

**SCHOOL DISTRICT
OF**

CAPE MAY CITY

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

**Comprehensive Annual
Financial Report**

of the

Cape May City Board of Education

Cape May, New Jersey

For the Fiscal Year Ended June 30, 2017

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

CAPE MAY CITY SCHOOL DISTRICT

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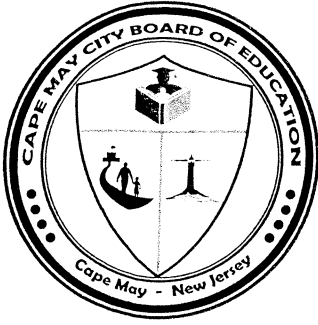
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Introductory Section

CAPE MAY CITY SCHOOL DISTRICT



Victoria Zelenak
Superintendent

John Thomas
Business Administrator

Board of Education
Edward B. Connolly, President
Joseph McKenna, Vice President
Dawn Austin
Anita de Satnick
Shaun Deignan
Sharon Lee Kustra
Mark J. LeMunyon
Larry Reed
Thomas Ribbman

August 18, 2017

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

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Cape May City School District for the fiscal year ended June 30, 2017 is hereby submitted. This CAFR includes the District's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory Section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial Section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal regulations, cost principles, and audit requirements for Federal awards (uniform guidance); and State of New Jersey Circular OMB15-08. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

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

1. REPORTING ENTITY AND ITS SERVICES:

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

The District provides a full range of educational services appropriate to Four Year Old Preschool through Grade 6. These include regular as well as special education for handicapped youngsters. The District completed the 2016-2017 school year with an enrollment of 196.8 students, which is 8 students above the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

<u>Average Daily Enrollment</u>		
<u>Fiscal</u> <u>Year</u>	<u>Student</u> <u>Enrollment</u>	<u>Percent</u> <u>Change</u>
2016-17	196.8	4.63%
2015-16	188.1	7.36%
2014-15	175.2	9.37%
2013-14	160.2	19.91%
2012-13	133.6	-7.16%
2011-12	143.9	-6.07%
2010-11	153.2	-12.91%
2009-10	175.9	3.84%
2008-09	169.4	11.96%
2007-08	151.3	-7.57%

2. ECONOMIC CONDITION AND OUTLOOK:

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

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

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

3. MAJOR INITIATIVES:

- To implement the Next Generation Science Standards for grades Kindergarten through Sixth Grade by providing training and collaboration to teachers through a variety of professional development activities and moderating the implementation through teacher lesson plans and teacher observations.
- To implement the newly selected GoMath curriculum program including the technology components of ThinkCentral for grades Kindergarten through 6th Grade, Special Education and Basic Skills students.
- To focus on Domain 4c of the Charlotte Danielson Model: Communicating with Families—specifically communicating “about individual students” in a positive manner. Teachers will draw on a variety of methods to effectively provide parent communication in regards to school policies, student achievement and student growth.
- To implement the FISH! Program: the program is a family of tools that helps create a positive school climate. It equips students to build the social and emotional skills vital to academic and life success. The FISH! Philosophy provides a simple, common language that strengthens relationships and increases understanding among staff and students. It includes staff training, classroom lessons and school-wide projects.

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

4. INTERNAL ACCOUNTING CONTROLS:

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

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

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

5. BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2017.

6. ACCOUNTING SYSTEMS AND REPORTS:

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

7. CASH MANAGEMENT:

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

8. RISK MANAGEMENT:

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

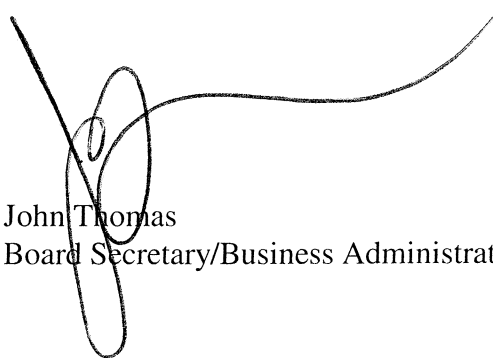
9. OTHER INFORMATION:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart, LLC, was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and New Jersey OMB's Circular 04-04. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

Respectfully submitted,

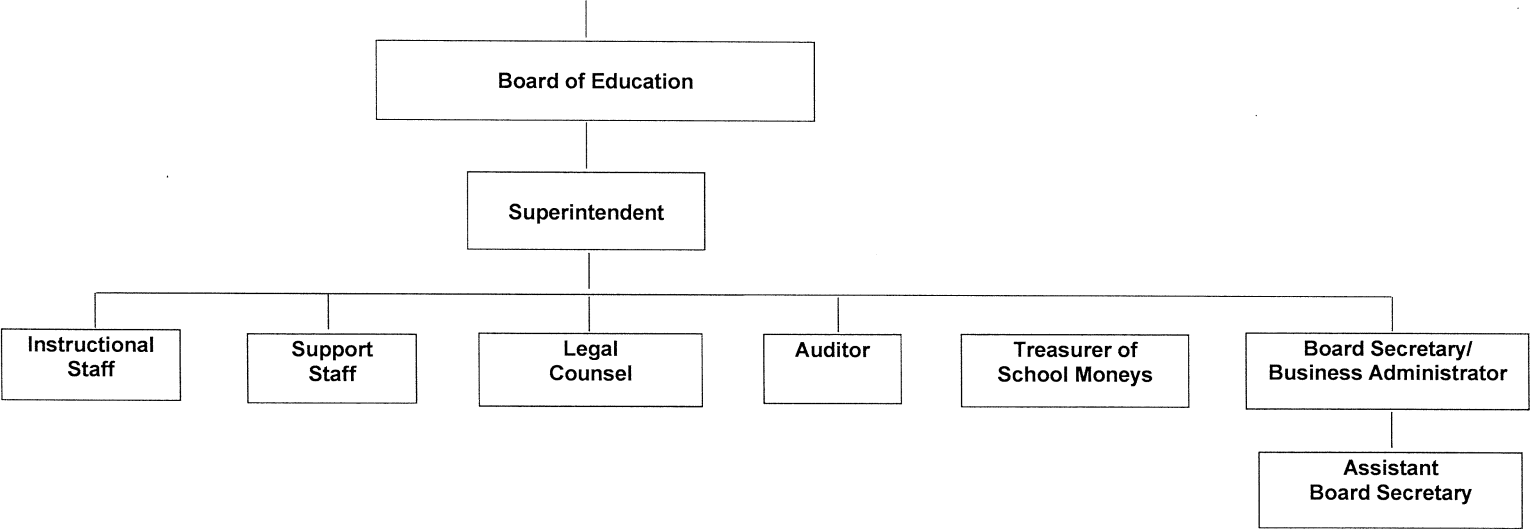


Victoria Zelenak
Superintendent



John Thomas
Board Secretary/Business Administrator

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



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

**ROSTER OF OFFICIALS
JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Edward Connolly - President	2019
Joseph McKenna - Vice-President	2018
Alicia Auman	2018
Dawn Austin	2019
Anita de Satnick	2019
Sharon Lee Kustra	2017
Mark J. LeMunyon	2018
Kathrine Meuse	2017
Thomas Rippman	2017

Other Officials

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

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

Architect

Garrison Architects
713 Creek Road
Bellmawr, NJ 08031

Audit Firm

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

Attorney

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

Official Depository

Sturdy Savings Bank
701 Washington Street
Cape May, NJ 08204

Financial Section

INVERSO & STEWART, LLC
Certified Public Accountants

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E-Mail: iscpas@concentric.net

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Cape May City School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2017, 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 from material misstatement.

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Cape May City School District, in the County of Cape May, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal 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, schedule of the School District's proportionate share of the net pension liability, and schedule of the School District's contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cape May City School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, statistical section, and schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by the Office of School Finance, Department of Education, State of New Jersey and are not a required part of the basic financial statements. The accompanying schedules of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are also presented for purposes of additional analysis and are not a required part of the 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 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 accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections listed in the table of contents 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 18, 2017 on my consideration of the Cape May City School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cape May City School District's internal control over financial reporting and compliance.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant No. CS001095

Marlton, New Jersey
October 18, 2017

INVERSO & STEWART, LLC
 Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cape May City School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2017, 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 18, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cape May City School District's financial statements are free from 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, and federal and state awarding agencies and pass-through entities, 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 No. CS001095

Marlton, New Jersey
October 18, 2017

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Cape May City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017**

As management of the Board of Education of Cape May City, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2017. 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 \$2,252,640 (*net position*).
- Governmental activities have a deficit unrestricted balance of \$276,327. The accounting treatments in the governmental funds for compensated absences payable, net pension liability, and the June state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this minimal amount.
- The total net position of the School District increased by \$357,457, or an 18.86% increase from the prior fiscal year-end balance. The majority of this increase is attributable to the payment of long-term debt including reduction in the compensated absences balance at year end.
- Fund balance of the School District's governmental funds increased by \$432,548 resulting in an ending fund balance of \$1,672,786. This increase was largely due to the results of operations in the general fund.
- Business-type activities have an unrestricted balance of \$58,912, which may be used to meet the School District's ongoing obligations of the food service and child care operations.
- The School District's long-term obligations increased by \$95,370, which is the result of a decrease in compensated absences and an increase in net pension liability.

Overview of the Basic Financial Statements

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

District-wide Financial Statements

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

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

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 reflect only 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 funds are 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 and equipment. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2018. 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 2018.

The assets of the primary government activities exceeded liabilities by \$2,191,603 with a deficit unrestricted balance of \$276,327. The net position of the primary government does not include internal balances.

A net investment of \$1,381,120 in land, improvements, buildings, equipment and vehicles provides the services to the School District's 197 public school students. A balance of \$1,086,810 has been restricted as follows:

Restricted for Future Capital Projects	\$	814
Restricted for Future Maintenance Projects		88
Restricted for Emergency		13,931
Reserve for Impact Aid		400,003
Reserve for Special Revenue (Deficit)		(6,622)
Reserve for Future Budget Appropriation		<u>678,596</u>
Total	\$	<u>1,086,810</u>

**Comparative Summary of Net Position
As of June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		District-Wide	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current assets	\$ 1,700,346	\$ 1,227,089	\$ 129,179	\$ 96,654	\$ 1,829,525	\$ 1,323,743
Capital assets	1,381,120	1,433,367	2,125	2,678	1,383,245	1,436,045
Total assets	<u>3,081,466</u>	<u>2,660,456</u>	<u>131,304</u>	<u>99,332</u>	<u>3,212,770</u>	<u>2,759,788</u>
Deferred Outflows of Resources	<u>386,479</u>	<u>242,819</u>			<u>386,479</u>	<u>242,819</u>
LIABILITIES						
Current liabilities	54,442	(13,149)	70,267	67,323	124,709	54,174
Noncurrent liabilities	1,007,671	766,933			1,007,671	766,933
Total liabilities	<u>1,062,113</u>	<u>753,784</u>	<u>70,267</u>	<u>67,323</u>	<u>1,132,380</u>	<u>821,107</u>
Deferred Inflows of Resources	<u>214,229</u>	<u>286,317</u>			<u>214,229</u>	<u>286,317</u>
Net Position	<u>\$ 2,191,603</u>	<u>\$ 1,863,174</u>	<u>\$ 61,037</u>	<u>\$ 32,009</u>	<u>\$ 2,252,640</u>	<u>\$ 1,895,183</u>
Net Position Consists of:						
Invested in Capital Assets	\$ 1,381,120	\$ 1,433,367	\$ 2,125	\$ 2,678	\$ 1,383,245	\$ 1,436,045
Restricted Assets	1,086,810	541,192			1,086,810	541,192
Unrestricted Assets	<u>(276,327)</u>	<u>(111,385)</u>	<u>58,912</u>	<u>29,331</u>	<u>(217,415)</u>	<u>(82,054)</u>
Net Position	<u>\$ 2,191,603</u>	<u>\$ 1,863,174</u>	<u>\$ 61,037</u>	<u>\$ 32,009</u>	<u>\$ 2,252,640</u>	<u>\$ 1,895,183</u>

Governmental Activities

Governmental activities increased the net position of the School District by \$328,429 during the current fiscal year, thereby accounting for almost all the total increase in the net position of the School District. Key elements of the increase in net position for governmental activities are as follows:

- Excess of current year revenues over expenditures in the amount of \$432,548.

Business-type Activities

Business-type activities increased the School District's net position by \$29,028. Operations of the food service fund produced a gain of \$30,632 and the Child Care Program produced a loss of \$1,604 for the current fiscal year.

**Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		District-Wide	
	2017	2016	2017	2016	2017	2016
Revenues:						
Charges for services	\$ -	\$ -	\$ 39,212	\$ 33,216	\$ 39,212	\$ 33,216
Operating grants and contributions	660,564	563,360	96,329	93,046	756,893	656,406
Property taxes	1,804,282	1,731,557			1,804,282	1,731,557
State aid	1,987,533	1,822,464			1,987,533	1,822,464
Tuition	21,911	41,996			21,911	41,996
Other revenues	523	6,064	46	32	569	6,096
Total Revenues	4,474,813	4,165,441	135,587	126,294	4,610,400	4,291,735
Expenses:						
Governmental Activities:						
Instruction	1,686,255	1,670,530			1,686,255	1,670,530
Tuition	122,621	88,431			122,621	88,431
Related services	470,087	452,330			470,087	452,330
Administrative services	175,805	168,044			175,805	168,044
Central Services	88,190	80,344			88,190	80,344
Operations and Maintenance	388,374	396,742			388,374	396,742
Transportation	70,351	53,207			70,351	53,207
Employee benefits	1,123,291	908,577			1,123,291	908,577
Other	2,910	3,080			2,910	3,080
Business-Type Activities:						
Operations			125,059	124,788	125,059	124,788
Total Expenses	4,127,884	3,821,285	125,059	124,788	4,252,943	3,946,073
Increase (Decrease) in Net Position before transfers						
	346,929	344,156	10,528	1,506	357,457	345,662
Transfers	(18,500)	(17,500)	18,500	17,500		
Change in Net Position	328,429	326,656	29,028	19,006	357,457	345,662
Net Position July 1	1,863,174	1,536,518	32,009	13,003	1,895,183	1,549,521
Net Position June 30	\$ 2,191,603	\$ 1,863,174	\$ 61,037	\$ 32,009	\$ 2,252,640	\$ 1,895,183

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$1,672,786, an increase of \$432,548 in comparison with the prior year.

The unreserved fund balance for the School District at the end of the fiscal year includes a combination of unreserved fund balance for the General Fund of \$585,976, and a deficit unreserved fund balance of (\$6,622) for the Special Revenue Fund. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) appropriated as a revenue source in the subsequent year's budget \$678,596, 2) reserved for maintenance \$88, 4) reserved for Emergency \$13,931, 5) reserved for capital reserve \$814 or 6) reserved for impact aid \$400,003. The general fund is the chief operating fund of the School District.

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

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

General Fund Budgetary Highlights

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

At the end of the current fiscal year, unreserved fund balance (budgetary basis) of the general fund was \$636,539, while total fund balance (budgetary basis) was \$1,729,971. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$3,785,711. Unassigned fund balance (budgetary basis) represents 16.81% of expenditures while total fund balance (budgetary basis) represents 45.70% of that same amount.

Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental activities as of June 30, 2017, totaled \$1,383,245 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$52,800 or a 3.68% decrease.

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

- Depreciation expense for the current fiscal year was \$58,740.

Capital Asset (net of accumulated depreciation) June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 538,500	\$ 538,500	\$ -	\$ -	\$ 538,500	\$ 538,500
Site Improvements					-	-
Building and Building Improvements	780,816	832,495			780,816	832,495
Equipment	<u>61,804</u>	<u>62,372</u>	<u>2,125</u>	<u>2,678</u>	<u>63,929</u>	<u>65,050</u>
Total	<u>\$ 1,381,120</u>	<u>\$ 1,433,367</u>	<u>\$ 2,125</u>	<u>\$ 2,678</u>	<u>\$ 1,383,245</u>	<u>\$ 1,436,045</u>

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

Economic Factors and Next Year's Budgets and Rates

For the 2017-2018 school year, the School District was able to sustain its budget through the tax levy, federal aid, state aid, and miscellaneous revenue sources. One of the most important factors affecting the School District's budget is the amount of state aid it will receive in comparison to its enrollment. The 2017-2018 budget was adopted based on a \$13,841 increase in aid from the State of New Jersey and a \$45,107 increase in school property taxes. The School District continues to examine its costs in an effort to prevent additional burden on the taxpayers.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Cape May City School District Business Administrator, 921 Lafayette Street, Cape May, New Jersey, 08204.

Basic Financial Statements

District-Wide Financial Statements

CAPE MAY CITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 1,192,061	\$ 111,488	\$ 1,303,549
Receivables, net	93,449	14,137	107,586
Inventory		3,554	3,554
Restricted Assets:			
Restricted Cash and Cash Equivalents	414,836		414,836
Capital Assets, net (Note 5)	1,381,120	2,125	1,383,245
Total Assets	<u>3,081,466</u>	<u>131,304</u>	<u>3,212,770</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	386,479		386,479
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>3,467,945</u>	<u>131,304</u>	<u>3,599,249</u>
LIABILITIES:			
Accounts Payable			
Related to Pensions	26,882		26,882
Other	97,033		97,033
Internal Balances	(69,473)	69,473	
Unearned Revenue		794	794
Noncurrent Liabilities:			
Due beyond one year	1,007,671		1,007,671
Total Liabilities	<u>1,062,113</u>	<u>70,267</u>	<u>1,132,380</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	214,229		214,229
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,276,342</u>	<u>70,267</u>	<u>1,346,609</u>
NET POSITION:			
Net Investment in Capital Assets	1,381,120	2,125	1,383,245
Restricted for:			
Special Revenue Fund	(6,622)		(6,622)
Capital Projects	814		814
Other Purposes	1,092,618		1,092,618
Unrestricted	(276,327)	58,912	(217,415)
Total Net Position	<u>\$ 2,191,603</u>	<u>\$ 61,037</u>	<u>\$ 2,252,640</u>

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 1,438,810	\$ -	\$ 150,468	\$ (1,288,342)	\$ -	\$ (1,288,342)
Special education	168,574		2,073	(166,501)		(166,501)
Other instruction	78,871			(78,871)		(78,871)
Support Services:						
Tuition	122,621		54,292	(68,329)		(68,329)
Student & instruction related services	470,087		15,403	(454,684)		(454,684)
General administrative services	116,927			(116,927)		(116,927)
School administrative services	58,878			(58,878)		(58,878)
Central services	88,190			(88,190)		(88,190)
Plant operations and maintenance	388,374			(388,374)		(388,374)
Pupil transportation	70,351			(70,351)		(70,351)
Employee benefits	1,123,291		438,328	(684,963)		(684,963)
Unallocated depreciation and amortization	2,910			(2,910)		(2,910)
Total governmental activities	<u>4,127,884</u>		<u>660,564</u>	<u>(3,467,320)</u>		<u>(3,467,320)</u>
Business-type activities:						
Child Care Program	14,831	13,224			(1,607)	(1,607)
Food Service	110,228	25,988	96,329		12,089	12,089
Total business-type activities	<u>125,059</u>	<u>39,212</u>	<u>96,329</u>		<u>10,482</u>	<u>10,482</u>
Total primary government	<u>\$ 4,252,943</u>	<u>\$ 39,212</u>	<u>\$ 756,893</u>	<u>\$ (3,467,320)</u>	<u>\$ 10,482</u>	<u>\$ (3,456,838)</u>
General revenues:						
Taxes:						
Property taxes for general purposes				1,804,282		1,804,282
Federal and State Aid not restricted				1,987,533		1,987,533
Tuition Fees				21,911		21,911
Miscellaneous Income				523	46	569
Transfer				(18,500)	18,500	
Total general revenues and transfers				<u>3,795,749</u>	<u>18,546</u>	<u>3,814,295</u>
Change in Net Position				328,429	29,028	357,457
Net Position--July 1				1,863,174	32,009	1,895,183
Net Position--June 30				<u>\$ 2,191,603</u>	<u>\$ 61,037</u>	<u>\$ 2,252,640</u>

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

Fund Financial Statements

CAPE MAY CITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

ASSETS	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and Cash Equivalents	\$ 1,079,136	\$ 112,925	\$ -	\$ -	\$ 1,192,061
Receivables, net	11,636	40,420	11,047		63,103
Interfund Receivables, net	248,267				248,267
Restricted Cash and Cash Equivalents	414,836				414,836
Total Assets	<u>\$ 1,753,875</u>	<u>\$ 153,345</u>	<u>\$ 11,047</u>	<u>-</u>	<u>\$ 1,918,267</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	74,467	22,566			97,033
Interfund Payables, net		137,401	11,047		148,448
Total liabilities	<u>74,467</u>	<u>159,967</u>	<u>11,047</u>	<u>-</u>	<u>245,481</u>
 Fund Balances:					
Restricted for:					
Capital Reserve	814				814
Maintenance Reserve	88				88
Emergency Reserve	13,931				13,931
Impact Aid Reserve	400,003				400,003
Assigned to:					
Subsequent Year's Expenditures	678,596				678,596
Unassigned	585,976	(6,622)			579,354
Total Fund Balances	<u>1,679,408</u>	<u>(6,622)</u>			<u>1,672,786</u>
Total Liabilities and Fund Balances	<u>\$ 1,753,875</u>	<u>\$ 153,345</u>	<u>\$ 11,047</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,785,617 and the accumulated depreciation is \$2,404,497. 1,381,120

Accounts payable related to the April 1, 2018 required PERS contribution that is not to be liquidated with current financial resources. (26,882)

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	386,479	
Net Pension Liability	(853,123)	
Deferred Inflows of resources from Pensions	(214,229)	(680,873)

Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (154,548)

Net position of governmental activities \$ 2,191,603

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 1,804,282	\$ -	\$ -	\$ -	\$ 1,804,282
Tuition charges	21,911				21,911
Impact Aid reserve - interest	3				3
Maintenance reserve - interest	20				20
Miscellaneous	500				500
Total revenues-local sources	1,826,716				1,826,716
State sources	964,852	69,672			1,034,524
Federal sources	1,423,236	190,337			1,613,573
Total revenues	4,214,804	260,009			4,474,813
EXPENDITURES:					
Current expense:					
Regular instruction	1,249,742	150,468			1,400,210
Special education instruction	166,501	2,073			168,574
Other instruction	78,871				78,871
Support services and undistributed costs:					
Tuition	68,329	54,292			122,621
Student & instruction related services	454,684	15,403			470,087
General administrative services	111,109				111,109
School administrative services	58,878				58,878
Central services	88,190				88,190
Plant operations and maintenance	326,226				326,226
Pupil transportation	70,351				70,351
Unallocated employee benefits	1,034,970	34,318			1,069,288
Capital outlay	59,360				59,360
Total expenditures	3,767,211	256,554			4,023,765
Excess (deficiency) of revenues over (under) expenditures	447,593	3,455			451,048
Other Financing Sources (Uses):					
Transfers out	(18,500)				(18,500)
Total other financing sources (uses)	(18,500)				(18,500)
Net change in fund balance	429,093	3,455			432,548
Fund balances, July 1	1,250,315	(10,077)			1,240,238
Fund balances, June 30	\$ 1,679,408	\$ (6,622)	\$ -	\$ -	\$ 1,672,786

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

CAPE MAY CITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Fiscal Year Ended June 30, 2017

Total net change in fund balances - governmental funds (from B-2) \$ 432,548

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

Capital outlays are reported in the governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.

Depreciation expense	\$ (58,187)	
Capital outlay	<u>5,940</u>	(52,247)

Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities. (54,003)

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 (+).

2,131

Change in position of governmental activities \$ 328,429

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities		
	Child Care Program	Food Service Program	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,663	\$ 109,825	\$ 111,488
Accounts Receivable		14,137	14,137
Inventories		3,554	3,554
Total Current Assets	<u>1,663</u>	<u>127,516</u>	<u>129,179</u>
Noncurrent Assets:			
Equipment		9,964	9,964
Less: Accumulated Depreciation		<u>(7,839)</u>	<u>(7,839)</u>
Total Noncurrent Assets		<u>2,125</u>	<u>2,125</u>
Total Assets	<u>\$ 1,663</u>	<u>\$ 129,641</u>	<u>\$ 131,304</u>
LIABILITIES			
Current Liabilities:			
Unearned Revenue		794	794
Interfund Payable	1,032	<u>68,441</u>	<u>69,473</u>
Total Liabilities	<u>1,032</u>	<u>69,235</u>	<u>70,267</u>
NET POSITION			
Net Investment in Capital Assets		2,125	2,125
Unrestricted	631	<u>58,281</u>	<u>58,912</u>
Total Net Position	<u>\$ 631</u>	<u>\$ 60,406</u>	<u>\$ 61,037</u>

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Position
Proprietary Funds
for the Fiscal Year Ended June 30, 2017

	Business-type Activities		
	Enterprise Funds		
	Child Care Program	Food Service Program	Total
Operating revenues:			
Charges for services:			
Daily sales-reimbursable programs	\$ -	\$ 21,672	\$ 21,672
Daily sales-non-reimbursable programs		3,974	3,974
Special functions		342	342
Program fees	12,196		12,196
Miscellaneous	1,028		1,028
Donations			
Total operating revenue	<u>13,224</u>	<u>25,988</u>	<u>39,212</u>
Operating expenses:			
Salaries	13,490	41,255	54,745
Employee benefits	1,032	3,156	4,188
Supplies and materials		86	86
Depreciation		553	553
Repairs and maintenance		557	557
Other purchased services		18,500	18,500
Miscellaneous	110	226	336
Cost of sales - reimbursable programs		44,260	44,260
Cost of sales - nonreimbursable programs	199	1,635	1,834
Total operating expenses	<u>14,831</u>	<u>110,228</u>	<u>125,059</u>
Operating income (loss)	<u>(1,607)</u>	<u>(84,240)</u>	<u>(85,847)</u>
Nonoperating revenues (expenses):			
State sources:			
State school lunch program		1,182	1,182
Federal sources:			
National school lunch program		52,697	52,697
National school breakfast program		32,016	32,016
U.S.D.A. commodities		10,434	10,434
Local sources:			
Interest revenue	3	43	46
Total nonoperating revenues (expenses)	<u>3</u>	<u>96,372</u>	<u>96,375</u>
Net income (loss) before transfers	(1,604)	12,132	10,528
Operating transfers in		18,500	18,500
Change in net position	(1,604)	30,632	29,028
Total net position - July 1, 2016	<u>2,235</u>	<u>29,774</u>	<u>32,009</u>
Total net position - June 30, 2017	<u>\$ 631</u>	<u>\$ 60,406</u>	<u>\$ 61,037</u>

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
for the Fiscal Year Ended June 30, 2017

	Business-type Activities		
	<u>Child Care Program</u>	<u>Food Service Program</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 12,196	\$ 25,772	\$ 37,968
Payments to employees	(13,490)	(41,255)	(54,745)
Payments to suppliers	(309)	(56,446)	(56,755)
Net cash used for operating activities	<u>(1,603)</u>	<u>(71,929)</u>	<u>(73,532)</u>
Cash flows from noncapital financing activities:			
Board contribution		18,500	18,500
Cash received from state and federal reimbursements		77,978	77,978
Net cash provided by non-capital financing activities		<u>96,478</u>	<u>96,478</u>
Cash flows from capital activities:			
Purchases of fixed assets			
Cash flows from investing activities:			
Interest and dividends	3	43	46
Net cash provided by investing activities	<u>3</u>	<u>43</u>	<u>46</u>
Net increase in cash and cash equivalents	(1,600)	24,592	22,992
Balances - July 1, 2016	<u>3,263</u>	<u>85,233</u>	<u>88,496</u>
Balances - June 30, 2017	<u>\$ 1,663</u>	<u>\$ 109,825</u>	<u>\$ 111,488</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,607)	\$ (84,240)	\$ (85,847)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		553	553
Federal commodities		10,434	10,434
(Increase) decrease in inventories		(1,616)	(1,616)
Increase/(decrease) in interfund payable	4	3,156	3,160
Increase/(decrease) in unearned revenue		(216)	(216)
Total adjustments	<u>4</u>	<u>12,311</u>	<u>12,315</u>
Net cash provided by (used for) operating activities	<u>\$ (1,603)</u>	<u>\$ (71,929)</u>	<u>\$ (73,532)</u>

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Unemployment Compensation Insurance Trust	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and Cash Equivalents	\$ 8,262	\$ 31,445
	<u> </u>	<u> </u>
Total Assets	\$ 8,262	\$ 31,445
	<u> </u>	<u> </u>
LIABILITIES:		
Payroll Deductions Payable		1,099
Accounts Payable	532	
Interfund Payable		30,346
	<u> </u>	<u> </u>
Total Liabilities	\$ 532	\$ 31,445
	<u> </u>	<u> </u>
NET POSITION:		
Held in Trust for Unemployment Claims and Other Purposes	\$ 7,730	
	<u> </u>	

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

CAPE MAY CITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

	Unemployment Compensation Insurance Trust
ADDITIONS:	
Contributions:	
Employee contributions	\$ 9,726
Total Contributions	9,726
Investment earnings:	
Interest	1
Net investment earnings	1
Total additions	9,727
DEDUCTIONS:	
Unemployment claims	8,821
Total deductions	8,821
Change in net position	906
Net Position - July 1, 2016	6,824
Net Position - June 30, 2017	\$ 7,730

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

Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Cape May City School District (District) is a Type II school district located in Cape May County, New Jersey and covers an area of approximately one square mile. As a Type II school district, it functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the District is to provide educational services for all of Cape May City's students in grades K through 6. Students in grades 7 through 8 attend Richard Teitleman Middle School. Students in grades 9 through 12 attend Lower Cape May Regional High School. The Cape May City School District has an approximate enrollment at June 30, 2017 of 197 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. GASB Statement No. 80, *Blending Requirements for Certain Component Units* - an Amendment of GASB Statement No. 14 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. 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.

Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Statements (Continued) - 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.

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.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

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

The School District’s enterprise funds are:

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

Child Care Program - This fund accounts for all revenues and expenses pertaining to the operations of the before and after school program sponsored by the District.

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

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

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

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

Measurement Focus

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

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

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Fund Financial Statements (Continued) - 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.

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.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2017 and 2016 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

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

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

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

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, 2017.

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.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued) - 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.

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

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

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

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

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

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

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

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

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

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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, 2017.

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.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

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 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 30, 2017. 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.

In November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the School District’s financial statements.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2018. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting 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 May 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting 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 June 2017, the GASB issued Statement 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School district in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the School District's amount on deposit of \$1,866,205 as of June 30, 2017, \$250,000 was insured under FDIC and the remaining balance of 1,616,205 was collateralized under GUDPA.

3. CAPITAL RESERVE ACCOUNT

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

Funds placed in the capital reserve account are restricted to capital projects in the School District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the New Jersey Department of Education, a school district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

3. CAPITAL RESERVE ACCOUNT (Continued)

Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRF. P.

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Balance – July 1, 2016	\$	814
Increased by:		
Interest earned		814
Decreased by:		
Budgeted Withdrawal		814
Balance – June 30, 2017	\$	814

The June 30, 2017 capital reserve balance does not exceed the LRF. P. balance of local support costs of uncompleted projects.

4. ACCOUNTS RECEIVABLES

Accounts receivables at June 30, 2017 consisted of accounts (fees) and intergovernmental grants. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

Accounts receivable at June 30, 2017 for the School District’s individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Proprietary Fund	Total
Intergovernmental					
State	\$ 5,482	\$ -	\$ 11,047	\$ 193	\$ 16,722
Federal		40,420		13,944	54,364
Other	6,154				6,154
Total	\$ 11,636	\$ 40,420	\$ 11,047	\$ 14,137	\$ 77,240

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance Restated July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities:				
Land	\$ 538,500	\$ -	\$ -	\$ 538,500
Total Capital Assets not being Depreciation	538,500	-	-	538,500
Building and Improvements	3,037,924			3,037,924
Equipment	203,253	\$ 5,940		209,193
Total Historical Cost	<u>3,779,677</u>	<u>5,940</u>	<u>-</u>	<u>3,785,617</u>
Less Accumulated Depreciation:				
Building and Improvements	(2,205,429)	(51,679)		(2,257,108)
Equipment	(140,881)	(6,508)		(147,389)
Total Accumulated Depreciation	<u>(2,346,310)</u>	<u>(58,187)</u>	<u>-</u>	<u>(2,404,497)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,433,367</u>	<u>\$ (52,247)</u>	<u>\$ -</u>	<u>\$ 1,381,120</u>
Business-Type Activities:				
Equipment	\$ 9,964		\$ -	\$ 9,964
Less - Accumulated Depreciation	(7,286)	(553)		(7,839)
Business-Type Activities Capital Assets, Net	<u>\$ 2,678</u>	<u>\$ (553)</u>	<u>\$ -</u>	<u>\$ 2,125</u>

Depreciation expense in the amount of \$58,187 was charged to governmental functions as follows:

Function	Amount
Regular Instruction	\$ 40,731
General Administration	5,818
Plant Operation and Maintenance	8,728
Unallocated	2,910
Total depreciation expense	<u>\$ 58,187</u>

6. INVENTORY

Inventory in the food service fund at June 30, 2017 consisted of the following:

Food	\$ 3,217
Supplies	337
	<u>\$ 3,554</u>

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations:

	<u>Principal Outstanding June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2017</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 156,679	\$ -	\$ 2,131	\$ 154,548	\$ -
Net Pension Liability	610,254	97,501		707,755	
	<u>\$ 766,933</u>	<u>\$ 97,501</u>	<u>\$ 2,131</u>	<u>\$ 862,303</u>	<u>\$ -</u>

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

8. OPERATING LEASES

At June 30, 2017, the District had operating lease agreements in effect for the following:

Copiers

Total operating lease payments made during the year ended June 30, 2017, and 2016 were \$15,505 and \$7,761 respectively.

Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 15,505
2019	9,407
2020	<u>2,458</u>
	<u>\$ 27,370</u>

9. PENSION PLANS

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

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF)

Plan Description - The Teachers' Pension and Annuity Fund is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established on January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey (the "State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement, death and disability, and medical benefits to qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

Vesting and Benefit Provisions - 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 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.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4	Members who were eligible to enroll on or after May 21, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for their respective tier.

Contributions - The contribution requirements of plan members are determined by N.J.S.A.18A:66 and requires contributions by active members and contributing employers. 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 member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

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. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (Continued)

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

The School District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2017 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2017 was \$115,031 and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$108,817.

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund (TPAF) and 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.

At June 30, 2017, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

For the year ended June 30, 2017, the School District recognized pension expense of \$853,733 and revenue of \$853,733 for support provided by the State. Although the School 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 School District.

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

	<u>06/30/16</u>	<u>06/30/15</u>
Collective deferred outflows of resources	\$ 17,414,701,002	\$ 7,521,378,257
Collective deferred inflows of resources	134,532,594	554,399,005
Collective net pension liability (Non-Employer – State of New Jersey)	79,028,907,033	63,577,864,440
State's portion of the net pension liability that was associated with the School District	11,362,489	9,633,381
State's portion of the net pension liability that was associated with the School District as a percentage of the collective net pension liability	.0144438971%	.0152416614%

Actuarial assumptions – The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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: 7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (Continued)

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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 TPAF's target asset allocation as of June 30, 2016 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%	0.39%
Government Bonds	01.50%	1.28%
Credit Bonds	13.00%	2.76%
Mortgages	02.00%	2.38%
Inflation-Indexed Bonds	01.50%	1.41%
High Yield Bonds	02.00%	4.70%
Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	06.50%	8.16%
Private Real Estate Property	05.25%	3.64%
Timber	01.00%	3.86%
Farmland	01.00%	4.39%
Private Equity	09.00%	8.97%
Commodities	00.50%	2.87%
Hedge Funds – MultiStrategy	05.00%	3.70%
Hedge Funds – Equity Hedge	03.75%	4.72%
Hedge Funds - Distressed	03.75%	3.49%
	<u>100.00%</u>	

Discount rate. The discount rate used to measure the State's total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 contribution rate in the most recent fiscal year. The state contributed 30% of the actuarially determined 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (Continued)

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

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate. As previously mentioned, TPAF has a special funding situation where the State pays 100% of the School District's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2016, the pension plans measurement date, attributable to the School District is \$0.00, and the State of New Jersey's proportionate share of the net pension liability, attributable to the School District, using a discount rate of 4.13%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.13%) or 1 percentage point higher (5.13%) that the current rate:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	13,569,351	11,362,489	9,560,301
	\$ 13,569,351	\$ 11,362,489	\$ 9,560,301

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)

Plan Description - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS designated purpose is to provide retirement, death and disability, and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the School District, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Vesting and Benefit Provisions - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except medical benefits, which vest after 25 years of service or under the disability provisions of PERS

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4	Members who were eligible to enroll on or after May 21, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for their respective tier.

Contributions - The contribution requirements of plan members are determined by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. 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 member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 336, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The School District's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 12.93% of the School District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the School Districts contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was \$25,590 and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$14,968.

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

<u>Fiscal Year</u>	<u>Normal Contributions</u>	<u>Adjustment</u>	<u>Accrued Liability</u>	<u>Non Contributory Life</u>	<u>Total Liability Paid by District</u>
2017	\$ 4,003	\$ -	\$ 20,371	\$ 1,216	\$ 25,590
2016	3,957	-	18,227	1,188	23,372
2015	2,546	-	11,778	970	15,294

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

At June 30, 2017, the School District reported a liability of \$853,123 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The School District's proportion of the of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

For the year ended June 30, 2017, the School District recognized pension expense of \$54,003. At June 30, 2017, the School District reported a liability of \$853,123 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	\$ 15,866	\$ -
Changes of assumptions	176,722	
Net Difference between projected and actual earnings on pension plan investments	32,530	
Changes in proportion	134,479	214,229
District contributions subsequent to the measurement date	26,882	
Total	\$ 386,479	\$ 214,229

\$26,882 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, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net liability in the year ended June 30, 2017.

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
2017	\$ (13,456)
2018	(13,456)
2019	76,415
2020	67,109
2021	28,756
Total	\$ 145,368

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between projected and actual earnings on pension plan investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	-	5.00
Changes in proportion		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Additional Information

Collective balances at June 30, 2016 and 2015 are as follows:

	<u>6/30/2016</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$ 8,685,338,380	\$ 3,578,755,666
Collective deferred inflows of resources	\$ 870,133,595	\$ 993,410,455
Collective net pension liability	\$ 29,617,131,759	\$ 22,447,996,119
District's Proportion	.0028805056%	.0027185222%

Actuarial assumptions – The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation rate: 3.08%
- Salary Increases:
 - Through 2025: 1.65-4.15% based on age
 - Thereafter: 2.65-5.15% based on age
- Investment Rate of Return: 7.65%

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 3 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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, 2016 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%	00.87%
U.S. Treasuries	01.50%	01.74%
Investment Grade Credit	08.00%	01.79%
Mortgages	02.00%	01.67%
High Yield Bonds	02.00%	04.56%
Inflation Indexed Bonds	01.50%	03.44%
Broad US Equities	26.00%	08.53%
Developed Foreign Equities	13.25%	06.83%
Emerging Market Equities	06.50%	09.95%
Private Equity	09.00%	12.40%
Hedge Funds/Absolute Ret	12.50%	04.68%
Real Estate (Property)	02.00%	06.91%
Commodities	00.50%	05.45%
Global Debt ex US	05.00%	-0.25%
REIT	05.25%	05.63%
	100.00%	

Discount rate. The discount rate used to measure the State's total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Discount rate (Continued) - The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate. The following presents the School District's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.98%, as well as what the School 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 (2.98%) or 1 percentage point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the net pension liability	\$ 1,045,403	\$ 853,123	\$ 694,379

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

Defined Contribution Retirement Program (DCRP)

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

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

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

Fiscal Year	Paid by School District
2017	\$ 4,596
2016	5,404
2015	5,243

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

10. POST-RETIREMENT BENEFITS

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, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$231.1 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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 at:
<http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2017, the School District has recognized as revenues and expenditures on-behalf payments made by the state for normal retirement costs, post-retirement medical costs and long term disability insurance related to TPAF, in the fund statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, post-retirement medical costs and long term disability insurance were \$159,259, \$132,699, and \$84, respectively. In addition, \$111,968 on-behalf payments were made by the state for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

12. RISK MANAGEMENT

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

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

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

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

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

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

12. RISK MANAGEMENT (Continued)

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

<u>Fiscal Year</u>	<u>Interest Earnings</u>	<u>Board Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ 1	\$ -	\$ 9,726	\$ 8,821	\$ 7,730
2015-2016	1		9,422	7,018	6,824
2014-2015	1		7,714	3,345	4,419

13. DEFERRED COMPENSATION

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

14. COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2017, the liability for compensated absences in the governmental activities fund type was \$154,548.

15. INTERFUND BALANCES AND TRANSFERS

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2017. The following interfund balances were recorded on the various balance sheets as of June 30, 2017:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 248,267	\$ -
Special Revenue		137,401
Capital Projects		11,047
Proprietary		69,473
Fiduciary		30,346
Total	<u>\$ 248,267</u>	<u>\$ 248,267</u>

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2017, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District.

17. TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

The City of Cape May had no tax abatements.

18. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$6,622 in the Special Revenue Fund as of June 30, 2017 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 \$6,622 in the Special Revenue Fund is equal to or less than the June state aid payment.

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

19. DEFICIT UNRESTRICTED NET POSITIONS

As of June 30, 2017, a deficit of \$276,327 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, 2017:	
Fund Balance - Unassigned	\$ 585,976
Liabilities:	
Net Pension Differences	(707,755)
Compensated Absences	<u>(154,548)</u>
Unrestricted Net Position (Deficit)	<u><u>\$ (276,327)</u></u>

20. SHARED SERVICES AGREEMENT

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

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

21. FEDERAL IMPACT AID RESERVE

As permitted by P.L.2015, c.46 which amended N.J.S.A. 18A:7F-41 a federal impact reserve account was established by the Cape May City Board of Education by transfer of \$400,000 on June 15, 2017 by board resolution for the amount of federal impact aid funds – general fund – received during the current fiscal year for use as general fund expenditures in subsequent fiscal years. The federal impact aid – general reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

22. FUND BALANCES

RESTRICTED

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

General Fund:

Capital Reserve – As of June 30, 2017, the balance in the capital reserve account is \$814. Of this amount \$814 is restricted for future capital outlay expenditures for capital projects in the School District’s approved Long Range Facilities Plan.

Maintenance Reserve Account – As of June 30, 2017, the balance in the maintenance reserve account is \$88. 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).

**Cape May City School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

22. FUND BALANCES (CONTINUED)

RESTRICTED (CONTINUED)

General Fund:

Emergency Reserve – As of June 30, 2017, the balance in the emergency reserve is \$13,931. These funds are restricted for the purpose of financing unanticipated general fund expenditures required for a through and efficient education in accordance with N.J.S.A. 18A:7F-41c(1).

Impact Aid Reserve – As of June 30, 2017, the balance in the impact aid reserve is \$400,003.

ASSIGNED

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

General Fund:

Designated for Subsequent Year's Expenditures – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2018, \$678,596 of general fund balance at June 30, 2017.

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, 2017, the fund balance of the general fund was \$585,976.

Special Revenue Fund – As of June 30, 2017, the fund balance of the special revenue fund was a deficit of \$6,622. The deficit is a result of the delay in the recording of the payment of state aid until the following fiscal year (See Note 18).

Required Supplementary Information - Part II

Budgetary Comparison Schedules

CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 1,804,282	\$ -	\$ 1,804,282	\$ 1,804,282	\$ -
Tuition - other LEA's within State	20,511		20,511	20,511	
Tuition - Individuals				1,400	1,400
Capital reserve - interest					
Maintenance reserve - interest				20	20
Impact aid reserve - interest				3	3
Miscellaneous	2,500		2,500	500	(2,000)
Total local sources	1,827,293		1,827,293	1,826,716	(577)
State sources:					
Special education aid	78,905		78,905	78,905	
Security aid	40,306		40,306	40,306	
Adjustment aid	273,558		273,558	273,558	
Transportation aid	5,993		5,993	5,993	
School choice aid	152,251		152,251	152,251	
PARCC Readiness Aid	1,330		1,330	1,330	
Per Pupil Growth Aid	1,330		1,330	1,330	
Professional Learning Community Aid	1,700		1,700	1,700	
Extraordinary Aid				3,986	3,986
Nonpublic transportation aid				1,496	1,496
On-behalf TPAF pension contributions (non-budgeted)				159,259	159,259
On-behalf TPAF post retirement medical (non-budgeted)				132,699	132,699
On-behalf TPAF - LTDI (non-budgeted)				84	84
Reimbursed TPAF social security contributions (non-budgeted)				111,968	111,968
Total state sources	555,373		555,373	964,865	409,492
Federal sources:					
P.L. 103-382 Impact Aid - General	640,000		640,000	1,423,236	783,236
P.L. 103-382 Impact Aid - Capital	10,000		10,000		(10,000)
Total federal sources	650,000		650,000	1,423,236	773,236
TOTAL REVENUES	3,032,666		3,032,666	4,214,817	1,182,151
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Pre-Kindergarten	67,777		67,777	65,343	2,434
Kindergarten	176,377		176,377	170,802	5,575
Grades 1-5	571,505	52,000	623,505	612,898	10,607
Grades 6-8	109,071	213	109,284	103,914	5,370
Total Instruction	924,730	52,213	976,943	952,957	23,986
Regular Programs - Home Instruction:					
Salaries of Teachers					
	2,500	(213)	2,287		2,287
Total Home Instruction	2,500	(213)	2,287		2,287

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

CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	\$ 155,490	\$ (46,720)	\$ 108,770	\$ 108,770	\$ -
Purchased technical services	22,500	(114)	22,386	22,306	80
Other purchased services	600	286	886		886
General supplies	96,827	28,768	125,595	122,692	2,903
Textbooks	18,000	20,364	38,364	38,364	
Miscellaneous Expenditures		751	751	750	1
Other objects	7,500	(3,335)	4,165	3,903	262
Total Undistributed Instruction	300,917		300,917	296,785	4,132
Total - Regular Programs - Instruction	1,228,147	52,000	1,280,147	1,249,742	30,405
Special Educ Instruction: Resource Room					
Salaries of teachers	171,107	(61)	171,046	165,690	5,356
General supplies	750	61	811	811	
Total Resource Room	171,857		171,857	166,501	5,356
Total Special Education - Instruction	171,857		171,857	166,501	5,356
Basic Skills/Remedial - Instruction					
Salaries of teachers	59,882		59,882	22,837	37,045
Other salaries for instruction					
General supplies	750	197	947	947	
Total Basic Skills/Remedial - Instruction	60,632	197	60,829	23,784	37,045
Bilingual Education - Instruction					
Salaries of teachers		700	700	700	
Total Bilingual Education - Instruction		700	700	700	
Summer School - Instruction					
Salaries of teachers	15,565	(535)	15,030	8,470	6,560
Other salaries for instruction	2,000		2,000	979	1,021
General supplies	200		200		200
Total Summer School - Instruction	17,765	(535)	17,230	9,449	7,781
School-Sponsored Cocurricular Act - Inst.					
Salaries	48,000	(362)	47,638	44,938	2,700
Supplies and materials					
Total School-Sponsored Cocurr. Act. - Inst	48,000	(362)	47,638	44,938	2,700
Undistributed Expenditures - Instruction					
Tuition to CSSD & Reg. Day Schools	100,000	12,017	112,017	68,329	43,688
Tuition to Private School for the Disabled	21,363	(21,363)			
Total Undistributed Expenditures - Instruction	121,363	(9,346)	112,017	68,329	43,688

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

(CONTINUED TO NEXT PAGE)

CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Attend. and Social Work					
Purchased professional and technical services	\$ 4,985	\$ -	\$ 4,985	\$ 4,985	\$ -
Total Undistributed Expenditures - Attendance	4,985		4,985	4,985	
Undistributed Expenditures - Health Services					
Salaries	79,607	(100)	79,507	78,579	928
Purchased prof. and technical services	1,500	100	1,600	1,600	
Supplies and materials	1,500		1,500	1,460	40
Total Undistributed Expenditures - Health Svcs.	82,607		82,607	81,639	968
Undist. Expend. - Speech, OT, PT & Rel. Serv.					
Purchased prof. and educational services	52,000	(1,746)	50,254	47,204	3,050
Supplies and materials	500		500	51	449
Total Undst. Expend. - Speech, OT, PT & Rel. Serv.	52,500	(1,746)	50,754	47,255	3,499
Undist. Expend. - Guidance					
Salaries of other professional staff	41,870		41,870	39,689	2,181
Supplies and materials	500		500	476	24
Total Undst. Expend. - Guidance	42,370		42,370	40,165	2,205
Undist. Expend. - Child Study Teams					
Salaries of secretarial and clerical assistants	31,469	9,347	40,816	40,816	
Purchased professional/educational services	101,875	6,461	108,336	108,067	269
Supplies and materials	3,000	(631)	2,369	2,369	
Total Undst. Expend. - Child Study Teams	136,344	15,177	151,521	151,252	269
Undist. Expend. - Improvement of Inst. Services					
Salaries of supervisor of instruction	36,425	(36,424)	1		
Salaries of other professional staff	20,000		20,000	20,000	
Salaries of secretarial and clerical assistants	13,012	31,658	44,670	42,153	2,517
Supplies and Materials	7,500		7,500	7,000	500
Total Undst. Expend. - Improvement of Inst. Services	76,937	(4,766)	72,171	69,153	3,017
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	45,745	7,490	53,235	52,149	1,086
Salaries of technology coordinators	8,000	(8,000)			
Purchased prof/technical services	3,000	(622)	2,378	2,378	
Supplies and materials	4,000	1,814	5,814	5,708	106
Total Undst. Expend. - Educ. Media Serv./Sch. Library	60,745	682	61,427	60,235	1,192

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

(CONTINUED TO NEXT PAGE)

CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	\$ 65,512	\$ -	\$ 65,512	\$ 65,512	\$ -
Legal services	4,500	265	4,765	4,765	
Audit Fees	13,500	(1,572)	11,928	11,900	28
Expenditure & Internal Control Audit Fees	3,000		3,000	3,000	
Architectural/Engineering Services	500		500		500
Communications / telephone	10,000	10,364	20,364	16,003	4,361
BOE Other Purchased Services	500	(197)	303		303
BOE In-House training/meeting supplies	300		300	76	224
Miscellaneous expenditures	5,000	724	5,724	5,397	327
BOE membership dues and fees	4,800	(344)	4,456	4,456	
Total Undst. Expend. - Supp. Serv. General Admin.	107,612	9,240	116,852	111,109	5,743
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	56,500	(1,100)	55,400	52,500	2,900
Other purchased services		2,855	2,855	151	2,704
Supplies and materials	3,000	(1,900)	1,100	1,082	18
Other objects	5,000	145	5,145	5,145	
Total Undst. Expend. - Supp. Serv. School Admin.	64,500		64,500	58,878	5,622
Undist. Expend. - Central Services					
Salaries	73,768	(586)	73,182	73,114	68
Supplies and materials	2,500	(5)	2,495	2,410	85
Miscellaneous expenditures	2,000	25	2,025	2,025	
Total Undst. Expend. - Central Services	78,268	(566)	77,702	77,549	153
Undist. Expend. - Admin. Info. Technology					
Salaries					
Purchased technical services	7,500	3,141	10,641	10,641	
Total Undst. Expend. - Admin. Info. Technology	7,500	3,141	10,641	10,641	
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	52,758	(164)	52,594	52,594	
Cleaning, repair, and maintenance services	65,500	8,286	73,786	73,500	286
Supplies and materials	1,000		1,000	924	76
Total Undst. Expend. - Required Maint. Sch. Facilities	119,258	8,122	127,380	127,018	362
Undist. Expend. - Custodial Services					
Salaries	86,660	(169)	86,491	86,326	165
Purchased professional & tech. services	500	40	540	540	
Insurance	33,228	(4,234)	28,994	26,447	2,547
Misc. purchased services	500		500	30	470
General supplies	8,500	4,010	12,510	12,510	
Energy (natural gas)	42,000	(9,485)	32,515	24,968	7,547
Energy (electricity)	42,000		42,000	41,700	300
Energy (gasoline)	250		250	99	151
Other objects	9,000		9,000	6,588	2,412
Total Undst. Expend. - Custodial Services	222,638	(9,838)	212,800	199,208	13,592

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

(CONTINUED TO NEXT PAGE)

CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Total Undst. Expend. - Oper. & Maint. of Plant Services	\$ 341,896	\$ (1,716)	\$ 340,180	\$ 326,226	\$ 13,954
Undist. Expend. - Student Trans. Services					
Sal. Of Non-Instructional Aides	6,426	(1)	6,425	6,425	
Contr. serv. (other than bet. home & sch.) - vendors	3,500	(2,136)	1,364	1,364	
Contr. serv. (bet. home & sch.) - joint agreements	16,000	(5,911)	10,089	10,089	
Contr. serv. (sp ed stds) - vendors	24,000	7,947	31,947	31,947	
Contr. serv. (sp ed stds) - joint agreements	18,800	1,726	20,526	20,526	
Total Undst. Expend. - Student Trans. Services	68,726	1,625	70,351	70,351	
Unallocated Benefits - Employee Benefits					
Social security contributions	48,000	(5,512)	42,488	39,332	3,156
Other retirement contributions - PERS	24,000	2,349	26,349	26,349	
Other retirement contributions - reg.	7,000	(1,883)	5,117	5,117	
Unemployment compensation	7,500	(79)	7,421	4,438	2,983
Workmen's compensation	25,500		25,500	20,880	4,620
Health benefits	489,182		489,182	489,182	
Tuition reimbursement	13,500		13,500	8,643	4,857
Other employee benefits	45,907		45,907	37,019	8,888
Unused sick payments to terminated/retired staff					
Total Unallocated Benefits - Employee Benefits	660,589	(5,125)	655,464	630,960	24,504
On-behalf TPAF pension contributions (non-budgeted)				159,259	(159,259)
On-behalf TPAF post retirement medical (non-budgeted)				132,699	(132,699)
On-behalf TPAF - LTDI (non-budgeted)				84	(84)
Reimbursed TPAF social security contributions (non-budgeted)				111,968	(111,968)
Total Undistributed Expenditures - TPAF				404,010	(404,010)
Total Undistributed Expenditures	1,906,942	7,300	1,914,242	2,213,437	(299,196)
Total General Current Expense	3,433,343	58,600	3,491,943	3,707,851	(215,909)
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Undistributed Expenditures:					
Required Maintenance for School Facilities	10,000	(1,500)	8,500	8,299	201
Non-Instruction Equipment		37,900	37,900	37,900	
Administration - Infromation Technology	8,500	1,500	10,000	10,000	
Total Equipment	18,500	37,900	56,400	56,199	201

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

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**CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Facilities Acquisition and Construction Services					
Construction services	\$ 100,000	\$ (100,000)	\$ -	\$ -	\$ -
Assessment for Debt Service on SDA Funding	3,161		3,161	3,161	
Total Facilities Acquisition and Construction Services	<u>103,161</u>	<u>(100,000)</u>	<u>3,161</u>	<u>3,161</u>	
Total Capital Outlay	<u>121,661</u>	<u>(62,100)</u>	<u>59,561</u>	<u>59,360</u>	<u>201</u>
Total Expenditures	<u>3,555,004</u>	<u>(3,500)</u>	<u>3,551,504</u>	<u>3,767,211</u>	<u>(215,707)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>(522,338)</u>	<u>3,500</u>	<u>(518,838)</u>	<u>447,606</u>	<u>966,444</u>
Other Financing Sources:					
Operating Transfer Out - Food Service Fund	<u>(15,000)</u>	<u>(3,500)</u>	<u>(18,500)</u>	<u>(18,500)</u>	
Total Other Financing Sources	<u>(15,000)</u>	<u>(3,500)</u>	<u>(18,500)</u>	<u>(18,500)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	<u>(537,338)</u>		<u>(537,338)</u>	<u>429,106</u>	<u>966,444</u>
Fund Balance, July 1	<u>1,300,865</u>		<u>1,300,865</u>	<u>1,300,865</u>	
Fund Balance, June 30	<u>\$ 763,527</u>	<u>\$ -</u>	<u>\$ 763,527</u>	<u>\$ 1,729,971</u>	<u>\$ 966,444</u>
Recapitulation of Fund Balance					
Restricted Fund Balance:					
Capital Reserve				\$ 814	
Maintenance Reserve				88	
Emergency Reserve				13,931	
Impact Aid Reserve				400,003	
Assigned Fund Balance					
Designated for Subsequent Years Expenditures				678,596	
Unassigned Fund Balance				<u>636,539</u>	
				1,729,971	
Reconciliation on Governmental Fund Statements (GAAP):					
Less: State Aid Payment not Recognized on GAAP Basis				<u>(50,563)</u>	
Fund Balance per Government Fund (GAAP)				<u>\$ 1,679,408</u>	

CAPE MAY CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State sources	\$ 66,217	\$ -	\$ 66,217	\$ 66,217	\$ -
Federal sources	190,337		190,337	190,337	
Total revenues	<u>256,554</u>		<u>256,554</u>	<u>256,554</u>	
EXPENDITURES:					
Instruction:					
Salaries of teachers	149,223	1,245	150,468	150,468	
Tuition	54,292		54,292	54,292	
Other purchased services		670	670	670	
General supplies	2,073	(670)	1,403	1,403	
Total instruction	<u>205,588</u>	<u>1,245</u>	<u>206,833</u>	<u>206,833</u>	
Support services:					
Personal services - employee benefits	19,924	14,394	34,318	34,318	
Other purchased services	31,042	(15,639)	15,403	15,403	
Travel					
Total support services	<u>50,966</u>	<u>(1,245)</u>	<u>49,721</u>	<u>49,721</u>	
Total expenditures	<u>256,554</u>		<u>256,554</u>	<u>256,554</u>	
Total outflows	<u>256,554</u>		<u>256,554</u>	<u>256,554</u>	
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CAPE MAY CITY SCHOOL DISTRICT
Notes to Required Supplementary Information
Budgetary Comparison

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 4,214,817	\$ 256,554
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
The last State aid payment for the prior year is recognized as revenue for GAAP purposes and differs from budgetary basis which recognized this revenue in the prior year.	50,550	10,077
The last State aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognizes this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	(50,563)	(6,622)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 4,214,804	\$ 260,009
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 3,767,211	\$ 256,554
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	\$ 3,767,211	\$ 256,554

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

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

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0028805056%	0.0027185222%	0.0018551999%	0.0039536573%
District's proportionate share of the net pension liability (asset)	\$ 853,123	\$ 610,254	\$ 347,344	\$ 755,622
District's covered-employee payroll	207,887	196,958	183,842	189,026
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	410.38%	309.84%	188.94%	399.75%
Plan fiduciary net position as a percentage of the total pension liability	31.20%	38.21%	42.74%	40.71%

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

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

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 26,882	\$ 25,590	\$ 23,372	\$ 15,294
Contributions in relation to the contractually required contributions	<u>(26,882)</u>	<u>(25,590)</u>	<u>(23,372)</u>	<u>(15,294)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	207,887	196,958	183,842	189,026
Contributions as a percentage of covered-employee payroll	12.93%	12.99%	12.71%	8.09%

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

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

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0144438971%	0.0152416614%	0.0152518196%	0.0154010277%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 11,362,489	\$ 9,633,381	\$ 8,151,601	\$ 7,783,558
Total	\$ 11,362,489	\$ 9,633,381	\$ 8,151,601	\$ 7,783,558
District's covered-employee payroll	1,511,342	1,409,569	1,458,772	1,499,909
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%

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

Cape May City School District
Notes to Required Supplementary Information
Pension Schedules
For the Fiscal Year Ended June 30, 2017

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: Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

2. 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: Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 3 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Other Supplementary Information

Special Revenue Fund
Detail Statements

CAPE MAY CITY SCHOOL DISTRICT
 Special Revenue Fund
 Combining Statement of Revenues and Expenditures
 Budgetary Basis
 for the Fiscal Year Ended June 30, 2017

	No Child Left Behind (N.C.L.B.)				Individuals With Disabilities Act (I.D.E.A.)		Preschool Education Aid	Total
	Title I Current Year	Title I Prior Year	Title II - Part A Current Year	Title II - Part A Prior Year	Part B - Basic Current Year	Part B - Preschool Current Year		
REVENUES:								
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,217	\$ 66,217
Federal sources	94,248	22,076	11,118	6,530	54,292	2,073		190,337
Total Revenues	94,248	22,076	11,118	6,530	54,292	2,073	66,217	256,554
EXPENDITURES:								
Instruction:								
Salaries of Teachers	59,330	22,076	2,845				66,217	150,468
Tuition					54,292			54,292
Other Purchased Services						670		670
General Supplies						1,403		1,403
Total instruction	59,330	22,076	2,845		54,292	2,073	66,217	206,833
Support services:								
Personal Services - Employee Benefits	34,318							34,318
Other Purchased Services	600		8,273	6,530				15,403
Supplies								
Total support services	34,918		8,273	6,530				49,721
Total Expenditures	94,248	22,076	11,118	6,530	54,292	2,073	66,217	256,554
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CAPE MAY CITY SCHOOL DISTRICT
Special Revenue Fund
Statement of Preschool Education Aid
Budgetary Basis
for the Fiscal Year Ended June 30, 2017

<u>District-Wide Total</u>			
	Budgeted	Actual	Variance
EXPENDITURES:			
Instruction:			
Salaries of teachers	\$ 66,217	\$ 66,217	\$ -
Other salaries for instruction			
Total Instruction	66,217	66,217	
Support Services:			
Salaries of supervisor of instruction			
Personal Services - Employee Benefits			
Total support services			
Total expenditures	\$ 66,217	\$ 66,217	\$ -

CALCULATION OF BUDGET AND CARRYOVER

Total Revised 2016-2017 Preschool Education Allocation	\$ 66,217
Add: Actual Preschool Ed Aid Carryover (June 30, 2015)	
Total Preschool Education Aid Funds Available for 2015-2016	66,217
Less: 2016-2017 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	(66,217)
Available & Unbudgeted Preschool Education Funds as of June 30, 2017	
Add: June 30, 2017 Unexpended Preschool Education Aid	
2016-2017 Preschool Education Aid Carryover	\$ -
2016-2017 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2017-18	\$ -

Proprietary Funds
Detail Statements

CAPE MAY CITY SCHOOL DISTRICT
Enterprise Funds
Statement of Net Position
as of June 30, 2017

	Child Care Program	Food Service	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,663	\$ 109,825	\$ 111,488
Accounts Receivable:			
State		193	193
Federal		13,944	13,944
Inventories		3,554	3,554
Total Current Assets	<u>1,663</u>	<u>127,516</u>	<u>129,179</u>
Fixed Assets:			
Equipment		9,964	9,964
Less: Accumulated Depreciation		<u>(7,839)</u>	<u>(7,839)</u>
Total Fixed Assets		<u>2,125</u>	<u>2,125</u>
Total Assets	<u>\$ 1,663</u>	<u>\$ 129,641</u>	<u>\$ 131,304</u>
LIABILITIES:			
Current liabilities:			
Unearned Revenue		794	794
Interfund Payable	<u>1,032</u>	<u>68,441</u>	<u>69,473</u>
Total Current Liabilities	<u>1,032</u>	<u>69,235</u>	<u>70,267</u>
NET POSITION:			
Net Investment in Capital Assets		2,125	2,125
Unreserved Retained Earnings	<u>631</u>	<u>58,281</u>	<u>58,912</u>
Total Net Position	<u>\$ 631</u>	<u>\$ 60,406</u>	<u>\$ 61,037</u>

CAPE MAY CITY SCHOOL DISTRICT
Enterprise Funds

Combined Statement of Revenues, Expenses and Changes in Net Position
for the Fiscal Year ended June 30, 2017

	Child Care Program	Food Service	Total
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs	\$ -	\$ 21,672	\$ 21,672
Total-daily sales-reimbursable programs		21,672	21,672
Daily sales non-reimbursable programs		3,974	3,974
Special functions		342	342
Program fees	12,196		12,196
Miscellaneous	1,028		1,028
Total operating revenue	13,224	25,988	39,212
OPERATING EXPENSES:			
Salaries	13,490	41,255	54,745
Employee benefits	1,032	3,156	4,188
Supplies and materials		86	86
Depreciation		553	553
Repairs and Maintenance		557	557
Other purchased services		18,500	18,500
Miscellaneous	110	226	336
Cost of Sales - reimbursable programs		44,260	44,260
Cost of Sales - nonreimbursable programs	199	1,635	1,834
Total operating expenses	14,831	110,228	125,059
Operating income (loss)	(1,607)	(84,240)	(85,847)
Non-operating revenues:			
State sources:			
State school lunch program		1,182	1,182
Federal sources:			
National school lunch program		52,697	52,697
National school breakfast program		32,016	32,016
U.S.D.A. commodities		10,434	10,434
Interest revenue	3	43	46
Total non-operating revenues	3	96,372	96,375
Net income (loss) before transfers	(1,604)	12,132	10,528
Other Financing Sources and Uses:			
Operating transfers in		18,500	18,500
Change in Net Position	(1,604)	30,632	29,028
Net Position - July 1	2,235	29,774	32,009
Net Position - June 30	\$ 631	\$ 60,406	\$ 61,037

CAPE MAY CITY SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Year ended June 30, 2017

	<u>Child Care Program</u>	<u>Food Service</u>	<u>Total</u>
Cash flows from operating activities:			
Cash receipts from customers	\$ 12,196	\$ 25,772	\$ 37,968
Cash payments to employees for services	(13,490)	(41,255)	(54,745)
Cash payments to suppliers for goods and services	<u>(309)</u>	<u>(56,446)</u>	<u>(56,755)</u>
Net cash used by operating activities	<u>(1,603)</u>	<u>(71,929)</u>	<u>(73,532)</u>
Cash flows from noncapital financing activities:			
Miscellaneous			-
Board Contribution		18,500	18,500
Cash received from state and federal reimbursements		<u>77,978</u>	<u>77,978</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>96,478</u>	<u>96,478</u>
Cash flows from capital financing activities:			
Purchases of fixed assets			-
Net cash used by capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>3</u>	<u>43</u>	<u>46</u>
Net cash provided by investing activities	<u>3</u>	<u>43</u>	<u>46</u>
Net increase (decrease) in cash and cash equivalents	(1,600)	24,592	22,992
Cash and cash equivalents, July 1	<u>3,263</u>	<u>85,233</u>	<u>88,496</u>
Cash and cash equivalents, June 30	<u>\$ 1,663</u>	<u>\$ 109,825</u>	<u>\$ 111,488</u>
Reconciliation of operating income (loss) to net cash provided			
(used) by operating activities:			
Operating income (loss)	\$ (1,607)	\$ (84,240)	\$ (85,847)
Adjustments to reconcile operating income (loss)			
to cash provided (used) by operating activities:			
Depreciation		553	553
Federal commodities		10,434	10,434
Change in assets and liabilities:			
(Increase)/decrease in inventory		(1,616)	(1,616)
(Increase)/decrease in accounts receivable			-
Increase/(decrease) in interfund payable	4	3,156	3,160
Increase/(decrease) in unearned revenue		<u>(216)</u>	<u>(216)</u>
Net cash used by operating activities	<u>\$ (1,603)</u>	<u>\$ (71,929)</u>	<u>\$ (73,532)</u>

Fiduciary Funds
Detail Statements

CAPE MAY CITY SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2017

	<u>Agency Funds</u>	<u>Employee Benefit Trust Funds</u>	
	<u>Payroll</u>	<u>Unemployment Compensation Insurance Fund</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 31,445	\$ 8,262	\$ 39,707
TOTAL ASSETS	<u>\$ 31,445</u>	<u>\$ 8,262</u>	<u>\$ 39,707</u>
LIABILITIES			
LIABILITIES:			
Payroll Deductions Payable	1,099		1,099
Accounts Payable		532	532
Interfund Payable	<u>30,346</u>		<u>30,346</u>
Total Liabilities	<u>31,445</u>	<u>532</u>	<u>31,977</u>
NET POSITION			
Reserved for Unemployment Claims		<u>7,730</u>	<u>7,730</u>
Total Net Position	<u>\$ -</u>	<u>\$ 7,730</u>	<u>\$ 7,730</u>

CAPE MAY CITY SCHOOL DISTRICT
Fiduciary Fund
 Statement of Changes in Fiduciary Net Position
 for the Fiscal Year ended June 30, 2017

	<u>Employee Benefit Trust Funds</u> <u>Unemployment Compensation Insurance Fund</u>
REVENUES:	
Local sources:	
Employee contributions	\$ 9,726
Interest on investments	<u>1</u>
Total Revenues	<u>9,727</u>
 EXPENDITURES:	
Current Expense:	
Undistributed Expenditures:	
Unemployment claims	<u>\$ 8,821</u>
Total Expenditures	<u>8,821</u>
Excess (deficiency) of revenues over (under) expenditures)	906
Net Position July 1, 2016	<u>6,824</u>
Net Position June 30, 2017	<u><u>\$ 7,730</u></u>

CAPE MAY CITY SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS:				
Cash and cash equivalents	\$ 66,378	\$ 2,224,273	\$ 2,259,206	\$ 31,445
Total assets	\$ 66,378	\$ 2,224,273	\$ 2,259,206	\$ 31,445
LIABILITIES:				
Payroll deductions and withholdings	\$ 13,610	\$ 980,395	\$ 992,906	\$ 1,099
Net payroll		1,243,127	1,243,127	
Interfund payable	52,768	751	23,173	30,346
Total liabilities	\$ 66,378	\$ 2,224,273	\$ 2,259,206	\$ 31,445

Statistical Section

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

Exhibit J-1

Fiscal Year Ending June 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Net Investment in Capital Assets	\$ 2,085,039	\$ 1,990,488	\$ 1,877,400	\$ 1,806,878	\$ 1,713,775	\$ 1,663,528	\$ 1,572,948	\$ 1,494,960	\$ 1,433,367	\$ 1,381,120
Restricted for:										
Special Revenue	(10,828)	(3,197)	(3,197)	(3,028)	(2,478)	(3,366)	(4,319)	(6,622)	(10,077)	(6,622)
Capital Projects			75,590	75,662	75,688	75,723	75,753	75,784	814	814
Other Purposes	449,264	526,636	1,290,355	1,065,653	953,568	935,650	606,192	445,963	550,455	1,092,618
Unrestricted	56,444	916,389	101,144	222,232	360,364	139,660	(130,992)	(473,567)	(111,385)	(276,327)
Total Governmental Activities Net Position	\$ 2,579,919	\$ 3,430,316	\$ 3,341,292	\$ 3,167,397	\$ 3,100,917	\$ 2,811,195	\$ 2,119,582	\$ 1,536,518	\$ 1,863,174	\$ 2,191,603
Business-Type Activities:										
Net Investment in Capital Assets	\$ 3,438	\$ 2,991	\$ 1,943	\$ 1,723	\$ 4,891	\$ 4,338	\$ 3,784	\$ 3,231	\$ 2,678	\$ 2,125
Unrestricted	6,549	8,127	4,128	2,655	10,084	10,887	3,252	9,772	29,331	58,912
Total Business-Type Activities Net Position	\$ 9,987	\$ 11,118	\$ 6,071	\$ 4,378	\$ 14,975	\$ 15,225	\$ 7,036	\$ 13,003	\$ 32,009	\$ 61,037
District-Wide:										
Net Investment in Capital Assets	\$ 2,088,477	\$ 1,993,479	\$ 1,879,343	\$ 1,808,601	\$ 1,718,666	\$ 1,667,866	\$ 1,576,732	\$ 1,498,191	\$ 1,436,045	\$ 1,383,245
Restricted:										
Special Revenue	(10,828)	(3,197)	(3,197)	(3,028)	(2,478)	(3,366)	(4,319)	(6,622)	(10,077)	(6,622)
Capital Projects			75,590	75,662	75,688	75,723	75,753	75,784	814	814
Other Purposes	449,264	526,636	1,290,355	1,065,653	953,568	935,650	606,192	445,963	550,455	1,092,618
Unrestricted	62,993	924,516	105,272	224,887	370,448	150,547	(127,740)	(463,795)	(82,054)	(217,415)
Total District Net Position	\$ 2,589,906	\$ 3,441,434	\$ 3,271,773	\$ 3,171,775	\$ 3,115,892	\$ 2,826,420	\$ 2,126,618	\$ 1,549,521	\$ 1,895,183	\$ 2,252,640

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 1,272,439	\$ 1,212,101	\$ 1,408,535	\$ 1,454,252	\$ 1,320,931	\$ 1,405,163	\$ 1,253,104	\$ 1,312,897	\$ 1,270,164	\$ 1,438,810
Special education	82,927	75,309	156,120	135,315	201,479	174,812	186,529	171,441	203,176	168,574
Other instruction	66,583	113,930	82,984	75,584	161,915	135,795	187,810	157,194	197,190	78,871
Support Services:										
Tuition	40,902	36,060	9,124	2,255		63,881	170,479	89,986	88,431	122,621
Student & instruction related services	429,933	339,277	436,082	377,209	378,733	405,282	417,051	416,911	452,330	470,087
School administrative services	47,036	53,924	52,740	58,973	54,907	54,581	61,758	60,446	61,667	58,878
General and business administrative services	168,151	183,334	182,509	206,649	192,094	178,890	187,707	186,199	186,721	205,117
Plant operations and maintenance	352,577	435,893	449,175	386,030	411,389	397,424	361,714	338,590	396,742	388,374
Pupil transportation	25,268	18,934	60,076	77,806	16,392	63,840	71,543	55,063	53,207	70,351
Unallocated employee benefits	745,368	596,480	634,642	710,531	805,634	914,357	883,052	866,717	908,577	1,123,291
Interest on long-term debt										
Unallocated depreciation	4,859	4,727	5,861	4,502	4,322	4,512	7,690	3,899	3,080	2,910
Total governmental activities expenses	<u>3,236,043</u>	<u>3,069,969</u>	<u>3,477,848</u>	<u>3,489,106</u>	<u>3,547,796</u>	<u>3,798,537</u>	<u>3,788,437</u>	<u>3,659,343</u>	<u>3,821,285</u>	<u>4,127,884</u>
Business-type activities:										
Food service	99,676	76,644	97,465	84,647	84,851	81,148	98,066	112,031	105,936	110,228
Child care program	19,227	20,143	18,159	12,692	13,638	18,627	20,806	14,504	18,852	14,831
Total business-type activities expense	<u>118,903</u>	<u>96,787</u>	<u>115,624</u>	<u>97,339</u>	<u>98,489</u>	<u>99,775</u>	<u>118,872</u>	<u>126,535</u>	<u>124,788</u>	<u>125,059</u>
Total district expenses	<u>\$ 3,354,946</u>	<u>\$ 3,166,756</u>	<u>\$ 3,593,472</u>	<u>\$ 3,586,445</u>	<u>\$ 3,646,285</u>	<u>\$ 3,898,312</u>	<u>\$ 3,907,309</u>	<u>\$ 3,785,878</u>	<u>\$ 3,946,073</u>	<u>\$ 4,252,943</u>
Program Revenues:										
Governmental activities:										
Operating grants and contributions	782,285	396,270	475,426	359,720	267,301	457,559	137,419	470,970	563,360	660,564
Total governmental activities program revenues	<u>782,285</u>	<u>396,270</u>	<u>475,426</u>	<u>359,720</u>	<u>267,301</u>	<u>457,559</u>	<u>137,419</u>	<u>470,970</u>	<u>563,360</u>	<u>660,564</u>

(Continued)

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services:										
Food service	\$ 14,791	\$ 20,907	\$ 23,448	\$ 21,283	\$ 20,453	\$ 20,870	\$ 17,981	\$ 17,897	\$ 19,733	\$ 25,988
Child care program	21,765	18,154	14,132	18,109	18,457	16,894	12,835	20,663	13,483	13,224
Operating grants and contributions	36,823	49,565	71,033	47,893	57,209	52,652	63,850	73,932	93,046	96,329
Capital grants and contributions										
Total business-type activities program revenues	<u>73,379</u>	<u>88,626</u>	<u>108,613</u>	<u>87,285</u>	<u>96,119</u>	<u>90,416</u>	<u>94,666</u>	<u>112,492</u>	<u>126,262</u>	<u>135,541</u>
Total district program revenues	<u>\$ 855,664</u>	<u>\$ 484,896</u>	<u>\$ 584,039</u>	<u>\$ 447,005</u>	<u>\$ 363,420</u>	<u>\$ 547,975</u>	<u>\$ 232,085</u>	<u>\$ 583,462</u>	<u>\$ 689,622</u>	<u>\$ 796,105</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (2,453,758)	\$ (2,673,699)	\$ (3,002,422)	\$ (3,129,386)	\$ (3,280,495)	\$ (3,340,978)	\$ (3,651,018)	\$ (3,188,373)	\$ (3,257,925)	\$ (3,467,320)
Business-type activities	(45,524)	(8,161)	(7,011)	(10,054)	(2,370)	(9,359)	(24,206)	(14,043)	1,474	10,482
Total district-wide net expense	<u>\$ (2,499,282)</u>	<u>\$ (2,681,860)</u>	<u>\$ (3,009,433)</u>	<u>\$ (3,139,440)</u>	<u>\$ (3,282,865)</u>	<u>\$ (3,350,337)</u>	<u>\$ (3,675,224)</u>	<u>\$ (3,202,416)</u>	<u>\$ (3,256,451)</u>	<u>\$ (3,456,838)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,513,599	\$ 1,574,143	\$ 1,731,557	\$ 1,804,282
Unrestricted grants and contributions	1,044,356	1,996,252	1,374,538	1,390,853	1,655,773	1,532,289	1,418,777	1,708,647	1,822,464	1,987,533
Investment earnings	14,266	25,600	30,016	23,488	26	35	1,767	63	30	23
Miscellaneous income	28,402	27,551	26,866	65,572	87,240	1,867	41,262	68,288	48,030	22,411
Transfers	(46,851)	(9,228)	(1,943)	(8,343)	(12,945)	(9,599)	(16,000)	(20,000)	(17,500)	(18,500)
Total governmental activities	<u>2,524,094</u>	<u>3,524,096</u>	<u>2,913,398</u>	<u>2,955,491</u>	<u>3,214,015</u>	<u>3,008,513</u>	<u>2,959,405</u>	<u>3,331,141</u>	<u>3,584,581</u>	<u>3,795,749</u>
Business-type activities:										
Investment earnings	356	64	21	18	22	10	17	10	32	46
Transfers	46,851	9,228	1,943	8,343	12,945	9,599	16,000	20,000	17,500	18,500
Total business-type activities	<u>47,207</u>	<u>9,292</u>	<u>1,964</u>	<u>8,361</u>	<u>12,967</u>	<u>9,609</u>	<u>16,017</u>	<u>20,010</u>	<u>17,532</u>	<u>18,546</u>
Total district-wide	<u>\$ 2,571,301</u>	<u>\$ 3,533,388</u>	<u>\$ 2,915,362</u>	<u>\$ 2,963,852</u>	<u>\$ 3,226,982</u>	<u>\$ 3,018,122</u>	<u>\$ 2,975,422</u>	<u>\$ 3,351,151</u>	<u>\$ 3,602,113</u>	<u>\$ 3,814,295</u>
Change in Net Position:										
Governmental activities	\$ 70,336	\$ 850,397	\$ (89,024)	\$ (173,895)	\$ (66,480)	\$ (332,465)	\$ (691,613)	\$ 142,768	\$ 326,656	\$ 328,429
Business-type activities	1,683	1,131	(5,047)	(1,693)	10,597	250	(8,189)	5,967	19,006	29,028
Total district-wide	<u>\$ 72,019</u>	<u>\$ 851,528</u>	<u>\$ (94,071)</u>	<u>\$ (175,588)</u>	<u>\$ (55,883)</u>	<u>\$ (332,215)</u>	<u>\$ (699,802)</u>	<u>\$ 148,735</u>	<u>\$ 345,662</u>	<u>\$ 357,457</u>

04

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

Exhibit J-3

		Fiscal Year Ending June 30,									
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:											
Reserved for:											
Encumbrances	\$	21,801	3,552	-	9,042	2,916	650	-	-	-	-
Capital reserve		96,768	75,314	75,590	75,662	75,688	75,723	75,753	75,784	814	814
Maintenance reserve					200,000	200,000	150,000	50,028	48	68	88
Emergency reserve					50,000	50,000	50,000	50,000	50,000	13,049	13,931
Impact Aid reserve											400,003
Unreserved - designated for subsequent year's expenditures		330,695	447,770	1,290,355	806,611	700,652	735,000	506,164	395,915	537,338	678,596
Unreserved		223,221	1,062,878	252,935	419,830	534,895	283,809	(28,768)	346,922	699,046	585,976
Total general fund	\$	<u>672,485</u>	<u>1,589,514</u>	<u>1,618,880</u>	<u>1,561,145</u>	<u>1,564,151</u>	<u>1,295,182</u>	<u>653,177</u>	<u>868,669</u>	<u>1,250,315</u>	<u>1,679,408</u>
All Other Governmental Funds											
Reserved:											
Encumbrances	\$	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:											
Special revenue fund		(10,828)	(3,197)	(3,197)	(3,028)	(2,478)	(3,366)	(4,319)	(6,622)	(10,077)	(6,622)
Capital projects fund											
Debt service fund											
Total all other governmental funds	\$	<u>(10,828)</u>	<u>(3,197)</u>	<u>(3,197)</u>	<u>(3,028)</u>	<u>(2,478)</u>	<u>(3,366)</u>	<u>(4,319)</u>	<u>(6,622)</u>	<u>(10,077)</u>	<u>(6,622)</u>

05

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

Exhibit J-4

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax levy	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,483,921	\$ 1,513,599	\$ 1,574,143	\$ 1,731,557	\$ 1,804,282
Tuition charges	3,500	25,600	30,016	23,488	48,564	25,934	38,136	68,063	41,996	21,911
Interest earnings	14,266	10,165	7,299	5,393	1,806	35	1,767	63	50	23
Miscellaneous	24,902	17,386	19,567	60,179	36,896	18,676	3,126	225	6,014	500
State sources	951,661	758,568	666,747	585,765	674,332	783,053	790,233	846,276	1,005,437	1,034,524
Federal sources	874,980	1,633,954	1,194,264	1,164,808	1,248,742	1,206,795	765,963	1,333,341	1,380,387	1,613,573
Total revenue	3,353,230	3,929,594	3,401,814	3,323,554	3,494,261	3,518,414	3,112,824	3,822,111	4,165,441	4,474,813
Expenditures										
Instruction										
Regular Instruction	1,225,939	1,166,203	1,321,171	1,345,430	1,283,491	1,372,372	1,231,623	1,220,649	1,253,365	1,400,210
Special education instruction	82,927	75,309	156,120	135,315	201,479	174,812	186,529	171,441	203,176	168,574
Other instruction	66,583	113,930	82,984	75,584	161,915	135,795	187,810	157,194	154,075	78,871
Support Services:										
Tuition	40,902	36,060	9,124	2,255	-	63,881	170,479	89,986	88,431	122,621
Student & instruction related services	429,933	339,277	436,082	377,209	378,733	405,282	417,051	416,911	452,330	470,087
General and business admin. services	81,597	93,852	86,664	103,682	84,269	87,922	103,930	100,239	100,218	111,109
School administrative services	47,036	53,924	52,740	58,973	54,907	54,581	61,758	60,446	61,667	58,878
Central Services	76,837	80,027	84,122	93,965	99,181	81,943	74,719	78,161	80,344	88,190
Plant operations and maintenance	315,336	340,553	369,615	367,561	356,221	358,351	348,127	323,731	284,342	326,226
Pupil transportation	25,268	18,934	60,076	77,806	16,392	63,840	71,543	55,063	53,207	70,351
Unallocated employee benefits	745,368	596,480	634,642	710,531	805,634	914,357	883,052	911,940	935,434	1,069,288
Capital outlay	41,601	81,157	77,165	24,466	35,538	65,536	3,161	3,161	103,161	59,360
Debt service:										
Principal										
Interest and other charges										
Total expenditures	3,179,327	2,995,706	3,370,505	3,372,777	3,477,760	3,778,672	3,739,782	3,588,922	3,769,750	4,023,765
Excess (Deficiency) of revenues over (under) expenditures	173,903	933,888	31,309	(49,223)	16,501	(260,258)	(626,958)	233,189	395,691	451,048
Other Financing Sources (Uses):										
Transfers in			16,571							
Transfers out	(46,851)	(9,228)	(18,514)	(8,343)	(12,945)	(9,599)	(16,000)	(20,000)	(17,500)	(18,500)
Total other financing sources (uses)	(46,851)	(9,228)	(1,943)	(8,343)	(12,945)	(9,599)	(16,000)	(20,000)	(17,500)	(18,500)
Net change in fund balances	\$ 127,052	\$ 924,660	\$ 29,366	\$ (57,566)	\$ 3,556	\$ (269,857)	\$ (642,958)	\$ 213,189	\$ 378,191	\$ 432,548
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

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

Exhibit J-5

<u>Fiscal Year Ending June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Donations</u>	<u>Building Use</u>	<u>Refund of Prior Year Expenditures</u>	<u>Miscellaneous</u>	<u>Total</u>
2008	\$ 14,266	\$ 3,500	\$ -	\$ 16,000	\$ 8,902	\$ -	\$ 42,668
2009	10,165	25,600		17,175		211	53,151
2010	7,023	30,016		16,825	2,742		56,606
2011	5,321	23,488		16,603	43,576		88,988
2012	1,780	48,564		17,135	18,393	1,368	87,240
2013	714	25,934		16,624	77	1,296	44,645
2014	1,767	38,136		225	2,901		43,029
2015	63	68,063		225			68,351
2016	411	41,996		3,725		1,928	48,060
2017	523	21,911					22,434
	<u>\$ 42,033</u>	<u>\$ 327,208</u>	<u>\$ -</u>	<u>\$ 104,537</u>	<u>\$ 76,591</u>	<u>\$ 4,803</u>	<u>\$ 555,172</u>

Source: District records

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

Exhibit J-6

08

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2008	\$ 43,644,800	\$ 1,693,968,100	\$ 350,790,200	\$ 125,900,300	\$ 2,214,303,400	\$ 728,282	\$ 2,215,031,682	\$ 327,656,700	\$ 0.067	\$ 2,688,901,384
2009	41,928,800	1,722,295,200	352,884,200	121,649,800	2,238,758,000	765,569	2,239,523,569	327,747,900	0.067	2,782,533,630
2010	57,139,000	2,138,841,000	453,981,300	148,999,800	2,798,961,100	952,965	2,799,914,065	420,382,900	0.053	2,793,454,421
2011	58,125,700	2,149,223,600	439,858,800	143,882,000	2,791,090,100	796,181	2,791,886,281	420,630,400	0.054	2,848,404,511
2012	57,451,900	2,160,163,500	435,731,100	143,061,100	2,796,407,600	750,281	2,797,157,881	419,138,600	0.054	2,904,884,781
2013	53,163,900	2,168,319,400	435,863,300	139,510,400	2,796,857,000	815,630	2,797,672,630	429,768,200	0.054	2,812,671,567
2014	53,288,200	2,173,873,900	431,761,000	135,723,600	2,794,646,700	589,060	2,795,235,760	431,981,900	0.057	2,738,737,239
2015	64,370,700	2,177,186,500	430,297,700	133,612,100	2,805,467,000	621,231	2,806,088,231	433,484,900	0.062	2,742,474,025
2016	62,194,300	2,187,231,000	429,579,600	133,420,700	2,812,425,600	625,355	2,813,050,955	433,758,300	0.065	2,711,154,162
2017	61,236,100	2,193,506,400	427,044,200	131,838,600	2,813,625,300	612,446	2,814,237,746	433,571,800	0.066	2,814,237,746

Source: Municipal Tax Assessor

Note:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

c Information not available.

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

Exhibit J-7

Fiscal Year Ended June 30,	Cape May City School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Regional School District	City of Cape May	Cape May County	
2007	\$ 0.068		\$ 0.068	\$ 0.207	\$ 0.274	\$ 0.221	\$ 0.770
2008	0.067		0.067	0.226	0.307	0.233	0.833
2009	0.067		0.067	0.215	0.320	0.251	0.853
2010	0.053		0.053	0.196	0.277	0.214	0.740
2011	0.054		0.054	0.220	0.283	0.227	0.784
2012	0.054		0.054	0.237	0.294	0.242	0.827
2013	0.054		0.054	0.226	0.310	0.248	0.838
2014	0.057		0.057	0.234	0.329	0.245	0.865
2015	0.062		0.062	0.215	0.339	0.249	0.865
2016	0.065		0.065	0.178	0.340	0.249	0.832
2017	0.066		0.066	0.210	0.340	0.268	0.884

Source: Municipal Tax Collector

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

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

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

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

Exhibit J-8

100

Taxpayer	2017	
	Taxable Assessed Value	% of Total District Net Assessed Value
Congress Hall LLC	\$ 28,418,200	1.01%
Oceanfront Properties LLC	25,310,200	0.90%
ADIS Inc.	21,787,600	0.77%
Ocean Club Hotel CM, LLC	13,000,000	0.46%
Cape Coachman Realty, LLC	11,989,500	0.43%
Kejzman Hospitality, LLC	11,473,100	0.41%
Montreal Inn	10,089,700	0.36%
Osprey Landing Development Co. LLC	9,223,900	0.33%
Individual #1	8,812,600	0.31%
Bogle Investment Properties, LLC	7,768,300	0.28%
Total	\$ 147,873,100	5.27%

Taxpayer	2008	
	Taxable Assessed Value	% of Total District Net Assessed Value
Congress Hall LLC	\$ 22,972,500	1.04%
Oceanfront Properties LLC	20,379,500	0.92%
ADIS Inc.	15,021,600	0.68%
Statt Corporation	10,451,900	0.47%
Sandpiper Beach Associates, LLC	9,391,100	0.42%
CIRJ Inc.	8,330,200	0.38%
Montreal Inn	7,889,700	0.36%
Keystone Enterprises Inc.	7,755,800	0.35%
JPR Enterprises	7,357,800	0.33%
Cape Motels Inc.	6,875,600	0.31%
Total	\$ 116,425,700	5.26%

Source: Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 1,483,921	\$ 1,483,921	100.00%	-
2009	1,483,921	1,483,921	100.00%	-
2010	1,483,921	1,483,921	100.00%	-
2011	1,483,921	1,483,921	100.00%	-
2012	1,483,921	1,483,921	100.00%	-
2013	1,483,921	1,483,921	100.00%	-
2014	1,513,599	1,513,599	100.00%	-
2015	1,574,143	1,574,143	100.00%	-
2016	1,731,557	1,731,557	100.00%	-
2017	1,804,282	1,804,282	100.00%	-

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

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^b
	General Obligation Bonds	Unfunded Pension Liability	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	-
2009	-	-	-	-	-	-	0.00%	-
2010	-	-	-	-	-	-	0.00%	-
2011	-	-	-	-	-	-	0.00%	-
2012	-	-	-	-	-	-	0.00%	-
2013	-	-	-	-	-	-	0.00%	-
2014	-	-	-	-	-	-	0.00%	-
2015	-	-	-	-	-	-	0.00%	-
2016	-	-	-	-	-	-	0.00%	-
2017	-	-	-	-	-	-	0.00%	-

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

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

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	None	None	None	0.00%	-
2009	None	None	None	0.00%	-
2010	None	None	None	0.00%	-
2011	None	None	None	0.00%	-
2012	None	None	None	0.00%	-
2013	None	None	None	0.00%	-
2014	None	None	None	0.00%	-
2015	None	None	None	0.00%	-
2016	None	None	None	0.00%	-
2017	None	None	None	0.00%	-

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.
^a See Exhibit J-6 for property tax data.
^b Population data can be found in Exhibit J-14.

Cape May City School District
Ratios of Overlapping Governmental Activities Debt
As of December 31, 2016

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
City of Cape May	\$ 45,875,998	100.000%	\$ 45,875,998
Lower Cape May Regional School Debt	10,462,000	39.509%	4,149,773
County of Cape May - City's Share	226,540,860	5.687%	<u>12,883,379</u>
Subtotal, overlapping debt			62,909,150
Cape May City School District Direct Debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 62,909,150</u></u>

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized valuation basis	
	2014	\$2,719,056,918
	2015	2,691,611,820
	2016	2,851,780,166
	[A]	<u>\$8,262,448,904</u>
Average equalized valuation of taxable property	[A/3]	\$2,754,149,635
Debt limit (2.5% of average equalized valuation)	[B]	68,853,741
Net bonded school debt	[C]	-
Legal debt margin	[B-C]	<u>\$ 68,853,741</u>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 60,649,504	\$ 65,420,810	\$ 68,008,390	\$ 69,524,581	\$ 70,762,990	\$ 71,028,034	\$ 70,080,555	\$ 68,701,450	\$ 67,816,494	\$ 68,853,741
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 60,649,504</u>	<u>\$ 65,420,810</u>	<u>\$ 68,008,390</u>	<u>\$ 69,524,581</u>	<u>\$ 70,762,990</u>	<u>\$ 71,028,034</u>	<u>\$ 70,080,555</u>	<u>\$ 68,701,450</u>	<u>\$ 67,816,494</u>	<u>\$ 68,853,741</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

a Limit set by NJSA 18A:24-19 for a K through 6 district; other % limits would be applicable for other districts

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2008	3,713	\$ 159,755,538	\$ 43,026	8.6%
2009	3,699	162,818,883	44,017	12.2%
2010	3,604	162,053,860	44,965	12.8%
2011	3,581	170,494,991	47,611	13.4%
2012	3,571	176,075,297	49,307	14.4%
2013	3,551	176,541,516	49,716	14.6%
2014	3,532	182,999,984	51,812	12.9%
2015	3,514	187,327,826	53,309	12.5%
2016	3,500	e	e	11.2%
2017	e	e	e	e

Source:

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

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

Exhibit J-16

<u>Function/Program</u>	<u>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>	<u>2017</u>
Instruction										
Regular	17.5	18.9	17.2	13.9	14.6	14.6	15.6	15.6	16.6	17.6
Special education	1.8	1.0	0.8	0.7	3.5	3.5	3.5	3.5	3.5	3.5
Other special education	5.8	5.8	7.8	4.5	2.9	2.9	2.9	2.9	2.9	2.9
Other instruction	1.6	1.6	1.7	4.7	2.4	2.4	2.4	2.4	2.4	2.4
Support Services:										
Student & instruction related services	1.3	1.3	1.7	2.7	2.5	2.0	2.0	2.0	2.0	2.0
School administrative services	1.0	1.0	1.0	1.8	0.5	0.5	0.5	0.5	0.5	0.5
General and business administrative services	0.5	0.5	1.3	2.5	2.0	2.1	2.1	2.1	2.1	2.1
Plant operations and maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Pupil transportation	0.3	0.3	0.3							
Business and other support services	0.4	0.4	0.8							
Special Schools	0.0	0.0	0.0	0.3						
Food Service	1.9	1.9	1.0	1.0	1.0	1.6	1.6	1.6	1.6	1.6
Total	<u>35.1</u>	<u>35.7</u>	<u>36.6</u>	<u>35.1</u>	<u>32.4</u>	<u>32.6</u>	<u>33.6</u>	<u>33.6</u>	<u>34.6</u>	<u>35.6</u>

Source: District Personnel Records

Cape May City School District
 Operating Statistics,
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2007	164	\$ 3,275,118	\$ 20,006.83	-8.18%	17.8	9.20	163.7	153.0	13.68%	93.46%
2008	151	3,137,726	20,779.64	3.86%	18.8	8.03	151.3	141.2	-7.57%	93.32%
2009	169	2,914,549	17,245.85	-17.01%	18.9	11.80	169.4	156.7	11.96%	92.50%
2010	176	3,293,340	18,712.16	8.50%	17.2	10.34	175.9	163.2	3.84%	92.78%
2011	153	3,348,311	21,884.39	16.95%	18.4	8.32	153.2	142.4	-12.91%	92.95%
2012	149	3,442,222	23,102.16	5.56%	21.7	6.63	143.9	134.3	-6.07%	93.33%
2013	142	3,713,136	26,148.85	13.19%	21.7	6.54	133.6	125.3	-7.15%	93.79%
2014	160	3,736,621	23,353.88	-10.69%	21.7	7.34	160.2	151.5	26.60%	94.57%
2015	175	3,585,761	20,490.06	-12.26%	21.7	8.06	175.2	165.2	9.36%	94.29%
2016	188	3,666,589	19,503.13	-4.82%	22.7	8.29	188.1	178.4	7.36%	94.82%
2017	197	3,964,405	20,123.88	3.18%	22.7	8.67	196.8	187.4	4.63%	95.22%

Sources: District records

Note: Enrollment based on average daily enrollment.

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

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

Exhibit J-18

District Building	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Elementary										
Cape May City Elementary (1967)										
Square Feet	32,412	32,412	32,412	32,412	32,412	32,412	32,412	32,412	32,412	32,412
Capacity (students)	275	275	275	275	275	275	275	275	275	275
Enrollment	151	169	176	153	144	134	160	175	188	197

Number of Schools at June 30, 2017
 Elementary = 1

Source: District Facilities Office

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

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

Exhibit J-19

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

* School Facilities	2008	2009	2010	2011	2012	2013	2014	2015	2016	217	Total
Cape May City Elementary	\$ 103,038	\$ 121,023	\$ 131,943	\$ 105,404	\$ 122,351	\$ 123,542	\$ 135,364	\$ 132,526	\$ 104,586	\$ 127,018	\$ 1,206,795
Project # (s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total School Facilities	<u>\$ 103,038</u>	<u>\$ 121,023</u>	<u>\$ 131,943</u>	<u>\$ 105,404</u>	<u>\$ 122,351</u>	<u>\$ 123,542</u>	<u>\$ 135,364</u>	<u>\$ 132,526</u>	<u>\$ 104,586</u>	<u>\$ 127,018</u>	<u>\$ 1,206,795</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

**Cape May City School District
Insurance Schedule
June 30, 2017**

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Board Association Insurance Group -		
School Package Policy -		
Blanket Real and Personal Property	\$ 9,817,800	\$ 1,000
Blanket Extra Expense	50,000,000	1,000
Employee Dishonesty	25,000	500
Environmental	1,000,000	25,000
Electronic Data Processing	80,000	1,000
Errors & Omissions	5,000,000	5,000
General Liability	5,000,000	
Business Auto	5,000,000	
Workers Compensation	2,000,000	
National Union Insurance Company -		
Student Accident	1,000,000	
Group Accident	500,000	50
New Jersey School Board Association Insurance Group -		
Public Officials Bond		
Business Administrator/Board Secretary	75,000	500

Source: District records

Single Audit Section

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 American Institute of CPAs
 New Jersey Society of CPAs

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT
 ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
 UNIFORM GUIDANCE AND STATE OF NEW JERSEY CIRCULAR 15-08-OMB**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

I have audited Cape May City School District's (School District), in the County of Cape May, State of New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major federal and state programs for the fiscal year ended June 30, 2017. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and State of New Jersey Circular 15-08-OMB 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 or state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In my opinion, the Cape May City School District, in the County of Cape May, State of New Jersey complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2017.

Other Matters

The results of my auditing procedures disclosed an instance of noncompliance, which is required to be reported under the Uniform Guidance and which is described in the accompanying *Schedule of Findings and Questioned Costs and Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* as finding no.: 2017-001. My opinion on the major federal and state programs is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the Cape May City School District, in the County of Cape May, State of New Jersey, 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 or 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 or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Cape May City School District's internal control over compliance.

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

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

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

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant No. CS001095

Marlton, New Jersey
October 18, 2017

CAPE MAY CITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2017

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, 2016			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	June 30, 2017		
						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>															
Impact Aid	84.041	S041B173047	40-NJ-2017-0208	\$ 981,089	07/01/16-06/30/17	\$ -	\$ -	\$ -	\$ -	\$ 981,089	\$ (981,089)	\$ -	\$ -	\$ -	\$ -
Impact Aid	84.041	S041B163047	40-NJ-2016-0208	496,888	07/01/15-06/30/16	-	-	-	-	334,898	(334,898)	-	-	-	-
Impact Aid	84.041	S041B153047	40-NJ-2015-0208	1,052,342	07/01/14-06/30/15	-	-	-	-	85,266	(85,266)	-	-	-	-
Department of Defense	12.558	57NJ201510146	40-NJ-2016-0208	21,983	07/01/16-06/30/17	-	-	-	-	21,983	(21,983)	-	-	-	-
Total General Fund						-	-	-	-	1,423,236	(1,423,236)	-	-	-	-
U.S. Department of Education															
<u>Special Revenue Fund:</u>															
<u>No Child Left Behind (N.C.L.B.)</u>															
Title I	84.010	S010A160030	NCLB-0710-17	94,248	07/01/16-06/30/17					94,248	(94,248)		-		
Title I - Prior Year	84.010	S010A150030	NCLB-0710-16	60,006	07/01/15-06/30/16	(37,930)				60,006	(22,076)				
Title II A	84.367	S367A160029	NCLB-0710-17	11,118	07/01/16-06/30/17					11,118	(11,118)		-		
Title II A	84.367	S367A150029	NCLB-0710-16	17,978	07/01/15-06/30/16	(11,448)				17,978	(6,530)				
<u>Individuals With Disabilities Act (I.D.E.A.)</u>															
Part B - Basic	84.027	H027A160100	IDEA-0710-17	54,292	07/01/16-06/30/17					13,872	(54,292)		(40,420)		
Part B - Preschool	84.173	H173A160114	IDEA-0710-17	2,073	07/01/16-06/30/17					2,073	(2,073)				
Total Special Revenue Fund						(49,378)	-	-	-	199,295	(190,337)	-	(40,420)	-	-
U.S. Department of Agriculture															
<u>Enterprise Fund:</u>															
Food Distribution Program	10.565	171NJ304N1099	N/A	10,434	07/01/16-06/30/17					10,434	(10,434)				
School Breakfast Program	10.553	171NJ304N1099	N/A	32,016	07/01/16-06/30/17					26,690	(32,016)		(5,326)		
School Breakfast Program	10.553	16161NJ304N1099	N/A	24,384	07/01/15-06/30/16	(2,256)				2,256					
National School Lunch Program	10.555	171NJ304N1099	N/A	52,697	07/01/16-06/30/17					44,079	(52,697)		(8,618)		
National School Lunch Program	10.555	16161NJ304N1099	N/A	38,617	07/01/15-06/30/16	(3,878)				3,878					
Total Enterprise Fund						(6,134)	-	-	-	87,337	(95,147)	-	(13,944)	-	-
Total Federal Awards						\$ (55,512)	\$ -	\$ -	\$ -	\$ 1,709,868	\$ (1,708,720)	\$ -	\$ (54,364)	\$ -	\$ -

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

CAPE MAY CITY SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2017

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2016				Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Paid to Grantor	Adjustments	June 30, 2017			
				Accounts Receivable	Deferred Revenue	Due to Grantor at	Due to Grantor at						(Accounts Receivable)	Deferred Revenue	Due to Grantor at	
State Department of Education																
General Fund:																
Reimbursement of Nonpublic Transportation Aid	17-103190	\$ 1,496	07/1/16 - 06/30/17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,496)	\$ -	\$ -	\$ (1,496)	\$ -	\$ -		
Reimbursement of Nonpublic Transportation Aid	16-103190	1,218	07/1/15 - 06/30/16	(1,218)				1,218								
Transportation Aid	17-495-034-5120-014	5,993	07/1/16 - 06/30/17					5,447	(5,993)			(546)				
Transportation Aid	16-495-034-5120-014	5,682	07/1/15 - 06/30/16	(519)				519								
Special Education Categorical Aid	17-495-034-5120-089	78,905	07/1/16 - 06/30/17					71,721	(78,905)			(7,184)				
Special Education Categorical Aid	16-495-034-5120-089	76,912	07/1/15 - 06/30/16	(7,022)				7,022								
Security Aid	17-495-034-5120-084	40,306	07/1/16 - 06/30/17					36,637	(40,306)			(3,669)				
Security Aid	16-495-034-5120-084	39,821	07/1/15 - 06/30/16	(3,636)				3,636								
Adjustment Aid	17-495-034-5120-085	273,558	07/1/16 - 06/30/17					248,652	(273,558)			(24,906)				
Adjustment Aid	16-495-034-5120-085	276,347	07/1/15 - 06/30/16	(25,230)				25,230								
School Choice Aid	17-495-034-5120-068	152,251	07/1/16 - 06/30/17					138,390	(152,251)			(13,861)				
School Choice Aid	16-495-034-5120-068	152,251	07/1/15 - 06/30/16	(13,901)				13,901								
PARCC Readiness Aid	17-495-034-5120-098	1,330	07/1/16 - 06/30/17					1,209	(1,330)			(121)				
PARCC Readiness Aid	16-495-034-5120-098	1,330	07/1/15 - 06/30/16	(121)				121								
Per Pupil Growth Aid	17-495-034-5120-097	1,330	07/1/16 - 06/30/17					1,209	(1,330)			(121)				
Per Pupil Growth Aid	16-495-034-5120-097	1,330	07/1/15 - 06/30/16	(121)				121								
Professional Learning Community Aid	17-495-034-5120-101	1,700	07/1/16 - 06/30/17					1,545	(1,700)			(155)				
Extraordinary Aid	17-495-034-5120-044	3,986	07/1/16 - 06/30/17					6,137	(3,986)			(3,986)				
Extraordinary Aid	16-495-034-5120-044	6,137	07/1/15 - 06/30/16	(6,137)												
On Behalf TPAF - Pension Contributions	17-495-034-5094-002	159,259	07/1/16 - 06/30/17					159,259	(159,259)							
On Behalf TPAF Post Retirement	17-495-034-5094-001	132,699	07/1/16 - 06/30/17					132,699	(132,699)							
On Behalf - LTDI	17-495-034-5094-004	84	07/1/16 - 06/30/17					84	(84)							
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	111,968	07/1/16 - 06/30/17					111,968	(111,968)							
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	103,890	07/1/15 - 06/30/16	(9,387)				9,387								
Total General Fund				(67,292)	-	-	-	976,112	(964,865)	-	-	(56,045)	-	-		
Special Revenue Fund																
Preschool Education Aid - Current Year	17-495-034-5120-086	66,217	07/1/16 - 06/30/17					59,595	(66,217)			(6,622)				
Preschool Education Aid - Prior Year	16-495-034-5120-086	100,765	07/1/15 - 06/30/16	(10,077)				10,077								
Total Special Revenue Fund				(10,077)	-	-	-	69,672	(66,217)	-	-	(6,622)	-	-		
New Jersey Schools Development Authority																
Capital Projects Fund																
Cape May City Elementary School	0710-050-09-2001	11,047	07/1/09 - 06/30/10	(11,047)								(11,047)				
Total Capital Projects Fund				(11,047)	-	-	-	-	-	-	-	(11,047)	-	-		
State Department of Agriculture																
Enterprise Fund:																
State School Lunch Program	17-100-010-3350-023	1,182	07/1/16 - 06/30/17					989	(1,182)			(193)				
State School Lunch Program	16-100-010-3350-023	1,127	07/1/15 - 06/30/16	(85)				85								
Total Enterprise Fund				(85)	-	-	-	1,074	(1,182)	-	-	(193)	-	-		
Total State Financial Assistance				\$ (88,501)	\$ -	\$ -	\$ -	\$ -	\$ 1,046,858	\$ (1,032,264)	\$ -	\$ -	\$ (73,907)	\$ -		

Less: State Financial Assistance Not Subject to Major Program Determination
 On-Behalf TPAF Contribution - Pension (Non-Budgeted) (159,259)
 On-Behalf TPAF Contribution - Post-Retirement Medical (Non-Budgeted) (132,699)
 On-Behalf TPAF Contribution - LTDI (Non-Budgeted) (84)
 Total State Financial Assistance Subject to Major Program Determination (872,921)

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

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Cape May City School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2017

1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Cape May City School District ("School District"). The School District is defined in Note 1 to the School District's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, 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*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The school district has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 more 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 (\$13) in the general fund and \$3,455 in 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.

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 1,423,236	\$ 964,852	\$ 2,388,088
Special Revenue Fund	190,337	69,672	260,009
Food Service Fund	<u>95,147</u>	<u>1,182</u>	<u>96,329</u>
Total Awards & Financial Assistance	<u>\$ 1,708,720</u>	<u>\$ 1,035,706</u>	<u>\$ 2,744,426</u>

**Cape May City School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2017
(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, 2017. 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, 2017.

6. MAJOR PROGRAMS

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

CAPE MAY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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)? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.041</u>	<u>S041B170347</u>	<u>Impact Aid</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

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

Auditee qualified as low-risk auditee? X yes no

**CAPE MAY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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>17-495-034-5120-068</u>	State Aid Public Cluster: <u>School Choice Aid</u>
<u>17-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>17-495-034-5120-084</u>	<u>Security Aid</u>
<u>17-495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>17-495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>17-495-034-5120-098</u>	<u>PARCC Readiness</u>
<u>17-495-034-5120-101</u>	<u>Professional Learning Community Aid</u>

**CAPE MAY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section 2 -- Schedule of Financial Statement Findings

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

No findings identified.

**CAPE MAY CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by 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 Circular 15-08-OMB.

FEDERAL AWARDS:

Finding #2017-001

Information on the federal program:

Impact Aid - CFDA No. 84.041; U. S. Department of Education

Criteria or specific requirement:

Under Impact Aid requirements, all students reported as students with disabilities must have an active individual education plan.

Condition:

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

Questioned Costs:

None

Context:

Four students reported with disabilities did not have the required active individual education plan.

Effect:

The reported differences may have an effect on Impact Aid funding.

Cause:

Oversight

Recommendation:

That all students reported with disabilities have an active individual education plan.

Management's response:

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

STATE AWARDS:

No findings and/or questioned costs identified.

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

This section identifies the status of prior year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, 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 Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

Finding #2016-001

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

Current Status

The finding has been corrected.

FEDERAL AWARDS

There were no prior year audit findings

STATE AWARDS

There were no prior year audit findings