

Comprehensive Annual Financial Report

of the

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

Cape May County, New Jersey

**For the Fiscal Year Ended June 30, 2018
Prepared by the Finance Department**

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Introductory Section



CAPE MAY COUNTY SPECIAL SERVICES SCHOOL DISTRICT

4 Moore Road, DN 704, Cape May Court House, NJ 08210 • (609) 465-2720 • Fax (609) 465-8220

Nancy M. Hudanich, Ed.D.
Superintendent

Jonathan Price
Related Services Director

Jamie P. Moscony
Assistant Superintendent

Annamarie Haas
Principal

Kathleen M. Allen
Business Administrator

Lori Vilary
Assistant Principal

January 25, 2019

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

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Cape May County Special Services School for the fiscal year ended June 30, 2018 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

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

2. ECONOMIC CONDITION AND OUTLOOK: The 2017-18 school year ended with enrollment slightly under what was budgeted. The tuition deficit of approximately \$230,000 was more than offset with reductions in spending. Tuition adjustments for the 2015-2016 school year were completed resulting in a net refund to the sending districts of approximately \$326,627. We continue to closely monitor enrollment in light of the overall decline in year-round population in the County as well as the effects of the "least restrictive environment" mandate. We remain steadfast in our philosophy that we offer the optimum environment for a segment of the disabled youth of our County and surrounding area in a cost-effective manner.

3. MAJOR INITIATIVES: In the 2017-2018 school year the district continued to provide staff and students with updated technology hardware. This is an ongoing initiative requiring evaluation of obsolete equipment and the purchase of new equipment conducive to the instructional and assessment needs of the students and the professional requirements for staff. The District recognized, with regret, the retirement of long-time Superintendent, Barbara Makoski as of June 30th. In addition to planning for this transition, district administration oversaw the combining of our governance with that of Cape May County Technical School resulting in a unified Board effective July 1, 2018. In conjunction with this, Dr. Nancy M. Hudanich is now recognized as the Superintendent of the District and Jamie Moscony was hired as Assistant Superintendent to oversee the day-to-day responsibilities in her capacity as Assistant Superintendent.

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

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance as of June 30, 2018.

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect accounting principles generally accepted in the United States of America, as promulgated by the GASB. The accounting system of the District is organized on the basis of entity-wide governmental and business type

activities as well as various governmental, enterprise and fiduciary funds. These funds are explained in the "Notes to the Financial Statements," Note 1.

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

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

9. OTHER INFORMATION:

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

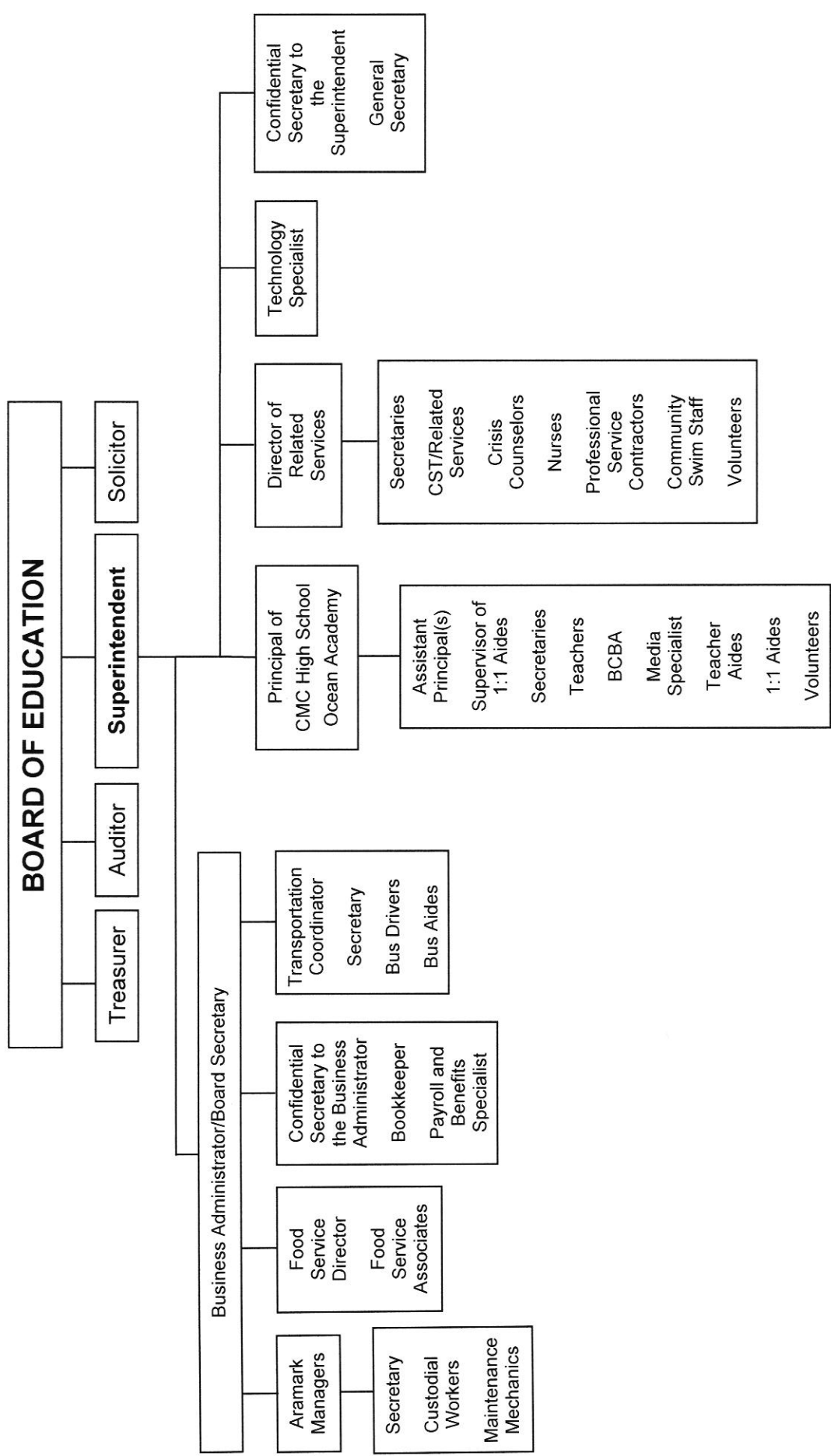
ACKNOWLEDGMENTS:

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

Respectfully submitted,

Kathleen M. Allen
School Business Administrator/Board Secretary

Cape May County Special Services School District 2017 – 2018 Organizational Chart



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

**ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Lenora B. Kodytek, President	2018
Michael T. Palombo, Sr., Vice President	2020
Thomas C. Whittington	2019
Nancy Delp	2019
Kenneth R. Merson	2018
Jane Elwell	2020
Robert Bumpus	Ex-officio – with Vote

Other Officials

Barbara J. Makoski, Superintendent
Kathleen M. Allen, School Business Administrator/Board Secretary
Michael Stanton, Esq., Solicitor

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

Audit Firm

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

Attorney

Michael Stanton, Esquire
200 Asbury Ave
Ocean City, NJ 08226

Official Depository

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

Financial Section



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cape May County Schools for Special Services (a component unit of the County of Cape May), State of New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cape May County Schools for Special Services (a component unit of the County of Cape May), in the County of Cape May, State of New Jersey, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019 on our consideration of the Cape May County Schools for Special Services' (a component unit of the County of Cape May) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cape May County Schools for Special Services' (a component unit of the County of Cape May) internal control over financial reporting and compliance.

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

Leon P. Costello

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

January 25, 2019

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REQUIRED SUPPLEMENTARY INFORMATION – PART I

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

The discussion and analysis of Cape May County Schools for Special Services' financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- In total, net position increased by \$148,466, which represents an 3 percent increase from 2017. This decrease is primarily attributed to a small reduction in revenues, particularly non-resident tuition fees, and an increase in expenses, specifically employee health benefits. The net position also reflects the third year of implementation of GASB 68 regarding pension liabilities.
- General revenues accounted for \$4,198,947 in revenue or 18 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$19,388,248 or 82 percent of total revenues of \$23,587,195.
- Total assets of governmental activities increased by \$764,288 as cash and cash equivalents increased by \$898,495, and capital assets increased by \$99,797. There was no specific cause for these normal fluctuations.
- The School District had \$22,989,148 in expenses; \$19,388,248 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily the county appropriation) of \$4,198,947 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$15,623,899 in revenues and other financing sources and \$11,077,596 in expenditures and other financing uses. The General Fund's fund balance increased \$212,620 over 2017. This change was the result of a increase in tuition charges over 2017, as well as a slight increase in State sources.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District, as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Enterprise Fund

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

Notes to the Financial Statements

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

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

The School District as a Whole

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

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

Table 1 provides a summary of the School District's net assets for 2018 and 2017.

**Table 1
Net Position**

	2018	2017
Assets		
Current and Other Assets	\$ 7,114,928	\$ 6,450,437
Capital Assets	1,913,673	1,813,876
Total Assets	9,028,601	8,264,313
Liabilities		
Long-Term Liabilities	9,491,469	12,157,945
Other Liabilities	294,538	270,012
Total Liabilities	9,786,007	12,427,957
Net Position		
Net Investment in Capital Assets	1,913,673	1,813,876
Restricted	1,142,976	942,251
Unrestricted	(4,057,395)	(4,354,920)
Total Net Position	\$ (1,000,746)	\$ (1,598,793)

The District's combined net position was \$(1,000,746) on June 30, 2018. This was an increase of 37 percent from the prior year. The increase was caused by an increase in assets as well as an increase in deferred outflows related to pensions. Table 2 shows changes in net position for fiscal year 2018.

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**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

**Table 2
Changes in Net Position**

	<u>2018</u>	<u>2017</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 13,509,943	\$ 13,832,446
Operating Grants and Contributions	5,878,305	4,814,419
General Revenues:		
County Appropriation	4,054,328	3,974,832
Other	144,619	166,884
Total Revenues	<u>23,587,195</u>	<u>22,788,581</u>
Program Expenses		
Instruction	6,997,530	6,458,444
Support Services:		
Pupils and Instructional Staff	1,561,721	2,670,335
General Administration, School Administration, Business Operations and Maintenance of Facilities	8,966,103	7,546,255
Food Service	190,467	201,272
Shared Services	4,771,359	4,460,069
Other Enterprise Funds	501,968	1,201,408
Total Expenses	<u>22,989,148</u>	<u>22,537,783</u>
Change in Net Position	<u>\$ 598,047</u>	<u>\$ 250,798</u>

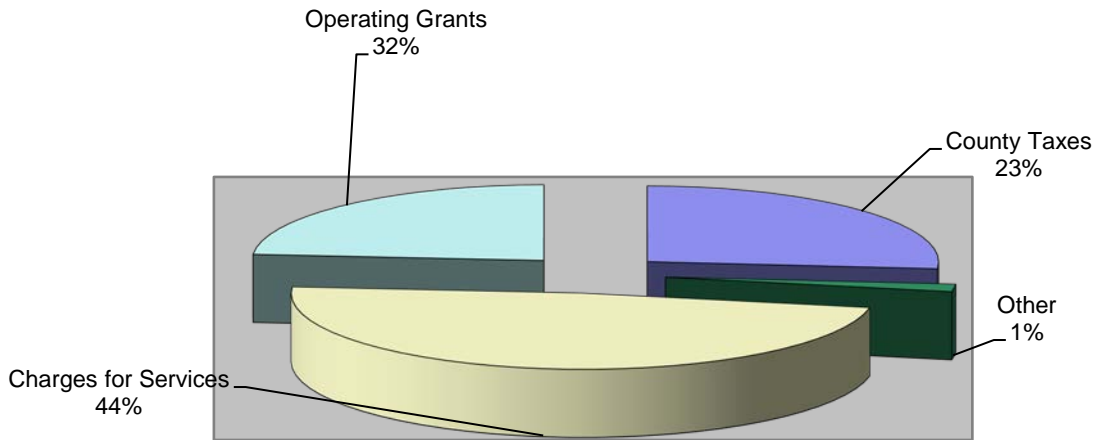
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**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

Governmental Activities

Charges for services (mostly tuition from sending districts) made up 44 percent of revenues for governmental activities for the Cape May County Schools for Special Services for fiscal year 2018 and 48 percent of revenues for fiscal 2017. Tuition received from sending districts and nonresident fees decreased by \$105,727, which is a 1% decrease from the prior year. The decrease in tuition revenue can be attributed to the tuition adjustment which was an increased net payable due to the districts as compared with the prior year. The District's total revenues were \$17,373,820 for the year ended June 30, 2018. The county appropriation accounted for 23 percent of revenue.

Sources of Revenue for Fiscal Year 2018

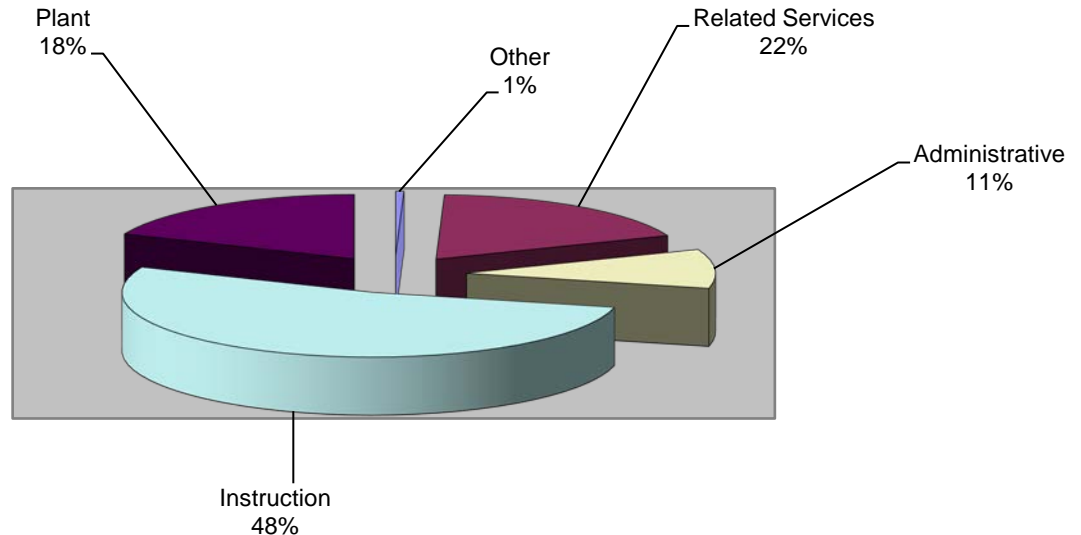


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**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

The total cost of all program and services was \$17,537,310. Instruction comprises 48 percent of District expenses and Related Services another 22%.

Cost of Programs and Services for Fiscal Year 2018



Business-Type Activities

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

- Food service expenses exceeded revenues, both operating and non-operating by \$15,877 prior to a contribution from the general fund of \$11,956. These amounts are similar to the prior year as anticipated
- Charges for services in the food service fund represent \$62,108 of total revenue compared to \$69,194 in the prior year. This represents amounts paid by patrons for daily food service and amount received from catering and special functions.
- Federal and state reimbursement for meals, including payments for free and reduced lunches and breakfast, and donated commodities was \$112,482 compared to \$119,950 in the prior year
- Shared Services revenues for Itinerant Services exceeded expenses by \$262,329. Shared Services revenues for Transportation Services exceeded expenses by \$68,158.
- Charges for services in the Shared Service Fund for Itinerant Services represent \$2,706,852 of revenue. This represents amounts paid by users for itinerant services of other local school districts. Charges for services in the Shared Service Fund for Transportation Services represent \$2,394,994 of revenue. This represents amounts paid by users for transportation services provided by the district.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

Governmental Activities

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

**Table 3
Costs of Services**

	Total Cost of Services 2018	Net Cost/(Profit) of Services 2018	Total Cost of Services 2017	Net Cost/(Profit) of Services 2017
Instruction	\$ 8,559,251	\$ (2,328,673)	\$ 8,429,428	\$ (2,444,584)
Support Services:				
Pupils and Instructional Staff	3,865,647	2,462,551	3,485,266	2,284,160
General Administration, School Administration, Business				
Operations	1,912,275	1,463,181	1,680,587	1,509,345
Operation and Maintenance of Facilities	3,188,181	2,441,466	3,079,753	2,763,051
Total Expenses	<u>\$ 17,525,354</u>	<u>\$ 4,038,525</u>	<u>\$ 16,675,034</u>	<u>\$ 4,111,972</u>

The net cost of services in 2018 is comparable to 2017.

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

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

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

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

The School District's Funds

All governmental funds (i.e., general fund, special revenue and capital projects fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues and other financing sources amounted to \$15,710,925 compared to \$13,627,095 in 2017. The change is directly related to an increase in tuition revenue related to a lower refund due to the districts for prior year tuition. Expenditures and other financing uses were \$15,486,349 compared to \$13,222,525 in 2017. The increase was not in any one specific area but was the result of a slight increase in costs. The net increase in fund balance for the year was directly related to an increase in revenues.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

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

Revenue	Amount	Percent of Total	Increase (Decrease) from 2017	Percent of Increase (Decrease)
Local Sources	\$ 11,900,980	76%	\$ (52,150)	0%
State Sources	3,715,058	24%	2,182,978	142%
Federal Sources	94,887	1%	(46,998)	-33%
Total	\$ 15,710,925	100%	\$ 2,083,830	16%

The decrease in local revenues of \$52,149 is due to a decrease in tuition and county revenue.

State aid increased by \$2,182,978 primarily related to an increase in on-behalf TPAF pension and post retirement contributions-GASB 75

Federal aid decreased by \$46,998 primarily due to and decrease medical assistance in the general fund.

The following schedule represents a summary of general fund, special revenue fund and capital outlay expenditures for the fiscal year ended June 30, 2018, and the percentage of increases and decreases in relation to prior year amounts.

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

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2017	Percent of Increase (Decrease)
Current Expense:				
Instruction	\$ 4,134,337	27%	\$ (131,477)	-3%
Undistributed Expenditures	11,172,920	72%	2,503,596	29%
Capital Outlay	179,092	1%	(34,227)	-16%
Total	\$ 15,486,349	100%	\$ 2,337,892	-3%

Instruction expense decreased specifically in the areas of behavioral and multiple disabilities salaries. Undistributed expenditures increased and were mostly attributable to an increase in health benefits and on-behalf contributions.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

General Fund Budgeting Highlights

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

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

- Actual tuition revenue was less than the budgeted amount by \$275,050.
- Salaries for Multiple Disabilities Teachers were decreased by approximately \$157,722.
- Salaries for Autism Teachers were increased by approximately \$130,800.
- Non-resident fees were less than the budgeted amount by \$26,827.

Capital Assets

At the end of the fiscal year 2018, the School District had \$XXX invested in land and building improvements, furniture and equipment, and vehicles. Table 6 shows fiscal year 2018 balances as compared to 2017.

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

Governmental Activities:

	2018	2017
Capital Assets Being Depreciated:		
Building Improvements	\$ 1,164,161	\$ 1,161,632
Infrastructure	131,096	133,244
Machinery and Equipment	489,432	404,849
Licensed Vehicles	-	-
Total Capital Assets Being Depreciated at Historical Cost	1,784,689	1,699,725

Business-Type Activities:

Capital Assets Being Depreciated:		
Equipment	128,994	114,151
	\$ 1,913,683	\$ 1,813,876

Overall capital assets increased \$84,964 from fiscal year 2017 to fiscal year 2018. For more detailed information, please refer to the Notes to the Basic Financial Statements.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

For the Future

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

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

Contacting the School District's Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,493,178	3,571,317	6,064,495
Internal Balances	41,923	(41,923)	-
Receivables, Net	72,578	971,967	1,044,545
Inventory	-	5,888	5,888
Capital Assets:			
Capital Assets Being Depreciated, Net	1,784,689	128,984	1,913,673
Total Assets	4,392,368	4,636,233	9,028,601
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	2,156,923		2,156,923
Total Deferred Outflows of Resources	2,156,923	-	2,156,923
LIABILITIES			
Accounts Payable	205,526	1,611	207,137
Accrued Salaries and Benefits	25,608		25,608
Payable to Other Governments	677	184	861
Unearned Revenue	51,618		51,618
Advances from Students	-	4,463	4,463
Deposits Payable	-	4,850	4,850
Noncurrent Liabilities			
Due Beyond One Year	349,606	7,838	357,444
Net Pension Liability	9,134,025		9,134,025
Total Liabilities	9,767,060	18,946	9,786,006
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	2,400,264		2,400,264
NET POSITION			
Invested in Capital Assets, Net of Related Debt	1,784,689	128,984	1,913,673
Restricted for:			
Capital Projects	201,251	-	201,251
Other Purposes	941,725	-	941,725
Unrestricted (Deficit)	(8,545,698)	4,488,303	(4,057,395)
Total Net Position	\$ (5,618,033)	4,617,287	(1,000,746)

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Function/Programs	Expenses	Program Revenue			Net (Expense Revenue and Changes in Net Assets)			
		Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:								
Instruction:								
Special Education	\$ 4,542,122	2,455,408	7,450,833	2,602,408		3,055,711		3,055,711
Other Instruction	1,011,541	550,180	270,173	564,510		(727,038)		(727,038)
Support Services:								
Student & Instruction Related Services	2,502,055	1,363,592		1,403,096		(2,462,551)		(2,462,551)
School Administrative Services	398,877	275,378		158,426		(515,829)		(515,829)
Plant Operation and Maintenance	1,890,227	1,297,954		746,715		(2,441,466)		(2,441,466)
General Administrative and Business Services	732,774	505,246		290,668		(947,352)		(947,352)
Unallocated Benefits	6,447,758	(6,447,758)						
Total Governmental Activities	17,525,354	-	7,721,006	5,765,823	-	(4,038,525)	-	(4,038,525)
Business-Type Activities:								
Food Service	190,467		62,108	112,482		(15,877)		(15,877)
Shared Services - Itinerant	2,444,523		2,706,852			262,329		262,329
Shared Services - Transportation	2,326,836		2,394,994			68,158		68,158
Community Use	81,380		129,359			47,979		47,979
Extended School Year	350,814		456,145			105,331		105,331
Non-major Enterprise Funds	69,774		39,479			(30,295)		(30,295)
Total Business-Type Activities	5,463,794	-	5,788,937	112,482	-	437,625	437,625	437,625
Total Primary Government	\$ 22,989,148	-	13,509,943	5,878,305	-	(4,038,525)	437,625	(3,600,900)
General Revenues:								
Taxes:								
County Appropriation, Levied for General Purposes, Net					\$ 4,054,328			4,054,328
Federal Aid Not Restricted					94,887			94,887
Investment Earnings					24,214			24,214
Miscellaneous Income					25,518			25,518
Transfers					(11,956)		11,956	-
Total General Revenues, Special Items, Extraordinary Items and Transfers					4,186,991		11,956	4,198,947
Change in Net Position					148,466		449,581	598,047
Net Position (Deficit) - Beginning					(5,766,499)		4,167,706	(1,598,793)
Net Position (Deficit) - Ending					\$ (5,618,033)		4,617,287	(1,000,746)

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

FUND FINANCIAL STATEMENTS

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,421,589	50,172	2,471,761
Due from Other Funds	41,923		41,923
Receivables from Other Governments	60,958		60,958
Other			-
Total Assets	2,524,470	50,172	2,574,642
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	205,376	150	205,526
Payable to Other Governments	677		677
Accrued Salaries and Benefits	25,608		25,608
Unearned Revenue	1,596	50,022	51,618
Total Liabilities	233,257	50,172	283,429
Fund Balances:			
Committed to:			
Maintenance Reserve	941,725		941,725
Capital Reserve	201,251		201,251
Encumbrances	-		-
Unassigned			
General Fund	1,148,237		1,148,237
Total Fund Balances	2,291,213	-	2,291,213
Total Liabilities and Fund Balances	\$ 2,524,470	50,172	

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

Capital assets used in governmental activities are not resources and therefore are not reported in the funds.

The cost of the assets is \$2,563,198 and the accumulated depreciation is \$778,509.

1,784,689

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

(349,606)

Pension Liabilities Net of Deferred Outflows & Inflows

(9,377,366)

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

33,037

Net position of governmental activities

\$ (5,618,033)

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local Sources:			
County Line Item Appropriation	\$ 4,054,328		4,054,328
Tuition Charges	7,445,373		7,445,373
Non-Resident Fees	270,173		270,173
Miscellaneous	49,732	81,375	131,107
Total Local Sources	11,819,606	81,375	11,900,981
State Sources	3,709,406	5,652	3,715,058
Federal Sources	94,887	-	94,887
Total Revenues	<u>15,623,899</u>	<u>87,026</u>	<u>15,710,925</u>
EXPENDITURES			
Current:			
Special Education Instruction	3,299,565	83,041	3,382,606
Other Instruction	751,731		751,731
Support Services:			
Student & Instruction Related Serv.	1,854,142	3,985	1,858,127
School Administrative Services	375,220		375,220
Other Administrative Services	689,369		689,369
Plant Operation and Maintenance	1,802,446		1,802,446
Employee Benefits	6,447,758		6,447,758
Capital Outlay	179,092	-	179,092
Total Expenditures	<u>15,399,323</u>	<u>87,026</u>	<u>15,486,349</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>224,576</u>	<u>-</u>	<u>224,576</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			-
Transfers out	(11,956)		(11,956)
Total Other Financing Sources and Uses	<u>(11,956)</u>	<u>-</u>	<u>(11,956)</u>
Net Changes in Fund Balance	212,620	-	212,620
Fund Balance - July 1	2,078,593	-	2,078,593
Fund Balance - June 30	<u>\$ 2,291,213</u>	<u>-</u>	<u>2,291,213</u>

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Total Net Change in Fund Balance - Governmental Funds (from B-2)	\$	212,620
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount depreciation exceeded capital outlays for the period.</p>		
	Depreciation expense	\$ (94,128)
	Capital Outlays	<u>179,092</u>
		84,964
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
	District pension contributions - PERS	363,500
	Cost of benefits earned net of employee contributions	<u>(497,413)</u>
		(133,913)
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).</p>		
		(20,665)
<p>Internal service funds are used by management to charge the costs of certain activities, such as extra services, to individual funds or other governmental entities. The net revenue (expense) of the internal service funds is reported with governmental activities. (See B-5)</p>		
		5,460
Change in Net Position of Governmental Activities	<u>\$</u>	<u>148,466</u>

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Proprietary Funds
Statement of Net Position
June 30, 2018

	Business Type Activities - Enterprise Funds						Total 2018	Governmental Activities Internal Service Fund
	Food Service	Itinerant Services	Shared Services Transportation	Community Use	Extended School Year	Non-Major Enterprise Funds (See Note 1) (See G-1)		
ASSETS								
Current Assets:								
Cash and Cash Equivalents	\$ 17,456	1,447,526	252,023	500,426	1,299,788	54,098	3,571,317	21,417
Accounts Receivable	7,186	451,806	506,003	4,372	2,600	-	971,967	11,620
Inventory	3,365	-	-	-	-	2,523	5,888	-
Total Current Assets	\$ 28,007	1,899,332	758,026	504,798	1,302,388	56,621	4,549,172	33,037
Noncurrent Assets:								
Furniture, Machinery & Equipment	\$ 164,409	-	219,800	33,976	-	2,546	420,731	-
Less Accumulated Depreciation	(163,154)	-	(125,537)	(2,369)	-	(687)	(291,747)	-
Total Noncurrent Assets	\$ 1,255	-	94,263	31,607	-	1,859	128,984	-
Total Assets	\$ 29,262	1,899,332	852,289	536,405	1,302,388	58,480	4,678,156	33,037
LIABILITIES								
Current Liabilities:								
Accounts Payable	-	-	1,611	-	-	-	1,611	-
Intergovernmental Accounts Payable:								
State	-	-	-	-	-	184	184	-
Interfunds Payable	\$ 41,923	-	-	-	-	-	41,923	-
Unearned Revenue	1,788	-	-	-	2,675	-	4,463	-
Deposits Payable	-	-	-	4,850	-	-	4,850	-
Total Current Liabilities	\$ 43,711	-	1,611	4,850	2,675	184	53,031	-
Noncurrent Liabilities:								
Compensated Absences	-	-	7,838	-	-	-	7,838	-
Total Noncurrent Liabilities	\$ -	-	7,838	-	-	-	7,838	-
NET POSITION								
Invested in Capital Assets Net of Related Debt	\$ 1,255	-	94,263	31,607	1,299,713	1,859	128,984	-
Unrestricted	(15,704)	1,899,332	748,577	499,948	1,299,713	56,437	4,488,303	33,037
Total Net Position	\$ (14,449)	1,899,332	842,840	531,555	1,299,713	58,296	4,617,287	33,037

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Fund					Total 2018	Governmental Activities Internal Service
	Food Service	Itinerant Services	Shared Services Transportation	Community Use	Extended School Year		
Operating Revenue:							
Charges for Service:							
Daily Sales - Non-reimbursable Programs	\$ 8,312					39,300	
Daily Sales - Reimbursable Programs	30,089					-	
Special Functions and Other Revenue	23,707					-	
Itinerant and Professional Services		2,706,852				-	5,460
Transportation Fees from Other LEA's							
Within the State			2,394,994				
Day Care Facility Rental				61,208			
Pool/Gym Use and Community Swim				62,608			
Tuition and Fees					456,145		
Miscellaneous				5,543		179	
Total Operating Revenue	62,108	2,706,852	2,394,994	129,359	456,145	39,479	5,460
Operating Expenses:							
Cost of Sales - reimbursable programs	40,851					35,999	
Cost of Sales - non-reimbursable programs	9,175						
Salaries	96,287	1,818,184	163,136	58,012	301,988	8,462	
Employee Benefits	39,577	423,461	74,174	15,528	16,450	22,722	
Transportation - Contracted Services			2,019,454				
Other Purchased Professional Services	2,000	2,350	1,000	1,000	750		
Other Purchased Services		189,202			31,446	125	
Cleaning, Repair and Maintenance Services			21,657				
Professional Development							
Rentals							
Utilities and Gasoline		2,414					
Insurance			8,019			211	
Tuition			9,243				
General Supplies	2,404	8,912	13,937	4,410	180		
Other			1,422	61		450	
Depreciation	173		14,794	2,369		170	
Total Operating Expenses	190,467	2,444,523	2,326,836	81,380	350,814	68,139	-
Operating Income (Loss)	(128,359)	262,329	68,158	47,979	105,331	(28,660)	5,460

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Fund						Governmental Activities Internal Service
	Food Service	Itinerant Services	Shared Services Transportation	Community Use	Extended School Year	Non-Major Enterprise Funds (See Note 1) (See G-2)	
Nonoperating Revenues (Expenses):							
State Sources:							
State School Lunch Program	1,411						1,411
Federal Sources:							
National School Lunch Program	65,742						65,742
School Breakfast Program	33,950						33,950
Food Distribution Program	11,379						11,379
Interest and Investment Income		-					-
Loss on Disposal of Capital Assets						(1,635)	(1,635)
Total Nonoperating Revenues (Expenses)	112,482	-	-	-	-	(1,635)	110,847
Income (loss) before Contributions & Transfers	(15,877)	262,329	68,158	47,979	105,331	(30,295)	437,625
Capital Contributions (Uses)							
Transfers In (Out)	11,956	(65,160)					11,956
Changes in Net Position	(3,921)	197,169	68,158	47,979	105,331	34,865	449,581
Total Net Position - Beginning	(10,528)	1,702,163	774,682	483,576	1,194,382	23,431	4,167,706
Total Net Position - Ending	\$ (14,449)	1,899,332	842,840	531,555	1,299,713	58,296	4,617,287

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Proprietary Funds
Comparative Statement of Cash Flows
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Fund						Governmental Activities Internal Service Fund
	Food Service	Itinerant Services	Shared Services Transportation	Community Use	Extended School Year	Non-Major Enterprise Funds (See Note 1) (See G-3)	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers	62,108	2,712,985	2,470,250	121,924	458,970	75,773	5,902,010
Payments to Employees	(96,287)	(1,818,184)	(155,298)	(58,012)	(301,988)	(8,462)	(2,438,231)
Payments for Employee Benefits	(39,577)	(423,461)	(74,174)	(15,528)	(16,450)	(34,024)	(603,214)
Payments for Supplies and Services	(54,736)	(202,878)	(2,074,453)	(6,171)	(32,376)	(37,225)	(2,407,839)
Net Cash Provided by (Used for) Operating Activities	(128,492)	268,462	166,325	42,213	108,156	(3,938)	452,726
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State Sources	1,395						1,395
Federal Sources	111,078						111,078
Operating Subsidies and Transfers to Other Funds	14,272	(65,160)				65,160	14,272
Net Cash Provided by (Used for) Noncapital Financing Activities	126,745	(65,160)				65,160	126,745
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchase of Capital Assets				(33,976)			(33,976)
Interfund Returned							
Net Cash Provided by (Used for) Capital and Related Financing Activities				(33,976)			(33,976)
CASH FLOW FROM INVESTING ACTIVITIES							
Net Cash Provided by (Used for) Investing Activities							
Net Increase (Decrease) in Cash and Cash Equivalents	(1,747)	203,302	166,325	8,237	108,156	61,222	545,495
Balance - Beginning of Year	19,203	1,244,224	85,698	492,189	1,191,632	(7,124)	3,025,822
Balance - End of Year	17,456	1,447,526	252,023	500,426	1,299,788	54,098	3,571,317

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Proprietary Funds
Comparative Statement of Cash Flows
For the Year Ended June 30, 2018

	Business-Type Activities -						Governmental Activities Internal Service Fund
	Enterprise Fund			Non-Major Enterprise Funds (See Note 1) (See G-3)		Total 2018	
	Food Service	Itinerant Services	Shared Services Transportation	Community Use	Extended School Year		
	(128,359)	\$ 262,329	\$ 68,158	\$ 47,979	\$ 105,331	\$ (28,660)	\$ 5,460
	173		14,794	2,369		170	
	(1,031)	15,531	75,814	(4,372)	150	36,294	43,120
	800		(279)	(328)		(339)	461
	(75)				2,675	(101)	(708)
	-	(9,398)	7,838			(11,302)	2,600
	(133)	6,133	98,167	(2,331)	2,825	24,722	(12,862)
	(128,492)	268,462	166,325	45,648	108,156	(3,938)	15,957
							21,417

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

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

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Fiduciary Funds
Statement of Net Position
June 30, 2018

	<u>Unemployment Compensation</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 250,847	118,401
Total Assets	<u>250,847</u>	<u>118,401</u>
LIABILITIES		
Accounts Payable	3,590	-
Payable to Student Groups	-	33,646
Payroll Deductions and Withholdings	-	84,755
Total Liabilities	<u>3,590</u>	<u>118,401</u>
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 247,257</u>	

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018

	Unemployment Compensation
ADDITIONS	
Contributions:	
Employee Withholdings	\$ 46,696
Board Contribution	38,600
Total Contributions	85,296
Investment Earnings:	
Interest	855
Net Investment Earnings	855
Total Additions	86,151
DEDUCTIONS	
Unemployment Claims	43,529
Total Deductions	43,529
Changes in Net Assets	42,622
Net Position - Beginning of the Year	204,635
Net Position - End of the Year	\$ 247,257

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

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

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

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**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2018**

B. Basic Financial Statements – Government-Wide Statements

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

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

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

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

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

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

C. Basic Financial Statements – Fund Financial Statements

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

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

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2018**

The following fund types are used by the District:

Governmental Funds

The District reports the following governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

Proprietary Funds

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

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2018**

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

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

The District reports the following proprietary fund:

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

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

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

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

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

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

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

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

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

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

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

Fiduciary Funds

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

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2018**

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

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

D. Basis of Accounting

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

1. Accrual:

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

2. Modified Accrual:

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

E. Financial Statement Amounts

1. Cash and Cash Equivalents:

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

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

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

NJSA 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental units.

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2018**

2. Investments:

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

3. Inventories:

Inventories in the general fund consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method. Inventories in the enterprise fund are valued at cost, which approximates market, using the first-in, first –out method. As of June 30, 2018, the District did not have inventory in the general fund and had the following inventory in the enterprise fund:

Food	\$	5,338
Supplies		550
	\$	<u>5,888</u>

The value of Federal donated commodities is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements. The value of commodities included in the food inventory on June 30, 2018 is \$1,788.

4. Capital Assets:

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

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

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

5. Revenues:

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

6. Expenditures:

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

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2018**

7. Compensated Absences:

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

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

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

8. Interfund Activity:

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

9. Budgets/Budgetary Control:

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

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**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2018**

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

Multiple Disabilities	
Salaries of Teachers	(157,722)
Autism	
Salaries of Teachers	130,800
Preschool Disabilities-Full Time	
Salaries of Teachers	(45,253)
Undist. Expend.- Speech, OT, PT & Related Svs	
Salaries of Other Professional Staff	59,248
Undist. Expend.-Required Maint. School Facility	
General Supplies	(40,000)
Undist. Expend.-Custodial Services	
Natural Gas	(52,040)
Unallocated Benefits	
Health Benefits	(62,656)
Capital Outlay	
Equipment-Required Maintenance	91,500

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

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

10. Tuition Receivable:

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

11. Use of Estimates:

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

12. Allocation of Costs:

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

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2018**

13. Pensions:

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

F. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the City's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the City's financial reporting.

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85, "Omnibus 2017". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86, "Certain Debt Extinguishment Issues". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the City's financial reporting.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Of the School District's bank balance of \$6,884,487 of June 30, 2018, \$240,845 was uninsured and uncollateralized.

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2018**

NOTE 3 – CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning balance, July 1, 2017	\$ 110,976
Increased by:	
Interest earned	275
Transfer by Board Resolution	<u>90,000</u>
Ending balance , June 30, 2018	<u>\$ 201,251</u>

The June 30, 2018 LRFP balance of local support costs of uncompleted capital projects at June 30, 2018 is greater than \$201,251.

NOTE 4 – MAINTENANCE RESERVE

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

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

Beginning balance, July 1, 2017	\$ 831,275
Increased by:	
Interest earned	450
Transfer by Board Resolution	110,000
Ending Balance, June 30, 2018	<u>\$ 941,725</u>

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**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Financial Statements
June 30, 2018**

NOTE 5 – RECEIVABLES

Receivables at June 30, 2018, consisted of accounts (tuition and miscellaneous), accrued interest, interfund, intergovernmental, and property taxes. All receivables are considered collectible in full. A summary of the principal items of accounts receivable follows:

	<u>Governmental Fund Financial Statements</u>	<u>Government-Wide Financial Statements</u>
State Aid	\$ 60,958	\$ 60,958
Federal Aid		-
Interfunds	41,923	-
Other		<u>1,109,705</u>
Gross Receivables	<u>102,881</u>	<u>1,170,663</u>
Less: Allowance for Uncollectibles		
Total Receivables, Net	<u>\$ 102,881</u>	<u>\$ 1,170,663</u>

NOTE 6 – INTERFUND TRANSFERS AND BALANCES

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

The following interfund balances remained on the fund financial statements at June 30, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 41,923	
Food Service Fund		41,923
Total	<u>\$ 41,923</u>	<u>41,923</u>

The general fund receivable relates to \$41,923 owed to the general fund, which the food service enterprise fund received to pay food service charges. It is not anticipated that this interfund will be cleared in the current fiscal year.

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NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets being depreciated:				
Land Improvements	\$ 25,415.00			25,415
Building Improvements	1,390,391	32,378		1,422,769
Infrastructure	139,652			139,652
Machinery and Equipment	779,656	146,714		926,370
Licensed Vehicles	48,992			48,992
Total capital assets being depreciated at historical cost	<u>2,384,106</u>	<u>179,092</u>	<u>-</u>	<u>2,563,198</u>
Less accumulated depreciation for:				
Land Improvements	(837)	(1,271)		(2,108)
Building Improvements	(253,337)	(28,578)		(281,915)
Infrastructure	(6,408)	(2,148)		(8,556)
Machinery and Equipment	(374,807)	(62,131)		(436,938)
Licensed Vehicles	(48,992)			(48,992)
Total accumulated depreciation	<u>(684,381)</u>	<u>(94,128)</u>	<u>-</u>	<u>(778,509)</u>
Governmental activity capital assets, net	<u>\$ 1,699,725</u>	<u>\$ 84,964</u>	<u>\$ -</u>	<u>\$ 1,784,689</u>
Business-type activities:				
Capital assets being depreciated:				
Equipment	\$ 451,215	\$ 33,976	64,460	\$ 420,731
Less accumulated depreciation	(337,064)	(17,506)	(62,824)	(291,746)
Enterprise Fund capital assets, net	<u>\$ 114,151</u>	<u>\$ 16,470</u>	<u>\$ 1,636</u>	<u>\$ 128,985</u>

Depreciation expense was charged to governmental functions as follows:

Special Education Instruction	\$ 44,880
Other Special Education Instruction	10,056
Student and Instruction Related Services	24,924
School Administrative Services	5,033
Other Administrative Services	9,235
	<u>\$ 94,128</u>

No interest on debt was capitalized during the year.

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NOTE 8 – GENERAL LONG-TERM DEBT

Changes in long-term obligations for the year ended June 30, 2018 are as follows:

	<u>Balance July 1, 2017</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30, 2018</u>	<u>Within One Year</u>
Compensated Absences				-	
General Fund	\$ 328,941	\$ 29,096	\$ 8,431	\$ 349,606	\$ -
Business Type Funds	<u>20,700</u>		<u>12,862</u>	<u>7,838</u>	-
	<u>\$ 349,641</u>	<u>\$ 29,096</u>	<u>\$ 21,293</u>	<u>\$ 357,444</u>	<u>\$ -</u>

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

NOTE 9 – OPERATING LEASES

The District has commitments to lease the school building annually for \$400,000 and certain office equipment under operating leases that expired in 2018. The District entered into a new office equipment lease during the school year. Total operating lease payments made during the year ended June 30, 2018 were \$432,359, which was for rent paid to the County of Cape May for use of the school building, and the final lease payment of the office equipment. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2019	400,000
Total future minimum lease payments	<u>\$ 400,000</u>

NOTE 10 – PENSION PLANS

Description of Plans

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

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

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Teachers' Pension and Annuity Fund (TPAF)

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

Public Employees' Retirement System (PERS)

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

Defined Contribution Retirement Program (DCRP)

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.9% and the PERS rate is 6.9% of covered payroll. The School District's contributions to TPAF for the years ending June 30, 2018, 2017 and 2016 were \$781,040, \$624,371 and \$474,402 respectively, and paid by the State of New Jersey on behalf of the Board, equal to the required contributions for each year. The School District's contributions to PERS for the years ending June 30, 2018, 2017 and 2016 were \$367,733, \$355,102 and \$353,996 respectively, equal to the required contributions for each year.

During the fiscal years ended June 30, 2018, 2017 and 2016, the State of New Jersey contributed \$504,457, \$520,243, and \$564,882, respectively, to the TPAF for post-retirement medical benefits on behalf of the Board. During the fiscal years ended June 30, 2018, the State of New Jersey contributed \$1,391 to the TPAF for long-term disability insurance. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$360,343, \$385,672, and \$392,647, during the same fiscal years for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts, which are not required to be budgeted, have been included in the financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance in GASB standards.

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For the DCRP, members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary. There were no employees enrolled in the DCRP for the year ended June 30, 2018.

Vesting and Benefit Provisions

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

Significant Legislation

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

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

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

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

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

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

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

NOTE 11: PUBLIC EMPLOYEES RETIREMENT SYSTEM

At June 30, 2018, the District reported a liability of \$9,134,025 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was .03923819820%, which was a decrease of 1.58% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense of \$497,413. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 215,075	
Changes of assumptions	1,840,191	2,564,851
Net difference between projected and actual earnings on pension plan investments	62,197	
Changes in proportion and differences between District contributions and proportionate share of contributions	39,460	566,819
District contributions subsequent to the measurement date	363,500	
Total	<u>\$ 2,520,423</u>	<u>3,131,670</u>

\$363,500 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30,		
2019	\$	(193,596)
2020		(281,266)
2021		(167,071)
2022		223,364
2023		175,228
Total	\$	<u>(243,341)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all period in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.00%

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 2 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 beneficiaries of former members 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. 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, 2016 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 experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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 inflations. Best estimates of arithmetic real rates of return for each

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major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.50%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participated employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Decrease (4.00%)	Rate (5.00%)	Increase (6.00%)
District's proportionate share of the net pension liability	\$ 10,958,625	9,134,025	7,615,876.31

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Pension plan fiduciary net position.

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

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net position liability associated with the District	\$	<u>37,426,427</u>
Total	\$	<u>37,426,427</u>

The net pension liability was measured as of June 30, 2017 and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2017, the District's proportion was 0.00%, which was no change from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,592,713 and revenue of \$2,592,713 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to TPAF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 244,861	64,047.00
Changes of assumptions	7,426,187	6,486,193
Net difference between projected and actual earnings on pension plan investments	189,569	
Changes in proportion and differences between District contributions and proportionate share of contributions		3,628,601
District contributions subsequent to the measurement date	<u>623,321</u>	
Total	<u>\$ 8,483,938</u>	<u>\$ 10,178,841</u>

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\$623,321 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2019	\$ (727,039)
2020	(1,154,526)
2021	(965,346)
2022	(541,250)
2023	(613,624)
Thereafter	1,683,561
Total	<u>\$ (2,318,224)</u>

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all period included in the measurement:

Inflation Rate	2.25%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

Pre-retirement, post-retirement and disable 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return.
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging market equity	6.50%	11.64%
Buyouts venture capital	8.25%	13.08%

Discount rate. The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.25% as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.25%) or 1-percentage point higher (5.25%) than the current rate:

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
District's proportionate share of the net pension liability	\$ -	-	-

Pension plan fiduciary net position.

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

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NOTE 13 – OTHER POST-RETIREMENT BENEFITS

P.L. 1987, Chapter 384 and P.L. 1990 Chapter 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 funding and payment of post-retirement medical benefits for retired State employees and educational employees. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free 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 School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 53, 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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Employees covered by benefit terms:

At June 30, 2018, the following employees were covered by the benefit terms:

TPAF participant retirees:

As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf.

PERS participant retirees:

The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The District's proportional share percentage determined under paragraphs 193 and 203 through 205 of GASBS no. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education.

Actuarial assumptions and other imputes:

The total OPEB liability in the June 30, 2017 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate: The Bond Buyer General Obligation 20-Bond Municipal Bond Index is used for the determination of the discount rate. The discount rate used for the fiscal year ending June 30, 2017 is 3.58%.

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Health Care Trend: For pre-Medicare PPO medical benefits, the initial amount is 5.9% and decreases to 5.0% long term trend rate after 9 years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For HMO medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after 9 years. For prescription drug benefits, the initial trend rate is 10/5% decreasing to a 5.0% long-term trend rate after 8years. For Medicare Part-B reimbursement, the trend rate is 5.0%.

Salary Scale: The salary scale assumptions will be consistent with the salary scale assumptions used in the pension plans and the calculation of the retiree health contributions for current and future retirees who are subject to Chapter 78. The PERS and TPAF pension actuarial reports are used for the fiscal year ending June 30, 2018.

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

Mortality rates were based on the following:

Pre-retirement Healthy Mortality: RP-2014 headcount-weighted healthy employee male/female mortality table with fully generational mortality improvement projections from the central year using scale MP-2017.

Post-retirement Healthy Mortality: RP-2014 headcount-weighted healthy annuitant male/female mortality table with fully generational improvement projections from the central year using scale MP-2017.

Disabled Mortality: RP-2014 headcount-weighted disabled male/female mortality table with fully generational improvement projections from the central year using scale MP-2017

Changes in the Total OPEB liability reported by the State of New Jersey:

Balance at 6/30/16	\$ 57,831,784,184
Changes for the year:	
Service cost	2,391,878,884
Interest	1,699,441,736
Changes in assumptions or other inputs	(7,086,599,129)
Contributions: Member	45,748,749
Benefit payments	<u>(1,242,412,566)</u>
Net changes	<u>\$ (4,191,942,326)</u>
Balance at 6/30/17	<u>\$ 53,639,841,858</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% in 2016 to 3.58% in 2017.

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Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the State for school board retirees, as well as what the state's total OPEB liability for school boards would be if it were calculated using a discount rate that 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability (School Retirees)	63,674,362,200	53,639,841,858	45,680,364,953

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The following presents the total OPEB liability of the State, as well as what the State's total OPB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	44,113,584,560	53,639,841,858	66,290,599,457

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the board of education recognized OPEB expense of \$2,566,632 determined by the State as the total OPEB liability for benefits provided through a defined OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB 75 and in which there is a special funding situation.

In accordance with GASB 75, the board of education's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employees' OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	
Changes of assumptions		6,343,769,032
Net difference between projected and actual earnings on pension plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	1,190,373,242	
Total	<u>\$ 1,190,373,242</u>	<u>6,343,769,032</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employees' OPEB will be recognized in OPEB expense as follows:

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Year ended June 30,		
2019	\$	(742,830,097)
2020		(742,830,097)
2021		(742,830,097)
2022		(742,830,097)
2023		(742,830,097)
Thereafter		<u>(2,629,618,547)</u>
Total	\$	<u>(6,343,769,032)</u>

(Contributions made after June 30, 2017 are reported as deferred outflow of resources but are not amortized in the expense.)

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

NOTE 14 – COMPENSATED ABSENCES

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

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

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

NOTE 15 – DEFERRED COMPENSATION

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

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

NOTE 16 – RISK MANAGEMENT

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

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ 39,455	46,696	43,529	247,257
2016-2017	40,742	26,768	46,076	204,635
2015-2016	41,274	41,743	26,888	183,201

NOTE 17 – CONTINGENT LIABILITIES

Federal and State Grants

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

NOTE 18 – ECONOMIC DEPENDENCY

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

NOTE 19 – FUND BALANCE APPROPRIATED

General Fund – Of the \$2,291,213 General Fund fund balance, at June 30, 2018, \$941,725 is reserved as Maintenance Reserve in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701), \$201,251 has been reserved in the Capital Reserve Account; \$0 has been appropriated and included as anticipated revenue for the year ending June 30, 2018; and \$1,148,237 is classified and Unassigned.

NOTE 20 – CALCULATION OF EXCESS SURPLUS

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

NOTE 21 – DEFICIT IN NET POSITION – ENTERPRISE FUNDS

The Food Services Enterprise Fund has a cumulative deficit in net position of \$14,449 as of June 30, 2018. This deficit will either be provided for in the 2018-19 budget or made up through operations.

**Cape May County Schools for Special Services
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June 30, 2018**

NOTE 22 – SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2018 through January 25, 2019, the date that the financial statements were available to be issued for possible disclosure and recognition in the financial statements. Subsequently, the Board of Education of the Cape May County Special Services District and the Board of Education of the Cape May County Technical School District consolidated into One Board of Education after the retirement of the Special Services Superintendent. The Technical School Superintendent was appointed as the Superintendent of the new Board of Education and an Assistant Superintendent was hired to assist with day-to-day at Special Services District.

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REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

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

General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
REVENUES:					
Local Sources:					
County Line Item Appropriation	4,054,328	-	4,054,328	4,054,328	-
Tuition from LEAs	7,720,423	-	7,720,423	7,445,373	(275,050)
Non-Resident Fees	297,000	-	297,000	270,173	(26,827)
Interest Earned on Capital Reserve	275	-	275		(275)
Interest Earned on Maintenance Reserve	450	-	450		(450)
Interest Earned on Deposits	20,275	-	20,275	24,214	3,939
Other Miscellaneous	25,000	-	25,000	25,518	518
Total Local Sources	12,117,751	-	12,117,751	11,819,606	(298,145)
State Sources:					
On-behalf TPAF - Pension Contributions (non-budgeted)	-	-	-	781,040	781,040
On-behalf TPAF Postretirement Contributions (non-budgeted)	-	-	-	504,457	504,457
On-behalf TPAF Long-Term Disability Insurance (non-budgeted)	-	-	-	1,391	1,391
On-behalf OPEB- GASB 75	-	-	-	2,062,175	2,062,175
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	360,343	360,343
Total State Sources	-	-	-	3,709,406	3,709,406
Federal Sources:					
Medical Assistance Program	120,000	-	120,000	94,887	(25,113)
Total Federal Sources	120,000	-	120,000	94,887	(25,113)
Total Revenues	12,237,751	-	12,237,751	15,623,899	3,386,148

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
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General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
EXPENDITURES:					
CURRENT EXPENSE					
SPECIAL EDUCATION - INSTRUCTION					
Behavioral Disabilities					
Salaries of Teachers	389,359	(3,979)	385,380	385,380	-
Other Salaries for Instruction	199,156	16,900	216,056	207,857	8,199
Purchased Technical Services	1,500		1,500		1,500
Other Purchased Services (400-500 series)	3,500	1,000	4,500	3,630	870
General Supplies	10,000	5,300	15,300	14,896	404
Textbooks	7,500		7,500	3,155	4,345
Other Objects	1,000		1,000		1,000
Total Behavioral Disabilities	612,015	19,221	631,236	614,918	16,318
Multiple Disabilities					
Salaries of Teachers	1,044,348	(157,722)	886,626	885,618	1,008
Other Salaries for Instruction	483,955	(12,520)	471,435	399,870	71,565
Purchased Professional - Educational Services	7,000	-	7,000	3,285	3,715
Other Purchased Services (400-500 series)	12,550		12,550	10,028	2,522
General Supplies	23,500	12,888	36,388	35,139	1,249
Textbooks	5,500	3,450	8,950	8,921	29
Other Objects	4,500	(3,450)	1,050		1,050
Total Multiple Disabilities	1,581,353	(157,354)	1,423,999	1,342,861	81,138
Autism					
Salaries of Teachers	663,830	130,800	794,630	794,582	48
Other Salaries for Instruction	339,339	(6,787)	332,552	326,836	5,716
Other Purchased Services (400-500 series)	8,000	(1,000)	7,000	5,540	1,460
General Supplies	14,000	23,987	37,987	37,341	646
Other Objects	7,000	(7,000)	-		-
Total Autism	1,032,169	140,000	1,172,169	1,164,299	7,870

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
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General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Preschool Disabilities - Full-Time					
Salaries of Teachers	157,281	(45,253)	112,028	80,028	32,000
Other Salaries for Instruction	41,971	(875)	41,096	41,075	21
General Supplies	6,000	2,075	8,075	7,620	455
Other Objects	1,000	800	1,800	1,257	543
Total Preschool Disabilities - Full-Time	206,252	(43,253)	162,999	129,980	33,019
Cognitive - Severe					
Salaries of Teachers	64,808	(21,000)	43,808	42,995	813
Other Purchased Services (400-500 series)	2,900		2,900	1,045	1,855
General Supplies	5,150		5,150	3,467	1,683
Other Objects	1,000		1,000		1,000
Total Cognitive - Severe	73,858	(21,000)	52,858	47,507	5,351
TOTAL SPECIAL EDUCATION - INSTRUCTION	3,505,647	(62,386)	3,443,261	3,299,565	143,696
Other Instructional Programs - Instruction					
Salaries	768,656	(20,000)	748,656	719,138	29,518
Purchased Services (300-500 series)	4,800		4,800	2,029	2,771
Supplies & Materials	14,500	399	14,899	14,864	35
Other Objects	11,000		11,000	10,000	1,000
Total Other Instructional Programs - Instruction	798,956	(19,601)	779,355	746,031	33,324
Community Service Programs - Instruction					
Salaries	6,500	-	6,500	5,700	800
Total Community Service Programs - Instruction	6,500	-	6,500	5,700	800
TOTAL INSTRUCTION	4,311,103	(81,987)	4,229,116	4,051,296	177,820

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
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General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
UNDISTRIBUTED EXPENDITURES					
Undistributed Expenditures - Health Services					
Salaries	196,920	(13,000)	183,920	183,134	786
Purchased Professional and Technical Services	17,000	(4,950)	12,050	9,667	2,383
Purchased Services (400-500 series)	300		300	300	300
Supplies & Materials	8,750	97	8,847	8,847	-
Other Objects	500	(500)	-	-	-
Total Undistributed Expenditures - Health Services	223,470	(18,353)	205,117	201,648	3,469
Undistributed Expenditures - Speech, OT, PT and Related Services					
Salaries of Other Professional Staff	900,068	59,248	959,316	958,057	1,259
Purchased Professional - Education Services	500	4,500	5,000	2,020	2,980
Supplies & Materials	12,500	4,400	16,900	16,886	14
Other Objects	300		300	175	125
Total Undistributed Expenditures - Speech, OT, PT and Related Services	913,368	68,148	981,516	977,138	4,378
Undistributed Expenditures - Child Study Teams					
Salaries of Other Professional Staff	393,702	(6,900)	386,802	386,785	17
Salaries of Secretarial and Clerical Assistants	57,465		57,465	56,844	621
Other Salaries	65,554	19,025	84,579	84,565	14
Purchased Professional and Technical Services	13,500	7,950	21,450	17,622	3,828
Other Purchased Services (400-500 series)	3,200	1,500	4,700	4,026	674
Supplies & Materials	5,500	(1,500)	4,000	3,758	242
Total Undistributed Expenditures-Child Study Teams	538,921	20,075	558,996	553,600	5,396

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
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Budgetary Comparison Schedule
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	86,474	-	86,474	84,865	1,609
Supplies & Materials	6,000	-	6,000	5,984	16
Total Undistributed Expenditures - Educational					
Media Services - School Library	92,474	-	92,474	90,849	1,625
Undist. Expend. - Instructional Staff Training Serv.					
Purchased Professional - Education Services	3,000		3,000	2,563	437
Other Purchased Professional and Tech. Services	40,000	(3,765)	36,235	23,979	12,256
Supplies & Materials	2,000	2,500	4,500	4,365	135
Total Undistributed Expenditures - Instructional					
Staff Training Services	45,000	(1,265)	43,735	30,907	12,828
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	202,732	28,243	230,975	230,686	289
Legal Services	16,000	(6,239)	9,761	8,716	1,045
Audit Fees	18,000	(800)	17,200	17,200	-
Other Purchased Professional Services	10,500	(6,410)	4,090	4,090	-
Communications/Telephone	69,000	6,394	75,394	75,394	-
Misc. Purch Serv (400-500 series)	24,500	10,482	34,982	34,982	-
General Supplies	5,500	1,493	6,993	6,937	56
BOE In- House Training/Meeting Supplies	2,500	(1,125)	1,375	1,324	51
Miscellaneous Expenditures	5,500		5,500	5,461	39
BOE Membership Dues and Fees	8,000	(365)	7,635	7,632	3
Total Undistributed Expenditures - Support					
Services - General Administration	362,232	31,673	393,905	392,422	1,483

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
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Budgetary Comparison Schedule
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undist. Expend. - Supp. Serv. - School Admin.					
Salaries of Principals/Assistant Principals	177,461	(1,450)	176,011	176,007	4
Salaries of Other Professional Staff	46,616	(300)	46,316	46,276	40
Salaries of Secretarial and Clerical Assistants	138,897	413	139,310	139,278	32
Other Purchased Services (400-500 series)	6,100		6,100	5,505	595
Supplies & Materials	7,375		7,375	6,306	1,069
Other Objects	3,000	(970)	2,030	1,848	182
Total Undistributed Expenditures - Support Services - School Administration	379,449	(2,307)	377,142	375,220	1,922
Undistributed Expenditures - Central Services					
Salaries	190,052	1,439	191,491	191,491	-
Purchased Technical Services	10,000	900	10,900	10,866	34
Miscellaneous Purchased Services (400-500 series)	5,500		5,500	5,369	131
Supplies & Materials	4,800		4,800	4,768	32
Miscellaneous Expenditures	2,300		2,300	2,181	119
Total Undistributed Expenditures - Central Services	212,652	2,339	214,991	214,675	316
Undistributed Expenditures - Information Technology					
Salaries	76,960		76,960	76,772	188
Supplies & Materials	5,500		5,500	5,500	-
Total Undistributed Expenditures - Info Technology	82,460	-	82,460	82,272	188
Undist. Expend. - Required Maint. School Fac.					
Salaries	185,036		185,036	179,319	5,717
Cleaning, Repair and Maintenance Service	75,000		75,000	68,175	6,825
General Supplies	118,500	(40,000)	78,500	72,737	5,763
Total Undistributed Expenditures - Required Maintenance for School Facilities	378,536	(40,000)	338,536	320,231	18,305

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
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General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Undistributed. Expenditures. - Custodial Services					
Salaries	338,190	(1,643)	336,547	331,059	5,488
Purchased Professional and Technical Services	223,000		223,000	219,984	3,016
Cleaning, Repair and Maintenance Service	14,000		14,000	7,573	6,427
Rental of Land and Buildings	400,000		400,000	400,000	-
Other Purchased Property Services	50,000		50,000	35,500	14,500
Insurance	25,000		25,000	23,768	1,232
General Supplies	28,500		28,500	28,465	35
Natural Gas	205,000	(52,040)	152,960	113,691	39,269
Electricity	275,700	(15,391)	260,309	219,182	41,127
Total Undistributed Expenditures - Other Custodial Services	<u>1,559,390</u>	<u>(69,074)</u>	<u>1,490,316</u>	<u>1,379,222</u>	<u>111,094</u>
Undistributed. Expenditures. - Buildings and Grounds					
Cleaning, Repair and Maintenance Services	22,500		22,500	22,106	394
General Supplies	4,000		4,000	3,906	94
Total Undistributed Expenditures - Buildings and Grounds	<u>26,500</u>	<u>-</u>	<u>26,500</u>	<u>26,012</u>	<u>488</u>
Undistributed. Expenditures. - Security					
Purchased Professional and Technical Services	87,500		87,500	76,981	10,519
Total Undistributed Expenditures - Security	<u>87,500</u>	<u>-</u>	<u>87,500</u>	<u>76,981</u>	<u>10,519</u>
Total Undistributed Expenditures Operations and Maintenance of Plant	<u>2,051,926</u>	<u>(109,074)</u>	<u>1,942,852</u>	<u>1,802,446</u>	<u>140,406</u>

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

General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Unallocated Benefits					
Social Security Contribution	195,000		195,000	177,659	17,341
Other Retirement Contributions - PERS	225,000		225,000	220,640	4,360
Other Retirement Contributions - DCRP	7,500		7,500	2,674	4,826
Unemployment Compensation		38,600	38,600	38,600	-
Workmen's Compensation	137,000		137,000	132,592	4,408
Health Benefits	2,344,800	(62,656)	2,282,144	2,124,505	157,639
Tuition Reimbursement	40,000		40,000	13,973	26,027
Other Employee Benefits	24,500	3,209	27,709	27,709	-
Unused Sick Payment to Terminated/Retired	15,910	(3,209)	12,701		12,701
Total Unallocated Benefits	2,989,710	(24,056)	2,965,654	2,738,352	227,302
On-Behalf Contributions					
On-behalf TPAF - Pension Contributions (non-budgeted)	-	-	-	781,040	(781,040)
On-behalf TPAF Postretirement Contributions (non-budgeted)	-	-	-	504,457	(504,457)
On-behalf TPAF Long-Term Disability Insurance (non-budgeted)	-	-	-	1,391	(1,391)
On-behalf OPED- GASB 75	-	-	-	2,062,175	(2,062,175)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	360,343	(360,343)
Total On-Behalf Contributions	-	-	-	3,709,406	(3,709,406)
Total Personal Services - Employee Benefits	2,989,710	(24,056)	2,965,654	6,447,758	(3,482,104)
TOTAL UNDISTRIBUTED EXPENDITURES	7,891,662	(32,820)	7,858,842	11,168,935	(3,310,093)
TOTAL GENERAL CURRENT EXPENSE	12,202,765	(114,807)	12,087,958	15,220,231	(3,132,273)

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

**General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
CAPITAL OUTLAY					
Equipment					
Required Maintenance	76,532	91,500	168,032	167,741	291
Multiple Disabilities		4,462	4,462	4,462	-
Autism		2,320	2,320	2,320	-
Preschool		2,320	2,320	2,320	-
Undistributed Expenditures					
Support Services					
Operations					
Admin Info Tech		2,249	2,249	2,249	-
Total Equipment	<u>76,532</u>	<u>102,851</u>	<u>179,383</u>	<u>179,092</u>	<u>291</u>
TOTAL CAPITAL OUTLAY	<u>76,532</u>	<u>102,851</u>	<u>179,383</u>	<u>179,092</u>	<u>291</u>
TOTAL EXPENDITURES	<u>12,279,297</u>	<u>(11,956)</u>	<u>12,267,341</u>	<u>15,399,323</u>	<u>(3,131,982)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(41,546)</u>	<u>11,956</u>	<u>(29,590)</u>	<u>224,576</u>	<u>254,166</u>
Other Financing Sources/(Uses):					
Operating Transfers Out:					
Transfer to Food Service Fund-Board Contrib.		(11,956)	(11,956)	(11,956)	-
Total Other Financing Sources:	-	(11,956)	(11,956)	(11,956)	-

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

General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance with Under/(Over) Final Budget to Actual
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(41,546)	-	(41,546)	212,620	254,166
Fund Balance July 1	2,078,593	-	2,078,593	2,078,593	
Fund Balance June 30	<u>2,037,047</u>	<u>-</u>	<u>2,037,047</u>	<u>2,291,213</u>	<u>254,166</u>
Recapitulation:					
Nonspendable Fund Balance				-	
None					
Restricted Fund Balance:					
None				-	
Committed Fund Balance:					
Capital Reserve				201,251	
Maintenance Reserve				941,725	
Year-end Encumbrances					
Unassigned Fund Balance				<u>1,148,237</u>	
Fund Balance per Governmental Funds (GAAP)				<u><u>2,291,213</u></u>	

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

Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 102,011		102,011	81,375	(20,637)
Federal Sources			-	-	-
State Sources	8,000		8,000	5,652	(2,349)
Total Revenues	110,011	-	110,011	87,026	(22,985)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	29,500		29,500	29,028	473
Purchased Professional and Technical Services	15,737		15,737	15,736	1
General Supplies	59,889		59,889	37,377	22,512
Other Objects	900		900	900	-
Total Instruction	106,026	-	106,026	83,041	22,985
Support Services:					
Salaries of Other Professional Staff	3,985		3,985	3,985	-
Total Support Services	3,985	-	3,985	3,985	-
Capital Outlay					
Non-Instructional Equipment	-		-	-	-
Total Capital Outlay	-	-	-	-	-
Total Outflows	110,011	-	110,011	87,026	22,985
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	-	-	-	-

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Required Supplementary Information
Budget to GAAP Reconciliation
Note to RSI
For the Year Ended June 30, 2018**

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

		General Fund		Special Revenue Fund
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$ 15,623,899	[C-2]	87,026
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				-
Prior Year				-
Current Year				-
Total revenues reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	15,623,899	[B-2]	87,026
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 15,399,323	[C-2]	87,026
Difference - budget to GAAP:				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		-		-
Prior Year				-
Current Year				-
	[B-2]	\$ 15,399,323	[B-2]	87,026

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REQUIRED SUPPLEMENTARY INFORMATION – PART III

CAPE MAY COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee Retirement System
Last Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.0392381982%	0.0398698441%	0.0411751663%	0.0443221000%	0.0437771654%
District's proportionate of the net pension liability (asset)	\$ 9,134,025	\$ 11,808,304	\$ 9,243,000	\$ 8,298,309	\$ 8,366,686
District's covered payroll	\$ 2,524,601	\$ 2,633,466	\$ 2,711,933	\$ 2,832,299	\$ 3,047,499
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	361.80%	448.39%	340.83%	292.99%	274.54%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%	48.72%

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

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

CAPE MAY COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Schedule of District Contributions
Public Employee Retirement System
Last Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 363,500	\$ 354,198	\$ 353,996	\$ 365,385	\$ 329,852
Contributions in relation to the contractually required contribution	<u>\$ 363,500</u>	<u>\$ 354,198</u>	<u>\$ 353,996</u>	<u>\$ 365,385</u>	<u>\$ 329,852</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,524,601	\$ 2,633,466	\$ 2,711,933	\$ 2,832,299	\$ 3,047,499
Contributions as a percentage of covered-employee payroll	14.40%	13.45%	13.05%	12.90%	10.82%

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

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

CAPE MAY COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teachers' Pension and Annuity Fund
Last Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 46,612,126	\$ 37,838,160	\$ 32,756,275	\$ 31,350,599	\$ 31,642,150
Total	<u>\$ 46,612,126</u>	<u>\$ 37,838,160</u>	<u>\$ 32,756,275</u>	<u>\$ 31,350,599</u>	<u>\$ 31,642,150</u>
District's covered payroll	\$ 5,311,548	\$ 5,454,324	\$ 5,642,686	\$ 5,814,330	\$ 5,807,877
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	33.64%	33.64%

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

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

CAPE MAY COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
Public Employee Retirement System and Teachers' Pension and Annuity Fund
Last Two Fiscal Years

	<u>2017</u>	<u>2016</u>
District's proportion of the net OPEB liability (asset)	0.00%	0.00%
District's proportionate of the net OPEB liability (asset)	\$ -	-
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 51,473,810</u>	<u>\$ 55,715,567</u>
Total	<u>\$ 51,473,810</u>	<u>\$ 55,715,567</u>
District's covered payroll	7,836,149	8,087,790
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

Source: GASB 75 report on State of New Jersey State Health Benefits Program; District records

Note: This schedule is required by GASB 75 to be show information for a 10 year period.
However, information is only currently available for two years.
Additional years will be presented as they become available.

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Year Ended June 30, 2018

	Total Brought Forward (Ex. E-1a)	Education Foundation Grants	Clean Communities	Cape Ed Garden	Woodbine Baptist	Totals 2018
REVENUES:						
Local Sources	\$ 52,524	\$ 23,460		\$ 500	\$ 4,890	\$ 81,375
Federal Sources	-					-
State Sources	1,652		4,000			5,652
Total Revenues	54,176	23,460	4,000	500	4,890	87,026
EXPENDITURES:						
Instruction:						
Salaries of Teachers	29,028					29,028
Purchased Professional and Technical Services	7,736	6,000			2,000	15,736
General Supplies	12,527	17,460	4,000	500	2,890	37,377
Other Objects	900					900
Total Instruction	50,191	23,460	4,000	500	4,890	83,041
Support Services:						
Salaries of Other Professional Staff	3,985					3,985
Total Support Services	3,985	-	-	-	-	3,985
Capital Outlay						
Total Capital Outlay	-	-	-	-	-	-
Total Outflows	54,176	23,460	4,000	500	4,890	87,026
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Year Ended June 30, 2018

	Sustainable Jersey	NJSIG Safety Grant	LEEP Donation	In School Youth Grant Prior Years	Donations Prior Year	In School Youth Grant	Total Carried Forward
REVENUES:							
Local Sources	\$ -	\$ -	\$ 14,407	\$ 4,341	\$ 2,724	\$ 31,053	\$ 52,524
Federal Sources							-
State Sources	1,652						1,652
Total Revenues	<u>1,652</u>	<u>-</u>	<u>14,407</u>	<u>4,341</u>	<u>2,724</u>	<u>31,053</u>	<u>54,176</u>
EXPENDITURES:							
Instruction:							
Salaries of Teachers						29,028	29,028
Purchased Professional and Technical Services			5,711			2,025	7,736
General Supplies	1,652		3,811	4,341	2,724		12,527
Other Objects			900				900
Total Instruction	<u>1,652</u>	<u>-</u>	<u>10,422</u>	<u>4,341</u>	<u>2,724</u>	<u>31,053</u>	<u>50,191</u>
Support Services:							
Salaries of Other Professional Staff			3,985				3,985
Total Support Services	<u>-</u>	<u>-</u>	<u>3,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,985</u>
Capital Outlay							
Non-Instructional Equipment							
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Outflows	<u>1,652</u>	<u>-</u>	<u>14,407</u>	<u>4,341</u>	<u>2,724</u>	<u>31,053</u>	<u>54,176</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PROPRIETARY FUNDS – DETAILED STATEMENTS

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

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

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

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

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

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

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

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Non-major Proprietary Funds
Combining Statement of Net Position
June 30, 2018

	Non-Major Business-Type Activities - Enterprise Fund			Total Non-Major Funds (See B-4)
	The "Compact"	Shop Rite	Business Services	
ASSETS				
Current Assets:				
Cash and Cash Equivalents		44,092	10,006	54,098
Accounts Receivable				-
Inventory		2,523		2,523
Total Current Assets	\$ -	46,615	10,006	56,621
Noncurrent Assets:				
Restricted Cash and Cash Equivalents				-
Furniture, Machinery & Equipment		2,546		2,546
Less Accumulated Depreciation		(687)		(687)
Total Noncurrent Assets	\$ -	1,859	-	1,859
Total Assets	\$ -	48,474	10,006	58,480
LIABILITIES				
Current Liabilities:				
Accounts Payable				-
Intergovernmental Accounts Payable:				
State		184		184
Total Current Liabilities	\$ -	184	-	184
Noncurrent Liabilities:				
Compensated Absences				-
Total Noncurrent Liabilities	\$ -	-	-	-
NET POSITION				
Invested in Capital Assets Net of Related Debt	\$ -	1,859		1,859
Unrestricted	\$ -	46,431	10,006	56,437
Total Net Position	\$ -	48,290	10,006	58,296

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Non-major Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2018

	Non-Major Business-Type Activities - Enterprise Fund			Totals Non-Major Funds (See B-5)
	The "Compact"	Shop Rite	Business Services	
Operating Revenue:				
Charges for Service:				
Daily Sales - Non-reimbursable Programs		39,300	-	39,300
Tuition and Fees				-
Miscellaneous		179		179
Total Operating Revenue	-	39,479	-	39,479
Operating Expenses:				
Cost of Sales		35,999		35,999
Salaries	8,462			8,462
Employee Benefits	22,722			22,722
Other Purchased Services	125			125
Utilities and Gasoline	211			211
General Supplies				-
Other	450			450
Depreciation		170		170
Total Operating Expenses	31,970	36,169	-	68,139
Operating Income (Loss)	(31,970)	3,310	-	(28,660)
Nonoperating Revenues (expenses):			-	
State Sources:				
Adult Day Care - DDD Contract				-
Interest and Investment Income				-
Loss on Disposal of Capital Assets	(1,635)			(1,635)
Total Nonoperating Revenues (expenses)	(1,635)	-	-	(1,635)
Income (loss) before Contributions & Transfers	(33,605)	3,310	-	(30,295)
Transfers In (Out)	65,160			65,160
Changes in Net Position	31,555	3,310	-	34,865
Total Net Position - Beginning	(31,555)	44,980	10,006	23,431
Total Net Position - Ending	\$ -	48,290	10,006	58,296

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Non-major Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2018

	Non Major Business-Type Activities - Enterprise Fund			
	The "Compact"	Shop Rite	Business Services	Total Non-Major Funds (See B-6)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Other Income	\$ 36,294	39,479		75,773
Payments to Employees	(8,462)			(8,462)
Payments for Employee Benefits	(34,024)			(34,024)
Payments for Supplies and Services	(924)	(36,301)		(37,225)
Net Cash Provided by (Used for) Operating Activities	<u>(7,116)</u>	<u>3,178</u>	<u>-</u>	<u>(3,938)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers from/(to) Other Funds	65,160			65,160
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>65,160</u>	<u>-</u>	<u>-</u>	<u>65,160</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Sale of Capital Assets				-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	58,044	3,178	-	61,222
Balance - Beginning of Year	(58,044)	40,914	10,006	(7,124)
Balance - End of Year	<u>\$ -</u>	<u>44,092</u>	<u>10,006</u>	<u>54,098</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (31,970)	3,310	-	(28,660)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (Used for) Operating Activities				
Depreciation and Net Amortization	-	170		170
(Increase) Decrease in Accounts Receivable	36,294			36,294
(Increase) Decrease in Inventories	-	(339)		(339)
Increase (Decrease) in Accounts Payable	(138)	37		(101)
Increase (Decrease) in Accrued Salaries	(11,302)			(11,302)
Total Adjustments	<u>24,854</u>	<u>(132)</u>	<u>-</u>	<u>24,722</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (7,116)</u>	<u>3,178</u>	<u>-</u>	<u>(3,938)</u>

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FIDUCIARY FUNDS DETAIL STATEMENTS

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

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

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

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

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
June 30, 2018

	Unemployment Compensation Trust	Agency Funds	Totals
ASSETS			
Cash and Cash Equivalents	\$ 250,847	118,401	369,248
Total Assets	250,847	118,401	369,248
LIABILITIES			
Accounts Payable	3,590	-	3,590
Payable to Student Groups	-	33,646	33,646
Payroll Deductions & Withholdings	-	84,755	84,755
Total Liabilities	3,590	118,401	121,991
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	\$ 247,257		247,257
Total Net Assets			247,257
Total Liabilities and Net Position			369,248

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Totals</u>
ADDITIONS		
Contributions:		
Employee Withholdings	\$ 46,696	46,696
Board Contribution	38,600	38,600
Total Contributions	<u>85,296</u>	<u>85,296</u>
Investments Earnings:		
Interest	855	855
Net Investment Earnings	<u>855</u>	<u>855</u>
Total Additions	<u>86,151</u>	<u>86,151</u>
Deductions		
Unemployment Claims	43,529	43,529
Total Deductions	<u>43,529</u>	<u>43,529</u>
Change in Net Position	42,622	42,622
Net Position - Beginning of the Year	<u>204,635</u>	<u>204,635</u>
Net Position - End of the Year	<u>\$ 247,257</u>	<u>247,257</u>

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
Student Activity Agency Fund
Schedule of Receipts and Disbursements
As of June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Ocean Academy Elementary School	\$ 7,453	14,072	15,022	6,503
Alternative High School	20,528	56,026	49,411	27,143
Total Assets	\$ <u>27,981</u>	<u>70,098</u>	<u>64,433</u>	<u>33,646</u>

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 (A Component Unit of the County of Cape May)
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 As of June 30, 2018**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 32,657	4,518,347	4,466,249	84,755
Total Assets	<u>32,657</u>	<u>4,518,347</u>	<u>4,466,249</u>	<u>84,755</u>
LIABILITIES:				
Payroll Deductions & Withholding	32,657	4,518,347	4,466,249	84,755
Accounts Payable	-			-
Total Assets	<u>\$ 32,657</u>	<u>4,518,347</u>	<u>4,466,249</u>	<u>84,755</u>

Statistical Section

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Invested in capital assets, net of related debt	402,688	354,181	841,833	1,457,231	1,476,610	1,564,573	1,573,287	1,556,851	1,699,725	1,784,689
Restricted	572,405	822,019	984,263	166,589	143,783	292,301	540,801	741,526	942,251	1,142,976
Unrestricted	1,737,070	1,378,245	181,489	860,085	961,671	(7,385,317)	(7,249,756)	(8,020,552)	(8,408,475)	(8,545,698)
Total governmental activities net position	2,712,163	2,554,445	2,007,585	2,483,905	2,582,064	(5,528,443)	(5,135,668)	(5,722,175)	(5,766,499)	(5,618,033)
Business-type activities										
Invested in capital assets, net of related debt	340,589	284,071	246,661	207,428	210,764	190,704	161,042	131,705	114,151	128,984
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,832,645	1,868,157	2,119,964	2,235,173	2,498,067	2,949,378	3,346,413	3,740,879	4,053,555	4,488,303
Total business-type activities net position	2,173,234	2,152,228	2,366,625	2,442,601	2,708,831	3,140,082	3,507,455	3,872,584	4,167,706	4,617,287
District-wide										
Invested in capital assets, net of related debt	743,277	638,252	1,088,494	1,664,659	1,687,374	1,755,277	1,734,329	1,688,556	1,813,876	1,913,673
Restricted	572,405	822,019	984,263	166,589	143,783	292,301	540,801	741,526	942,251	1,142,976
Unrestricted	3,569,715	3,246,402	2,301,453	3,095,258	3,459,738	(4,435,939)	(3,903,343)	(4,279,673)	(4,354,920)	(4,057,395)
Total district net position	4,885,397	4,706,673	4,374,210	4,926,506	5,290,895	(2,385,361)	(1,628,213)	(1,849,597)	(1,598,793)	(1,000,746)

Source: CAFR Schedule A-1

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

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

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
Instruction:										
Special education	5,451,382	5,587,321	5,568,860	5,719,315	5,760,886	5,278,160	6,211,214	6,610,871	6,846,249	6,997,530
Other instruction	1,506,454	1,558,452	1,514,644	1,345,408	1,397,302	1,317,978	1,511,810	1,590,163	1,583,179	1,561,721
Support Services:										
Student & instruction related services	2,438,084	2,430,011	2,427,201	2,344,928	2,472,502	2,355,022	2,760,628	2,880,544	3,485,266	3,865,647
General administrative/Business services	980,214	971,306	902,168	820,795	831,714	1,313,273	815,752	912,760	1,051,248	1,238,020
School administrative services	577,281	582,680	636,080	514,030	510,425	392,383	518,805	607,351	629,339	674,255
Plant operations and maintenance	2,107,781	1,971,779	2,003,860	1,984,942	2,027,214	2,060,727	2,473,295	2,909,478	3,079,753	3,188,181
Unallocated depreciation	45,298	23,272	24,224	25,895						
Total governmental activities expenses	13,106,493	13,126,821	13,077,037	12,795,313	13,000,043	12,717,543	14,291,504	15,511,167	16,875,034	17,925,354
Business-type activities:										
Food service	327,449	306,599	291,398	248,600	254,556	254,399	263,867	251,997	201,272	190,467
Inherent services	1,905,205	2,007,068	2,093,384	2,318,968	2,304,081	2,262,064	2,211,815	2,339,395	2,353,174	2,444,523
Transportation services	1,914,067	2,036,107	1,836,665	1,933,313	1,842,056	1,773,602	2,080,443	2,257,419	2,106,895	2,326,836
Other	1,748,487	1,754,660	1,472,782	1,492,086	1,587,193	1,389,085	1,325,392	1,201,408	1,201,408	501,968
Total business-type activities expenses	5,695,209	6,104,434	5,694,228	5,992,967	5,987,886	5,679,150	5,881,517	5,971,466	5,862,749	5,463,794
Total district expenses	19,001,702	19,231,254	18,771,266	18,748,280	18,987,929	18,396,693	20,173,021	21,482,633	22,537,783	22,969,148
Program Revenues										
Governmental activities:										
Operating grants and contributions	1,251,046	1,069,559	1,163,437	1,294,808	1,460,342	1,292,949	2,775,356	3,557,006	4,694,469	5,765,823
Charges for services:	8,145,268	7,475,894	6,851,524	7,340,644	7,667,761	7,241,604	7,645,504	7,239,859	7,868,593	7,721,006
Total governmental activities program revenues	9,396,314	8,545,453	8,014,961	8,635,452	9,128,103	8,534,553	10,421,860	10,796,865	12,563,062	13,486,829
Business-type activities:										
Charges for services:										
Food service	72,333	73,639	67,431	65,398	61,915	66,852	63,267	67,746	69,194	62,108
Shared services	1,994,122	2,128,661	2,131,822	2,241,669	2,304,199	2,503,716	2,455,281	2,517,999	2,587,437	2,706,852
Inherent services	1,941,292	2,099,336	1,924,027	1,967,877	1,981,693	1,809,337	2,143,587	2,302,896	2,224,829	2,394,994
Transportation services	1,936,127	1,475,807	1,356,976	1,462,282	1,525,559	1,407,949	1,336,929	1,253,190	1,082,393	624,983
Other	104,189	324,758	318,303	324,546	324,784	324,401	183,469	110,011	119,950	112,482
Operating grants and contributions	6,048,063	6,102,202	5,798,559	6,061,772	6,198,150	6,112,255	6,182,533	6,251,842	6,083,803	5,901,419
Capital grants and contributions	15,444,377	14,647,655	13,813,520	14,697,224	15,326,253	14,646,808	16,604,393	17,048,707	18,646,865	19,388,248
Total business-type activities program revenue	27,526,488	28,306,252	27,845,615	28,767,233	29,121,000	28,828,663	30,458,062	30,748,212	30,748,212	30,748,212
Net (Expense)/Revenue										
Governmental activities	(3,710,179)	(4,581,368)	(5,062,076)	(4,119,861)	(3,871,940)	(4,182,990)	(3,869,644)	(4,714,302)	(4,111,972)	(4,038,525)
Business-type activities	152,854	(2,232)	104,331	68,805	210,264	433,105	301,016	280,376	221,054	437,625
Total district-wide net expense	(3,557,325)	(4,583,599)	(4,957,745)	(4,051,055)	(3,661,676)	(3,749,885)	(3,568,628)	(4,433,926)	(3,890,918)	(3,600,900)

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Assets										
Governmental activities:										
County appropriation	3,821,954	3,974,832	3,974,832	3,974,832	3,974,832	3,974,832	3,974,832	3,974,832	3,974,832	4,054,328
Unrestricted grants and contributions		86,972					323,018	208,632	114,520	94,867
Investment earnings	47,364	53,379	45,321	36,385	15,905	7,369	8,099	11,565	22,794	24,214
Miscellaneous income	417,390	399,855	422,219	331,045	40,252	73,642	22,827	17,519	29,570	25,518
Capital contributions (Uses)	44,532		184,190	253,918						
Transfers	(100,000)	(91,389)	(107,701)		(60,890)	(69,531)	(66,357)	(84,753)	(74,068)	(11,956)
Gain/(Loss) on Disposal of Capital Assets			(3,644)							
Total governmental activities	4,231,240	4,515,039	4,515,216	4,596,179	3,970,099	3,986,312	4,262,419	4,127,795	4,067,648	4,186,991
Business-type activities:										
Investment earnings	813	750	2,365	2,916	1,757					
Transfers	100,000		107,701		60,890	69,531	66,357	84,753	74,068	11,956
Gain/(Loss) on Disposal of Capital Assets		(19,523,04)	4,254		(6,680)					
Total business-type activities	100,813	(18,773)	110,066	7,170	55,967	69,531	66,357	84,753	74,068	11,956
Total district-wide	4,332,053	4,496,266	4,625,283	4,603,349	4,026,066	4,055,843	4,328,776	4,212,548	4,141,716	4,198,947
Changes in Net Assets	521,061	(66,329)	(546,860)	476,318	98,159	(196,678)	392,775	(586,507)	(44,324)	148,466
Governmental activities	253,667	(21,005)	214,397	75,975	266,231	502,636	367,373	365,129	295,122	449,581
Business-type activities	774,728	(87,334)	(332,463)	552,294	364,390	305,958	760,148	(221,378)	250,798	598,047

Source: CAFR Schedule A-2

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Restricted	-	-	62,442	64,325	-	-	-	-	-	-
Committed	-	-	16,449	77,193	140,061	292,301	541,047	743,814	942,251	1,142,976
Assigned	-	-	499,425	-	403,722	-	-	-	-	-
Unassigned	572,405	822,019	1,057,806	1,297,160	989,908	1,362,846	1,206,783	930,209	1,136,342	1,148,237
Reserved	2,220,219	1,938,228	-	-	-	-	-	-	-	-
Unreserved	2,792,625	2,760,248	-	1,438,678	1,533,691	1,655,147	1,747,830	1,674,023	2,078,593	2,291,213
Total general fund										
All Other Governmental Funds										
Restricted	-	-	-	25,071	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned to	-	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	405,948	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Capital projects fund	146,180	-	-	-	-	-	-	-	-	-
Total all other governmental funds	146,180	-	-	25,071	-	-	-	-	-	-

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

Source: CAFR Schedule B-1

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u> <u>Revenue</u>	<u>Non-Resident</u> <u>Fees</u>	<u>E- Rate</u>	<u>Miscellaneous</u>	<u>Totals</u>
2009	47,364	8,145,268	402,442	36,661	4,522	8,636,256
2010	53,379	7,443,173	350,132	36,282	13,441	7,896,407
2011	45,321	7,156,231	348,211	45,839	28,169	7,623,771
2012	36,385	6,912,197	298,956	28,871	3,218	7,279,627
2013	15,905	7,308,861	302,500	36,993	3,259	7,667,518
2014	7,369	6,894,678	303,845	51,216	22,426	7,279,534
2015	8,099	7,311,594	306,350	44,296	231	7,670,570
2016	11,565	6,874,621	315,398	39,579	380	7,241,543
2017	22,794	7,514,923	306,350	40,014	676	7,884,757
2018	24,214	7,445,373	270,173	25,857	447	7,766,064

Source: District Records

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

Exhibit J-14

Fiscal Year Ended June 30,	(a) Population	(b) Personal Income (thousands of dollars)	(c) Per Capita Personal Income	(d) Unemployment Rate
2009	96,091	4,229,637,547	44,017	11.4%
2010	97,267	4,373,610,655	44,965	11.9%
2011	96,604	4,599,413,044	47,611	12.5%
2012	96,460	4,756,153,220	49,307	13.4%
2013	95,868	4,766,173,488	49,716	12.0%
2014	95,417	4,943,745,604	51,812	12.0%
2015	94,843	4,914,005,516	51,812	10.9%
2016	94,430	4,892,607,160	51,812	10.9%
2017	93,553	4,977,861,577	53,209	9.1%
2018	93,533	5,131,688,045	54,865	9.1%

Source:

- (a) Population information provided by the NJ Dept of Labor and Workforce Development - most current information is as of 7/1/2017
- (b) Personal income provided by the NJ Dept of Labor and Workforce Development - most current information is as of 4/15/17
- (c) Per capital personal income source Regional Economic Information System, Bureau of Economic Analysis, November 2017 estimate based on 2016 amount
- (d) Unemployment data provided by the U.S. Department of Labor, Bureau of Labor Statistics

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

Exhibit J-16

<u>Function/Program</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction:										
Special education instruction	95	97	90	86	81	80	78	72	72	71
Support Services:										
Student & instruction related services	28	28	27	26	25	24	25	25	26	25
General administrative services	4	3	3	3	3	3	3	3	3	3
School administrative services	7	7	7	7	7	6	7	6	6	6
Business administrative services	4	4	4	4	4	4	4	4	4	4
Plant operations and maintenance	12	12	12	12	12	12	11	12	11	12
Pupil transportation							2	2	2	2
Special schools							2	2	2	2
Food Service										
Child Care										
Total	150	151	143	138	132	129	130	123	124	125

Source: District Personnel Records

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

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Cost per Pupil	% Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Overall	District				
2009	330	13,100,756	39,699	4.14%	95	3.5:1	3.5:1	317	277	-3.94%	87.38%
2010	322	13,014,694	40,418	1.81%	97	3:3:1	3:3:1	315	278	-0.63%	88.25%
2011	277	12,363,255	44,633	10.43%	90	3:3:1	3:3:1	285	250	-9.68%	87.70%
2012	289	12,738,086	44,076	-1.25%	86	3:3:1	3:3:1	293	258	2.99%	88.05%
2013	264	12,906,520	48,888	10.92%	81	3:1:1	3:1:1	275	242	-6.14%	88.00%
2014	275	12,619,386	45,889	-6.14%	80	3:4:1	3:4:1	271	233	-1.53%	86.04%
2015	251	12,835,299	51,137	11.44%	78	3:2:1	3:2:1	250	221	-7.54%	88.30%
2016	225	12,918,691	57,416	12.28%	72	3:2:1	3:2:1	239	212	-4.53%	88.62%
2017	231	12,935,138	55,996	-2.47%	72	3:2:1	3:2:1	233	209	-2.52%	89.70%
**2018	195	15,307,257	78,499	40.19%	71	3:5:1	3:5:1	202	185	-13.30%	91.58%

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

** Elimination of Compact Program

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

Exhibit J-18

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
District Buildings										
Elementary, Middle, High School										
CMC Special Services										
Square Feet	166,208	166,208	166,208	166,208	166,208	166,208	166,208	166,208	166,208	166,208
Capacity (students)	400	400	400	400	400	400	400	400	400	400
Enrollment	330	322	277	238	264	275	251	225	231	195

Number of Schools at June 30, 2018
 Elementary - 1
 Middle - 1
 High - 1

Source: District Records, ASSA

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

Undistributed Expenditures - Required Maintenance for School Facilities

Project # (s)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
School Facilities										
Special Services - One Building	450,160	345,379	351,530	325,380	334,978	366,873	288,246	315,184	320,680	320,231
Total School Facilities	450,160	345,379	351,530	325,380	334,978	366,873	288,246	315,184	320,680	320,231
Other Facilities										
Grand Total	450,160	345,379	351,530	325,380	334,978	366,873	288,246	315,184	320,680	320,231

Source: District Records

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Insurance Schedule
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Exhibit J-20

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
Insurance Schedule
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Exhibit J-20

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

Source: District records

Single Audit Section



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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K-1 INDEPENDENT AUDITOR'S REPORT

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

We have audited the basic financial statements of the Board of Education of the Cape May County Schools for Special Services School (a component unit of the County of Cape May), State of New Jersey, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated January 25, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements presented by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

Leon P. Costello

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

January 25, 2019



FORD - SCOTT

& ASSOCIATES, L.L.C.

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K-2 INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Cape May County Schools for Special Services (a component unit of 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 Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2018. The Board of Education of the Cape May County Schools for Special Services' (a component unit of the County of Cape May) major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Cape May County Schools for Special Services (a component unit of the County of Cape May) major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB 15-08. Those standards, OMB Uniform Guidance and NJ OMB 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Cape May County Schools for Special Services (a component unit of the County of Cape May) compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Cape May County Schools for Special Services (a component unit of the County of Cape May) compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Cape May County Schools for Special Services (a component unit of the County of Cape May) 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 year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Cape May County Schools for Special Services (a component unit of the County of Cape May) is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cape May County Schools for Special Services' (a component unit of the County of Cape May) internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance and NJ OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cape May County Schools for Special Services' (a component unit of the County of Cape May) 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we 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 our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and NJ OMB 15-08. Accordingly, this report is not suitable for any other purpose.

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

Leon P. Costello

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

January 25, 2019

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 (County of Cape May, New Jersey)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Award Number	Federal Award Number	Grant or Statement Number	Grant Period	Award Amount	Balance June 30, 2017	Adjustments	Carryover (Unexpended Amount)	Cash Received	Budgetary Expenditures		(MEMO) Reversals to Sub-Recipients	Renovations of Balances	Balance at June 30, 2018	
										Pass Through	Direct			Accounts Receivable	Deferred Revenue
U.S. Department of Education															
Old Dominion University Medical Assistance Program	93.778	1606NJEMAP	N/A	7/1/2017 - 6/30/2018	94,887	-	-	94,887	94,887	(94,887)	-	-	-	-	-
Total General Fund					94,887	-	-	94,887	94,887	(94,887)	-	-	-	-	-
U.S. Department of Labor (Passed through Atlantic- Workforce Investment Board)															
State of New Jersey In School Youth Grant-CMC High School	17.258/17.259	16-0174-0-1-504	K08.207	7/1/2015 - 6/30/2016	122,622	59,814	-	-	-	(4,341)	-	-	-	56,473	-
Total Special Revenue Fund					122,622	59,814	-	-	-	(4,341)	-	-	-	56,473	-
U.S. Department of Agriculture															
Passed Through State															
Enterprise Funds:															
Food Distribution Program	10.555	16161NJ304N1099	N/A	7/1/2017 - 6/30/2018	11,379	1,863	-	11,379	(9,591)	(9,591)	-	-	-	1,788	-
Food Distribution Program	10.555	16161NJ304N1099	N/A	7/1/2016 - 6/30/2017	12,862	-	-	-	(1,863)	(1,863)	-	-	-	-	-
Child Nutrition Program - Sweets	10.553	16161NJ304N1099	N/A	7/1/2017 - 6/30/2018	35,960	(2,109)	-	31,851	(33,950)	(33,950)	-	-	-	(2,419)	-
School Breakfast Program - Sweets	10.553	16161NJ304N1099	N/A	7/1/2016 - 6/30/2017	36,054	-	-	2,109	(65,742)	(65,742)	-	-	-	(4,694)	-
National School Lunch Program	10.555	16161NJ304N1099	N/A	7/1/2017 - 6/30/2018	65,742	(3,823)	-	61,919	(85,742)	(85,742)	-	-	-	-	-
National School Lunch Program	10.555	16161NJ304N1099	N/A	7/1/2016 - 6/30/2017	69,551	-	-	38,860	(99,632)	(99,632)	-	-	-	(7,083)	-
Total Child Nutrition Program Cluster					205,588	(6,732)	-	103,739	(245,866)	(245,866)	-	-	-	(14,280)	-
Total Enterprise Funds					205,588	(6,732)	-	103,739	(245,866)	(245,866)	-	-	-	(14,280)	-
Total Federal Financial Awards					\$ 55,695	\$ 55,695	\$ -	\$ 193,867	\$ (212,237)	\$ (212,237)	\$ -	\$ -	\$ -	\$ (7,083)	\$ 57,261

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

CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
 (A Component Unit of the County of Cape May)
 Schedule of Expenditures of State Financial Assistance
 For the Year Ended June 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2018		Due to Grantor	MEMO	
				Deferred Revenue/ (Accts. Receivable)	Due to Grantor				Carryover (Walkover) Amount	Accounts Receivable		Deferred Revenue/ Interfund Payable	Budgetary Receivable
State Department of Education													
General Fund:													
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/2017 - 6/30/2018	360,343	\$ (18,512)	-	360,796	(360,343)	-	(18,059)	-	-	-	360,343
On-Behalf Teachers' Pension and Annuity Fund	18-495-034-5094-002	7/1/2017 - 6/30/2018	781,040	-	-	781,040	(781,040)	-	-	-	-	-	781,040
On-Behalf Teachers' Pension and Annuity Fund - Post Retirement Medical	18-495-034-5094-001	7/1/2017 - 6/30/2018	504,457	-	-	504,457	(504,457)	-	-	-	-	-	504,457
On-Behalf Teachers' Pension & Annuity Fund - Non-contributory Insurance	18-495-034-5094-004	7/1/2017 - 6/30/2018	1,391	-	-	1,391	(1,391)	-	-	-	-	-	1,391
On-Behalf OFEB-GASB 75	18-495-034-5094-004	7/1/2017 - 6/30/2018	2,062,175	-	-	2,062,175	(2,062,175)	-	(18,059)	-	-	-	2,062,175
Total General Fund				(18,512)	-	3,709,859	(3,709,406)	-	(18,059)	-	-	-	3,709,406
Special Revenue Fund:													
State Department of Environmental Protection													
Passed through County of Cape May	4900-765-178920	7/1/2016 - 6/30/2017	2,000	4,000	-	-	(4,000)	-	-	-	-	-	-
Clean Communities				4,000	-	-	(4,000)	-	-	-	-	-	-
Total Special Revenue Fund													
State Department of Agriculture													
Enterprise Funds:													
Food Service Fund:													
Child Nutrition Program Cluster (State):													
National School Lunch Program (State Share)	18-100-010-3350-023	7/1/2017 - 6/30/2018	1,411	(83)	-	1,312	(1,411)	-	(98)	-	-	-	1,411
National School Lunch Program (State Share)	17-100-010-3350-023	7/1/2016 - 6/30/2017	1,415	(83)	-	83	(1,411)	-	-	-	-	-	1,415
Total Child Nutrition Program Cluster (State)													
Total Enterprise Funds				(14,595)	-	3,711,254	(3,714,817)	-	(18,158)	-	-	-	3,712,232
Total State Financial Assistance													
						\$							
						\$	(3,349,063.00)						
						\$	365,754.00						

Less: On-Behalf TPAF Pension System Contributions
 Total for State Financial Assistance-Major Program Determination

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Schedules of Expenditures of Federal Awards and
State Financial Assistance
June 30, 2018**

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

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

	<u>Federal</u>	<u>State</u>	<u>On-Behalf</u>	<u>Total</u>
General Fund	\$ 94,887	\$ 3,709,406	\$ (3,349,063)	\$ 455,230
Special Revenue Fund		5,652		5,652
Enterprise Funds	<u>99,692</u>	<u>1,411</u>		<u>101,103</u>
Total Financial Award Revenues	<u>\$ 194,579</u>	<u>\$ 3,716,469</u>	<u>\$ (3,349,063)</u>	<u>\$ 561,985</u>

**Cape May County Schools for Special Services
(A Component Unit of the County of Cape May)
Notes to Schedules of Expenditures of Federal Awards and
State Financial Assistance
June 30, 2018**

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under Food Distribution Program represent current year value received and current year distributions, respectively. The amount reported as TPAF Pension Contributions, TPAF Post-Retirement Contributions, and TPAF Long-Term Disability Insurance represents the amount paid by the State on behalf of the District for the year ended June 30, 2018. These amounts, \$781,040, \$504,457, and \$1,391, respectively, are reported in the basic financial statements as both a revenue and expenditure of the District. These amounts are not reported on the schedule of state financial assistance and were not considered for major program determination. TPAF social security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2018. This amount, \$360,343 is reported in the basic financial statements as both a revenue and expenditure of the District. This amount is reported on the schedule of state financial assistance.

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

1) Material weakness(es) identified? Yes No

2) Significant deficiencies identified? Yes No

Non-compliance material to basic financial statements noted?

Yes No

Federal Awards - N/A

Internal Control over major programs:

1) Material weakness(es) identified: Yes No

2) Significant deficiencies identified? Yes No

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?

Yes No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

N/A

Dollar threshold used to distinguish between type A and type B programs:

Auditee qualified as low-risk auditee? Yes No

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditor's Results (Continued)

State Awards

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

Auditee qualified as low-risk auditee? X Yes No

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

Internal Control over major programs:

1) Material weakness(es) identified? Yes X No

2) Significant deficiencies identified Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08? Yes X No

Identification of major programs:

GMIS Number(s)

Name of State Program

495-034-5095-002

Reimbursed TPAF Social Security

Section II - Findings Related to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements that are required to be reported under this section.

Section III - Findings and Questioned Costs for Federal and State Awards

FEDERAL AWARDS:

None

STATE AWARDS:

None

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
(A Component Unit of the County of Cape May)
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2018**

STATUS OF PRIOR YEAR FINDINGS

FEDERAL PROGRAMS

There were no prior year findings.

STATE PROGRAMS

There were no prior year findings.