were \$67,390 and \$66,003 respectively. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2017	\$ 39,335
June 30, 2018	17,295
June 30, 2019	<u>2,995</u>
Total future minimum lease payments	<u>\$ 59,625</u>

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

9. PENSION PLANS

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

Teachers' Pension and Annuity Fund (TPAF)

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114, 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92 P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$4,399,585 and revenue of \$4,399,585 for support provided by the State. Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district.

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

9. PENSION PLANS (Continued)

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

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

	<u>06/30/15</u>	<u>06/30/14</u>
Collective deferred outflows of resources	\$ 7,521,378,257	\$ 2,306,623,861
Collective deferred inflows of resources	554,399,005	1,763,205,593
Collective net pension liability (Non-Employer – State of New Jersey)	63,577,864,440	53,446,745,367
State's portion of the net pension liability that was associated with the district	72,054,654	63,223,224
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	.1140028253%	.1182919999%

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

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

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

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries.

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

9. PENSION PLANS (Continued)

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

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012 and increases each subsequent July 1. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

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

<u>Fiscal Year</u>	<u>Normal Contributions</u>	<u>Accrued Liability</u>	<u>Non Contributory Life</u>	<u>Total Liability Paid by District</u>
2016	\$ 75,008	\$ 345,534	\$ 22,516	\$ 443,058
2015	69,970	323,665	26,661	420,296
2014	74,170	326,100	6,807	407,077

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

For the year ended June 30, 2016, the District recognized pension expense of \$687,132. At June 30, 2016, the District reported a liability of \$11,568,450 for its proportionate share of the PERS net pension liability and deferred outflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 275,983	\$ -
Changes of assumptions	1,242,359	
Net Difference between projected and actual earnings on pension plan investments		185,998
Changes in proportion	87,603	401,007
District contributions subsequent to the measurement date	463,345	
Total	\$ 2,069,290	\$ 587,005

\$463,345 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net liability in the year ended June 30, 2016.

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

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

For the year ended:	Net Deferred Outflows of Resources
2016	\$ 130,503
2017	130,503
2018	130,503
2019	395,548
2020	231,883
Total	\$ 1,018,940

Additional Information

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

	6/30/2015	6/30/2014
Collective deferred outflows of resources	\$ 3,578,755,666	\$ 952,194,675
Collective deferred inflows of resources	\$ 993,410,455	\$ 1,479,224,662
Collective net pension liability	\$ 22,447,996,119	\$ 18,722,735,003
District's Proportion	.0515344434%	0509829395%

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

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

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

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

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

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

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

Discount rate. The discount rate used to measure the State's total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.8% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

	<u>1% Decrease (3.90%)</u>	<u>Current Discount Rate (4.90%)</u>	<u>1% Increase (5.90%)</u>
District's proportionate share of the net pension liability	\$ 14,378,168	\$ 11,568,450	\$ 9,212,803

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

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program is a cost-sharing multiple-employer defined contribution pension plan which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Divisions of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Year</u>	<u>Total Liability</u>	<u>Paid by District</u>
2016	\$ 7,997	\$ 7,997
2015	5,590	5,590
2014	5,071	5,071

10. POST-RETIREMENT BENEFITS

The School District contributes to the New Jersey State Health Benefits Program (SHBP), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established to provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

10. POST-RETIREMENT BENEFITS (Continued)

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The State establishes the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contribution to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the year ended June 30, 2016 was \$1,106,949 which equaled the required contributions. The State's contribution to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website.

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2016, the School District has recognized as revenues and expenditures \$929,644 of on-behalf payments made by the State of New Jersey for normal retirement costs related to TPAF and \$871,108 for employer's share of social security contributions for TPAF members, as calculated on their base salaries.

12. RISK MANAGEMENT

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

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

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

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

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

12. RISK MANAGEMENT (Continued)

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$	\$ 46,824	\$ 90	\$ 39,384	\$ 150,534
2014-2015		47,689	78	39,576	143,004
2013-2014		52,642	71	42,378	134,813
2012-2013		44,673	63	35,986	124,478
2011-2012	25,000	45,484	133	54,584	115,728

13. DEFERRED COMPENSATION

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

14. COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2016, the liability for compensated absences in the governmental and proprietary funds was \$1,757,144 and \$-0-, respectively.

15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various balance sheets as of June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 207,533	\$ 977
Special Revenue		177,145
Debt Service	977	5,000
Proprietary		5,000
Fiduciary	5,000	25,388
	<u>\$ 213,510</u>	<u>\$ 213,510</u>

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

16. CONTINGENCIES

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

At June 30, 2016, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

17. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$250,391 in the General Fund as of June 30, 2016 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability.

Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$250,391 is equal to or less than the June state aid payment.

18. DEFICIT UNRESTRICTED NET POSITION

As of June 30, 2016, a deficit of \$12,154,051 existed in the Unrestricted Net Position of the Governmental Activities. A reconciliation of Unreserved Fund Balance reported on Exhibit B-1 to Unrestricted Net Position reported on Exhibited A-1 as follows:

Balances June 30, 2016	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance – Unassigned	\$ (250,391)
Liabilities:	
Accrued Interest Payable	(60,351)
Net Pension Differences	(10,086,165)
Compensated Absences	<u>(1,757,144)</u>
Unrestricted Net Position (Deficit)	<u>\$ (12,154,051)</u>

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

19. FUND BALANCES

RESTRICTED

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

General Fund:

Excess Surplus – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund, fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is \$1,924,537 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$1,105,535 of excess fund balance generated during the 2014-2015 fiscal year has been restricted and designated for utilization in the 2016-2017 budget.

Capital Reserve – As of June 30, 2016, the balance in the capital reserve account is \$1,616,020. This amount is restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan.

Maintenance Reserve Account – As of June 30, 2016, the balance in the maintenance reserve account is \$1,650,000. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

Permanent Fund – As of June 30, 2016, the restricted fund balance amount was \$20,000 of which is restricted for future scholarships.

ASSIGNED

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

General Fund:

Other Purposes – At June 30, 2016 the School District has \$104,232 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

Designated for Subsequent Year's Expenditures – The School District has appropriated \$50,270 as anticipated revenue in the 2016-2017 budget.

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

19. FUND BALANCES

UNASSIGNED

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

General Fund – As of June 30, 2016, the fund balance of the general fund was a deficit of \$250,391. The deficit is a result of the delay in the recording of the payment of state aid until the following fiscal year (See Note 17).

Capital Projects Fund – As of June 30, 2016, the fund balance of the capital projects fund was \$6,086,731.

Debt Service Fund – As of June 30, 2016, the fund balance of the debt service fund was \$7,729.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 19,551,199	\$ -	\$ 19,551,199	\$19,551,199	\$ -
Tuition from other LEAs	130,319		130,319	239,397	109,078
Transportation fees from other LEAs	50,000		50,000	93,678	43,678
Interest earned on capital reserve funds				3,675	3,675
Unrestricted miscellaneous revenue	50,000		50,000	83,928	33,928
Other restricted miscellaneous revenue	232,946		232,946	170,658	(62,288)
Total local sources	20,014,464		20,014,464	20,142,535	128,071
State sources:					
School Choice Aid	718,977		718,977	718,977	
Categorical Special Education Aid	853,900		853,900	853,900	
Equalization Aid	94,719		94,719	94,719	
Categorical Security Aid	350,314		350,314	350,314	
Adjustment Aid	6,528,185		6,528,185	6,528,185	
Categorical Transportation Aid	1,189,089		1,189,089	1,189,089	
Additional non-public transportation aid				11,136	11,136
PARCC Readiness Aid	14,230		14,230	14,230	
Per Pupil Growth Aid	14,230		14,230	14,230	
Extraordinary aid				52,561	52,561
On-behalf TPAF Pension (non-budgeted)				929,644	929,644
On-behalf TPAF Post Retirement Medical contributions (non-budgeted)				1,106,949	1,106,949
Reimbursed TPAF social security contributions (non-budgeted)				871,108	871,108
Total state sources	9,763,644		9,763,644	12,735,042	2,971,398
Federal sources:					
Medicaid Assistance Program	18,833		18,833	39,972	21,139
Total federal sources	18,833		18,833	39,972	21,139
TOTAL REVENUES	29,796,941		29,796,941	32,917,549	3,120,608
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Grades 6-8	2,609,221	13,000	2,622,221	2,609,823	12,398
Grades 9-12	5,301,659	25,000	5,326,659	5,312,755	13,904
Total Instruction	7,910,880	38,000	7,948,880	7,922,578	26,302
Regular Programs - Home Instruction:					
Salaries of teachers	130,000	67,000	197,000	196,897	103
Total Home Instruction	130,000	67,000	197,000	196,897	103

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	\$ 686,070	\$ 30,000	\$ 716,070	\$ 715,696	\$ 374
Purchased professional - educ services	10,000	(10,000)			
Purchased technical services	34,000	(25,500)	8,500	8,419	81
Other purchased services	20,000	10,000	30,000	25,314	4,686
General supplies	427,000	(2,000)	425,000	350,531	74,469
Textbooks	77,000	(12,500)	64,500	53,015	11,485
Total Undistributed Instruction	<u>1,254,070</u>	<u>(10,000)</u>	<u>1,244,070</u>	<u>1,152,975</u>	<u>91,095</u>
Total - Regular Programs - Instruction	<u>9,294,950</u>	<u>95,000</u>	<u>9,389,950</u>	<u>9,272,450</u>	<u>117,500</u>
Special Educ Instruction: Multiple Disabilities					
Salaries of teachers		150,252	150,252	150,252	
Total Multiple Disabilities		<u>150,252</u>	<u>150,252</u>	<u>150,252</u>	
Special Educ Instruction: Res. Room/Res Center					
Salaries of teachers	2,153,624	(61,752)	2,091,872	1,941,469	150,403
Other salaries for instruction	88,270	(88,000)	270	270	270
Purchased professional - educ services	1,000	(500)	500	500	500
General supplies	35,000	2,500	37,500	36,081	1,419
Textbooks	3,500	(2,500)	1,000	1,000	1,000
Total Resource Room/Resource Center	<u>2,281,394</u>	<u>(150,252)</u>	<u>2,131,142</u>	<u>1,977,550</u>	<u>153,592</u>
Total Special Education - Instruction	<u>2,281,394</u>	<u></u>	<u>2,281,394</u>	<u>2,127,802</u>	<u>153,592</u>
Bilingual Education - Instruction					
Salaries of teachers	31,986		31,986	25,155	6,831
Total Bilingual Education - Instruction	<u>31,986</u>	<u></u>	<u>31,986</u>	<u>25,155</u>	<u>6,831</u>
Vocational Programs - Local - Instruction					
Salaries of teachers	30,000		30,000		30,000
Total Vocational Programs - Local - Instruction	<u>30,000</u>	<u></u>	<u>30,000</u>	<u></u>	<u>30,000</u>
School-Sponsored Cocurricular Act - Inst					
Salaries	172,934		172,934	168,723	4,211
Supplies and materials	27,000	(15,000)	12,000	6,861	5,139
Total School-Sponsored Cocurr. Act. - Inst	<u>199,934</u>	<u>(15,000)</u>	<u>184,934</u>	<u>175,584</u>	<u>9,350</u>
School-Sponsored Athletics - Inst.					
Salaries	430,435		430,435	414,776	15,659
Purchased services	20,000	(15,000)	5,000	350	4,650
Supplies and materials	75,000	53,000	128,000	109,025	18,975
Other objects	50,000	7,000	57,000	56,599	401
Transfers to cover deficit (agency funds)	35,000		35,000	35,000	
Total School-Sponsored Athletics - Inst	<u>610,435</u>	<u>45,000</u>	<u>655,435</u>	<u>615,750</u>	<u>39,685</u>

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Instructional Programs - Instruction					
Salaries	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ 5,000
Supplies and materials	5,000		5,000		5,000
Total Other Instructional Programs - Inst.	<u>10,000</u>		<u>10,000</u>		<u>10,000</u>
Undistributed Expenditures - Instruction					
Tuition to other LEAs within the state - regular	144,000		144,000	90,963	53,037
Tuition county voc. school dist. - regular	974,976		974,976	974,976	
Tuition county voc. school dist. - special	211,504		211,504	211,504	
Tuition to CSSD & reg. day schools	1,367,138	(14,000)	1,353,138	664,501	688,637
Tuition to priv. sch. for the disabled w/i state	435,838	(15,000)	420,838	266,339	154,499
Tuition - state facilities	132,383		132,383	132,383	
Tuition - other	10,000	25,200	35,200	29,441	5,759
Total Undistributed Expenditures - Instruction	<u>3,275,839</u>	<u>(3,800)</u>	<u>3,272,039</u>	<u>2,370,107</u>	<u>901,932</u>
Undistributed Expenditures - Attendance & Social Work					
Salaries	42,668		42,668	36,393	6,275
Other purchased services (400-500)	100		100		100
Supplies and materials	1,000		1,000		1,000
Total Undistributed Expenditures - Attendance & Soc.	<u>43,768</u>		<u>43,768</u>	<u>36,393</u>	<u>7,375</u>
Undistributed Expenditures - Health Services					
Salaries	169,179	32,100	201,279	201,212	67
Purchased Professional Technical Services	26,437	(1,500)	24,937	24,550	387
Other purchased services	3,000	(3,000)			
Supplies and materials	12,000	(7,600)	4,400	4,104	296
Total Undistributed Expenditures - Health Svcs.	<u>210,616</u>	<u>20,000</u>	<u>230,616</u>	<u>229,866</u>	<u>750</u>
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	52,227	35,000	87,227	20,842	66,385
Supplies and materials	100		100		100
Purchased Professional Technical Services		3,800	3,800	3,800	
Total Undst. Expend. - Speech, OT, PT & Related Services	<u>52,327</u>	<u>38,800</u>	<u>91,127</u>	<u>24,642</u>	<u>66,485</u>
Undist. Expend. - Guidance					
Salaries of other professional staff	508,597		508,597	377,036	131,561
Salaries of secretarial and clerical assistants	104,117		104,117	94,014	10,103
Other purchased prof. and tech. services	8,000		8,000		8,000
Supplies and materials	16,000		16,000	11,766	4,234
Total Undst. Expend. - Guidance	<u>636,714</u>		<u>636,714</u>	<u>482,816</u>	<u>153,898</u>
Undist. Expend. - Child Study Team					
Salaries of other professional staff	490,775	(30,000)	460,775	445,087	15,688
Salaries of secretarial and clerical assistants	83,709	(9,100)	74,609	18,591	56,018
Purchased professional - educ services	100,000	39,100	139,100	139,019	81
Supplies and materials	8,500	1,500	10,000	9,147	853
Other objects	2,500	(1,500)	1,000		1,000
Total Undst. Expend. - Child Study Team	<u>685,484</u>	<u>(30,000)</u>	<u>685,484</u>	<u>611,844</u>	<u>73,640</u>

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

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	\$ 247,013	\$ -	\$ 247,013	\$ 244,238	\$ 2,775
Salaries of secretarial and clerical assistants	63,810		63,810	63,810	
Total Undst. Expend. - Improvement of Instr. Services	310,823		310,823	308,048	2,775
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	259,413	2,000	261,413	186,972	74,441
Purchased professional and technical services	6,000	(2,000)	4,000	2,950	1,050
Supplies and materials	60,000		60,000	46,519	13,481
Total Undst. Expend. - Educ. Media Serv./Sch. Library	325,413		325,413	236,441	88,972
Undist. Expend. - Instructional Staff Training Services					
Salaries of supervisor of instruction		3,000	3,000	1,290	1,710
Purchased professional - educ services	15,000	(3,000)	12,000	4,521	7,479
Total Undst. Expend. - Instructional Staff Training Svcs.	15,000		15,000	5,811	9,189
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	226,385		226,385	213,803	12,582
Legal services	30,000		30,000	8,594	21,406
Audit Fee	30,000		30,000	29,000	1,000
Architectural/Engineering Fees	15,000		15,000	3,684	11,316
Purchased technical services	45,000	(7,400)	37,600	35,818	1,782
Communications / telephone	32,500	13,400	45,900	45,522	378
Misc. Purchased Services	161,001		161,001	146,503	14,498
General Supplies	32,000	(6,000)	26,000	7,644	18,356
BOE In-House Training/Meeting Supplies	1,500		1,500		1,500
Miscellaneous expenditures	35,000	2,300	37,300	35,954	1,346
BOE Membership Dues and Fees	30,000	(2,300)	27,700	27,512	188
Total Undst. Expend. - Supp. Serv. General Admin.	638,386		638,386	554,034	84,352
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	805,106	(15,000)	790,106	663,410	126,696
Salaries of secretarial and clerical assistants	278,418		278,418	276,360	2,058
Purchased professional and technical services	40,000		40,000	10,550	29,450
Supplies and materials	56,000	(6,000)	50,000	45,812	4,188
Other objects	18,000	21,000	39,000	27,683	11,317
Total Undst. Expend. - Supp. Serv. School Admin.	1,197,524		1,197,524	1,023,815	173,709
Undist. Expend. - Central Services					
Salaries	233,272	1,600	234,872	234,864	8
Purchased technical services	12,000	(1,600)	10,400	1,621	8,779
Supplies and materials	10,000		10,000		10,000
Miscellaneous expenditures	4,500		4,500		4,500
Total Undst. Expend. - Central Services	259,772		259,772	236,485	23,287
Undist. Expend. - Admin. Info. Tech.					
Purchased technical services	35,000	45,000	80,000	70,537	9,463
Supplies and materials	103,000	(45,000)	58,000		58,000
Total Undst. Expend. - Admin. Info. Tech.	138,000		138,000	70,537	67,463

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

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	\$ 240,661	\$ (22,000)	\$ 218,661	\$ 211,985	\$ 6,676
General supplies	510,000		510,000	396,173	113,827
Total Undst. Expend. - Required Maint. Sch. Facilities	750,661	(22,000)	728,661	608,158	120,503
Undist. Expend. - Custodial Services					
Salaries	797,917	32,000	829,917	829,445	472
Purchased professional & tech. services	15,000	(10,000)	5,000		5,000
Lease purchase pymts-energy savings impr prog	335,383		335,383	335,383	
Other purchased property services	550,000		550,000	428,138	121,862
Insurance	104,557		104,557	104,025	532
General supplies	150,000		150,000	60,124	89,876
Energy (Electricity)	25,000		25,000	23,586	1,414
Other objects	5,000		5,000	1,559	3,441
Total Undst. Expend. - Custodial Services	1,982,857	22,000	2,004,857	1,782,260	222,597
Undist. Expend. - Care and Upkeep of Grounds					
Salaries	155,121		155,121	136,246	18,875
General supplies	10,000		10,000		10,000
Total Undst. Expend. - Care and Upkeep of Grounds	165,121		165,121	136,246	28,875
Undist. Expend. - Security					
Salaries	102,047		102,047	67,294	34,753
Purchased professional & tech. services	130,000		130,000	111,005	18,995
Total Undst. Expend. - Security	232,047		232,047	178,299	53,748
Total Undst. Expend. - Oper. & Maint. of Plant Services	3,130,686		3,130,686	2,704,963	425,723
Undist. Expend. - Student Transportation Services					
Salaries for pupil trans. (bet home & sch) - regular	649,431	101,000	750,431	749,968	463
Salaries for pupil trans. (bet home & sch) - spec ed.	323,799	(101,000)	222,799	176,425	46,374
Salaries for pupil trans. (other than bet home & sch)	50,000		50,000		50,000
Other purchased professional and technical services	4,000		4,000		4,000
Cleaning, repair, and maintenance services	113,553	600	114,153	114,093	60
Aide in Lieu - NonPublic Students	3,000	(600)	2,400	1,768	632
Aide in Lieu - Charter Schools		2,000	2,000	1,768	232
Contr. serv. (bet. home & sch.) - vendors	15,000	10,000	25,000	21,212	3,788
Contr. serv. (sp ed stds) - vendors	55,000	(12,000)	43,000	27,858	15,142
Miscellaneous purchased services - transportation	39,223		39,223	39,023	200
Supplies and materials	335,000		335,000	207,441	127,559
Other objects	2,000		2,000		2,000
Total Undst. Expend. - Student Transportation Services	1,590,006		1,590,006	1,339,556	250,450

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated Benefits - Employee Benefits					
Social security contributions	\$ 465,000	\$ -	\$ 465,000	\$ 417,483	\$ 47,517
Other retirement contributions - PERS	480,000		480,000	454,434	25,566
Unemployment compensation	30,000		30,000		30,000
Health benefits	3,665,496	(184,612)	3,480,884	3,122,928	357,956
Tuition reimbursement	50,000		50,000	20,774	29,226
Other employee benefits	251,247		251,247	249,214	2,033
Unused sick payments to terminated/retired staff	183,402	(50,000)	133,402	93,687	39,715
Total Unallocated Benefits - Employee Benefits	<u>5,125,145</u>	<u>(234,612)</u>	<u>4,890,533</u>	<u>4,358,520</u>	<u>532,013</u>
On-behalf TPAF NCGI pension contributions (non-budgeted)				929,644	(929,644)
On-behalf TPAF Post Retirement Medical contributions (non-budgeted)				1,106,949	(1,106,949)
Reimbursed TPAF social security contributions (non-bud.)				871,108	(871,108)
Total Undistributed Expenditures - TPAF				<u>2,907,701</u>	<u>(2,907,701)</u>
Total Undistributed Expenditures	<u>17,635,503</u>	<u>(179,612)</u>	<u>17,455,891</u>	<u>17,501,579</u>	<u>(45,688)</u>
Total General Current Expense	<u>30,094,202</u>	<u>(54,612)</u>	<u>30,039,590</u>	<u>29,718,320</u>	<u>321,270</u>
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Regular Program Grade 9 - 12		4,000	4,000	3,937	63
Undist. expenditures - instruction	85,000		85,000	43,326	41,674
Undist. expenditures - admin info tech	127,000	(127,000)			
Undist. expenditures - required maint for school fac	138,500	(138,500)			
Undist. expenditures - care and upkeep of grounds	48,000	(48,000)			
Undist. expenditures - security	97,500	(97,500)			
Undist. expenditures - student trans-non-inst equip	18,000	(18,000)			
School buses - regular	444,466		444,466	279,846	164,620
Undist. Expenditures - non-inst serv	17,000	425,000	442,000	86,414	355,586
Total Equipment	<u>975,466</u>		<u>975,466</u>	<u>413,523</u>	<u>561,943</u>
Facilities acquisition and construction services:					
SDA Assessment	58,848		58,848	58,848	
Total Facilities acquisition and construction services	<u>58,848</u>		<u>58,848</u>	<u>58,848</u>	
Assets acquired under capital leases (non-budgeted):					
Instructional Equipment				96,999	(96,999)
Total Facilities Acquisition and Construction Services				<u>96,999</u>	<u>(96,999)</u>
Total Capital Outlay	<u>1,034,314</u>		<u>1,034,314</u>	<u>569,370</u>	<u>464,944</u>
Transfer of funds to charter schools	42,094		42,094	23,644	18,450
Total Expenditures	<u>\$ 31,170,610</u>	<u>\$ (54,612)</u>	<u>\$ 31,115,998</u>	<u>\$ 30,311,334</u>	<u>\$ 804,664</u>

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>\$ (1,373,669)</u>	<u>\$ 54,612</u>	<u>\$ (1,319,057)</u>	<u>\$ 2,606,215</u>	<u>\$ 3,925,272</u>
Other Financing Sources (Uses):					
Proceeds of Capital Leases				96,999	96,999
Operating transfer out - Enterprise Fund	<u>(150,000)</u>	<u>(54,612)</u>	<u>(204,612)</u>	<u>(204,612)</u>	
Total Other Financing Sources	<u>(150,000)</u>	<u>(54,612)</u>	<u>(204,612)</u>	<u>(107,613)</u>	<u>96,999</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(1,523,669)		(1,523,669)	2,498,602	4,022,271
Fund Balance, July 1	<u>4,561,822</u>		<u>4,561,822</u>	<u>4,561,822</u>	
Fund Balance, June 30	<u>\$ 3,038,153</u>	<u>\$ -</u>	<u>\$ 3,038,153</u>	<u>\$ 7,060,424</u>	<u>\$ 4,022,271</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Excess Surplus				\$ 1,924,537	
Excess Surplus - Designated for Subsequent Years Expenditures				1,105,535	
Capital Reserve				1,616,020	
Maintenance Reserve Account				1,650,000	
Assigned Fund Balance					
Year-end Encumbrances				104,232	
Designated for Subsequent Years Expenditures				50,270	
Unassigned Fund Balance				<u>609,830</u>	
				7,060,424	
Last State Aid Payment not Recognized on a GAAP Basis				<u>(860,221)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 6,200,203</u>	

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

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
REVENUES:					
Local sources					
State sources					
Federal sources	\$ 633,982	\$ 264,116	\$ 898,098	\$ 888,040	\$ 10,058
Total revenues	<u>633,982</u>	<u>264,116</u>	<u>898,098</u>	<u>888,040</u>	<u>10,058</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	272,952	9,532	282,484	278,050	4,434
Purchased professional - tech. services	56,978	(53,176)	3,802	3,802	
Other purchased services					
Tuition	304,052	120,380	424,432	424,432	
General supplies		65,826	65,826	65,826	
Total instruction	<u>633,982</u>	<u>142,562</u>	<u>776,544</u>	<u>772,110</u>	<u>4,434</u>
Support services:					
Other salaries		38,003	38,003	37,731	272
Personal services - employee benefits		73,932	73,932	71,032	2,900
Other purchased professional and technical services		629	629	60	569
Supplies and materials		2,773	2,773	890	1,883
Total support services		<u>115,337</u>	<u>115,337</u>	<u>109,713</u>	<u>5,624</u>
Facilities acquisition and construction services:					
Instructional equipment		6,217	6,217	6,217	
Total facilities acq. and const. services		<u>6,217</u>	<u>6,217</u>	<u>6,217</u>	
Total expenditures	<u>633,982</u>	<u>264,116</u>	<u>898,098</u>	<u>888,040</u>	<u>10,058</u>
Total outflows	<u>633,982</u>	<u>264,116</u>	<u>898,098</u>	<u>888,040</u>	<u>10,058</u>
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)					

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 32,917,549	\$ 888,040
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	826,384	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(860,221)</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 32,883,712</u>	<u>\$ 888,040</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 30,311,334	\$ 888,040
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 30,311,334</u>	<u>\$ 888,040</u>

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

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

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0515344434%	0.0509829395%	0.0540262820%
District's proportionate share of the net pension liability (asset)	\$ 11,568,450	\$ 9,545,401	\$ 10,325,496
District's covered-employee payroll	3,044,487	3,510,447	3,503,440
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	379.98%	271.91%	294.72%
Plan fiduciary net position as a percentage of the total pension liability	38.21%	42.74%	40.71%

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

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

	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 463,345	\$ 443,058	\$ 420,296
Contributions in relation to the contractually required contributions	<u>(463,345)</u>	<u>(443,058)</u>	<u>(420,296)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	3,044,487	3,510,447	3,503,440
Contributions as a percentage of covered-employee payroll	15.22%	12.62%	12.00%

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

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

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.1140028253%	0.1182919999%	0.1192847401%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 72,054,654	\$ 63,223,224	\$ 60,285,569
Total	\$ 72,054,654	\$ 63,223,224	\$ 60,285,569
District's covered-employee payroll	11,902,621	11,300,558	11,278,002
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%

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

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

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

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

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

1. Public Employees' Retirement System (PERS)

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

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

Other Supplementary Information

Special Revenue Fund
Detail Statements

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

	No Child Left Behind (N.C.L.B.)				Totals
	Title I Current Yr.	Title II - Part A Current Yr.	IDEA Basic Current Yr.	Carl Perkins Grant	
REVENUES:					
State sources					
Federal sources	\$ 323,530	\$ 72,064	\$ 424,432	\$ 68,014	\$ 888,040
Local sources					
Total Revenues	<u>323,530</u>	<u>72,064</u>	<u>424,432</u>	<u>68,014</u>	<u>888,040</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	216,109	57,679		4,262	278,050
Purchase professional and technical services				3,802	3,802
General supplies	12,659			53,167	65,826
Tuition			424,432		424,432
Total instruction	<u>228,768</u>	<u>57,679</u>	<u>424,432</u>	<u>61,231</u>	<u>772,110</u>
Support services:					
Other salaries	37,731				37,731
Personal services-employee benefits	56,321	14,385		326	71,032
Other purchased professional and technical serv.	60				60
Purchase professional and technical services					
Supplies and materials	650			240	890
Total support services	<u>94,762</u>	<u>14,385</u>		<u>566</u>	<u>109,713</u>
Facilities acquisition and const. serv.:					
Instructional equipment				6,217	6,217
Total facilities acquisition and const. serv.:				<u>6,217</u>	<u>6,217</u>
Total Expenditures	<u>323,530</u>	<u>72,064</u>	<u>424,432</u>	<u>68,014</u>	<u>888,040</u>
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Projects Fund
Detail Statements

**LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Capital Projects Fund
Summary Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year ended June 30, 2016**

Revenues and Other Financing Sources:	
Proceeds of Serial Bonds	\$ 6,367,000
Interest earned on investments	977
Total revenues and other financing sources	6,367,977
 Expenditures and Other Financing (Uses):	
Purchased professional services	\$ 229,759
Construction services	50,510
Equipment	
Other Objects	
Transfer to Debt Service Fund	977
Total expenditures and other financing (uses)	281,246
Excess (deficiency) or revenues over (under) expenditures	6,086,731
Fund Balance - July 1, 2015	
Fund Balance - June 30, 2016	\$ 6,086,731

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Capital Projects Fund
Statement of Project Revenues, Expenditures, Project Balance,
and Project Status - Budgetary Basis
Construction and Various Improvements to the District's Facilities
From Inception and for the Fiscal Year ended June 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources:				
Bond proceeds	\$ -	\$ 6,367,000	\$ 6,367,000	\$ 6,367,000
Total revenues	<u>-</u>	<u>6,367,000</u>	<u>6,367,000</u>	<u>6,367,000</u>
Expenditures and Other Financing Uses:				
Purchased professional services	\$ -	\$ 229,759	\$ 229,759	\$ 229,759
Construction services		50,510	50,510	50,510
Equipment			-	-
Other Objects			-	-
	<u>-</u>	<u>280,269</u>	<u>280,269</u>	<u>280,269</u>
Excess (deficiency) or revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 6,086,731</u>	<u>\$ 6,086,731</u>	<u>\$ 6,086,731</u>
Additional project information:				
Bond Authorization Date	01/26/16			
Bonds Authorized	\$ 6,367,963			
Bonds Issued	\$ 6,367,963			
Original Authorized Cost	\$ 6,367,963			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 6,367,963			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completion	10.00%			
Original target completion date	07/31/17			
Revised target completion date	N/A			

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Capital Projects Fund
 Summary Statement of Project Expenditures
 Year Ended June 30, 2016

<u>Issue/Project Title</u>	<u>Date Authorized</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Cancelled</u>	<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>		
Various Improvements to School Facilities	1/26/2016	\$ 6,367,000		\$ 280,269		\$ 6,086,731
		<u>\$ 6,367,000</u>		<u>\$ 280,269</u>		<u>\$ 6,086,731</u>

Proprietary Funds
Detail Statements

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

	Total
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 31,274
Accounts receivable:	
State	264
Federal	18,906
Other	215
Inventories	11,176
Total current assets	61,835
Fixed assets:	
Equipment	176,360
Less Accumulated depreciation	(153,331)
Total fixed assets	23,029
Total assets	\$ 84,864
LIABILITIES:	
Current liabilities:	
Interfund payable	\$ 5,000
Unearned revenue	6,259
Total current liabilities	11,259
NET POSITION:	
Net investment in capital assets	23,029
Unrestricted	50,576
Total net position	\$ 73,605

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Enterprise Funds

Statement of Revenues, Expenses and Changes in Fund Net Position
for the Fiscal Year ended June 30, 2016

	Total
OPERATING REVENUES:	
Local sources:	
Daily sales-reimbursable programs:	
School lunch program	\$ 139,569
Total-daily sales-reimbursable programs	139,569
Daily sales non-reimbursable programs:	
Adult and AlaCarte meals	204,652
Total operating revenue	344,221
OPERATING EXPENSES:	
Salaries	410,509
Employee benefits	204,612
Supplies and materials	5,074
Depreciation	3,342
Cost of sales - reimbursable programs	131,710
Cost of sales - nonreimbursable programs	193,128
Miscellaneous	4,863
Total operating expenses	953,238
Operating income (loss)	(609,017)
Non-operating revenues:	
State sources:	
State school lunch program	6,013
Federal sources:	
National school lunch program	251,488
National school breakfast program	121,255
U.S.D.A. commodities	50,564
Operating transfer in	204,612
Interest revenue	25
Total non-operating revenues	633,957
Change in net position	24,940
Total net position - July 1	48,665
Total net position - June 30	\$ 73,605

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

	Total
Cash flows from operating activities:	
Cash receipts from customers	\$ 343,749
Cash payments to employees for services	(615,121)
Cash payments to suppliers for goods and services	(289,440)
Net cash used by operating activities	(560,812)
Cash flows from noncapital financing activities:	
Board contribution	204,612
Cash received from state and federal reimbursements	381,576
Net cash provided by noncapital financing activities	586,188
Cash flows from capital financing activities:	
Purchases of fixed assets	(2,176)
Net cash used by capital financing activities	(2,176)
Cash flows from investing activities:	
Interest on investments	25
Net cash provided by investing activities	25
Net increase (decrease) in cash and cash equivalents	23,225
Cash and cash equivalents, July 1	8,049
Cash and cash equivalents, June 30	\$ 31,274
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (609,017)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	3,342
Federal commodities	50,564
Change in assets and liabilities:	
(Increase)/decrease in inventory	(5,229)
(Increase)/decrease in accounts receivable	695
Increase/(decrease) in unearned revenue	(1,167)
Net cash used by operating activities	\$ (560,812)

Fiduciary Funds
Detail Statements

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

	Agency Funds		Private Purpose Trust Fund	Unemployment Compensation Insurance Trust	Total
	Student Activity	Payroll	Scholarship Funds		
ASSETS:					
Cash and cash equivalents	\$ 222,117	\$ 25,718	\$ 52,476	\$ 163,899	\$ 464,210
Interfund receivable			5,000		5,000
TOTAL ASSETS	\$ 222,117	\$ 25,718	\$ 57,476	\$ 163,899	\$ 469,210
LIABILITIES:					
Accounts payable				13,365	13,365
Payroll deductions and withholdings					-
Due to teachers' association		330			330
Interfund payable		25,388			25,388
Due to student groups	222,117				222,117
Total liabilities	222,117	25,718	---	13,365	261,200
NET POSITION:					
Restricted for:					
Unemployment claims				150,534	150,534
Scholarship payments			57,476		57,476
Total net position	\$ -	\$ -	\$ 57,476	\$ 150,534	\$ 208,010

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

	Private Purpose Trust Fund Scholarship Funds	Unemployment Compensation Insurance Trust Fund	Total
REVENUES:			
Local sources:			
Employee withholdings	\$ -	\$ 46,824	\$ 46,824
Other Contributions	26		26
Interest on Investments	1	90	91
Total Revenues	27	46,914	46,941
EXPENDITURES:			
Current Expense:			
Undistributed Expenditures:			
Unemployment claims		39,384	39,384
Scholarship payments	2,000		2,000
Total Expenditures	2,000	39,384	41,384
Change in net position	(1,973)	7,530	5,557
Total net position - July 1	59,449	143,004	202,453
Total net position - June 30	\$ 57,476	\$ 150,534	\$ 208,010

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u> <u>June 30, 2016</u>	<u>Balance</u> <u>June 30, 2016</u>
JUNIOR/SENIOR HIGH SCHOOLS:					
Lower Cape May Regional:					
Activities	\$ 195,950	\$ 382,191	\$ 357,785	\$ -	\$ 220,356
Athletic	<u>3,768</u>	<u>59,918</u>	<u>61,925</u>	<u>-</u>	<u>1,761</u>
Total	<u>\$ 199,718</u>	<u>\$ 442,109</u>	<u>\$ 419,710</u>	<u>\$ -</u>	<u>\$ 222,117</u>

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
ASSETS:				
Cash and cash equivalents	\$ 25,705	\$ 18,318,757	\$ 18,318,744	\$ 25,718
Total assets	\$ 25,705	\$ 18,318,757	\$ 18,318,744	\$ 25,718
LIABILITIES:				
Payroll deductions and withholdings	\$ 17,424	\$ 7,650,013	\$ 7,667,437	\$ -
Net payroll		10,651,128	10,651,128	
Due to teachers' association	330			330
Interfund payable	7,951	17,616	179	25,388
Total liabilities	\$ 25,705	\$ 18,318,757	\$ 18,318,744	\$ 25,718

Long-Term Debt Schedules

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Serial Bonds
 June 30, 2016

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
			Date	Amount					
Refunding Bonds	10/15/2009	7,215,000	06/01/2017	\$ 600,000	4.00%	\$ 4,695,000	\$ -	\$ 600,000	\$ 4,095,000
			06/01/2018	645,000	4.00%				
			06/01/2019	665,000	4.00%				
			06/01/2020	735,000	4.00%				
			06/01/2021	730,000	4.00%				
			06/01/2022	720,000	4.00%				
School Bonds	3/15/2016	6,367,000	03/01/2018	200,000	2.00%		6,367,000		6,367,000
			03/01/2019	200,000	2.00%				
			03/01/2020	200,000	2.00%				
			03/01/2021	200,000	2.00%				
			03/01/2022	200,000	2.00%				
			03/01/2023	400,000	2.00%				
			03/01/2024	400,000	2.00%				
			03/01/2025	400,000	2.00%				
			03/01/2026	400,000	2.50%				
			03/01/2027	400,000	3.00%				
			03/01/2028	400,000	3.00%				
			03/01/2029	400,000	3.00%				
			03/01/2030	400,000	3.00%				
			03/01/2031	400,000	3.00%				
			03/01/2032	400,000	3.00%				
			03/01/2033	400,000	3.00%				
			03/01/2034	400,000	3.00%				
03/01/2035	350,000	3.00%							
03/01/2036	217,000	3.00%							
Total						\$ 4,695,000	\$ 6,367,000	\$ 600,000	\$ 10,462,000

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Obligations Under Capital Leases
 June 30, 2016

Series	Interest Rate Payable	Amount of Original Issue	Amount Outstanding July 1, 2015	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2016
Energy Program	2.33%	\$ 2,931,725	\$ 2,931,725	\$ -	\$ 267,074	\$ 2,664,651
Dell Computers	1.98%	200,000	148,506		48,553	99,953
Dell Chromebooks	1.98%	200,000		96,999	33,995	63,004
			<u>\$ 3,080,231</u>	<u>\$ 96,999</u>	<u>\$ 349,622</u>	<u>\$ 2,827,608</u>

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 787,800	\$ -	\$ 787,800	\$ 787,800	\$ -
Total revenues - local sources	<u>787,800</u>	<u>-</u>	<u>787,800</u>	<u>787,800</u>	<u>-</u>
State sources:					
Debt service aid type II	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues - state sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>787,800</u>	<u>-</u>	<u>787,800</u>	<u>787,800</u>	<u>-</u>
EXPENDITURES:					
Regular debt service:					
Interest	187,800		187,800	187,800	-
Redemption of principal	<u>600,000</u>		<u>600,000</u>	<u>600,000</u>	<u>-</u>
Total Expenditures	<u>787,800</u>		<u>787,800</u>	<u>787,800</u>	<u>-</u>
Excess (Deficiency) of revenues over (under) expenditures				-	-
Other Financing Sources (Uses):					
Operating transfer in				977	977
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>977</u>	<u>977</u>
Excess (Deficiency) of revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)				977	977
Fund Balances, July 1	<u>6,752</u>		<u>6,752</u>	<u>6,752</u>	
Fund Balances, June 30	<u>\$ 6,752</u>		<u>\$ 6,752</u>	<u>\$ 7,729</u>	<u>\$ 977</u>
Recapitulation of Excess (Deficiency) or revenues over (under) expenditures					
Budgeted Fund Balance	<u>\$ -</u>		<u>\$ -</u>	<u>\$ 977</u>	<u>\$ 977</u>

Statistical Section

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

Exhibit J-1

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$ 10,399,170	\$ 10,434,446	\$ 10,542,318	\$ 11,364,603	\$ 11,495,947	\$ 12,182,168	\$ 12,766,618	\$ 12,131,485	\$ 9,628,492	\$ 3,689,154
Restricted for:										
Capital projects	404,960	11,617	11,704	11,764	11,824	21,919	11,979	112,039	612,345	7,702,751
Special revenue	(76,589)	(91,239)	-	-	-	-	-	-	-	-
Debt service	11,392	397,651	226,175	265,456	268,362	267,368	267,367	-	6,752	7,729
Other purposes	1,301,106	1,144,627	900,670	566,181	622,639	2,080,378	2,038,004	2,306,454	3,332,159	4,854,574
Unrestricted	(1,493,847)	(1,716,588)	(1,813,362)	(1,824,797)	(1,486,090)	(1,622,792)	(1,795,299)	(1,716,489)	(11,833,999)	(12,154,051)
Total governmental activities net position	\$ 10,546,192	\$ 10,180,514	\$ 9,867,505	\$ 10,383,207	\$ 10,912,682	\$ 12,929,041	\$ 13,288,669	\$ 12,833,489	\$ 1,745,749	\$ 4,100,157
Business-type activities:										
Net investment in capital assets	\$ 44,780	\$ 56,034	\$ 49,059	\$ 44,048	\$ 38,089	\$ 32,836	\$ 27,583	\$ 27,559	\$ 24,195	\$ 23,029
Unrestricted	31,825	17,888	37,078	21,527	13,933	58,563	50,154	36,459	24,470	50,576
Total business-type activities net position	\$ 76,605	\$ 73,922	\$ 86,137	\$ 65,575	\$ 52,022	\$ 91,399	\$ 77,737	\$ 64,018	\$ 48,665	\$ 73,605
District-wide:										
Net investment in capital assets	\$ 10,443,950	\$ 10,490,480	\$ 10,591,377	\$ 11,408,651	\$ 11,534,036	\$ 12,215,004	\$ 12,794,201	\$ 12,159,044	\$ 9,652,687	\$ 3,712,183
Restricted:										
Capital projects	404,960	11,617	11,704	11,764	11,824	21,919	11,979	112,039	612,345	7,702,751
Special revenue	(76,589)	(91,239)	-	-	-	-	-	-	-	-
Debt service	11,392	397,651	226,175	265,456	268,362	267,368	267,367	-	6,752	7,729
Other purposes	1,301,106	1,144,627	900,670	566,181	622,639	2,080,378	2,038,004	2,306,454	3,332,159	4,854,574
Unrestricted	(1,462,022)	(1,698,700)	(1,776,284)	(1,803,270)	(1,472,157)	(1,584,229)	(1,745,145)	(1,580,030)	(11,809,529)	(12,103,475)
Total district net position	\$ 10,622,797	\$ 10,254,436	\$ 9,953,642	\$ 10,448,782	\$ 10,964,704	\$ 13,020,440	\$ 13,366,406	\$ 12,897,507	\$ 1,794,414	\$ 4,173,762

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

Exhibit J-2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 10,212,659	\$ 10,786,022	\$ 10,340,318	\$ 10,213,080	\$ 10,002,765	\$ 9,542,650	\$ 9,840,839	\$ 10,549,770	\$ 10,012,727	\$ 10,096,876
Special education	2,337,351	2,561,306	2,881,673	2,956,499	3,409,275	2,846,667	2,174,703	2,573,801	2,578,098	2,552,234
Other instruction	640,461	679,185	749,364	827,748	703,005	802,021	807,053	805,687	812,076	816,489
Support Services:										
Tuition	2,517,262	2,650,051	2,905,570	2,816,501	2,253,954	2,023,446	2,903,704	2,708,703	3,038,667	2,370,107
Student & instruction related services	1,982,729	2,069,659	2,302,930	2,240,724	2,249,542	2,330,130	2,139,842	2,094,724	2,101,476	2,045,574
School administrative services	870,868	907,368	916,903	971,450	975,310	908,336	1,000,202	1,277,459	966,060	1,125,975
General and business administrative services	916,194	993,832	1,073,802	893,075	1,085,092	954,278	888,459	880,749	968,094	861,056
Plant operations and maintenance	2,375,248	2,513,071	2,224,952	2,675,579	2,494,661	2,736,751	3,073,300	3,229,918	5,795,676	3,023,197
Pupil transportation	1,210,771	1,277,827	1,295,841	1,248,046	1,321,877	1,393,584	1,490,083	1,503,109	1,376,761	1,339,556
Business and other support services										
Unallocated employee benefits	5,844,789	5,812,286	4,735,922	5,254,751	5,410,186	5,999,682	6,948,499	6,549,029	6,768,916	7,480,247
Special schools	29,334	20,866	4,660	2,421	19,225	25,022	60,441	41,664	32,644	23,644
Charter schools	8,950	-	15,925	-	-	-	-	-	-	-
Interest on long-term debt	604,952	545,536	555,632	335,461	381,877	328,873	282,100	232,748	209,409	232,501
Unallocated depreciation	67,128	69,035	96,914	29,206	139,056	51,682	29,763	88,007	31,733	34,053
Total governmental activities expenses	<u>29,618,696</u>	<u>30,886,044</u>	<u>30,100,606</u>	<u>30,464,541</u>	<u>30,445,825</u>	<u>29,943,122</u>	<u>31,638,988</u>	<u>32,535,368</u>	<u>34,692,337</u>	<u>32,001,509</u>
Business-type activities:										
Food service										
	1,083,694	1,101,589	1,099,231	1,078,894	1,021,039	979,085	971,152	966,178	964,123	953,238
Total business-type activities expense	<u>1,083,694</u>	<u>1,101,589</u>	<u>1,099,231</u>	<u>1,078,894</u>	<u>1,021,039</u>	<u>979,085</u>	<u>971,152</u>	<u>966,178</u>	<u>964,123</u>	<u>953,238</u>
Total district expenses	<u>\$ 30,702,390</u>	<u>\$ 31,987,633</u>	<u>\$ 31,199,837</u>	<u>\$ 31,543,435</u>	<u>\$ 31,466,864</u>	<u>\$ 30,922,207</u>	<u>\$ 32,610,140</u>	<u>\$ 33,501,546</u>	<u>\$ 35,656,460</u>	<u>\$ 32,954,747</u>
Program Revenues:										
Governmental activities:										
Operating grants and contributions										
	\$ 4,918,702	\$ 5,298,181	\$ 2,764,272	\$ 3,106,174	\$ 3,099,000	\$ 2,983,149	\$ 3,568,375	\$ 3,224,843	\$ 3,366,499	\$ 3,795,741
Total governmental activities program revenues	<u>4,918,702</u>	<u>5,298,181</u>	<u>2,764,272</u>	<u>3,106,174</u>	<u>3,099,000</u>	<u>2,983,149</u>	<u>3,568,375</u>	<u>3,224,843</u>	<u>3,366,499</u>	<u>3,795,741</u>

(Continued)

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

Exhibit J-2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services:										
Food service	\$ 480,980	\$ 462,674	\$ 462,692	\$ 474,616	\$ 443,652	\$ 453,884	\$ 408,018	\$ 385,247	\$ 366,411	\$ 344,221
Operating grants and contributions	429,264	444,702	507,187	408,454	370,726	399,491	361,430	401,359	398,183	429,320
Capital grants and contributions										
Total business type activities program revenues	<u>910,244</u>	<u>907,376</u>	<u>969,879</u>	<u>883,070</u>	<u>814,378</u>	<u>853,375</u>	<u>769,448</u>	<u>786,606</u>	<u>764,594</u>	<u>773,541</u>
Total district program revenues	<u>\$ 5,828,946</u>	<u>\$ 6,205,557</u>	<u>\$ 3,734,151</u>	<u>\$ 3,989,244</u>	<u>\$ 3,913,378</u>	<u>\$ 3,836,524</u>	<u>\$ 4,337,823</u>	<u>\$ 4,011,449</u>	<u>\$ 4,131,093</u>	<u>\$ 4,569,282</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (24,699,994)	\$ (25,587,863)	\$ (27,336,334)	\$ (27,358,367)	\$ (27,346,825)	\$ (26,959,973)	\$ (28,070,613)	\$ (29,310,525)	\$ (31,325,838)	\$ (28,205,768)
Business-type activities	(173,450)	(194,213)	(129,352)	(195,824)	(206,661)	(125,710)	(201,704)	(179,572)	(199,529)	(179,697)
Total district-wide net expense	<u>\$ (24,873,444)</u>	<u>\$ (25,782,076)</u>	<u>\$ (27,465,686)</u>	<u>\$ (27,554,191)</u>	<u>\$ (27,553,486)</u>	<u>\$ (27,085,683)</u>	<u>\$ (28,272,317)</u>	<u>\$ (29,490,097)</u>	<u>\$ (31,525,367)</u>	<u>\$ (28,385,465)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 15,107,882	\$ 15,497,072	\$ 16,116,955	\$ 16,761,633	\$ 17,432,098	\$ 17,780,740	\$ 18,136,355	\$ 18,499,082	\$ 19,167,844	\$ 19,551,199
Taxes levied for debt service	1,391,106	1,400,984	1,212,021	1,401,784	1,427,947	1,418,460	1,256,338	961,534	1,088,238	787,800
Unrestricted grants and contributions	7,904,209	8,117,950	9,614,151	9,721,599	8,977,954	9,730,774	9,135,635	9,415,816	9,758,588	9,833,476
Miscellaneous income	469,511	373,179	221,358	164,053	231,301	211,358	179,700	144,723	325,987	592,313
Transfers	(161,000)	(167,000)	(141,160)	(175,000)	(193,000)	(185,000)	(188,000)	(165,810)	(184,140)	(204,612)
Total governmental activities	<u>24,711,708</u>	<u>25,222,185</u>	<u>27,023,325</u>	<u>27,874,069</u>	<u>27,876,300</u>	<u>28,976,332</u>	<u>28,520,028</u>	<u>28,855,345</u>	<u>30,156,517</u>	<u>30,560,176</u>
Business-type activities:										
Investment earnings	1,517	24,530	407	262	108	87	42	43	36	25
Miscellaneous income	-	-	-	-	-	-	-	-	-	-
Transfers	161,000	167,000	141,160	175,000	193,000	165,000	188,000	165,810	184,140	204,612
Total business-type activities	<u>162,517</u>	<u>191,530</u>	<u>141,567</u>	<u>175,262</u>	<u>193,108</u>	<u>165,087</u>	<u>188,042</u>	<u>165,853</u>	<u>184,176</u>	<u>204,637</u>
Total district-wide	<u>\$ 24,874,225</u>	<u>\$ 25,413,715</u>	<u>\$ 27,164,892</u>	<u>\$ 28,049,331</u>	<u>\$ 28,069,408</u>	<u>\$ 29,141,419</u>	<u>\$ 28,708,070</u>	<u>\$ 29,021,198</u>	<u>\$ 30,340,693</u>	<u>\$ 30,764,813</u>
Change in Net Position:										
Governmental activities	\$ 11,714	\$ (365,678)	\$ (313,009)	\$ 515,702	\$ 529,475	\$ 2,016,359	\$ 449,415	\$ (455,180)	\$ (1,169,321)	\$ 2,354,408
Business-type activities	(10,933)	(2,683)	12,215	(20,562)	(13,553)	39,377	(13,662)	(13,719)	(15,353)	24,940
Total district-wide	<u>\$ 781</u>	<u>\$ (368,361)</u>	<u>\$ (300,794)</u>	<u>\$ 495,140</u>	<u>\$ 515,922</u>	<u>\$ 2,055,736</u>	<u>\$ 435,753</u>	<u>\$ (468,899)</u>	<u>\$ (1,184,674)</u>	<u>\$ 2,379,348</u>

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

Exhibit J-3

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved for:										
Encumbrances	\$ 1,512	\$ -	\$ -	\$ -	\$ 79,120	\$ 226,887	\$ 266,056	\$ 169,085	\$ 170,466	\$ 104,232
Capital reserve	11,392	11,617	11,704	11,764	11,824	21,919	11,979	112,039	612,345	1,616,020
Maintenance reserve						50,000	50,000	150,000	650,000	1,650,000
Legally restricted										
Excess surplus	1,229,594	805,547	795,670	532,959	523,519	983,233	706,423	1,215,680	1,105,535	1,924,537
Designated for Subsequent Years Expd.						800,258	995,525	751,689	1,386,158	1,155,805
Unreserved	247,919	489,739	(212,370)	(442,194)	(204,434)	(253,207)	(139,121)	(86,782)	(189,066)	(250,391)
Total general fund	\$ 1,490,417	\$ 1,306,903	\$ 595,004	\$ 102,529	\$ 410,029	\$ 1,829,090	\$ 1,890,862	\$ 2,311,711	\$ 3,735,438	\$ 6,200,203
All Other Governmental Funds										
Reserved:										
Encumbrances										
Debt service reserve	\$ 267,363	\$ 267,363	\$ 267,363	\$ 267,363	\$ 267,363	\$ 267,363	\$ 267,367	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund	(76,589)	(91,239)	-	-	-	-	-	-	-	-
Capital projects fund										6,086,731
Permanent fund	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Debt service fund	201,203	200,585	27,610	52,364	45,203	5	-	-	6,752	7,729
Total all other governmental funds	\$ 411,977	\$ 396,709	\$ 314,973	\$ 339,727	\$ 332,566	\$ 287,368	\$ 287,367	\$ 20,000	\$ 26,752	\$ 6,114,460

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

Exhibit J-4

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	\$ 16,498,988	\$ 16,898,056	\$ 17,328,976	\$ 18,163,417	\$ 18,860,045	\$ 19,199,200	\$ 19,392,693	\$ 19,460,616	\$ 20,256,082	\$ 20,338,999
Tuition charges	27,592	4,754	4,389	-	57,576	31,156	19,690	2,543	128,816	239,397
Transportation fees	148,383	120,865	98,095	82,531	82,301	76,611	50,721	82,463	75,219	93,678
Interest earnings	183,733	120,270	37,146	18,096	5,681	95	60	60	306	4,652
Miscellaneous	110,233	145,315	81,921	68,556	90,743	103,496	109,729	59,657	121,646	254,586
State sources	11,906,033	12,480,354	11,524,275	11,433,595	10,748,638	11,473,290	11,735,906	11,700,390	12,223,126	12,701,205
Federal sources	916,448	917,752	853,955	1,389,048	1,323,316	1,240,633	967,604	940,269	901,961	928,012
Total revenue	29,791,410	30,687,366	29,928,757	31,155,243	31,168,300	32,124,481	32,276,403	32,245,998	33,707,156	34,560,529
Expenditures										
Instruction										
Regular Instruction	9,448,767	9,752,046	9,482,761	9,804,829	8,939,499	8,933,128	9,221,158	9,337,997	9,432,757	9,620,128
Special education instruction	2,337,351	2,561,306	2,881,873	2,956,499	3,409,275	2,846,667	2,174,703	2,573,801	2,578,098	2,552,234
Other special instruction	640,461	679,185	749,364	827,748	703,005	802,021	807,053	805,687	812,076	816,489
Support Services:										
Tuition	2,517,262	2,650,051	2,905,570	2,816,501	2,253,954	2,023,446	2,903,704	2,708,703	3,038,667	2,370,107
Student & instruction related services	1,982,729	2,069,659	2,302,930	2,240,724	2,249,542	2,330,130	2,139,842	2,094,724	2,101,476	2,045,574
School administrative services	870,868	907,368	916,903	971,450	975,310	908,336	1,000,202	880,749	966,060	1,023,815
General and business admin. services	799,005	872,828	897,038	851,729	837,514	873,360	828,933	1,013,439	872,897	861,056
Plant operations and maintenance	2,133,114	2,161,272	2,524,800	2,686,824	2,610,777	2,687,255	2,728,755	2,622,496	2,580,888	2,704,963
Pupil transportation	1,210,771	1,277,827	1,295,841	1,248,046	1,321,877	1,393,584	1,490,083	1,503,109	1,376,761	1,339,556
Other support services	5,844,789	5,812,286	4,735,922	5,254,751	5,410,186	5,999,682	6,948,499	6,549,029	6,802,209	7,266,221
Special Schools	29,334	20,866	4,660	2,421	1,716	-	-	-	-	-
Charter Schools	8,950	15,925	15,925	-	17,509	25,022	60,441	41,664	32,644	23,644
Capital outlay	1,067,787	350,440	295,513	234,514	352,853	143,521	304,964	418,595	3,504,705	855,856
Debt service:										
Principal	870,000	990,000	1,015,000	1,210,000	1,200,000	1,280,000	1,130,000	1,125,000	930,000	600,000
Interest and other charges	609,761	614,014	557,132	426,221	391,944	339,466	288,295	251,713	215,024	187,800
Total expenditures	30,370,949	30,719,148	30,581,232	31,532,257	30,674,961	30,585,618	32,026,632	31,926,706	35,224,262	32,267,443
Excess (Deficiency) of revenues over (under) expenditures	(579,539)	(31,782)	(652,475)	(377,014)	493,339	1,538,863	249,771	319,292	(1,517,106)	2,293,086
Other Financing sources (uses)										
Proceeds from borrowing	595,000	-	-	7,665,786	-	-	-	-	3,131,725	96,999
Proceeds from Serial Bonds	-	-	-	(7,581,493)	-	-	-	-	-	6,367,000
Payment to escrow agent	-	-	-	115	-	-	-	-	-	-
Transfers in	35,872	285,520	6,144	-	-	-	10,000	-	-	977
Transfers out	(196,872)	(452,520)	(147,304)	(175,115)	(193,000)	(165,000)	(198,000)	(165,810)	(184,140)	(205,589)
Total other financing sources (uses)	434,000	(167,000)	(141,160)	(90,707)	(193,000)	(165,000)	(188,000)	(165,810)	2,947,585	6,259,387
Net change in fund balances	\$ (145,539)	\$ (198,782)	\$ (793,635)	\$ (467,721)	\$ 300,339	\$ 1,373,863	\$ 61,771	\$ 153,482	\$ 1,430,479	\$ 8,552,473
Debt service as a percentage of noncapital expenditures	5.05%	5.28%	5.19%	5.23%	5.25%	5.32%	4.47%	4.37%	3.61%	2.51%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

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

Exhibit J-5

Fiscal Year Ending June 30.	Interest on Investments	Tuition	Insurance Refunds	Transportaion	Other Refunds	Use of Facilities	Adult Education Program Fees	Sale of Assets	Energy Reimbursements	Miscellaneous	Total
2007	\$ 146,656	\$ 27,592	\$ 18,704	\$ 148,383	\$ 31,819	\$ 17,879	\$ 14,067	\$ -	\$ -	\$ 27,334	\$ 432,434
2008	101,531	4,754	49,667	120,865	28,224	26,423	12,503			10,473	354,440
2009	30,668	4,389	40,533	98,095	3,194	34,617	2,981			403	214,880
2010	18,096	-	21,285	82,531	5,237	29,623	1,536			5,630	163,938
2011	5,621	57,576	5,798	82,301	50,919	22,696	761			5,569	231,241
2012	4,779	31,156	27,060	76,611	55,311	10,985				5,361	211,263
2013	1,943	16,690	13,226	50,721	56,675	21,696		10,046		5,703	176,700
2014	2,258	2,543	33,323	82,463	-	17,923		1,300		4,913	144,723
2015	2,681	128,816	13,597	75,219	66,540	17,510		8,966		12,352	325,681
2016	3,675	239,397	3,889	93,678	32,331	30,390		12,428	170,658	4,890	591,336
	<u>\$ 317,908</u>	<u>\$ 512,913</u>	<u>\$ 227,082</u>	<u>\$ 910,867</u>	<u>\$ 330,250</u>	<u>\$ 229,742</u>	<u>\$ 31,848</u>	<u>\$ 32,740</u>	<u>\$ 170,658</u>	<u>\$ 82,628</u>	<u>\$ 2,846,636</u>

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Source: District records

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

Exhibit J-6

Fiscal Year Ended June 30,	Borough of West Cape May								Public Utilities a	Net Valuation Taxable	Tax- Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value					
2007	\$ 29,117,700	\$ 432,355,900	\$ 3,610,600	\$ 239,600	\$ 40,776,000	\$ -	\$ 1,189,500	\$ 507,289,300	\$ 249,741	\$ 507,539,041	\$ 8,686,100	\$ 0.171	\$ 465,437,929
2008	33,282,200	433,366,600	2,591,600	73,700	40,370,900	-	1,189,500	510,874,500	257,281	511,131,780	9,464,500	0.176	492,160,703
2009	29,943,600	439,225,500	3,463,600	165,800	41,342,300	-	1,189,500	515,330,300	274,134	515,604,434	9,464,500	0.174	550,005,474
2010	26,223,300	443,515,200	3,582,300	216,100	40,695,500	-	1,189,500	515,431,900	266,363	515,698,263	9,970,200	0.173	469,807,800
2011	20,996,200	385,812,600	3,828,600	205,800	35,180,700	-	1,066,100	448,090,000	225,357	448,315,357	9,143,300	0.202	490,883,238
2012	19,404,000	389,387,800	3,828,600	205,800	36,215,900	-	1,066,100	450,108,200	210,266	450,318,466	9,445,000	0.191	494,415,656
2013	19,596,100	391,522,000	3,301,300	210,200	35,430,600	-	1,066,100	451,126,300	226,124	451,352,424	9,445,000	0.194	455,908,033
2014	18,272,800	394,148,500	3,301,300	210,200	35,647,800	-	1,066,100	452,646,700	153,222	452,799,922	9,662,400	0.197	439,431,249
2015	18,717,700	397,040,600	3,301,300	210,200	35,427,900	-	1,066,100	455,763,800	150,096	455,913,896	10,094,500	0.225	429,146,511
2016	18,128,200	399,794,400	3,301,300	210,200	35,069,100	-	1,066,100	457,569,300	146,736	457,716,036	10,094,500	0.228	439,244,856

Source: Municipal Tax Assessor

Note:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

Continued

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

Exhibit J-6

Fiscal Year Ended June 30,	City of Cape May								Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax- Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment							
2007	\$ 45,603,600	\$ 1,678,813,200	\$ -	\$ -	\$ 351,105,400	\$ -	\$ 127,779,200	\$ 2,203,301,400	\$ 748,057	\$ 2,204,049,457	\$ 326,895,200	\$ 0.068	\$ 2,503,152,723	
2008	43,644,800	1,693,968,100			350,790,200		125,900,300	2,214,303,400	728,282	2,215,031,682	327,656,700	0.067	2,688,901,384	
2009	41,928,800	1,722,295,200			352,884,200		121,649,800	2,238,758,000	765,569	2,239,523,569	327,747,900	0.067	2,782,533,630	
2010	57,139,000	2,138,841,000			453,981,300		148,999,800	2,798,961,100	952,965	2,799,914,065	420,382,900	0.053	2,793,454,421	
2011	58,125,700	2,149,223,600			439,858,800		143,882,000	2,791,090,100	796,181	2,791,886,281	420,630,400	0.054	2,848,404,511	
2012	57,451,900	2,160,163,500			435,731,100		143,061,100	2,796,407,600	750,281	2,797,157,881	419,138,600	0.054	2,904,884,781	
2013	53,163,900	2,168,319,400			435,863,300		139,510,400	2,796,857,000	815,630	2,797,672,630	429,768,200	0.054	2,812,671,567	
2014	53,288,200	2,173,873,900			431,761,000		135,723,600	2,794,646,700	589,060	2,795,235,760	431,981,900	0.057	2,738,737,239	
2015	64,370,700	2,177,186,500			430,297,700		133,612,100	2,805,467,000	612,231	2,806,079,231	433,484,900	0.062	2,742,474,025	
2016	62,194,300	2,187,231,000			429,579,600		133,420,700	2,812,425,600	625,355	2,813,050,955	433,758,300	0.065	2,711,154,162	

Source: Municipal Tax Assessor

Note:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

Continued

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

Exhibit J-6

Fiscal Year Ended June 30,	Township of Lower							Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax- Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment						
2007	\$ 139,128,300	\$ 4,221,414,400	\$ 10,553,100	\$ 1,188,000	\$ 310,577,500	\$ -	\$ 13,262,500	\$ 4,696,123,800	\$ 6,437,653	\$ 4,702,561,453	\$ 324,196,400	\$ 0.297	\$ 4,114,474,564
2008	133,431,600	4,217,537,900	9,472,800	1,092,000	309,843,800		13,262,500	4,684,640,600	6,343,694	4,690,984,294	325,244,700	0.301	4,919,878,070
2009	135,540,800	4,236,864,100	5,612,600	951,900	309,691,200		14,165,900	4,702,826,500	6,790,522	4,709,617,022	319,776,100	0.306	4,503,993,506
2010	98,832,700	3,693,867,300	6,757,300	967,900	275,537,400		13,375,400	4,089,338,000	6,782,972	4,096,120,972	261,510,700	0.351	4,418,591,951
2011	91,427,900	3,694,390,400	6,219,800	942,300	278,275,900		13,375,400	4,084,631,700	5,957,340	4,090,589,040	268,718,900	0.355	4,227,524,473
2012	87,921,400	3,705,980,700	4,460,700	911,900	276,929,100		13,161,400	4,089,365,200	6,102,592	4,095,467,792	268,066,300	0.362	4,034,131,771
2013	86,948,300	3,684,519,500	5,236,800	953,300	275,766,100		13,161,400	4,066,585,400	5,339,934	4,071,925,334	270,144,600	0.371	3,773,894,430
2014	70,784,000	3,247,623,400	4,914,400	953,300	258,806,900		11,332,200	3,594,414,200	4,337,206	3,598,751,406	232,262,300	0.432	3,725,002,834
2015	70,254,400	3,254,393,300	4,914,400	927,600	259,130,000		11,432,200	3,601,051,900	4,347,721	3,605,399,621	234,835,200	0.446	3,719,358,459
2016	68,016,300	3,261,711,400	5,052,600	577,600	263,588,800		11,432,200	3,610,378,900	4,212,178	3,614,591,078	232,698,600	0.458	3,781,566,024

Source: Municipal Tax Assessor

Note:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Exhibit J-7

Borough of West Cape May

Fiscal Year Ended June 30,	West Cape May School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Borough of West Cape May	Regional School	Cape May County	
2007	\$ 0.160	\$ 0.011	\$ 0.171	\$ 0.236	\$ 0.317	\$ 0.176	\$ 0.900
2008	0.167	0.009	0.176	0.279	0.306	0.184	0.945
2009	0.165	0.009	0.174	0.273	0.335	0.197	0.979
2010	0.164	0.009	0.173	0.283	0.333	0.202	0.991
2011	0.112	0.090	0.202	0.337	0.389	0.242	1.170
2012	0.180	0.011	0.191	0.346	0.356	0.256	1.149
2013	0.184	0.010	0.194	0.331	0.294	0.248	1.067
2014	0.107	0.010	0.197	0.330	0.378	0.244	1.149
2015	0.215	0.010	0.225	0.331	0.353	0.240	1.149
2016	0.218	0.010	0.228	0.350	0.397	0.247	1.222

City of Cape May

Fiscal Year Ended June 30,	Cape May City School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Rate
	Basic Rate	General Obligation Debt Service	Total Direct	City of Cape May	Regional School	Cape May County	
2007	\$ 0.068	\$ -	\$ 0.068	\$ 0.274	\$ 0.207	\$ 0.221	\$ 0.770
2008	0.067		0.067	0.307	0.226	0.233	0.833
2009	0.067		0.067	0.320	0.215	0.251	0.853
2010	0.053		0.053	0.277	0.196	0.214	0.740
2011	0.054		0.054	0.283	0.220	0.227	0.784
2012	0.054		0.054	0.294	0.237	0.242	0.827
2013	0.054		0.054	0.310	0.226	0.248	0.838
2014	0.057		0.057	0.329	0.234	0.245	0.865
2015	0.062		0.062	0.339	0.215	0.249	0.865
2016	0.065		0.065	0.340	0.178	0.249	0.832

Township of Lower

Fiscal Year Ended June 30,	Lower Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Township of Lower	Regional School	Cape May County	
2007	\$ 0.287	\$ 0.010	\$ 0.297	\$ 0.324	\$ 0.229	\$ 0.170	\$ 1.020
2008	0.291	0.010	0.301	0.349	0.230	0.181	1.061
2009	0.296	0.010	0.306	0.366	0.247	0.193	1.112
2010	0.351		0.351	0.433	0.285	0.230	1.299
2011	0.355		0.355	0.443	0.277	0.231	1.306
2012	0.362		0.362	0.443	0.273	0.229	1.307
2013	0.371		0.371	0.473	0.291	0.227	1.362
2014	0.432		0.432	0.536	0.335	0.260	1.563
2015	0.446		0.446	0.556	0.353	0.263	1.618
2016	0.456	0.002	0.458	0.556	0.389	0.270	1.673

Source: Municipal Tax Collector

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

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

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

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

Exhibit J-8

Borough of West Cape May

Taxpayer	2016		Taxpayer	2007	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Rayson Property Management	\$ 2,929,400	0.64%	Raysun Property Management	\$ 2,975,500	0.59%
Wilbraham Mansion, LLC	2,854,600	0.62%	CVS Property Management	2,149,900	0.42%
The Depot Travel Park, Inc.	2,729,900	0.60%	Depot Travel Park, Inc.	2,520,300	0.50%
Cape May Lumber Company	2,412,100	0.53%	Cape May Lumber	1,807,400	0.36%
CVS, Inc.	2,300,000	0.50%	Individual #1	1,516,600	0.30%
Individual #1	2,058,200	0.45%	Cape West Associates	1,353,400	0.27%
Cape West Associates, Inc.	1,862,800	0.41%	CMW Development	1,186,700	0.23%
Individual #2	1,594,300	0.35%	West Cape May Properties	995,800	0.20%
SPE Labrusciano, LLC	1,114,800	0.24%	Linnington/Citrino Partnership	826,600	0.16%
Individual #3	998,800	0.22%	Individual #2	824,200	0.16%
Total	\$ 20,854,900	4.56%	Total	\$ 16,156,400	3.18%

City of Cape May

Taxpayer	2016		Taxpayer	2007	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Congress Hall LLC	\$ 28,418,200	0.79%	Congress Hall LLC	\$ 22,972,500	1.04%
Oceanfront Properties LLC	25,310,200	0.70%	Oceanfront Properties LLC	20,379,500	0.92%
ADIS Inc.	21,787,600	0.60%	ADIS Inc.	15,021,600	0.68%
Ocean Club Hotel CM, LLC	13,000,000	0.36%	Statt Corporation	10,451,900	0.47%
Cape Coachman Realty, LLC	11,989,500	0.33%	Kejzman Enterprises Inc.	9,391,100	0.43%
Kejzman Hospitality, LLC	11,473,100	0.32%	Cape Coachman Realty, LLC	8,330,200	0.38%
Montreal Inn	10,089,700	0.28%	Montreal Inn	7,889,700	0.36%
Osprey Landing Development Co. LLC	9,223,900	0.26%	Keystone Inc.	7,755,800	0.35%
Individual #1	8,812,600	0.24%	Individual #1	7,357,800	0.33%
Bogle Investment Properties, LLC	7,768,300	0.21%	Bogle Investment Properties, LLC	6,875,600	0.31%
Total	\$147,873,100	4.09%	Total	\$ 116,425,700	5.14%

Township of Lower

Taxpayer	2016		Taxpayer	2007	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Harbortown Resort Marina	\$ 14,292,900	0.42%	Achrstavest, LLC	\$ 12,600,000	0.27%
Jenlo Corp	11,700,000	0.29%	Bayshore May	5,500,000	0.12%
FC-Gen Real Estate, LLC	10,500,000	0.28%	Victoria Health Corp.	4,537,500	0.10%
Achrstavest Pier 6600, LLC	10,367,000	0.28%	North Cape Convalescent Center	3,900,000	0.08%
Shaw Limited partnership	10,101,400	0.24%	Ponderlodge	3,644,500	0.08%
Sun Lake Laurie RV Resort, LLC	8,800,000	0.24%	Snows/Doxsee, Inc.	3,591,000	0.08%
Bayshore Mall, LLC	8,512,700	0.21%	Harbortown Resort Marina, Inc.	3,435,300	0.07%
Seashore Campsites, Inc.	8,500,000	0.18%	Shaw Limited Partnership	3,229,400	0.07%
Beachcomber Campground, Inc	6,436,200	0.18%	Channels Aptsments	3,100,000	0.07%
Cape Island Associates	6,021,400	0.17%	Cold Spring Fish & Supply Co. Inc.	2,762,500	0.06%
Total	\$ 95,231,600	2.48%	Total	\$46,300,200	0.98%

Source: Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$ 16,498,988	\$ 16,498,988	100.00%	\$ -
2008	16,898,058	16,898,058	100.00%	
2009	17,328,976	17,328,976	100.00%	
2010	18,163,417	18,163,417	100.00%	
2011	18,860,045	18,860,045	100.00%	
2012	19,199,200	19,194,200	99.97%	5,000
2013	19,392,693	19,397,693	100.03%	
2014	19,460,616	19,460,616	100.00%	
2015	20,256,082	20,256,082	100.00%	
2016	20,338,999	20,338,999	100.00%	

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

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income (a)			Per Capita (b)		
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Borough of West Cape May	City of Cape May	Township of Lower	Borough of West Cape May	City of Cape May	Township of Lower
2007	\$ 11,860,000	\$ 1,525,000	\$ -	\$ -	\$ -	\$ 13,385,000	32.75%	8.65%	1.59%	13,548	3,577	658
2008	11,060,000	1,335,000	-	-	-	12,395,000	29.25%	7.76%	1.41%	12,584	3,338	609
2009	10,245,000	1,135,000	-	-	-	11,380,000	26.25%	6.99%	1.28%	11,553	3,077	562
2010	9,425,000	935,000	-	-	-	10,360,000	22.52%	6.39%	1.01%	10,127	2,875	453
2011	8,440,000	720,000	-	-	-	9,160,000	18.75%	5.37%	0.85%	8,928	2,558	404
2012	7,390,000	490,000	-	-	-	7,880,000	15.58%	4.48%	0.71%	7,680	2,207	349
2013	6,500,000	250,000	-	-	-	6,750,000	13.27%	3.82%	0.61%	6,598	1,901	301
2014	5,625,000	-	-	-	-	5,625,000	10.66%	3.07%	0.49%	5,526	1,593	253
2015	4,695,000	-	-	-	2,931,725	7,626,725	(c)	(c)	(c)	7,507	2,170	345
2016	10,462,000	-	-	-	2,827,608	13,289,608	(c)	(c)	(c)	(c)	(c)	(c)

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

- (a) Based on Per Capita Income for Cape May County
- (b) Based on School District Population as of July 1,
- (c) Not available

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property(a)			Per Capita(b)		
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Borough of West Cape May	City of Cape May	Township of Lower	Borough of West Cape May	City of Cape May	Township of Lower
2007	\$ 11,860,000	\$ -	\$ 11,860,000	2.34%	0.54%	0.25%	12,004	3,169	583
2008	11,060,000		11,060,000	2.16%	0.50%	0.24%	11,228	2,979	543
2009	10,245,000		10,245,000	1.99%	0.46%	0.22%	10,401	2,770	506
2010	9,425,000		9,425,000	1.83%	0.34%	0.23%	9,213	2,615	412
2011	8,440,000		8,440,000	1.88%	0.30%	0.21%	8,226	2,357	373
2012	7,390,000		7,390,000	1.64%	0.26%	0.18%	7,203	2,069	327
2013	6,500,000		6,500,000	1.44%	0.23%	0.16%	6,354	1,830	290
2014	5,625,000		5,625,000	1.24%	0.20%	0.16%	5,526	1,593	253
2015	4,695,000		4,695,000	1.03%	0.17%	0.13%	4,621	1,336	212
2016	10,462,000		10,462,000	2.29%	0.37%	0.29%	(c)	(c)	(c)

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

(a) See Exhibit J-6 for property tax data.

(b) Population data can be found in Exhibit J-14.

(c) Not available.

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

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Borough of West Cape May	\$ 717,946	100.000%	\$ 717,946
Township of Lower	19,582,190	100.000%	19,582,190
City of Cape May	45,288,011	100.000%	45,288,011
Cape May County General Obligation Debt	181,705,600	14.491%	<u>26,330,958</u>
Subtotal, overlapping debt			91,201,159
Lower Cape May Regional School District Direct Debt			<u>4,695,000</u>
Total direct and overlapping debt			<u><u>\$ 95,896,159</u></u>

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis
	2013 6,867,952,776
	2014 \$ 6,843,054,678
	2015 6,886,727,988
	[A] \$ 20,597,735,442
Average equalized valuation of taxable property	[A/3] \$ 6,865,911,814
Debt limit (3.5% of average equalized valuation)	[B] 240,306,913 ^a
Net bonded school debt	[C] 10,462,000
Legal debt margin	[B-C] \$ 229,844,913

Fiscal Year

	2007	2008	2009	2009	2011	2012	2013	2014	2015	2016
Debt limit	\$ 171,127,031	\$ 239,860,179	\$ 259,521,046	\$ 259,521,046	\$ 266,091,905	\$ 262,421,266	\$ 256,217,733	\$ 248,337,483	\$ 241,983,147	\$ 240,306,913
Total net debt applicable to limit	11,860,000	11,060,000	10,245,000	10,245,000	8,440,000	7,390,000	6,500,000	5,625,000	4,695,000	10,462,000
Legal debt margin	\$ 159,267,031	\$ 228,800,179	\$ 249,276,046	\$ 249,276,046	\$ 257,651,905	\$ 255,031,266	\$ 249,717,733	\$ 242,712,483	\$ 237,288,147	\$ 229,844,913
Total net debt applicable to the limit as a percentage of debt limit	6.93%	4.61%	3.95%	3.95%	3.17%	2.82%	2.54%	2.27%	1.94%	4.35%

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

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

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

Exhibit J-14

<u>Year</u>	<u>Population^a</u>	<u>Personal Income (thousands of dollars)^b</u>	<u>Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
<u>Borough of West Cape May</u>				
2007	988	\$ 40,869,608	\$ 41,366	7.4%
2008	985	42,380,610	43,026	9.1%
2009	985	43,356,745	44,017	13.0%
2010	1,023	45,999,195	44,965	13.5%
2011	1,026	48,848,886	47,611	14.2%
2012	1,026	50,588,982	49,307	15.2%
2013	1,023	50,859,468	49,716	18.8%
2014	1,018	52,744,616	51,812	10.4%
2015	1,016	e	e	9.9%
2016	e	e	e	e
<u>City of Cape May</u>				
2007	3,742	154,791,572	\$ 41,366	7.0%
2008	3,713	159,755,538	43,026	8.6%
2009	3,699	162,818,883	44,017	12.2%
2010	3,604	162,053,860	44,965	12.8%
2011	3,581	170,494,991	47,611	13.4%
2012	3,571	176,075,297	49,307	16.2%
2013	3,551	176,541,516	49,716	14.6%
2014	3,532	182,999,984	51,812	12.9%
2015	3,514	e	e	12.5%
2016	e	e	e	e
<u>Township of Lower</u>				
2007	20,329	\$ 840,929,414	\$ 41,366	8.0%
2008	20,369	876,396,594	43,026	9.9%
2009	20,239	890,860,063	44,017	13.9%
2010	22,855	1,027,675,075	44,965	14.5%
2011	22,647	1,078,246,317	47,611	15.2%
2012	22,572	1,112,957,604	49,307	14.4%
2013	22,421	1,114,682,436	49,716	11.9%
2014	22,248	1,152,713,376	51,812	12.6%
2015	22,125	e	e	11.1%
2016	e	e	e	e

Source:

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

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

Exhibit J-16

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular	152	153	152	152	147	136	136	135	132	130
Special education	30	30	30	30	30	32	34	34	31	31
Other special education	5	5	5	5	5	6	6	6	7	7
Vocational										
Other instruction										
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Student & instruction related services	21	21	21	34	34	34	32	32	28	28
School administrative services	9	9	9	9	8	12	12	12	12	12
General and business administrative services	6	6	6	6	6	6	6	6	6	6
Plant operations and maintenance	24	24	23	23	23	24	23	23	22	22
Pupil transportation	22	22	22	22	22	22	22	22	21	21
Special Schools										
Food Service	20	20	19	19	19	19	19	18	17	17
Total	289	290	287	300	294	291	290	288	276	274

Source: District Personnel Records

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

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Middle School	Senior High School				
2007	1,746	\$ 27,823,401	\$ 15,936	1.22%	138	1:11.3	1:13.9	1,746	1,617	-3.05%	92.61%
2008	1,729	28,764,694	16,637	4.40%	139	1:11.3	1:13.9	1,731	1,623	8.00%	93.76%
2009	1,623	28,713,587	17,692	6.34%	139	1:10.9	1:13.3	1,632	1,523	-5.72%	93.32%
2010	1,635	29,661,522	18,142	2.54%	139	1:11.1	1:13.5	1,616	1,514	0.98%	93.69%
2011	1,616	28,730,164	17,779	2.54%	140	1:12.4	1:15.1	1,609	1,499	-0.43%	93.16%
2012	1,538	28,822,631	18,740	5.41%	140	1:12.4	1:15.1	1,528	1,433	-5.03%	93.78%
2013	1,480	30,303,373	20,475	9.20%	140	1:12.4	1:15.1	1,462	1,366	-4.61%	93.43%
2014	1,395	30,131,398	21,600	5.40%	140	1:12.4	1:15.1	1,396	1,307	-4.51%	93.61%
2015	1,429	30,574,533	21,396	0.94%	140	1:12.4	1:15.1	1,406	1,318	0.72%	93.79%
2016	1,354	30,623,787	22,617	5.71%	140	1:12.4	1:15.1	1,354	1,276	-3.70%	94.23%

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Sources: District records

Note: Enrollment based on annual October district count.

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

Lower Cape May Regional School District
 School Building Information
 Last Ten Fiscal Years

Exhibit J-18

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
District Building										
Tietleman School (1973)										
Square Feet	99,638	99,638	99,638	99,638	99,638	99,638	99,638	99,638	99,638	99,638
Capacity (students)	796	796	796	796	796	796	796	796	796	796
Enrollment	619	598	547	543	558	535	517	500	520	480
High School (1960)										
Square Feet	231,944	231,944	231,944	231,944	231,944	231,944	231,944	231,944	231,944	231,944
Capacity (students)	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016
Enrollment	1,126	1,131	1,106	1,073	1,051	1,003	963	897	886	796
Other										
Central Administration (1989)										
Square Feet	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Number of Schools at June 30, 2016										
Middle School = 1										
Senior High School = 1										

Source: District Facilities Office

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

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

Exhibit J-19

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
* School Facilities											
High School	\$ 406,722	\$ 437,080	\$ 511,519	\$ 566,495	\$ 475,485	\$ 544,357	\$ 503,049	\$ 531,230	\$ 497,830	\$ 418,474	\$ 4,892,241
Tietleman School	130,151	139,865	163,686	176,304	199,841	233,850	216,104	228,211	213,862	179,771	1,881,645
Other facilities	5,423	5,828	6,820	5,840	13,782	12,895	11,917	12,584	11,793	9,913	96,795
Total School Facilities	<u>\$ 542,296</u>	<u>\$ 582,773</u>	<u>\$ 682,025</u>	<u>\$ 748,639</u>	<u>\$ 689,108</u>	<u>\$ 791,102</u>	<u>\$ 731,070</u>	<u>\$ 772,025</u>	<u>\$ 723,485</u>	<u>\$ 608,158</u>	<u>\$ 6,870,681</u>

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

Source: District records

**Lower Cape May Regional School District
Insurance Schedule
June 30, 2016**

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
<u>Joint Insurance Fund</u>		
JIF Self Insured Retention:		
Property / Inland Marine / Automobile Physical Damage	250,000	500
Crime	250,000	500
General Liability / Auto Liability	250,000	
Educators Legal Liability	250,000	
Workers Compensation	250,000	
School Pool for Excess Liability Limits Joint Insurance Fund (Spell JIF)		
Property / Inland Marine / Automobile Physical Damage	150,000,000	
Crime	500,000	
Workers Compensation	Statutory	
Employers Liability	10,000,000	
General Liability / Auto Liability	20,000,000	
Educators Legal Liability	20,000,000	
Travelers Insurance Company		
Boiler and Machinery	125,000,000	1,000
AIG / Commerce and Industry Insurance Company		
Pollution Legal Liability	3,000,000	25,000
AIG / Lexington Insurance Company, Inc.		
Cyber Liability	1,000,000	25,000
Lloyd's of London		
Violent Malicious Acts	1,000,000	15,000
Surety Bonds (3)		
Treasurer	250,000	
Board Secretary	100,000	

Source: District records

Single Audit Section

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

I have audited Lower Township School District (School District), in the County of Cape May, State of New Jersey's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major federal and state programs for the fiscal year ended June 30, 2016. The School District's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the School District's major federal and state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey Treasury Circular OMB 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey Treasury Circular OMB 15-08 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In my opinion, the Lower Township School District, in the County of Cape May, State of New Jersey complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Lower Township School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey Treasury Circular OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Lower Township School District's internal control over compliance.

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

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

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

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

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lower Township School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. I issued my report thereon dated October 21, 2016, which contained unmodified opinions on those financial statements. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey Treasury Circular OMB 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
October 21, 2016

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

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2015			Carryover (Waikover) Amount	Cash Received	Budgetary Expenditures	Adjustments	June 30, 2016		
						Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
U.S. Department of Education															
<u>General Fund:</u>															
Medical Assistance Program	93.778	1605NJ5MAP	N/A	\$ 39,972	7/1/15 - 6/30/16	\$ -	\$ -	\$ -	\$ -	\$ 39,972	\$ (39,972)	\$ -	\$ -	\$ -	\$ -
Total General Fund						--	--	--	--	39,972	(39,972)	--	--	--	--
U.S. Department of Education															
<u>Special Revenue Fund:</u>															
<u>No Child Left Behind(N.C.L.B.)</u>															
Title I - Current Year	84.010A	S010A150030	NCLB-2820-16	333,588	7/1/15 - 6/30/16					196,970	(323,530)		(126,560)		
Title I - Prior Year	84.010A	S010A150030	NCLB-2820-15	289,444	7/1/14 - 6/30/15	(93,762)				93,762					
Title II - Part A - Current Year	84.367A	S367A150029	NCLB-2820-16	72,064	7/1/15 - 6/30/16					40,036	(72,064)		(32,028)		
Title II - Part A - Prior Year	84.367A	S367A150029	NCLB-2820-15	74,492	7/1/14 - 6/30/15	(28,573)				28,573					
<u>Individuals With Disabilities Act (I.D.E.A.)</u>															
Part B - Basic - Current Year	84.027	H027A150100	IDEA-2820-16	424,432	7/1/15 - 6/30/16					424,432	(424,432)				
Carl D. Perkins	84.048A	V048A140030	PERK-2820-16	68,014	7/1/15 - 6/30/16					49,204	(68,014)		(18,810)		
Carl D. Perkins - Prior Year	84.048A	V048A140030	PERK-2820-15	74,261	7/1/14 - 6/30/15	(22,814)				22,814					
Total Special Revenue Fund						(145,149)	--	--	--	855,791	(888,040)	--	(177,398)	--	--
U.S. Department of Agriculture															
<u>Enterprise Fund:</u>															
Food Distribution Program	10.565	16161NJ304N1099	N/A	50,564	7/1/15 - 6/30/16					50,564	(50,564)				
National School Lunch Program	10.555	16161NJ304N1099	N/A	251,488	7/1/15 - 6/30/16					240,505	(251,488)		(10,983)		
National School Lunch Program	10.555	16161NJ304N1099	N/A	266,786	7/1/15 - 6/30/16	(16,494)				16,494					
School Breakfast Program	10.553	16161NJ304N1099	N/A	121,255	7/1/15 - 6/30/16					113,332	(121,255)		(7,923)		
School Breakfast Program	10.553	16161NJ304N1099	N/A	82,781	7/1/15 - 6/30/16	(5,094)				5,094					
Total Enterprise Fund						(21,588)	--	--	--	425,989	(423,307)	--	(18,906)	--	--
Total Federal Awards						\$ (166,737)	--	--	--	\$ 1,321,752	\$ (1,351,319)	\$ -	\$ (196,304)	--	--

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

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

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2015			Caryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2016		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education													
<u>General Fund:</u>													
Equalization Aid	16-495-034-5120-078	\$ 94,719	7/1/15 - 6/30/16	\$ -	\$ -	\$ -	\$ -	\$ 86,374	\$ (94,719)	\$ -	\$ (8,345)	\$ -	
Equalization Aid	15-495-034-5120-078	94,719	7/1/14 - 6/30/15	(8,164)	-	-	-	8,164	-	-	-	-	
Transportation Aid	16-495-034-5120-014	1,189,089	7/1/15 - 6/30/16	-	-	-	-	1,084,325	(1,189,089)	-	(104,764)	-	
Transportation Aid	15-495-034-5120-014	1,189,089	7/1/14 - 6/30/15	(102,491)	-	-	-	102,491	-	-	-	-	
Special Education Aid	16-495-034-5120-089	853,900	7/1/15 - 6/30/16	-	-	-	-	778,668	(853,900)	-	(75,232)	-	
Special Education Aid	15-495-034-5120-089	853,900	7/1/14 - 6/30/15	(73,600)	-	-	-	73,600	-	-	-	-	
Security Aid	16-495-034-5120-084	350,314	7/1/15 - 6/30/16	-	-	-	-	319,450	(350,314)	-	(30,864)	-	
Security Aid	15-495-034-5120-084	350,314	7/1/14 - 6/30/15	(30,195)	-	-	-	30,195	-	-	-	-	
Adjustment Aid	16-495-034-5120-085	6,528,185	7/1/15 - 6/30/16	-	-	-	-	5,953,022	(6,528,185)	-	(575,163)	-	
Adjustment Aid	15-495-034-5120-085	6,528,185	7/1/14 - 6/30/15	(562,686)	-	-	-	562,686	-	-	-	-	
Extraordinary Aid	16-495-034-5120-044	52,561	7/1/15 - 6/30/16	-	-	-	-	-	(52,561)	-	(52,561)	-	
Extraordinary Aid	15-495-034-5120-044	73,117	7/1/14 - 6/30/15	(73,117)	-	-	-	73,117	-	-	-	-	
School Choice Aid	16-495-034-5120-068	718,977	7/1/15 - 6/30/16	-	-	-	-	655,632	(718,977)	-	(63,345)	-	
School Choice Aid	15-495-034-5120-068	542,901	7/1/14 - 6/30/15	(46,794)	-	-	-	46,794	-	-	-	-	
Additional Transportation Aid	16-495-034-5120-014	11,136	7/1/15 - 6/30/16	-	-	-	-	-	(11,136)	-	(11,136)	-	
Additional Transportation Aid	15-495-034-5120-014	11,310	7/1/14 - 6/30/15	(11,310)	-	-	-	11,310	-	-	-	-	
PARCC Readiness Aid	16-495-034-5120-098	14,230	7/1/15 - 6/30/16	-	-	-	-	12,976	(14,230)	-	(1,254)	-	
PARCC Readiness Aid	15-495-034-5120-098	14,230	7/1/14 - 6/30/15	(1,227)	-	-	-	1,227	-	-	-	-	
Per Pupil Growth Aid	16-495-034-5120-098	14,230	7/1/15 - 6/30/16	-	-	-	-	12,976	(14,230)	-	(1,254)	-	
Per Pupil Growth Aid	15-495-034-5120-098	14,230	7/1/14 - 6/30/15	(1,227)	-	-	-	1,227	-	-	-	-	
Homeless Tuition Reimbursement	15-495-034-5120-005	27,771	7/1/14 - 6/30/15	(27,771)	-	-	-	27,771	-	-	-	-	
On Behalf TPAF Pension Contributions	16-495-034-5094-002	929,644	7/1/15 - 6/30/16	-	-	-	-	-	(929,644)	-	-	-	
On Behalf TPAF Post Retirement Medical	16-495-034-5094-001	1,106,949	7/1/15 - 6/30/16	-	-	-	-	1,106,949	(1,106,949)	-	-	-	
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	871,108	7/1/15 - 6/30/16	-	-	-	-	827,809	(871,108)	-	(43,299)	-	
Reimbursed TPAF Social Security Contributions	15-495-034-5094-003	874,430	7/1/14 - 6/30/15	(42,702)	-	-	-	42,702	-	-	-	-	
Total General Fund				(981,284)	--	--	--	12,749,109	(12,735,042)	--	(967,217)	--	
State Department of Agriculture													
<u>Enterprise Fund:</u>													
State School Lunch Program	16-100-010-3350-021	6,013	7/1/15 - 6/30/16	-	-	-	-	5,749	(6,013)	-	(264)	-	
State School Lunch Program	15-100-010-3350-021	7,014	7/1/14 - 6/30/15	(404)	-	-	-	404	-	-	-	-	
Total Enterprise Fund				(404)	--	--	--	6,153	(6,013)	--	(264)	--	
Total State Financial Assistance				\$ (981,688)	--	--	--	\$ 12,755,262	\$ (12,741,055)	--	\$ (967,481)	--	
Less: State Financial Assistance Not Subject to Major Program Determination:													
On-Behalf TPAF Contribution - Pension (Non-Budgeted)									(929,644)				
On-Behalf TPAF Contribution - Post Retirement Medical (Non-Budgeted)									(1,106,949)				
Total State Financial Assistance Subject to Major Program Determination									\$ (10,704,452)				

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

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

1. GENERAL

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

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is (\$33,837) for the general fund and \$-0- for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 39,972	\$ 12,701,205	\$ 12,741,177
Special Revenue Fund	888,040		888,040
Food Service Fund	423,307	6,013	429,320
Total Awards & Financial Assistance	\$ 1,351,319	\$ 12,707,218	\$ 14,058,537

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

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the School District for the year ended June 30, 2016. TPAF Social Security Contributions represents the amount reimbursed by the State for the School District's share of social security contributions for TPAF members for the year ended June 30, 2016.

6. MAJOR PROGRAMS

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

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

Section I --Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to basic financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? X yes no

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section 1 -- Summary of Auditor's Results (Cont'd)

State Awards Section

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

Auditee qualified as low-risk auditee? X yes no

Internal Control over major programs:

1) Material weakness(es) identified? yes X no

2) Significant deficiencies identified that are not considered to be material weakness? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 as applicable? yes X no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>16-495-034-5120-014</u>	<u>Transportation Aid</u>
<u>16-495-034-5120-089</u>	<u>Special Education Cateagorical Aid</u>
<u>16-495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>16-495-034-5120-068</u>	<u>School Choice Aid</u>
<u>16-495-034-5094-003</u>	<u>Reimbursed TPAF Social Security Contributions</u>
<u>16-100-010-3350-023</u>	<u>School Lunch Program</u>
<u> </u>	<u> </u>

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

Section 2 -- Schedule of Financial Statement Findings

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

No findings identified.

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

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

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

FEDERAL AWARDS:

No findings and/or questioned costs identified.

STATE AWARDS:

No findings and/or questioned costs identified.

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

This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and NJOMB's Circular 14-04 and/or 15-08, as applicable.

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings.

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

There were no prior year audit findings.