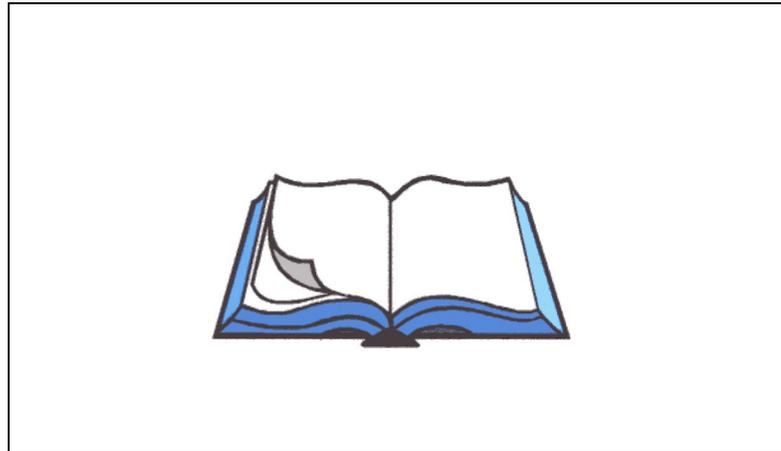


**SCHOOL DISTRICT  
OF  
WEST CAPE MAY**



West Cape May Board of Education  
West Cape May, New Jersey

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2018

**Comprehensive Annual  
Financial Report**

**of the**

**West Cape May Board of Education**

**West Cape May, New Jersey**

**For the Fiscal Year Ended June 30, 2018**

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

# WEST CAPE MAY SCHOOL DISTRICT

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## **Introductory Section**

WEST CAPE MAY BOARD OF EDUCATION  
301 Moore Street  
West Cape May, New Jersey 08204-1199  
(609) 884-4614/ FAX (609) 884-0932

*Todd D'Anna*  
*Business Administrator*

*Robert Garguilo*  
*Chief School Administrator*

January 31, 2019

Honorable President and Members of the Board of Education  
Citizens and Taxpayers of the West Cape May School District

Dear Board and Community Members:

It is with pleasure that we submit the Comprehensive Annual Financial Report (CAFR) of the West Cape May School District for the fiscal year ended June 30, 2018. This CAFR includes the District's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations, cost principles, and audit requirements for federal awards (uniform guidance), and State of New Jersey Circular OMB 15-08. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:** West Cape May School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The West Cape May Board of Education and the West Cape May Elementary School constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-Kindergarten through 6. These include regular as well as special education for handicapped youngsters. The District completed the 2017-2018 fiscal year with an enrollment of 103 students, up from 96 during the previous year. The following chart details the changes in the student enrollment of the District over the last ten years.

### Average Daily Enrollment

Fiscal Year	Student Enrollment	Percentage Change
2017-2018	103	7.29%
2016-2017	96	17.1%
2015-2016	82	-
2014-2015	82	9.33%
2013-2014	75	15.38%
2012-2013	65	25.00%
2011-2012	52	23.80%
2010-2011	42	13.51%
2009-2010	37	(11.90%)
2008-2009	42	(19.23%)
2007-2008	52	4.00%

2) **ECONOMIC CONDITION AND OUTLOOK:** Single family construction has slowed throughout the County and the Borough. This construction has not had an impact on school enrollment. Due to the district's approval by the New Jersey Department of Education as an Interdistrict Public School Choice school since the 2011-12 school year, we have accepted many new students in the district, contributing to the years of growth noted in the table above. The choice enrollment has been capped since 2013, but there has still been continued growth. The outlook for the district's long-term viability continues to be positive.

3) **MAJOR INITIATIVES:** The solar panels installed six years ago under a 15-year Power Purchase Agreement with Cambria Solar have allowed the district to drastically cut its electric bill, with savings to continue over the next 10 years. Four years ago, a rooftop HVAC unit was replaced in the gymnasium through the NJ Direct Install program. Each classroom is equipped with a SMART board to enhance use of technology in the delivery of instruction. A new writing program for all grade levels was implemented four years ago. After amending its Long-Range Facilities Plan and approval of two (2) Regular Operating District (ROD) grants, two years ago, the district upgraded security with a secure vestibule at the entrance, HVAC upgrades in the old section of the building, and new doors and windows in the old section of the building. New 3M film has been installed on all doors and windows in the building.

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

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

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

5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Superintendent, or in the case of a budget that exceeds the 2% tax levy cap, the voters of the Borough of West Cape May. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

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

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

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

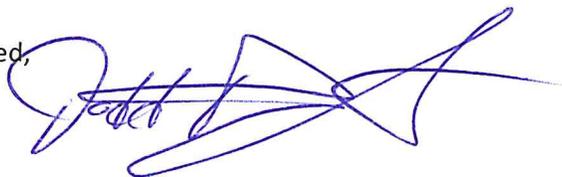
9) **OTHER INFORMATION:**

A) **Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations, cost principles, and audit requirements for federal awards (uniform guidance), and State of New Jersey Circular OMB 15-08. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10) **ACKNOWLEDGEMENTS:**

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

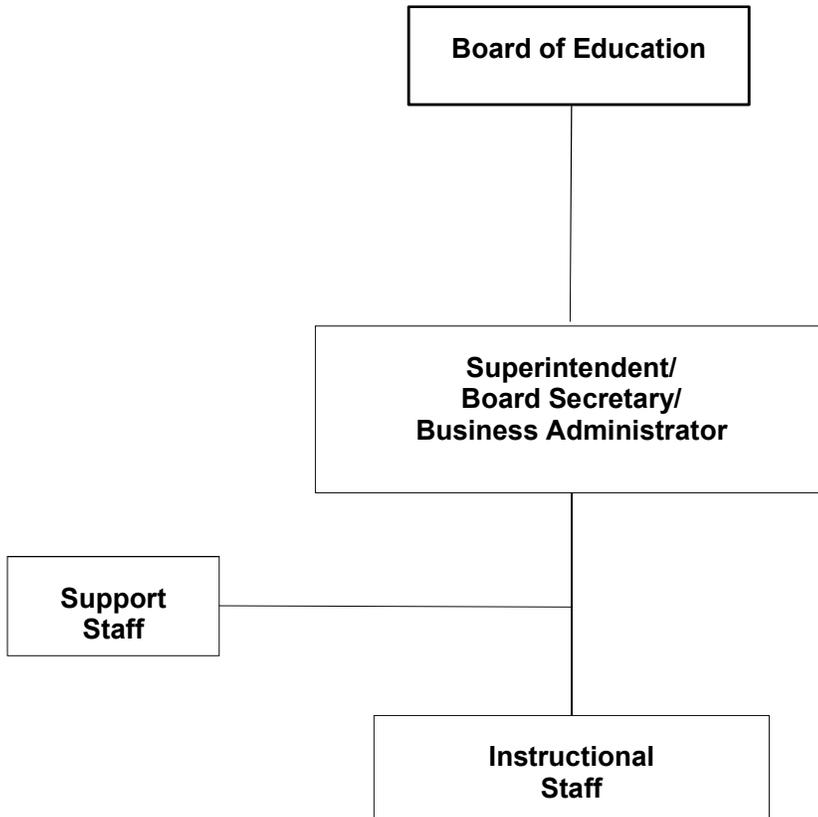
Respectfully submitted,



Todd D'Anna  
School Business Administrator / Board Secretary

# WEST CAPE MAY BOARD OF EDUCATION

## Organizational Chart (Unit Control)



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

**ROSTER OF OFFICIALS  
JUNE 30, 2018**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Robert Cwik – President	2020
Thomas J. Belasco – Vice-President	2018
Dr. David La Puma	2019
Elaine Lawler	2019
Leonard Wilmore	2020

**Other Officials**

Alfred Savio, Ed.D., Superintendent &  
School Business Administrator  
Frank Donato, Treasurer  
Brett Gorman, Esq., Solicitor

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

**Architect**

Spiezle Architectural Group  
120 Sanhican Drive  
Trenton, NJ 08618

**Audit Firm**

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

**Attorney**

Parker McCay, P.A.  
9000 Midlantic Drive  
Suite 300  
Mount Laurel, NJ 08055

**Official Depository**

Sturdy Savings Bank  
701 Washington Street  
Cape May, NJ 08204

**Financial Section**

***INVERSO & STEWART, LLC***  
Certified Public Accountants

651 Route 73 North, Suite 402  
Marlton, New Jersey 08053  
(856) 983-2244  
Fax (856) 983-6674  
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-Member of-  
American Institute of CPAs  
New Jersey Society of CPAs

**INDEPENDENT AUDITOR'S REPORT**

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

***Report on the Financial Statements***

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the West Cape May School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

## ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the West Cape May School District, 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 fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Cape May School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section, are presented for purposes of additional analysis, as required by the Office of School Finance, Department of Education, State of New Jersey and are not a required part of the basic financial statements. The accompanying schedule of state financial assistance, as required by State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated January 31, 2019 on my consideration of the West Cape May School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the West Cape May School District's internal control over financial reporting and compliance.

***INVERSO & STEWART, LLC***  
Certified Public Accountants



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

Marlton, New Jersey  
January 31, 2019

***INVERSO & STEWART, LLC***  
**Certified Public Accountants**

651 Route 73 North, Suite 402  
 Marlton, New Jersey 08053  
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 E-Mail: rinverso@iscpasnj.com

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

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

**INDEPENDENT AUDITOR'S REPORT**

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Cape May School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued my report thereon dated January 31, 2019.

***Internal Control Over Financial Reporting***

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs and Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance*, I identified certain deficiencies in internal control that I consider to be material weaknesses.

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

***Internal Control Over Financial Reporting (Continued)***

I consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs and Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* to be material weaknesses as findings no. 2018-001 and 2018-002.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the West Cape May School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey which is described in the accompanying *Schedule of Findings and Questioned Costs and Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* as findings no: 2018-001 and 2018-002.

***The West Cape May School District's Response to Findings***

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

***Purpose of this Report***

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

***INVERSO & STEWART, LLC***  
Certified Public Accountants



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

Marlton, New Jersey  
January 31, 2019

Required Supplementary Information - Part I

Management's Discussion and Analysis

**West Cape May School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

As management of the Board of Education of the Borough of West Cape May, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**Financial Highlights**

- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by \$1,390,783 (*net position*).
- Governmental activities have a deficit unassigned net position of \$111,521. The accounting treatment in the governmental funds for compensated absences payable, and the last two state aid payments are primarily responsible for this balance.
- The total net position of the School District increased by \$136,386, or a 10.87% increase from the prior fiscal year-end balance. The majority of the increase is attributable to results of operations in the governmental funds.
- Fund balance of the School District's governmental funds increased by \$94,371 resulting in an ending fund balance of \$911,486. The increase in ending fund balance is due to the results of operations in the General Fund.
- Business-type activities have unrestricted net position of \$1,498, which may be used to meet the School District's ongoing obligations of the food service and child care operations.
- The School District's long-term obligations decreased by \$203,071 which is the result of the principal payment on long-term debt obligations and capital leases, a decrease in compensated absences, and an decrease in net pension liability.

**Overview of the Basic Financial Statements**

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

**District-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

The School District's enterprise funds are the Food Service Fund and the Child Care Fund which are listed individually and considered to be major funds.

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

### **Notes to the Basic Financial Statements**

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

### **Other Information**

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

### **District-wide Financial Analysis**

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

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

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

The assets of the primary government activities exceeded liabilities by \$1,387,624 with a deficit unassigned balance of \$111,521. The net position of the primary government does not include internal balances.

A net investment of \$774,712 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's 102 public school students, represents 55.83% of the School District's net position. Net position of \$398,532 has been restricted to provide resources for future capital expansion, \$70,000 has been restricted for maintenance reserve, \$50,000 has been restricted for emergency reserve \$134,318 is restricted as excess surplus, \$19,046 is reserved for encumbrances and \$52,336 has been appropriated in the 2018/2019 Budget.

**West Cape May School District  
Comparative Summary of Net Position  
As of June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		District-Wide	
	2018	2017	2018	2017	2018	2017
<b>ASSETS</b>						
Current assets	\$ 918,934	\$ 821,315	\$ 6,846	\$ 1,139	925,780	822,454
Capital assets	923,948	977,883	1,661	1,823	925,609	979,706
Total assets	<u>1,842,882</u>	<u>1,799,198</u>	<u>8,507</u>	<u>2,962</u>	<u>1,851,389</u>	<u>1,802,160</u>
Deferred Outflows of Resources	<u>152,793</u>	<u>209,203</u>			<u>152,793</u>	<u>209,203</u>
<b>LIABILITIES</b>						
Current liabilities	127,002	123,337	5,348		132,350	123,337
Noncurrent liabilities	<u>382,102</u>	<u>586,260</u>			<u>382,102</u>	<u>586,260</u>
Total Liabilities	<u>509,104</u>	<u>709,597</u>	<u>5,348</u>	<u>-</u>	<u>514,452</u>	<u>709,597</u>
Deferred Inflows of Resources	<u>98,947</u>	<u>47,369</u>			<u>98,947</u>	<u>47,369</u>
Net Position	<u>\$ 1,387,624</u>	<u>\$ 1,251,435</u>	<u>\$ 3,159</u>	<u>\$ 2,962</u>	<u>\$ 1,390,783</u>	<u>\$ 1,254,397</u>
Net Position Consists of:						
Net investment in Capital Assets	774,712	725,674	1,661	1,823	776,373	727,497
Restricted Assets	724,433	629,866			724,433	629,866
Unrestricted Assets	<u>(111,521)</u>	<u>(104,105)</u>	<u>1,498</u>	<u>1,139</u>	<u>(110,023)</u>	<u>(102,966)</u>
Net Position	<u>\$ 1,387,624</u>	<u>\$ 1,251,435</u>	<u>\$ 3,159</u>	<u>\$ 2,962</u>	<u>\$ 1,390,783</u>	<u>\$ 1,254,397</u>

**Governmental Activities**

Governmental activities increased the net position of the School District by \$136,189 during the current fiscal year. Key elements of the increase in net position for governmental activities are as follows:

- Depreciation expense of \$53,935.
- Repayment of bond principal of \$60,000.
- Results of operations in the general fund of \$94,371

**Business-type Activities**

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

- Food Service program revenues exceeded expenditures by \$312.
- Child Care program expenditures exceeded revenues by \$115.

**West Cape May School District**  
**Comparative Schedule of Changes in Net Position**  
**As of and for the Fiscal Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		District-Wide	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Charges for services	\$ -	\$ -	\$ 26,059	\$ 22,482	\$ 26,059	\$ 22,482
Operating Grants and contributions	792,652	268,734	14,428	16,546	807,080	285,280
Property taxes	1,068,583	1,043,241			1,068,583	1,043,241
State aid - unrestricted	629,777	592,136			629,777	592,136
Tuition	9,000	14,454			9,000	14,454
Other revenues	12,882	6,418	2	2	12,884	6,420
<b>Total Revenues</b>	<b>2,512,894</b>	<b>1,924,983</b>	<b>40,489</b>	<b>39,030</b>	<b>2,553,383</b>	<b>1,964,013</b>
<b>Expenses:</b>						
<b>Governmental Activities:</b>						
Instruction	880,881	865,552			880,881	865,552
Tuition	55,888	18,326			55,888	18,326
Related Services	295,058	267,216			295,058	267,216
Administrative Services	110,827	93,811			110,827	93,811
Operations and Maintenance	145,966	194,013			145,966	194,013
Transportation	19,353	2,858			19,353	2,858
Employee benefits	860,685	334,743			860,685	334,743
Interest on debt	3,047	5,971			3,047	5,971
Other					-	-
<b>Business-Type Activities:</b>						
Child Care			17,399	14,772	17,399	14,772
Food Service			27,893	28,442	27,893	28,442
<b>Total Expenses</b>	<b>2,371,705</b>	<b>1,782,490</b>	<b>45,292</b>	<b>43,214</b>	<b>2,416,997</b>	<b>1,825,704</b>
<b>Increase (Decrease) in Net Position before transfers</b>						
	141,189	142,493	(4,803)	(4,184)	136,386	138,309
<b>Transfers</b>	<b>(5,000)</b>	<b>(2,600)</b>	<b>5,000</b>	<b>2,600</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>136,189</b>	<b>139,893</b>	<b>197</b>	<b>(1,584)</b>	<b>136,386</b>	<b>138,309</b>
Net Position, July 1	1,251,435	1,111,542	2,962	4,546	1,254,397	1,116,088
<b>Net Position, June 30</b>	<b>\$ 1,387,624</b>	<b>\$ 1,251,435</b>	<b>\$ 3,159</b>	<b>\$ 2,962</b>	<b>\$ 1,390,783</b>	<b>\$ 1,254,397</b>

**Financial Analysis of the Governmental Funds**

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

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

As of the end of the current fiscal year, the School District’s governmental funds reported a combined ending fund balance of \$911,486, an increase of \$94,371 in comparison with the prior year. The increase is the result of operations in the General Fund.

The fund balance for the School District at the end of the fiscal year consists of unassigned fund balance in the General Fund of \$187,053. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as restricted cash reserved for future capital outlay expenditures of \$398,532, \$70,000 is reserved for maintenance, \$50,000 is reserved for emergencies, \$134,318 is reserved for excess surplus, \$19,046 is reserved for encumbrances, and \$52,537 is reserved for subsequent budget appropriation.

The general fund is the chief operating fund of the School District. As discussed earlier, the balance in the unassigned fund balance is due, primarily, to the accounting treatment of compensated absences and the last two state aid payments.

**General Fund Budgetary Highlights**

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was \$250,000 while total fund balance (budgetary basis) was \$974,232. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$1,778,277. Unassigned fund balance (budgetary basis) represents 14.06% of expenditures while total fund balance (budgetary basis) represents 52.78% of that same amount.

**Capital Asset and Debt Administration**

The School District’s investment in capital assets for its governmental and business-type activities as of June 30, 2017, totaled \$979,706 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings and equipment. The total decrease in the District’s investment in capital assets for the current fiscal year was \$35,388 or a 3.49% decrease. The decrease is due to additions less depreciation expense.

**West Cape May School District  
Capital Asset (net of accumulated depreciation)  
June 30, 2018 and 2017**

	Governmental Activities		Business-Typel Activities		District-Wide	
	2018	2017	2018	2017	2018	2017
Land	\$120,694	\$120,694	\$ -	\$ -	\$120,694	\$120,694
Building and Building Improvements	699,644	734,352			699,644	734,352
Equipment	103,610	122,837	1,661	1,823	105,271	124,660
Net Assets	<u>\$923,948</u>	<u>\$977,883</u>	<u>\$ 1,661</u>	<u>\$ 1,823</u>	<u>\$925,609</u>	<u>\$979,706</u>

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

*Long-term debt* – During the fiscal year ended June 30, 2018, the School District had \$60,000 outstanding in serial bonds and \$89,236 in capital leases.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$11,618,684. The available debt limit as of June 30, 2018 is \$11,558,684.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 6) of this report.

### **Economic Factors and Next Year's Budgets and Rates Update**

The following factors were considered and incorporated into the preparation of the School District's budget for the 2018-19 fiscal year.

- For 2018-19 fiscal year the School District will not be receiving an increase in state aid. The local tax levy in the General Fund increased by \$119,556 or 11.65%. Salaries continue to increase contractually; however, the District has managed to control costs. The 2018-19 General Fund Budget is \$19,789 less than the previous year. The tax rate increased slightly from \$.229 in 2017 to \$.247 in 2018.

### **Requests for Information**

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the West Cape May School District Business Administrator, 301 Moore Street West Cape May, New Jersey, 08204, telephone number (609) 884-4614.

## Basic Financial Statements

District-Wide Financial Statements

**WEST CAPE MAY SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2018**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 256,200	\$ 8,383	\$ 264,583
Receivables, net	141,681	984	142,665
Internal Balances	2,521	(2,521)	
Restricted Assets:			
Capital Reserve Account	398,532		398,532
Maintenance Reserve Account	70,000		70,000
Emergency Reserve Account	50,000		50,000
Capital Assets, net (Note 5)	923,948	1,661	925,609
Total Assets	<u>1,842,882</u>	<u>8,507</u>	<u>1,851,389</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Outflows of Resources From Pensions	152,793		152,793
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,995,675</u>	<u>8,507</u>	<u>2,004,182</u>
<b>LIABILITIES:</b>			
Accounts Payable			
Related to Pensions	14,154		14,154
Other		5,348	5,348
Unearned Revenue	7,448		7,448
Accrued Interest	1,340		1,340
Noncurrent Liabilities:			
Due Within One Year	104,060		104,060
Due Beyond One Year	382,102		382,102
Total Liabilities	<u>509,104</u>	<u>5,348</u>	<u>514,452</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Inflows of Resources From Pensions	98,947		98,947
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>608,051</u>	<u>5,348</u>	<u>613,399</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	774,712	1,661	776,373
Restricted for:			
Capital Projects	398,532		398,532
Other Purposes	325,901		325,901
Unrestricted	(111,521)	1,498	(110,023)
Total Net Position	<u>\$ 1,387,624</u>	<u>\$ 3,159</u>	<u>\$ 1,390,783</u>

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

**WEST CAPE MAY SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 787,965	\$ -	\$ 33,009	\$ (754,956)	\$ -	\$ (754,956)
Special education	77,952		1,940	(76,012)		(76,012)
Other instruction	14,964			(14,964)		(14,964)
Support Services:						
Tuition	55,888		21,000	(34,888)		(34,888)
Student & instruction related services	295,058		19,170	(275,888)		(275,888)
General administrative services	84,282			(84,282)		(84,282)
Central services	26,545			(26,545)		(26,545)
Plant operations and maintenance	145,966			(145,966)		(145,966)
Pupil transportation	19,353			(19,353)		(19,353)
Employee benefits	860,685		695,803	(164,882)		(164,882)
Interest on long-term debt	3,047		21,730	18,683		18,683
Unallocated depreciation and amortization				-		-
Total governmental activities	<u>2,371,705</u>		<u>792,652</u>	<u>(1,579,053)</u>		<u>(1,579,053)</u>
Business-type activities:						
Child Care	17,399	17,282			(117)	(117)
Food service	27,893	8,777	14,428		(4,688)	(4,688)
Total business-type activities	<u>45,292</u>	<u>26,059</u>	<u>14,428</u>		<u>(4,805)</u>	<u>(4,805)</u>
Total primary government	<u>\$ 2,416,997</u>	<u>\$ 26,059</u>	<u>\$ 807,080</u>	<u>\$ (1,579,053)</u>	<u>\$ (4,805)</u>	<u>\$ (1,583,858)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net				1,025,925		1,025,925
Taxes levied for debt service				42,658		42,658
Federal and State aid not restricted				629,777		629,777
Investment earnings				163		163
Tuition revenue				9,000		9,000
Miscellaneous				12,719	2	12,721
Transfer				(5,000)	5,000	
Total general revenues, special items, extraordinary items and transfers				<u>1,715,242</u>	<u>5,002</u>	<u>1,720,244</u>
Change in Net Position				136,189	197	136,386
Net Position - July 1				1,251,435	2,962	1,254,397
Net Position - June 30				<u>\$ 1,387,624</u>	<u>\$ 3,159</u>	<u>\$ 1,390,783</u>

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

Fund Financial Statements

**WEST CAPE MAY SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Assets:					
Cash and Cash Equivalents	\$ 255,999	\$ -	\$ -	\$ 201	\$ 256,200
Receivables, Net	9,260	30,809			40,069
Interfund Receivables, Net	129,494				129,494
Restricted Cash and Cash Equivalents	518,532				518,532
<b>Total Assets</b>	<b>\$ 913,285</b>	<b>\$ 30,809</b>	<b>\$ -</b>	<b>\$ 201</b>	<b>\$ 944,295</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Interfund Payable	2,000	23,361			25,361
Unearned Revenue		7,448			7,448
<b>Total Liabilities</b>	<b>2,000</b>	<b>30,809</b>	<b>-</b>		<b>32,809</b>
<b>FUND BALANCES</b>					
Fund Balances:					
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	52,162				52,162
Reserve for Excess Surplus	134,318				134,318
Maintenance Reserve	70,000				70,000
Capital Reserve	398,532				398,532
Emergency Reserve	50,000				50,000
Assigned Fund Balance:					
Reserve for Encumbrances	19,046				19,046
Designated for Subsequent Year's Expenditures	174			201	375
Unassigned fund balance	187,053				187,053
<b>Total Fund Balances</b>	<b>911,285</b>			<b>201</b>	<b>911,486</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 913,285</b>	<b>\$ 30,809</b>	<b>\$ -</b>	<b>\$ 201</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,997,909 and the accumulated depreciation is \$1,073,961.	923,948
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the funds.	(1,340)
Accounts payable related to the April 1, 2019 required PERS contribution that is not to be liquidated with current financial resources.	(14,154)
The District's proportionate share of net pension assets and liabilities as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:	
Deferred Outflows of resources from Pensions	152,793
Net Pension Liability	(320,181)
Deferred Inflows of resources from Pensions	(98,947)
	(266,335)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(165,981)
Net position of governmental activities	<u>\$ 1,387,624</u>

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

**WEST CAPE MAY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**for the Fiscal Year Ended June 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 1,025,925	\$ -	\$ -	\$ 42,658	\$ 1,068,583
Tuition charges	9,000				9,000
Capital Reserve interest earned	163				163
Miscellaneous	12,005				12,005
Total revenues-local sources	1,047,093			42,658	1,089,751
State sources	825,288			21,730	847,018
Federal sources	267	74,405			74,672
Local sources		714			714
Total revenues	1,872,648	75,119	-	64,388	2,012,155
<b>EXPENDITURES:</b>					
Current expense:					
Regular instruction	722,927	33,009			755,936
Special education instruction	76,012	1,940			77,952
Other instruction	14,964				14,964
Support services and undistributed costs:					
Tuition	34,888	21,000			55,888
Student & instruction related services	275,888	19,170			295,058
General administrative services	78,889				78,889
Central services	26,545				26,545
Plant operations and maintenance	119,568				119,568
Pupil transportation	19,353				19,353
Unallocated employee benefits	340,265				340,265
Capital Outlay	63,978				63,978
Debt service:					
Principal				60,000	60,000
Interest and other charges				4,388	4,388
Total expenditures	1,773,277	75,119		64,388	1,912,784
Excess (deficiency) of revenues over (under) expenditures	99,371				99,371
Other Financing Sources (Uses):					
Transfers in					
Transfers out	(5,000)				(5,000)
Total other financing sources (uses)	(5,000)				(5,000)
Net change in fund balance	94,371				94,371
Fund balances, July 1	816,914			201	817,115
Fund balances, June 30	\$ 911,285	\$ -	\$ -	\$ 201	\$ 911,486

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

**WEST CAPE MAY SCHOOL DISTRICT  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 for the Fiscal Year Ended June 30, 2018**

Total net change in fund balances - governmental funds (from B-2)	\$	94,371
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p style="padding-left: 40px;">Capital outlays are reported in the governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation expense	\$ (53,935)	
Capital outlay	(53,935)	(53,935)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.</p>		
		60,000
<p>Payment of capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.</p>		
		42,973
<p>Accrued interest is not due and payable in the current period and therefore is not reported as an expenditure in the governmental funds.</p>		
		1,341
<p>Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities.</p>		
		(19,681)
<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>		
		11,120
Change in net position of governmental activities	\$	136,189

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

**WEST CAPE MAY SCHOOL DISTRICT**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	<b>Business-type Activities</b>		
	<u>Child Care Program</u>	<u>Food Service Program</u>	<u>Total</u>
<b>ASSETS:</b>			
Current assets:			
Cash and Cash Equivalents	\$ 5,518	\$ 2,865	\$ 8,383
Interfund Receivable		2,000	2,000
Accounts Receivable		984	984
	<hr/>	<hr/>	<hr/>
Total Current Assets	5,518	5,849	11,367
Noncurrent Assets:			
Equipment		2,550	2,550
Less Accumulated Depreciation		(889)	(889)
	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets		1,661	1,661
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 5,518</u>	<u>\$ 7,510</u>	<u>\$ 13,028</u>
 <b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable		5,348	5,348
Interfund Payable	4,521		4,521
	<hr/>	<hr/>	<hr/>
Total Liabilities	4,521	5,348	9,869
 <b>NET POSITION</b>			
Net Investment in Capital Assets		1,661	1,661
Unrestricted	997	501	1,498
	<hr/>	<hr/>	<hr/>
Total Net Position	<u>\$ 997</u>	<u>\$ 2,162</u>	<u>\$ 3,159</u>

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

**WEST CAPE MAY SCHOOL DISTRICT**  
**Statement of Revenues, Expenses and Changes in Fund Position**  
**Proprietary Funds**  
**for the Fiscal Year Ended June 30, 2018**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	Child Care Program	Food Service Program	Total
<b>Operating revenues:</b>			
Charges for services:			
Daily sales-reimbursable programs	\$ -	\$ 8,777	\$ 8,777
Program fees	17,282		17,282
Total operating revenue	17,282	8,777	26,059
<b>Operating expenses:</b>			
Salaries	12,595		12,595
Supplies and materials			
Depreciation		162	162
Miscellaneous		313	313
Cost of sales - reimbursable programs		27,418	27,418
Cost of sales - nonreimbursable programs	4,804		4,804
Total operating expenses	17,399	27,893	45,292
Operating income (loss)	(117)	(19,116)	(19,233)
<b>Nonoperating revenues (expenses):</b>			
State sources:			
State school lunch program		257	257
Federal sources:			
National school lunch program		8,669	8,669
National school breakfast program		5,502	5,502
Local sources:			
Interest revenue	2		2
Total nonoperating revenues (expenses)	2	14,428	14,430
Change in net position before transfers	(115)	(4,688)	(4,803)
Other financing sources and uses:			
Operating transfer in:		5,000	5,000
Change in net position	(115)	312	197
Total net position - July 1, 2016	1,112	1,850	2,962
Total net position - June 30, 2017	\$ 997	\$ 2,162	\$ 3,159

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

**WEST CAPE MAY SCHOOL DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**for the Fiscal Year Ended June 30, 2018**

	<b>Business-type Activities</b>		
	<u>Child Care Program</u>	<u>Food Service Program</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 17,366	\$ 8,777	\$ 26,143
Payments to employees	(13,349)		(13,349)
Payments to suppliers	(4,804)	(22,383)	(27,187)
Net cash used for operating activities	<u>(787)</u>	<u>(13,606)</u>	<u>(14,393)</u>
<b>Cash flows from noncapital financing activities:</b>			
State and Federal sources		14,365	14,365
Board contribution		4,600	4,600
Net cash provided by non-capital financing activities		<u>18,965</u>	<u>18,965</u>
<b>Cash flows from capital activities:</b>			
Purchases of fixed assets			
<b>Cash flows from investing activities:</b>			
Interest and dividends	<u>2</u>		<u>2</u>
Net cash provided by investing activities	<u>2</u>		<u>2</u>
Net increase in cash and cash equivalents	(785)	5,359	4,574
Balances - July 1, 2017	<u>6,303</u>	<u>(2,494)</u>	<u>3,809</u>
Balances - June 30, 2018	<u>\$ 5,518</u>	<u>\$ 2,865</u>	<u>\$ 8,383</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (117)	\$ (19,116)	\$ (19,233)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		162	162
(Increase)/ decrease in accounts receivable	84		84
Increase (decrease) in accounts payable		5,348	5,348
Increase (decrease) in interfund payable	(754)		(754)
Total adjustments	<u>(670)</u>	<u>5,510</u>	<u>4,840</u>
Net cash provided by (used for) operating activities	<u>\$ (787)</u>	<u>\$ (13,606)</u>	<u>\$ (14,393)</u>

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

**WEST CAPE MAY SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	Unemployment Compensation Insurance Trust	Agency Fund
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 9,086	\$ 116,901
	\$ 9,086	\$ 116,901
<b>LIABILITIES:</b>		
Payroll Withholdings	\$ -	\$ 14,675
Accounts Payable		101,612
Interfund Payable		614
Due to Student Groups		614
	\$ -	\$ 116,901
<b>NET POSITION:</b>		
Held in Trust for Unemployment Claims and Other Purposes	\$ 9,086	

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

**WEST CAPE MAY SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Unemployment Compensation Insurance Trust</u>
ADDITIONS:	
Contributions:	
Employee Contributions	\$ 2,218
Miscellaneous	
Total Contributions	<u>2,218</u>
Investment earnings:	
Interest	<u>1</u>
Net Investment Earnings	<u>1</u>
Total Additions	<u>2,219</u>
DEDUCTIONS:	
Unemployment Claims	<u>32</u>
Total Deductions	<u>32</u>
Change in Net Position	2,187
Net Position - July 1	<u>6,899</u>
Net Position - June 30	<u><u>\$ 9,086</u></u>

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

**West Cape May School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** - The Borough of West Cape May School District (“School District”) is a Type II district located in the County of Cape May, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board of Education is comprised of five members elected to three-year terms. These terms are staggered so that one or two member’s terms expire each year. The purpose of the School District is to provide educational services for resident students in grades K through 6. The West Cape May School District has an approximate enrollment at June 30, 2018 of 101 students.

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

**Component Units** – GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Unit*, provide guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government’s management determines that it would be misleading to exclude them. GASB Statement No. 80, *Blending Requirements for Certain Component Units* - an Amendment of GASB Statement No. 14 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

**Basis of Presentation**

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

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

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

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government-wide Statements (Continued)** -The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

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

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

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

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

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

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

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

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

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

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Proprietary Funds (Continued)**

The School District's enterprise funds are:

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

**Child Care Program** - This fund accounts for the financial activity related to providing day care services for School District students.

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

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

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

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

**Measurement Focus**

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

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

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

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting**

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

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

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

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

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

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

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

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

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

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Tuition Payable** - Tuition charges for the fiscal years ended June 30, 2018 and 2017 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

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

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

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

**Prepaid Expenses** - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

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

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

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

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

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

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

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets (Continued)** - Depreciation is computed using the straight-line method over the following useful lives:

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

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

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

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

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

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

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

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

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

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

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

**West Cape May School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Nonspendable** – The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2018.

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

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

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

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

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

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

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

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

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

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In June 2017, the GASB issued Statement 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In April 2018, the GASB issued Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

**2. CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 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 Unit (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School district in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the School District's amount on deposit of \$929,481 as of June 30, 2018, \$250,000 was insured under FDIC and the remaining balance of \$679,481 was collateralized under GUDPA.

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**3. CAPITAL RESERVE ACCOUNT**

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

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

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

Balance July 1, 2017		\$	398,369
Increased by:			
Interest Earned	\$		163
Unspent Appropriations			180,000
Board Resolution			<u>180,163</u>
			<u>578,532</u>
Decreased by:			
2017-18 Budget			180,000
Withdraw per Resolution			<u>180,000</u>
			<u>180,000</u>
Balance June 30, 2018		\$	<u><u>398,532</u></u>

The June 30, 2018 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted project

**4. ACCOUNTS RECEIVABLE**

Accounts receivables at June 30, 2018 consisted of accounts (fees) and intergovernmental grants. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

Accounts receivable at June 30, 2018 for the School District’s individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Proprietary Fund	Total
Intergovernmental				
State	\$ 2,493	\$ -	\$ 20	\$ 2,513
Federal		30,809	964	31,773
Other	<u>6,767</u>			<u>6,767</u>
Total	<u>\$ 9,260</u>	<u>\$ 30,809</u>	<u>\$ 984</u>	<u>\$ 41,053</u>

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**5. CAPITAL ASSETS**

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

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<b>Governmental Activities:</b>				
Land	\$ 120,694	\$ -	\$ -	\$ 120,694
Total Capital Assets not being Depreciated	<u>120,694</u>	<u>-</u>	<u>-</u>	<u>120,694</u>
Capital Assets, being Depreciated:				
Building and Improvements	1,414,564			1,414,564
Equipment	462,651			462,651
Total Historical Cost	<u>1,877,215</u>	<u>-</u>	<u>-</u>	<u>1,877,215</u>
Less Accumulated Depreciation:				
Building and Improvements	(680,212)	(34,708)		(714,920)
Equipment	(339,814)	(19,227)		(359,041)
Total Accumulated Depreciation	<u>(1,020,026)</u>	<u>(53,935)</u>	<u>-</u>	<u>(1,073,961)</u>
Total Capital Assets, being depreciated, net	<u>857,189</u>	<u>(53,935)</u>		<u>803,254</u>
Governmental Activities Capital Assets, Net	<u>\$ 977,883</u>	<u>\$ (53,935)</u>	<u>\$ -</u>	<u>\$ 923,948</u>
<b>Business-Type Activities:</b>				
Equipment	\$ 2,550	\$ -	\$ -	\$ 2,550
Less - Accumulated Depreciation	<u>(727)</u>	<u>(162)</u>		<u>(889)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,823</u>	<u>\$ (162)</u>	<u>\$ -</u>	<u>\$ 1,661</u>

Depreciation expense in the amount of \$53,935 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$ 43,149
Plant Operations and Maintenance	5,393
Unallocated	<u>5,393</u>
Total depreciation expense	<u>\$ 53,935</u>

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**6. LONG-TERM OBLIGATIONS**

During the fiscal year ended June 30, 2018, the following changes occurred in long-term obligations:

<b>Governmental Activities:</b>	<b>Principal Outstanding June 30, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Principal Outstanding June 30, 2018</b>	<b>Due Within One Year</b>
Compensated Absences	\$ 27,865	\$ -	\$ 11,120	\$ 16,745	\$ -
Capital Leases	132,209		42,973	89,236	44,060
General Obligation Bonds	120,000		60,000	60,000	60,000
Net Pension Liability	409,159		88,978	320,181	
	<u>\$ 689,233</u>	<u>\$ -</u>	<u>\$ 203,071</u>	<u>\$ 486,162</u>	<u>\$ 104,060</u>

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

1998 School Bonds dated July 15, 1998 in the amount of \$60,000 due in annual installments through July 15, 2018, bearing interest rate of 4.875%.

**Debt Service Requirements**

Principal and interest due on bonds outstanding is as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 60,000	\$ 1,462	\$ 61,462
	<u>\$ 60,000</u>	<u>\$ 1,462</u>	<u>\$ 61,462</u>

As of June 30, 2018 the School District had no authorized but not issued bonds.

**Capital Leases**

The District is leasing HVAC totaling \$215,000 under a capital lease. The following is a schedule of the future minimum lease payments under this capital lease agreement:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 44,061	\$ 2,257	\$ 46,318
2020	45,175	1,143	46,318
	<u>\$ 89,236</u>	<u>\$ 3,400</u>	<u>\$ 92,636</u>

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**6. LONG-TERM OBLIGATIONS (Continued)**

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

**7. OPERATING LEASES**

At June 30, 2018, the School District had an operating lease agreement in effect for the following:

One Copier

Total operating lease payments made during the year ended June 30, 2018 and 2017, were \$1,693, and \$2,010 respectively. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2019	\$ 2,119
June 30, 2020	2,119
June 30, 2021	<u>1,766</u>
Total future minimum lease payments	<u>\$ 6,004</u>

**8. PENSION PLANS**

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

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

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

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

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**8. PENSION PLANS (Continued)**

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

The following represents the membership tiers for TPAF:

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

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

*Contributions* - The contribution requirements of plan members are determined by N.J.S.A.18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012. The member contribution rate was 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over the several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

The School District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2018 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2017, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2018 was \$65,382 and was paid by April 1, 2018. School District employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$50,187.

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

At June 30, 2018, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**8. PENSION PLANS (Continued)**

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

For the year ended June 30, 2018, the School District recognized pension expense of \$271,959 and revenue of \$271,959 for support provided by the State. Although the School District does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the School District.

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

	<u>06/30/17</u>	<u>06/30/16</u>
Collective deferred outflows of resources	\$ 14,160,879,257	\$ 17,414,701,002
Collective deferred inflows of resources	11,800,239,661	134,532,594
Collective net pension liability (Non-Employer – State of New Jersey)	67,423,605,859	79,028,907,033
State's portion of the net pension liability that was associated with the School District	3,925,786	4,468,812
State's portion of the net pension liability that was associated with the School District as a percentage of the collective net pension liability	.0058225698%	.0056807149%

*Actuarial assumptions* – The total pension liability for the June 30, 2017 measurement date 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 actuarial assumptions, applied to all periods in the measurement:

- Inflation: 2.25%
- Salary Increases: Varies based on experience
- Investment Rate of Return: 7.00%

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

The actuarial assumptions used in the July 1, 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.

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**8. PENSION PLANS (Continued)**

**Teachers' Pension and Annuity Fund (TPAF) (Continued)** - Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	05.00%	05.51%
Cash Equivalents	05.50%	01.00%
U.S. Treasuries	03.00%	01.87%
Investment grade credit	10.00%	03.78%
Public high yield	02.50%	06.82%
Global diversified credit	05.00%	07.10%
Credit oriented hedge funds	01.00%	06.60%
Debt related private equity	02.00%	10.63%
Debt related real estate	01.00%	06.61%
Private real asset	02.50%	11.83%
Equity related real estate	06.25%	09.23%
U.S. Equity	30.00%	08.19%
Non-U.S. developed markets equity	11.50%	09.00%
Emerging markets equity	06.50%	11.64%
Buyouts/venture capital	08.25%	1308%
	<u>100.00%</u>	

*Discount rate.* The discount rate used to measure the State's 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 (State of New Jersey) 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 School District's proportionate share of the net pension liability to changes in the discount rate.* As previously mentioned, TPAF has a special funding situation where the State pays 100% of the School District's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2017, the pension plans measurement date, attributable to the School District is \$0.00, and the State of New Jersey's proportionate share of the net pension liability, attributable to the School District, using a discount rate of 4.25%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.25%) or 1 percentage point higher (5.25%) that the current rate:

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**8. PENSION PLANS (Continued)**

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

	<b>1% Decrease ▼ (3.25%)</b>	<b>Current Discount Rate ▼ (4.25%)</b>	<b>1% Increase ▼ (5.25%)</b>
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	4,663,957	3,925,786	3,317,678
	\$ 4,663,957	\$ 3,925,786	\$ 3,317,678

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

**Public Employees' Retirement System (PERS)**

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

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

The following represents the membership tiers for PERS:

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

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

*Contributions* - The contribution requirements of plan members are determined by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012.

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**8. PENSION PLANS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)** - The member contribution rate was 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 336, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The School District's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 13.55% of the School District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2017, the School Districts contractually required contribution to the pension plan for the fiscal year ended June 30, 2018 was \$13,483 and was paid by April 1, 2018. School District employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$7,668.

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

<u>Fiscal Year</u>	<u>Normal Contributions</u>	<u>Accrued Liability</u>	<u>Non Contributory Life</u>	<u>Long Term Disability</u>	<u>Total Liability Paid by District</u>
2018	\$ 1,677	\$ 10,444	\$ 621	\$ 741	\$ 13,483
2017	1,920	9,770	583	345	12,618
2016	1,966	9,056	590		11,612

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

At June 30, 2018, the School District reported a liability of \$320,181 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 July 1, 2016. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2018, the School District recognized pension expense of 32,421.

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**8. PENSION PLANS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)** - At June 30, 2018, the School District reported a liability of \$320,181 for its proportionate share of the PERS net pension liability and deferred outflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,539	\$ -
Changes of assumptions	64,505	64,269
Net Difference between projected and actual earnings on pension plan investments	2,180	
Changes in proportion	64,415	34,678
District contributions subsequent to the measurement date	14,154	
<b>Total</b>	<b>\$ 152,793</b>	<b>\$ 98,947</b>

\$14,154 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net 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:

For the year ended:	Net Deferred Outflows (Inflows) of Resources
2019	\$ 5,113
2020	25,764
2021	17,970
2022	(8,024)
2023	(1,131)
<b>Total</b>	<b>\$ 39,692</b>

**West Cape May School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**8. PENSION PLANS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)** - The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between projected and actual earnings on pension plan investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in proportion		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

**Additional Information**

Collective balances at June 30, 2017 and 2016 are as follows:

	<u>6/30/2017</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$ 6,424,455,842	\$ 8,685,338,380
Collective deferred inflows of resources	\$ 5,700,625,981	\$ 870,133,595
Collective net pension liability	\$ 23,278,401,588	\$ 29,617,131,759
School District's Proportion	.0013754419%	.0013814945%

*Actuarial assumptions* – The total pension liability for the June 30, 2017 measurement date 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 actuarial assumptions, applied to all periods in the measurement:

- Inflation rate: 2.25%
- Salary Increases:
  - Through 2025: 1.65-4.15% based on age
  - Thereafter: 2.65-5.15% based on age
- Investment Rate of Return: 7.00%

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**8. PENSION PLANS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)** - Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active employees. 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 Disables 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 the experience deviates, the larger the impact on future financial statements.

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% 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 PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	05.00%	05.51%
Cash equivalents	05.50%	01.00%
U.S. Treasuries	03.00%	01.87%
Investment grade credit	10.00%	03.78%
Public high yield	02.50%	06.82%
Global diversified credit	05.00%	07.10%
Credit oriented hedge funds	01.00%	06.60%
Debt related private equity	02.00%	10.63%
Debt related real estate	01.00%	06.61%
Private real assets	02.50%	11.83%
Equity related real estate	06.25%	09.23%
U.S. Equity	30.00%	08.19%
Non-U.S. developed markets equity	11.50%	09.00%
Emerging markets equity	06.50%	11.64%
Buyouts/venture capital	08.25%	13.08%
	<u>100.00%</u>	

*Discount rate.* The discount rate used to measure the State's 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.

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**8. PENSION PLANS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)** - The state employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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 School District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the School District's proportionate share of the net pension liability measured as of June 30, 2017, calculated using the discount rate of 5.00%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current rate:

	<u>1% Decrease</u> ▼ <u>(4.00%)</u>	<u>Current</u> ▼ <u>Discount Rate</u> <u>(5.00%)</u>	<u>1% Increase</u> ▼ <u>(6.00%)</u>
School District's proportionate share of the net pension liability	\$ 397,206	\$ 320,181	\$ 256,009

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

**Defined Contribution Retirement Program (DCRP)**

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

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

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

<u>Year</u>	<u>Total Liability</u>	<u>Paid by District</u>
2018	\$ 246	\$ 246
2017	1,150	1,150
2016	3,474	3,474

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**9. POST-RETIREMENT BENEFITS**

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

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service (GASB Cod. Sec. 2300.106(g)). The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

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, 2017, 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.

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 LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA 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 school district. Note that actual numbers will be published in the NJ State's CAFR (<https://www.nj.gov/treasury/omb/publications/archives.shtml>)

*Actuarial assumptions and other imputes* - The total nonemployer OPEB liability as of the June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member enrolled in.

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.50%		
	TPAF/ABP	PERS	PFRS
Salary Increases			
Through 2026	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	based on age

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**9. POST-RETIREMENT BENEFITS (Continued)**

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013 and July 1, 2011 – June 30, 2014 for TPAF, PFRS, and PERS, respectively.

*Health Care Trend Assumptions* - For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

*Discount Rate* - The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represent the municipal bond return rate as chosen by the Division. The source is 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.

*Retirees' Share of Benefit Related Costs* - Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retirees will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

*Changes in the Total OPEB Liability reported by the State of New Jersey -*

	Total OPEB Liability
Balance as of June 30, 2106 Measurement Date	\$ 57,831,784,184
Changes for the years'	
Service Cost	\$ 2,391,878,884
Interest	1,699,441,736
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(7,086,599,129)
Gross Benefit Payments	(1,242,412,566)
Contributions from the Non-employer	N/A
Contributions from the Member	45,748,749
Net Investment Income	N/A
Adminisitrative Expense	N/A
Net Changes	\$ (4,191,942,326)
Balance at 06/30/2017	\$ 53,639,841,858

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**9. POST-RETIREMENT BENEFITS (Continued)**

*Sensitivity of the total OPEB liability to changes in the discount rate* - The following presents the total nonemployer OPEB liability of the State as of June 30, 2017 for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage -point lower or 1percentage-point higher than the current discount rate:

	<b>1% Decrease (2.58%)</b>	<b>Current Discount Rate (3.58%)</b>	<b>1% Increase (4.58%)</b>
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 nonemployer OPEB liability of the State as of June 30, 2107, as well as what the State's total OPEB 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:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
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, 2017, the board of education recognized OPEB expense of \$196,359 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the school district'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 employee's OPEB from the following sources:

	<u>06/30/17</u>
Collective deferred outflows of resources	\$ 99,843,255
Collective deferred inflows of resources	6,443,612,287
Collective net OPEB liability (Non-Employer – State of New Jersey)	53,639,841,858
State's portion of the net OPEB liability that was associated with the School District	2,588,939
State's portion of the net OPEB liability that was associated with the School District as a percentage of the collective net OPEB liability	0.00%

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**9. POST-RETIREMENT BENEFITS (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 99,843,255	\$ 99,843,255
Changes of assumptions	-	6,343,769,032
<b>Total</b>	<b>\$ 99,843,255</b>	<b>\$ 6,443,612,287</b>

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

For the year ended:	
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Therafter	(2,629,618,547)
<b>Total</b>	<b>\$ (6,343,769,032)</b>

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

**10. ON-BEHALF PAYMENTS**

For the fiscal year ended June 30, 2017, the School District has recognized as revenues and expenditures on-behalf payments made by the state for normal retirement costs, post-retirement medical costs and long term disability insurance related to TPAF, in the fund statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, post-retirement medical costs and long term disability insurance were \$86,749, \$56,029, and \$125, respectively. In addition, \$52,161 on-behalf payments were made by the state for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

**11. RISK MANAGEMENT**

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

**Property and Liability Insurance** - The School District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The School District is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary.

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**11. RISK MANAGEMENT (Continued)**

The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

The Fund publishes its own financial report which can be obtained by writing to: School Boards Association Insurance Group, 450 Veterans Drive, Burlington, New Jersey, 08102.

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

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

<u>Fiscal Year Ended June 30,</u>	<u>Miscellaneous</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ -	\$ 2,218	\$ 1	\$ 32	\$ 9,086
2016-2017	3,303	1,907	1	14	6,899
2015-2016		1,828	1	3,303	1,702

**12. DEFERRED COMPENSATION**

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

**13. COMPENSATED ABSENCES**

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2018, the liability for compensated absences in the governmental activities fund types was \$16,745.

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**14. INTERFUND RECEIVABLES/PAYABLES**

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2019. The following interfund balances were recorded on the various balance sheets as of June 30, 2018:

Fund	Interfund Receivable	Interfund Payable
General	\$ 129,494	\$ 2,000
Special Revenue		23,361
Proprietary	2,000	4,521
Fiduciary		101,612
	\$ 131,494	\$ 131,494
Total	\$ 131,494	\$ 131,494

**15. CONTINGENCIES**

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

At June 30, 2017, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

**16. TAX ABATEMENTS**

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

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

As of December 31, 2017, the Borough of West Cape May had no tax abatements.

**West Cape May School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018**

**17. DEFICIT UNRESTRICTED NET POSITIONS**

As of June 30, 2018, a deficit of \$111,521 existed in the Unrestricted Net Position of the Governmental Activities. A reconciliation of Unreserved Fund Balance reported on Exhibit B-1 to Unrestricted Net Position reported on Exhibited A-1 as follows:

Balances June 30, 2018	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance – Unassigned	\$ 187,053
Liabilities:	
Accrued Interest Payable	(1,340)
Net Pension Differences	(280,489)
Compensated Absences	<u>(16,745)</u>
Unrestricted Net Position (Deficit)	<u>\$ (111,521)</u>

**18. FUND BALANCES**

*RESTRICTED*

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

**General Fund:**

**Excess Surplus** – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund, fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018 is \$134,318 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$52,162 of excess fund balance generated during the 2016-2017 fiscal year has been restricted and designated for utilization in the 2018-2019 budget.

**Capital Reserve** – As of June 30, 2018, the balance in the capital reserve account is \$398,532 which is restricted for future capital outlay expenditures for capital projects in the School District’s approved Long Range Facilities Plan.

**Maintenance Reserve Account** – As of June 30, 2018, the balance in the maintenance reserve account is \$70,000. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

**Emergency Reserve** – As of June 30, 2018, the balance in the emergency reserve is \$50,000. These funds are restricted for the purpose of financing unanticipated general fund expenditures required for a through and efficient education in accordance with N.J.S.A. 18A:7F-41c(1). Of this amount, \$30,000 was utilized in the 2018-2019 budget.

**West Cape May School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**18. FUND BALANCES (CONTINUED)**

*ASSIGNED*

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

**General Fund:**

**Designated for Subsequent Year's Expenditures** – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2019, \$174 of general fund balance.

**Other Purposes** – At June 30, 2018 the School District has \$19,046 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

**Debt Service Fund:**

**Designated for Subsequent Year's Expenditures** – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2019, \$201 of debt service fund balance.

*UNASSIGNED*

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

**General Fund** – As of June 30, 2018, \$187,053 of general fund balance was unassigned.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

**WEST CAPE MAY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 1,025,925	\$ -	\$ 1,025,925	\$ 1,025,925	\$ -
Tuition from individuals	8,000	-	8,000	9,000	1,000
Interest Earned on Capital Reserve	10	-	10	163	153
Unrestricted Miscellaneous Revenue	900	-	900	12,005	11,105
<b>Total local sources</b>	<b>1,034,835</b>	<b>-</b>	<b>1,034,835</b>	<b>1,047,093</b>	<b>12,258</b>
State sources:					
School Choice Aid	548,457	-	548,457	548,457	
Categorical Special Education Aid	28,525	-	28,525	28,525	
Categorical Security Aid	6,810	-	6,810	6,810	
Categorical Transportation Aid	5,454	-	5,454	5,454	
Under Adequacy Aid	38,690	-	38,690	38,690	
PARCC Readiness Aid	830	-	830	830	
Per Pupil Growth Aid	830	-	830	830	
Professional Learning Community Aid	650	-	650	650	
On-behalf TPAF pension contributions (non-budgeted)				86,749	86,749
On-behalf TPAF post retirement medical (non-budgeted)				56,029	56,029
On-behalf TPAF-LTGI (non-budgeted)				125	125
Reimbursed TPAF social security contributions (non-budgeted)				52,161	52,161
<b>Total state sources</b>	<b>630,246</b>	<b>-</b>	<b>630,246</b>	<b>825,310</b>	<b>195,064</b>
Federal sources					
Medical Assistance Program (SEMI)				267	267
<b>TOTAL REVENUES</b>	<b>1,665,081</b>	<b>-</b>	<b>1,665,081</b>	<b>1,872,670</b>	<b>207,589</b>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Regular Programs - Instruction:					
Salaries of teachers					
Preschool	22,664	4,914	27,578	27,521	57
Kindergarten	82,478	(30,625)	51,853	48,774	3,079
Grades 1-5	323,186	83,636	406,822	406,683	139
Grades 6-8	51,859	7,364	59,223	58,636	587
<b>Total Instruction</b>	<b>480,187</b>	<b>65,289</b>	<b>545,476</b>	<b>541,614</b>	<b>3,862</b>
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	77,256	10,000	87,256	86,728	528
Purchased technical services	21,000	-	21,000	17,763	3,237
General supplies	66,030	(3,850)	62,180	58,396	3,784
Textbooks	17,062	2,350	19,412	18,426	986
<b>Total Undistributed Instruction</b>	<b>181,348</b>	<b>8,500</b>	<b>189,848</b>	<b>181,313</b>	<b>8,535</b>
<b>Total - Regular Programs - Instruction</b>	<b>661,535</b>	<b>73,789</b>	<b>735,324</b>	<b>722,927</b>	<b>12,397</b>

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

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**WEST CAPE MAY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Fiscal Year Ended June 30, 2018**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Educ Instruction: Res. Room/Res. Center					
Salaries of teachers	\$ 134,419	\$ (58,446)	\$ 75,973	\$ 75,973	\$ -
Other salaries for instruction	5,550	(5,550)			-
General supplies	2,700	(2,500)	200	39	161
Textbooks	275	-	275		275
Total Resource Room/Resource Center	<u>142,944</u>	<u>(66,496)</u>	<u>76,448</u>	<u>76,012</u>	<u>436</u>
Total Special Education - Instruction	<u>142,944</u>	<u>(66,496)</u>	<u>76,448</u>	<u>76,012</u>	<u>436</u>
Basic Skills/Remedial - Instruction					
Salaries of teachers	9,948	64	10,012	10,012	-
General supplies	300	(64)	236		236
Textbooks	250	-	250		250
Total Basic Skills/Remedial - Instruction	<u>10,498</u>	<u>-</u>	<u>10,498</u>	<u>10,012</u>	<u>486</u>
School-Sponsored Cocurricular Act - Inst.					
Purchased services	6,000	3,500	9,500	4,952	4,548
Total School-Sponsored Cocurr. Act. - Inst	<u>6,000</u>	<u>3,500</u>	<u>9,500</u>	<u>4,952</u>	<u>4,548</u>
Undistributed Expenditures - Instruction					
Tuition to other LEAs within the state - regular	14,000	(13,941)	59		59
Tuition to CSSD & reg. day schools	31,750	(13,987)	17,763	17,747	16
Tuition to Private School for Handicapped W/I State		32,598	32,598	17,141	15,457
Total Undistributed Expenditures - Instruction	<u>45,750</u>	<u>4,670</u>	<u>50,420</u>	<u>34,888</u>	<u>15,532</u>
Undistributed Expenditures - Attend. and Social Work					
Salaries of teachers	42,821	9,447	52,268	44,768	7,500
Purchased professional and technical services	4,336	6,948	11,284	11,284	-
Other Purchased Services	15,625	(15,625)			-
Total Undistributed Expenditures - Attendance	<u>62,782</u>	<u>770</u>	<u>63,552</u>	<u>56,052</u>	<u>7,500</u>
Undistributed Expenditures - Health Services					
Salaries	9,431	8,600	18,031	17,900	131
Supplies and materials	2,213	(818)	1,395	1,382	13
Total Undistributed Expenditures - Health Svcs.	<u>11,644</u>	<u>7,782</u>	<u>19,426</u>	<u>19,282</u>	<u>144</u>
Undist. Expend. - Speech, OT, PT & Rel. Serv.					
Purchased prof. and educational services	14,000	853	14,853	14,655	198
Total Undst. Expend. - Speech, OT, PT & Rel. Serv.	<u>14,000</u>	<u>853</u>	<u>14,853</u>	<u>14,655</u>	<u>198</u>
Undist. Expend. - Guidance					
Supplies and materials	1,000	(1,000)			-
Total Undst. Expend. - Guidance	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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**WEST CAPE MAY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Fiscal Year Ended June 30, 2018**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Child Study Teams					
Salaries of Other Professional Staff	\$ 12,500	\$ (4,000)	\$ 8,500	\$ 8,500	\$ -
Salaries of Secretarial and Clerical Assistants	12,067	-	12,067	12,067	-
Other purchased professional and technical services	30,315	8,180	38,495	38,293	202
<b>Total Undst. Expend. - Child study Teams</b>	<b>54,882</b>	<b>4,180</b>	<b>59,062</b>	<b>58,860</b>	<b>202</b>
Undist. Expend. - Improvement of Instructional Services					
Salaries of Supervisors of Instruction	15,625	-	15,625	15,625	-
Salaries of Other Professional Staff	8,044	-	8,044	8,044	-
<b>Total Undst. Expend. - Imp. of Instructional Services</b>	<b>23,669</b>	<b>-</b>	<b>23,669</b>	<b>23,669</b>	<b>-</b>
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	16,268	999	17,267	17,267	-
Purchased professional and technical services	500	-	500	500	-
Other purchased services	12,000	(8,400)	3,600	3,424	176
Supplies and materials	5,000	-	5,000	2,381	2,619
Other objects	6,200	2,751	8,951	7,242	1,709
<b>Total Undst. Expend. - Educ. Media Serv./Sch. Library</b>	<b>39,968</b>	<b>(4,650)</b>	<b>35,318</b>	<b>30,814</b>	<b>4,504</b>
Undist. Expend. - Instructional Staff Training Services					
Salaries of Supervisors of Instruction	33,294	(21,000)	12,294	10,112	2,182
Purchased professional and educ. services	2,250	3,500	5,750	5,257	493
Purchased professional and tech. services	21,000	35,734	56,734	56,734	-
Other purchased services (400-500)	1,000	-	1,000	453	547
<b>Total Undst. Expend. - Instr. Staff Training Services</b>	<b>57,544</b>	<b>18,234</b>	<b>75,778</b>	<b>72,556</b>	<b>3,222</b>
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	15,304	(4)	15,300	15,300	-
Legal services	5,000	5,728	10,728	8,861	1,867
Audit Fees	9,200	-	9,200	9,200	-
Other purchased professional services	16,000	(1,600)	14,400	14,394	6
Purchased technical services	18,136	1,508	19,644	19,644	-
Communications/Telephone	2,000	863	2,863	2,863	-
Miscellaneous purchased services	800	(549)	251	153	98
General Supplies	850	47	897	897	-
BOE in-house training/meeting supplies	1,200	-	1,200	924	276
BOE membership dues and fees	5,500	1,153	6,653	6,653	-
<b>Total Undst. Expend. - Supp. Serv. General Admin.</b>	<b>73,990</b>	<b>7,146</b>	<b>81,136</b>	<b>78,889</b>	<b>2,247</b>
Undist. Expend. - Central Services					
Salaries	19,625	-	19,625	19,625	-
Purchased professional services	4,550	(996)	3,554	1,113	2,441
Purchased technical services	-	831	831	831	-
Supplies and materials	1,250	-	1,250	1,250	-
Interest on Lease Purchase Agreements	3,345	-	3,345	3,344	1
Miscellaneous expenditures	400	-	400	382	18
<b>Total Undst. Expend. - Central Services</b>	<b>29,170</b>	<b>(165)</b>	<b>29,005</b>	<b>26,545</b>	<b>2,460</b>

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

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**WEST CAPE MAY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Fiscal Year Ended June 30, 2018**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Required Maint. Sch. Facilities					
Cleaning, repair, and maintenance services	\$ 14,000	\$ -	\$ 14,000	\$ 11,453	\$ 2,547
<b>Total Undst. Expend. - Required Maint. Sch. Facilities</b>	<b>14,000</b>	<b>-</b>	<b>14,000</b>	<b>11,453</b>	<b>2,547</b>
Undist. Expend. - Custodial Services					
Salaries	48,595	-	48,595	48,578	17
Cleaning, repair, and maintenance services	32,600	(13,000)	19,600	16,639	2,961
Other purchased property services	6,839	(4,109)	2,730	1,552	1,178
Insurance	19,000	(4,000)	15,000	8,265	6,735
General supplies	7,402	4,000	11,402	8,825	2,577
Energy (natural gas)	15,000	-	15,000	11,029	3,971
Energy (electricity)	15,000	-	15,000	13,227	1,773
<b>Total Undst. Expend. - Custodial Services</b>	<b>144,436</b>	<b>(17,109)</b>	<b>127,327</b>	<b>108,115</b>	<b>19,212</b>
<b>Total Undst. Expend. - Oper. &amp; Maint. of Plant Services</b>	<b>158,436</b>	<b>(17,109)</b>	<b>141,327</b>	<b>119,568</b>	<b>21,759</b>
Undist. Expend. - Student Trans. Services					
Contr. serv. (other than bet. home & sch.) - vendors	650	-	650	281	369
Contr. serv. (bet. home and school) - joint agreements	17,300	(14,000)	3,300	3,000	300
Contr. serv. (sp ed stds) - ESC's & CTSA's	9,000	8,500	17,500	16,072	1,428
<b>Total Undst. Expend. - Student Trans. Services</b>	<b>26,950</b>	<b>(5,500)</b>	<b>21,450</b>	<b>19,353</b>	<b>2,097</b>
Regular Programs - Instruction - Employee Benefits					
Group Insurance	38,600	(38,600)			-
Workmen's compensation	13,000	(13,000)			-
Health Benefits	92,100	(92,100)			-
Tuition Reimbursement	10,000	(10,000)			-
Other Employee Benefits	5,200	(3,004)	2,196		2,196
<b>Total regular Pograms - Instruction</b>	<b>158,900</b>	<b>(156,704)</b>	<b>2,196</b>	<b>-</b>	<b>2,196</b>
Unallocated Benefits - Employee Benefits					
Group Insurance	-	14,600	14,600	14,229	371
Social security contributions	26,000	-	26,000	22,886	3,114
Other retirement contributions - PERS	14,000	-	14,000	13,483	517
Unemployment Compensation	7,323	(7,000)	323	78	245
Workmen's compensation	-	13,000	13,000	13,000	-
Health Benefits	-	95,100	95,100	72,425	22,675
Tuition Reimbursement	-	10,000	10,000	9,100	900
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>47,323</b>	<b>125,700</b>	<b>173,023</b>	<b>145,201</b>	<b>27,822</b>
On-behalf TPAF pension contributions (non-budgeted)				86,749	(86,749)
On-behalf TPAF post retirement medical (non-budgeted)				56,029	(56,029)
On-behalf TPAF-LTGI (non-budgeted)				125	(125)
Reimbursed TPAF social security contributions (non-budgeted)				52,161	(52,161)
<b>Total Undistributed Expenditures - TPAF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195,064</b>	<b>(195,064)</b>

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

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**WEST CAPE MAY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Fiscal Year Ended June 30, 2018**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Total Undistributed Expenditures	\$ 806,008	\$ (15,793)	\$ 790,215	\$ 895,396	\$ (105,181)
Total General Current Expense	1,626,985	(5,000)	1,621,985	1,709,299	(87,314)
<b>CAPITAL OUTLAY:</b>					
Equipment					
Undistributed Expend. - Required Maintenance					
Undistributed Expend. - Security					
Undistributed Expend. - Non-Instructional Services	24,177		24,177	19,746	4,431
Total Equipment	24,177		24,177	19,746	4,431
Facilities Acquisition and Construction Services					
Architectural/Engineering services	20,000		20,000		20,000
Construction services	180,000		180,000	1,189	178,811
Supplies and materials	10,000		10,000		10,000
Lease Purchase Agreements - Principle	42,974		42,974	42,974	
Bldgs. Other than Lease Purchase Agreements					
Assessment for Debt Service on SDA Funding	69		69	69	
Total Facilities Acquisition and Construction Services	253,043		253,043	44,232	208,811
Total Capital Outlay	277,220		277,220	63,978	213,242
Total Expenditures	1,904,205	(5,000)	1,899,205	1,773,277	125,928
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(239,124)	5,000	(234,124)	99,393	333,517
Other Financing Sources:					
Operating transfer out - Food Service Fund		(5,000)	(5,000)	(5,000)	
Operating transfer out - Capital Projects Fund					
Total Other Financing Sources		(5,000)	(5,000)	(5,000)	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(239,124)		(239,124)	94,393	333,517
Fund Balance, July 1	879,839		879,839	879,839	
Fund Balance, June 30	\$ 640,715	\$ -	\$ 640,715	\$ 974,232	\$ 333,517
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Reserve for Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 52,162	
Reserve for Excess Surplus				134,318	
Maintenance Reserve				70,000	
Capital Reserve Account				398,532	
Emergency Reserve				50,000	
Assigned Fund Balance:					
Year-end Encumbrances				19,046	
Designated for Subsequent Year's Expenditures				174	
Unassigned Fund Balance				250,000	
				974,232	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(62,947)	
Fund Balance per Governmental Funds (GAAP)				\$ 911,285	

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

**WEST CAPE MAY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Federal sources	\$ 103,374	\$ -	\$ 103,374	\$ 74,405	\$ (28,969)
Local sources	1,862	-	1,862	714	(1,148)
Total revenues	<u>105,236</u>	<u>-</u>	<u>105,236</u>	<u>75,119</u>	<u>(30,117)</u>
<b>EXPENDITURES:</b>					
Instruction:					
Tuition	21,000	-	21,000	21,000	-
Other purchased services	23,868	-	23,868	17,868	6,000
General supplies	18,733	-	18,733	17,081	1,652
Total instruction	<u>63,601</u>	<u>-</u>	<u>63,601</u>	<u>55,949</u>	<u>7,652</u>
Support Services:					
Salaries	17,360	-	17,360	4,557	12,803
Purchase professional and technical services	21,758	-	21,758	13,244	8,514
Supplies and materials	655	-	655	655	-
Other objects	1,862	-	1,862	714	1,148
Total support services	<u>41,635</u>	<u>-</u>	<u>41,635</u>	<u>19,170</u>	<u>22,465</u>
Total expenditures	<u>105,236</u>	<u>-</u>	<u>105,236</u>	<u>75,119</u>	<u>30,117</u>
Total outflows	<u>105,236</u>	<u>-</u>	<u>105,236</u>	<u>75,119</u>	<u>30,117</u>
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**WEST CAPE MAY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**  
**Budgetary Comparison**

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

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 1,872,670	\$ 75,119
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
The last State aid payment from the prior year is recognized as revenue for GAAP and differs from the budgetary basis which recognized this revenue in the prior year.	62,925	-
The last State aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognizes this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	(62,947)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 1,872,648	\$ 75,119
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 1,773,277	\$ 75,119
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,773,277	\$ 75,119

Required Supplementary Information - Part III  
Schedules Related to Accounting and Reporting  
For Pensions and  
Other Post Employment Benefits

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

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0013754419%	0.0013814945%	0.0013506538%	0.0006898471%	0.0011538468%
District's proportionate share of the net pension liability (asset)	\$ 320,181	\$ 409,159	\$ 303,195	\$ 129,158	\$ 220,523
District's covered-employee payroll	104,464	98,314	95,290	94,616	91,100
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	306.50%	416.18%	318.18%	136.51%	242.07%
Plan fiduciary net position as a percentage of the total pension liability	36.78%	31.20%	38.21%	42.74%	40.71%

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

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

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 14,154	\$ 13,483	\$ 12,273	\$ 11,612	\$ 5,687
Contributions in relation to the contractually required contributions	<u>(14,154)</u>	<u>(13,483)</u>	<u>(12,273)</u>	<u>(11,612)</u>	<u>(5,687)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	104,464	98,314	95,290	94,616	91,100
Contributions as a percentage of covered-employee payroll	13.55%	13.71%	12.88%	12.27%	6.24%

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

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

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0058225698%	0.0056807149%	0.0049741360%	0.0044332634%	0.0046440706%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>3,925,786</u>	<u>4,468,812</u>	<u>3,143,866</u>	<u>2,369,435</u>	<u>2,347,077</u>
Total	<u>\$ 3,925,786</u>	<u>\$ 4,468,812</u>	<u>\$ 3,143,866</u>	<u>\$ 2,369,435</u>	<u>\$ 2,347,077</u>
District's covered-employee payroll	\$ 644,033	\$ 654,778	\$ 632,675	\$ 600,328	\$ 578,017
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%	33.76%

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

**WEST CAPE MAY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Schedule of the State's Proportionate Share of the Net OPEB Liability Associated with the District**  
**and Changes in the Total OPEB Liability and Related Ratios**  
**Public Employee's Retirement System and Teachers' Pension and Annuity Fund**  
**Current Fiscal Year**

	<u>June 30,</u> <u>2018</u>
State's proportion of the net OPEB liability (asset) associated with the District	0.00%
District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	\$ 2,588,939
Total proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 2,588,939</u>
Plan fiduciary net position as a percentage of the total OPEB Liability	0.00%
	<u>June 30,</u> <u>2018</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 148,266
Interest	82,367
Changes of assumptions and other inputs	(354,425)
Member Contributions	2,208
Benefit payments	<u>(59,965)</u>
<b>Net Change in total OPEB Liability</b>	\$ (181,549)
<b>Total OPEB Liability - beginning</b>	<u>\$ 2,770,488</u>
<b>Total OPEB Liability - ending</b>	<u>\$ 2,588,939</u>
District's covered-employee payroll	748,497
Total OPEB Liability as a percentage of covered-employee payroll	345.89%

This schedule does not contain ten years of information as GASB 75 was implemented during the fiscal year ended June 30, 2018.

**West Cape May School District**  
**Notes to Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2018**

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

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

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

**2. Public Employees' Retirement System (PERS)**

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

*Changes of assumptions:* Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active employees. 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 Disables Mortality Table (set back 3 years for males and set forward 1 year for females).

**3. Other Post-Retirement Plan – Public Employees' Retirement System and Teachers' Pension and Annuity Fund**

*Changes of benefit term:* There were none.

*Changes of assumptions:* The discount rate changed from 2.85% as of June 30, 2016 to 3.85% as of June 30, 2017.

Other Supplementary Information

Special Revenue Fund  
Detail Statements

**WEST CAPE MAY SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Statement of Revenues and Expenditures**  
**Budgetary Basis**  
**for the Fiscal Year Ended June 30, 2018**

	REAP Grant	Title I	Title IIA	Title III	Title IV	IDEA Basic	IDEA Preschool	HIF Wellness Grant	Total
<b>REVENUES:</b>									
State sources									
Federal sources	\$ 17,868	\$ 30,330	\$ 1,600	\$ 655	\$ 1,012	\$ 22,339	\$ 601	\$ -	\$ 74,405
Local sources								714	714
<b>Total Revenues</b>	<u>17,868</u>	<u>30,330</u>	<u>1,600</u>	<u>655</u>	<u>1,012</u>	<u>22,339</u>	<u>601</u>	<u>714</u>	<u>75,119</u>
<b>EXPENDITURES:</b>									
Instruction:									
Tuition						21,000			21,000
Professional educational services									-
Other purchased services	17,868								17,868
General supplies		15,141				1,339	601		17,081
<b>Total Instruction</b>	<u>17,868</u>	<u>15,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,339</u>	<u>601</u>	<u>-</u>	<u>55,949</u>
Support Services:									
Salaries		4,557							4,557
Purchase professional and technical services		10,632	1,600		1,012				13,244
Supplies and materials				655					655
Other objects								714	714
<b>Total Support Services</b>	<u>-</u>	<u>15,189</u>	<u>1,600</u>	<u>655</u>	<u>1,012</u>	<u>-</u>	<u>-</u>	<u>714</u>	<u>19,170</u>
<b>Total Expenditures</b>	<u>17,868</u>	<u>30,330</u>	<u>1,600</u>	<u>655</u>	<u>1,012</u>	<u>22,339</u>	<u>601</u>	<u>714</u>	<u>75,119</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>	<u>\$ -</u>	<u>\$ -</u>

Proprietary Funds  
Detail Statements

**WEST CAPE MAY SCHOOL DISTRICT**  
**Enterprise Funds**  
Statement of Net Position  
as of June 30, 2018

	Child Care Program	Food Service	Total
<b>ASSETS:</b>			
Current assets:			
Cash and Cash Equivalents	\$ 5,518	\$ 2,865	\$ 8,383
Accounts receivable:			
State		20	20
Federal		964	964
Other			
Interfund receivable		2,000	2,000
<b>Total Current Assets</b>	<b>5,518</b>	<b>5,849</b>	<b>11,367</b>
Fixed Assets:			
Equipment		2,550	2,550
Less Accumulated depreciation		(889)	(889)
<b>Total Fixed Assets</b>		<b>1,661</b>	<b>1,661</b>
<b>Total Assets</b>	<b>\$ 5,518</b>	<b>\$ 7,510</b>	<b>\$ 13,028</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable		5,348	5,348
Interfund payable	4,521		4,521
<b>Total Current Liabilities</b>	<b>4,521</b>	<b>5,348</b>	<b>9,869</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets		1,661	1,661
Unreserved Retained Earnings	997	501	1,498
<b>Total Net Position</b>	<b>\$ 997</b>	<b>\$ 2,162</b>	<b>\$ 3,159</b>

**WEST CAPE MAY SCHOOL DISTRICT**  
**Enterprise Funds**

Combined Statement of Revenues, Expenses and Changes in Net Position  
for the Fiscal Year ended June 30, 2018

	<u>Child Care Program</u>	<u>Food Service</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Local sources:			
Daily sales-reimbursable programs:			
School lunch program	\$ -	\$ 8,777	\$ 8,777
Total-daily sales-reimbursable programs		8,777	8,777
Program fees	17,282		17,282
Total operating revenue	17,282	8,777	26,059
<b>OPERATING EXPENSES:</b>			
Salaries	12,595		12,595
Supplies and materials			
Depreciation		162	162
Miscellaneous		313	313
Cost of Sales - reimbursable		27,418	27,418
Cost of Sales - nonreimbursable	4,804		4,804
Total operating expenses	17,399	27,893	45,292
Operating income (loss)	(117)	(19,116)	(19,233)
<b>Non-operating revenues:</b>			
State sources:			
State school lunch program		257	257
Federal sources:			
National school lunch program		8,669	8,669
National school breakfast program		5,502	5,502
Miscellaneous revenue			
Interest revenue	2		2
Total non-operating revenues	2	14,428	14,430
Net income (loss) before transfers	(115)	(4,688)	(4,803)
<b>Other Financing Sources and Uses:</b>			
Operating transfers in		5,000	5,000
Change in Net Position	(115)	312	197
Net Position - July 1	1,112	1,850	2,962
Net Position - June 30	\$ 997	\$ 2,162	\$ 3,159

**WEST CAPE MAY SCHOOL DISTRICT**  
**Enterprise Funds**  
Statement of Cash Flows  
for the Fiscal Year ended June 30, 2018

	<u>Child Care Program</u>	<u>Food Service</u>	<u>Total</u>
Cash flows from operating activities:			
Cash receipts from customers	\$ 17,366	\$ 8,777	\$ 26,143
Cash payments to employees for services	(13,349)	-	(13,349)
Cash payments to suppliers for goods and services	<u>(4,804)</u>	<u>(22,383)</u>	<u>(27,187)</u>
Net cash used by operating activities	<u>(787)</u>	<u>(13,606)</u>	<u>(14,393)</u>
Cash flows from noncapital financing activities:			
Cash received from state and federal reimbursements		14,365	14,365
Cash received from board contribution		<u>4,600</u>	<u>4,600</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>18,965</u>	<u>18,965</u>
Cash flows from capital financing activities:			
Purchases of fixed assets			
Net cash used by capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>2</u>		<u>2</u>
Net cash provided by investing activities	<u>2</u>	<u>-</u>	<u>2</u>
Net increase (decrease) in cash and cash equivalents	(785)	5,359	4,574
Cash and cash equivalents, July 1	<u>6,303</u>	<u>(2,494)</u>	<u>3,809</u>
Cash and cash equivalents, June 30	<u>\$ 5,518</u>	<u>\$ 2,865</u>	<u>\$ 8,383</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (117)	\$ (19,116)	\$ (19,233)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation		162	162
Change in assets and liabilities:			
(Increase)/decrease in accounts receivable	84		84
Increase/(decrease) in accounts payable		5,348	5,348
Increase/(decrease) in interfund payable	<u>(754)</u>		<u>(754)</u>
Net cash used by operating activities	<u>\$ (787)</u>	<u>\$ (13,606)</u>	<u>\$ (14,393)</u>

Fiduciary Funds  
Detail Statements

**WEST CAPE MAY SCHOOL DISTRICT**  
**Fiduciary Funds**  
Combining Statement of Net Position  
June 30, 2018

	Agency Funds		Unemployment Compensation Insurance Fund	Total
	Student Activity	Payroll		
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 614	\$ 116,287	\$ 9,086	\$ 125,987
<b>TOTAL ASSETS</b>	<b><u>\$ 614</u></b>	<b><u>\$ 116,287</u></b>	<b><u>\$ 9,086</u></b>	<b><u>\$ 125,987</u></b>
<b>LIABILITIES</b>				
<b>LIABILITIES:</b>				
Accounts Payable				-
Interfund Payable		101,612		101,612
Payroll Withholdings		14,675		14,675
Due to Student Groups	614			614
<b>Total Liabilities</b>	<b><u>614</u></b>	<b><u>116,287</u></b>		<b><u>116,901</u></b>
<b>NET POSITION</b>				
Reserved for unemployment claims			9,086	9,086
<b>Total net position</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,086</u></b>	<b><u>\$ 9,086</u></b>

**WEST CAPE MAY SCHOOL DISTRICT**  
**Fiduciary Fund**  
Statement of Changes in Fiduciary Net Position  
for the Fiscal Year ended June 30, 2018

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	<u>Unemployment Compensation Insurance Trust</u>	<u>Total</u>
<b>REVENUES:</b>		
Local sources:		
Employee contributions	\$ 2,218	\$ 2,218
Interest on Investments	1	1
	<u>2,219</u>	<u>2,219</u>
<b>Total Revenues</b>	<u>2,219</u>	<u>2,219</u>
 <b>EXPENDITURES:</b>		
Current Expense:		
Undistributed Expenditures:		
Unemployment claims	<u>32</u>	<u>32</u>
<b>Total Expenditures</b>	<u>32</u>	<u>32</u>
<b>Excess (deficiency) of revenues over (under) expenditures)</b>	2,187	2,187
<b>Net Position July 1</b>	<u>6,899</u>	<u>6,899</u>
<b>Net Position June 30</b>	<u><u>\$ 9,086</u></u>	<u><u>\$ 9,086</u></u>

**WEST CAPE MAY SCHOOL DISTRICT**  
**Student Activity Agency Fund**  
 Schedule of Receipts and Disbursements  
 for the Fiscal Year ended June 30, 2018

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	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u> <u>June 30, 2018</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Assets:</b>					
West Cape May Elementary	\$ 583	\$ 1,897	\$ 1,866	\$ -	\$ 614
Total	<u>\$ 583</u>	<u>\$ 1,897</u>	<u>\$ 1,866</u>	<u>\$ -</u>	<u>\$ 614</u>

**WEST CAPE MAY SCHOOL DISTRICT**  
**Payroll Agency Fund**  
 Schedule of Receipts and Disbursements  
 for the Fiscal Year ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 86,668	\$ 1,147,049	\$ 1,117,430	\$ 116,287
<b>Total assets</b>	<u>\$ 86,668</u>	<u>\$ 1,147,049</u>	<u>\$ 1,117,430</u>	<u>\$ 116,287</u>
<b>LIABILITIES:</b>				
Payroll deductions and withholdings	\$ 13,357	\$ 396,185	\$ 394,867	\$ 14,675
Net payroll		690,308	690,308	
Interfund payable	<u>73,311</u>	<u>60,556</u>	<u>32,255</u>	<u>101,612</u>
<b>Total liabilities</b>	<u>\$ 86,668</u>	<u>\$ 1,147,049</u>	<u>\$ 1,117,430</u>	<u>\$ 116,287</u>

## Long-Term Debt Schedules

**WEST CAPE MAY SCHOOL DISTRICT**  
**General Long-Term Debt Account Group**  
 Statement of Serial Bonds  
 June 30, 2018

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2017	Issued	Retired	Balance June 30, 2018
			Date	Amount					
School Bonds	07/15/1998	\$970,000	07/15/18	\$ 60,000	4.875%	\$ 120,000	\$ -	\$ 60,000	\$ 60,000
						<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>

**WEST CAPE MAY SCHOOL DISTRICT**  
**General Long-Term Debt Account Group**  
Statement of Obligations Under Capital Leases  
June 30, 2018

Purpose	Interest Rate Payable	Amount of Original Issue	Amount Outstanding July 1, 2017	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2018
Heating, Ventilation, and Air Conditioning	2.53%	\$ 215,000	\$ 132,209	\$ -	\$ 42,973	\$ 89,236
			<u>\$ 132,209</u>	<u>\$ -</u>	<u>\$ 42,973</u>	<u>\$ 89,236</u>

**WEST CAPE MAY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Debt Service Fund**  
**Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 42,658	\$ -	\$ 42,658	\$ 42,658	\$ -
Miscellaneous					
Total revenues - local sources	<u>42,658</u>		<u>42,658</u>	<u>42,658</u>	
State sources:					
Debt service aid type II	21,730		21,730	21,730	
Total revenues - state sources	<u>21,730</u>		<u>21,730</u>	<u>21,730</u>	
Total Revenues	<u>64,388</u>		<u>64,388</u>	<u>64,388</u>	
<b>EXPENDITURES:</b>					
Regular debt service:					
Interest	4,388		4,388	4,388	-
Redemption of principal	60,000		60,000	60,000	
Total Expenditures	<u>64,388</u>		<u>64,388</u>	<u>64,388</u>	
Excess (Deficiency) of revenues over (under) expenditures					-
Other Financing Sources (Uses):					
Operating transfer in					
Total other financing sources (uses)					
Net change in fund balance					
Fund Balances, July 1				201	201
Fund Balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201</u>	<u>\$ 201</u>
Recapitulation of Excess (Deficiency) or revenues over (under) expenditures					
Budgeted Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Statistical Section**

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

**Exhibit J-1**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 493,227	\$ 517,188	\$ 376,511	\$ 401,478	\$ 426,445	\$ 597,808	\$ 403,534	\$ 658,988	\$ 725,674	\$ 774,712
Restricted for:										
Capital projects	2,431	127,134	157,350	157,076	157,076	242,222	867,902	269,196	398,369	398,532
Debt service	307	307	-	-	-	-	-	-	201	201
Other purposes	175,497	204,722	227,243	215,263	210,240	261,530	226,469	225,384	231,296	325,700
Unrestricted	230,020	231,076	248,866	235,107	208,439	170,463	(33,338)	(42,026)	(104,105)	(111,521)
<b>Total governmental activities net position</b>	<b>\$ 901,482</b>	<b>\$ 1,080,427</b>	<b>\$ 1,009,970</b>	<b>\$ 1,008,924</b>	<b>\$ 1,002,200</b>	<b>\$ 1,272,023</b>	<b>\$ 1,464,567</b>	<b>\$ 1,111,542</b>	<b>\$ 1,251,435</b>	<b>\$ 1,387,624</b>
<b>Business-type activities:</b>										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,308	\$ 2,146	\$ 1,985	\$ 1,823	\$ 1,661
Unrestricted	562	1,035	381	3,519	3,076	3,905	2,319	2,561	1,139	1,498
<b>Total business-type activities net position</b>	<b>\$ 562</b>	<b>\$ 1,035</b>	<b>\$ 381</b>	<b>\$ 3,519</b>	<b>\$ 3,076</b>	<b>\$ 6,213</b>	<b>\$ 4,465</b>	<b>\$ 4,546</b>	<b>\$ 2,962</b>	<b>\$ 3,159</b>
<b>District-wide:</b>										
Net investment in capital assets	\$ 493,227	\$ 517,188	\$ 376,511	\$ 401,478	\$ 426,445	\$ 600,116	\$ 405,680	\$ 660,973	\$ 727,497	\$ 776,373
Restricted:										
Capital projects	2,431	127,134	157,350	157,076	157,076	242,222	867,902	269,196	398,369	398,532
Debt service	307	307	-	-	-	-	-	-	201	201
Other purposes	175,497	204,722	227,243	215,263	210,240	261,530	226,469	225,384	231,296	325,700
Unrestricted	230,582	232,111	249,247	238,626	211,515	174,368	(31,019)	(39,465)	(102,966)	(110,023)
<b>Total district net position</b>	<b>\$ 902,044</b>	<b>\$ 1,081,462</b>	<b>\$ 1,010,351</b>	<b>\$ 1,012,443</b>	<b>\$ 1,005,276</b>	<b>\$ 1,278,236</b>	<b>\$ 1,469,032</b>	<b>\$ 1,116,088</b>	<b>\$ 1,254,397</b>	<b>\$ 1,390,783</b>

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

Exhibit J-2

	2009	2010	2011	2012	2013	2014	2015	2016	20017	2018
<b>Expenses:</b>										
Governmental activities:										
Instruction:										
Regular	\$ 494,965	\$ 437,229	\$ 518,971	\$ 449,998	\$ 501,919	\$ 641,168	\$ 651,275	\$ 640,823	\$ 726,167	\$ 787,965
Special education	50,013	69,541	60,804	74,135	68,480	93,245	83,295	151,731	128,220	77,952
Other instruction	2,020		600	550	8,524	8,526	11,928	12,366	11,165	14,964
Support Services:										
Tuition	65,039	47,884	59,018	18,353	2,300	22,167	14,067	27,358	18,326	55,888
Student & instruction related services	125,766	124,355	129,724	162,650	207,469	258,963	240,549	277,702	267,216	295,058
General and business administrative services	57,986	49,918	55,763	56,310	66,784	72,239	66,453	74,553	93,811	110,827
Plant operations and maintenance	112,056	104,661	234,003	242,154	120,608	129,453	434,335	635,239	194,013	145,966
Pupil transportation	10,000	7,398	15,623	30,411	7,102	9,011	10,702	10,974	2,858	19,353
Unallocated employee benefits	149,122	146,262	166,113	177,619	318,733	197,764	205,986	283,414	334,743	860,685
Special schools	-	-	-	-	-	-	-	-	-	-
Charter schools	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	26,485	24,965	23,356	19,025	17,174	14,494	11,812	8,897	5,971	3,047
Unallocated depreciation	4,982	4,790	12,477	5,189	3,003					
Total governmental activities expenses	<u>1,098,434</u>	<u>1,017,003</u>	<u>1,276,452</u>	<u>1,236,394</u>	<u>1,322,096</u>	<u>1,447,030</u>	<u>1,730,402</u>	<u>2,123,057</u>	<u>1,782,490</u>	<u>2,371,705</u>
Business-type activities:										
Food service	16,988	18,328	9,377	13,384	16,842	11,264	22,660	22,771	28,442	17,399
Child care	-	-	-	-	-	6,064	8,517	21,360	14,772	27,893
Total business-type activities expense	<u>16,988</u>	<u>18,328</u>	<u>9,377</u>	<u>13,384</u>	<u>16,842</u>	<u>17,328</u>	<u>31,177</u>	<u>44,131</u>	<u>43,214</u>	<u>45,292</u>
Total district expenses	<u>1,115,422</u>	<u>1,035,331</u>	<u>1,285,829</u>	<u>1,249,778</u>	<u>1,338,938</u>	<u>1,464,358</u>	<u>1,761,579</u>	<u>2,167,188</u>	<u>1,825,704</u>	<u>2,416,997</u>
<b>Program Revenues:</b>										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants and contributions	124,303	127,456	121,334	129,441	162,986	175,687	203,445	215,910	268,734	792,652
Total governmental activities program revenues	<u>124,303</u>	<u>127,456</u>	<u>121,334</u>	<u>129,441</u>	<u>162,986</u>	<u>175,687</u>	<u>203,445</u>	<u>215,910</u>	<u>268,734</u>	<u>792,652</u>

(Continued)

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

Exhibit J-2

	2009	2010	2011	2012	2013	2014	2015	2016	20017	2018
<b>Business-type activities:</b>										
Charges for services:										
Food service	\$ 3,950	\$ 4,170	\$ 3,374	\$ 4,167	\$ 3,689	\$ 3,591	\$ 5,370	\$ 5,737	\$ 7,760	\$ 8,777
Child care						7,450	8,181	21,467	14,722	17,282
Operating grants and contributions	2,282	3,547	5,346	12,353	12,709	9,421	15,875	14,034	16,546	14,428
Capital grants and contributions								-	-	-
Total business type activities program revenues	<u>6,232</u>	<u>7,717</u>	<u>8,720</u>	<u>16,520</u>	<u>16,398</u>	<u>20,462</u>	<u>29,426</u>	<u>41,238</u>	<u>39,028</u>	<u>40,487</u>
Total district program revenues	<u>\$ 130,535</u>	<u>\$ 135,173</u>	<u>\$ 130,054</u>	<u>\$ 145,961</u>	<u>\$ 179,384</u>	<u>\$ 196,149</u>	<u>\$ 232,871</u>	<u>\$ 257,148</u>	<u>\$ 307,762</u>	<u>\$ 833,139</u>
<b>Net (Expense)/Revenue:</b>										
Governmental activities	\$ (974,131)	\$ (889,547)	\$ (1,155,118)	\$ (1,106,953)	\$ (1,159,110)	\$ (1,271,343)	\$ (1,526,957)	\$ (1,907,147)	\$ (1,513,756)	\$ (1,579,053)
Business-type activities	(10,756)	(10,611)	(657)	3,136	(444)	3,134	(1,751)	(2,893)	(4,186)	(4,805)
Total district-wide net expense	<u>\$ (984,887)</u>	<u>\$ (900,158)</u>	<u>\$ (1,155,775)</u>	<u>\$ (1,103,817)</u>	<u>\$ (1,159,554)</u>	<u>\$ (1,268,209)</u>	<u>\$ (1,528,708)</u>	<u>\$ (1,910,040)</u>	<u>\$ (1,517,942)</u>	<u>\$ (1,583,858)</u>
<b>General Revenues and Other Changes in Net Position:</b>										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 850,684	\$ 847,561	\$ 838,582	\$ 855,354	\$ 809,987	\$ 826,187	\$ 842,710	\$ 978,868	\$ 998,445	\$ 1,025,925
Taxes levied for debt service	47,162	45,568	48,483	50,100	48,631	46,854	45,078	46,534	44,796	42,658
Unrestricted grants and contributions	179,025	141,349	138,040	190,317	298,779	462,386	814,598	512,342	592,136	629,777
Tuition revenue	32,576	25,000	20,480	540	7,360	14,400	3,070	14,400	14,454	9,000
Investment earnings	3,890	1,981	1,321	32	73	146	63	10	23	163
Miscellaneous income	25,043	18,113	37,755	9,564	2,857	15,366	10,811	1,968	6,395	12,719
Proceeds of capital lease							215,000	-	-	-
Transfers	(10,489)	(11,080)	-	-	-	-	-	-	(2,600)	(5,000)
Total governmental activities	<u>1,127,891</u>	<u>1,068,492</u>	<u>1,084,661</u>	<u>1,105,907</u>	<u>1,167,687</u>	<u>1,365,339</u>	<u>1,931,330</u>	<u>1,554,122</u>	<u>1,653,649</u>	<u>1,715,242</u>
Business-type activities:										
Miscellaneous income	7	4	3	2	1	3	3	2,974	2	2
Transfers	10,489	11,080	-	-	-	-	-	-	2,600	5,000
Total business-type activities	<u>10,496</u>	<u>11,084</u>	<u>3</u>	<u>2</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>2,974</u>	<u>2,602</u>	<u>5,002</u>
Total district-wide	<u>\$ 1,138,387</u>	<u>\$ 1,079,576</u>	<u>\$ 1,084,664</u>	<u>\$ 1,105,909</u>	<u>\$ 1,167,688</u>	<u>\$ 1,365,342</u>	<u>\$ 1,931,333</u>	<u>\$ 1,557,096</u>	<u>\$ 1,656,251</u>	<u>\$ 1,720,244</u>
<b>Change in Net Position:</b>										
Governmental activities	\$ 153,760	\$ 178,945	\$ (70,457)	\$ (1,046)	\$ 8,577	\$ 93,996	\$ 404,373	\$ (353,025)	\$ 139,893	\$ 136,189
Business-type activities	(260)	473	(654)	3,138	(443)	3,137	(1,748)	81	(1,584)	197
Total district-wide	<u>\$ 153,500</u>	<u>\$ 179,418</u>	<u>\$ (71,111)</u>	<u>\$ 2,092</u>	<u>\$ 8,134</u>	<u>\$ 97,133</u>	<u>\$ 402,625</u>	<u>\$ (352,944)</u>	<u>\$ 138,309</u>	<u>\$ 136,386</u>

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

Exhibit J-3

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved for:										
Encumbrances	\$ -	\$ -	\$ 20,643	\$ -	\$ -	\$ 42,532	\$ 8,311	\$ 2,879	\$ 6,720	\$ 19,046
Capital reserve	2,431	127,134	157,350	157,076	157,076	242,222	336,054	266,239	398,369	398,532
Maintenance reserve		60,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Emergency reserve			50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Excess surplus	175,497	144,722	55,392	88,487	90,240	98,684	98,005	102,505	104,576	186,480
Assigned fund balance										
Designated for subsequent year's expenditures			31,208	6,776	-	314	153	-	-	174
Unassigned	237,681	237,452	246,239	232,440	220,538	202,361	202,984	204,318	187,249	187,053
Total general fund	<u>\$ 415,609</u>	<u>\$ 569,308</u>	<u>\$ 630,832</u>	<u>\$ 604,779</u>	<u>\$ 587,854</u>	<u>\$ 706,113</u>	<u>\$ 765,507</u>	<u>\$ 695,941</u>	<u>\$ 816,914</u>	<u>\$ 911,285</u>
All Other Governmental Funds										
Reserved:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Encumbrances										
Unreserved, reported in:										
Special revenue fund										
Capital projects fund							531,848	2,957	201	201
Debt service fund										
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 531,848</u>	<u>\$ 2,957</u>	<u>\$ 201</u>	<u>\$ 201</u>

**West Cape May School District  
Changes in Fund Balances, Governmental Funds,  
Last Ten Fiscal Years**

**Exhibit J-4**

*(modified accrual basis of accounting)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Tax levy	\$ 897,846	\$ 893,129	\$ 887,065	\$ 905,454	\$ 858,618	\$ 873,041	\$ 887,788	\$ 1,025,402	\$ 1,043,241	\$ 1,068,583
Tuition charges	32,576	25,000	20,480	540	7,360	14,400	3,070	14,400	14,454	9,000
Interest earnings	3,890	1,981	1,321	32	73	146	63	157	23	163
Miscellaneous	26,543	18,763	38,197	9,564	4,369	15,426	13,311	11,821	8,395	12,719
State sources	272,900	232,362	228,542	289,903	416,496	576,423	950,525	679,641	781,344	847,018
Federal sources	28,928	35,793	30,390	29,855	43,757	61,590	65,018	38,611	77,526	74,672
<b>Total revenue</b>	<u>1,262,683</u>	<u>1,207,028</u>	<u>1,205,995</u>	<u>1,235,348</u>	<u>1,330,673</u>	<u>1,541,026</u>	<u>1,919,775</u>	<u>1,770,032</u>	<u>1,924,983</u>	<u>2,012,155</u>
<b>Expenditures</b>										
Instruction										
Regular Instruction	472,505	418,752	447,546	425,518	477,198	512,501	610,091	598,277	684,316	755,936
Special education instruction	50,013	69,541	60,804	74,135	68,480	93,245	83,295	151,731	128,220	77,952
Other special instruction	2,020	-	600	550	8,524	8,526	11,928	12,366	11,165	14,964
Other instruction										
Support Services:										
Tuition	65,039	47,884	59,018	18,353	2,300	22,167	14,067	27,358	18,326	55,888
Student & instruction related services	125,766	124,355	129,724	162,650	207,469	258,963	240,549	277,702	267,216	295,058
General and business admin. services	57,986	49,918	55,763	56,310	66,784	58,784	61,760	69,385	88,295	105,434
Plant operations and maintenance	109,260	94,830	115,943	147,378	117,605	115,998	103,660	121,344	112,136	119,568
Pupil transportation	10,000	7,398	15,623	30,411	7,102	9,011	10,702	10,974	2,858	19,353
Other support services	149,122	146,262	166,113	177,619	193,166	197,764	215,799	273,253	286,112	340,265
Special Schools										
Charter Schools										
Capital outlay		7,227	20,000	92,393	125,567	75,086	123,641	755,861	138,210	63,978
Debt service:										
Principal	50,000	50,000	50,000	55,000	55,000	55,000	55,000	60,000	60,000	60,000
Interest and other charges	28,519	26,082	23,644	21,084	18,403	15,722	13,041	10,238	7,312	4,388
<b>Total expenditures</b>	<u>1,120,230</u>	<u>1,042,249</u>	<u>1,144,778</u>	<u>1,261,401</u>	<u>1,347,598</u>	<u>1,422,767</u>	<u>1,543,533</u>	<u>2,368,489</u>	<u>1,804,166</u>	<u>1,912,784</u>
Excess (Deficiency) of revenues over (under) expenditures	142,453	164,779	61,217	(26,053)	(16,925)	118,259	376,242	(598,457)	120,817	99,371
<b>Other Financing sources (uses)</b>										
Proceeds from borrowing	-	-	-	-	-	-	215,000	-	-	-
Accrued interest on sale of bonds	-	-	-	-	-	-	-	-	-	-
Transfers in	489	307	-	306	-	-	89,231	154,474	18,611	-
Transfers out	(10,978)	(11,387)	-	(306)	-	-	(89,231)	(154,474)	(21,211)	(5,000)
<b>Total other financing sources (uses)</b>	<u>(10,489)</u>	<u>(11,080)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,000</u>	<u>-</u>	<u>(2,600)</u>	<u>(5,000)</u>
<b>Net change in fund balances</b>	<u>\$ 131,964</u>	<u>\$ 153,699</u>	<u>\$ 61,217</u>	<u>\$ (26,053)</u>	<u>\$ (16,925)</u>	<u>\$ 118,259</u>	<u>\$ 591,242</u>	<u>\$ (598,457)</u>	<u>\$ 118,217</u>	<u>\$ 94,371</u>
Debt service as a percentage of noncapital expenditures	7.01%	7.35%	6.55%	6.51%	6.01%	5.25%	4.79%	4.36%	4.04%	3.48%

**Source: District records**

Note: Noncapital expenditures are total expenditures less capital outlay.

**West Cape May School District**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

**Exhibit J-5**

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Refunds</u>	<u>Miscellaneous</u>	<u>Donations</u>	<u>Rentals</u>	<u>Total</u>
2009	\$ 3,890	\$ 32,576	\$ 25,043	\$ -	\$ -	\$ -	\$ 61,509
2010	1,971	25,000	18,113				45,084
2011	1,105	20,480	33,428	4,327			59,340
2012	752	540	3,151	611		5,050	10,104
2013	216	7,360	-	641	2,000		10,217
2014	179	14,400	12,674	513	2,000		29,766
2015	278	3,070	7,276	820	2,500		13,944
2016	157	14,400		1,821			16,378
2017	261	14,454	5,372	762			20,849
2018	293	9,000	11,839	36			21,168
	<u>\$ 9,102</u>	<u>\$ 141,280</u>	<u>\$ 116,896</u>	<u>\$ 9,531</u>	<u>\$ 6,500</u>	<u>\$ 5,050</u>	<u>\$ 288,359</u>

**Source: District records**

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

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2009	\$ 29,943,600	\$ 439,225,500	\$ 3,463,600	\$ 165,800	\$ 41,342,300	\$ 1,189,500	\$ 515,330,300	\$ 274,134	\$ 515,604,434	\$ 9,464,500	\$ 0.174	\$ 550,005,474
2010	26,233,300	443,515,200	3,582,300	216,100	40,695,500	1,189,500	515,431,900	266,363	515,698,263	9,970,200	0.173	469,807,800
2011	r 20,996,200	385,812,600	3,828,600	205,800	36,180,700	1,066,100	448,090,000	225,357	448,315,357	9,143,300	0.202	490,883,288
2012	19,404,000	389,387,800	3,828,600	205,800	36,215,900	1,066,100	450,108,200	210,266	450,318,466	9,445,000	0.191	494,415,656
2013	19,596,100	391,522,000	3,301,300	210,200	35,430,600	1,066,100	451,126,300	226,124	451,352,424	9,445,000	0.194	455,908,033
2014	18,272,800	394,148,500	3,301,300	210,200	35,647,800	1,066,100	452,646,700	153,222	452,799,922	9,662,400	0.197	439,431,249
2015	18,717,700	397,040,600	3,301,300	210,200	35,427,900	1,066,100	455,763,800	150,096	455,913,896	10,094,500	0.225	429,146,511
2016	18,128,200	399,794,400	3,301,300	210,200	35,069,100	1,066,100	457,569,300	146,736	457,716,036	10,094,500	0.228	439,244,856
2017	19,378,700	409,260,600	3,301,300	210,200	35,234,100	1,066,100	468,451,000	142,823	468,593,823	10,454,600	0.229	483,309,561
2018	15,962,500	424,392,600	3,301,300	220,500	35,969,500	1,066,100	480,912,500	150,824	481,063,324	10,454,600	0.247	499,169,212

Source: Municipal Tax Assessor

Note:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

c Information not available.

r Reassessment.

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

**Exhibit J-7**

Fiscal Year Ended June 30,	West Cape May School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Borough of West Cape May	Regional School	Cape May County	
2009	\$ 0.165	\$ 0.009	\$ 0.174	\$ 0.273	\$ 0.335	\$ 0.197	\$ 0.979
2010	0.164	0.009	0.173	0.283	0.333	0.202	0.991
2011	0.191	0.011	0.202	0.337	0.389	0.242	1.170
2012	0.180	0.011	0.191	0.346	0.356	0.256	1.149
2013	0.184	0.010	0.194	0.331	0.294	0.248	1.067
2014	0.107	0.010	0.197	0.330	0.378	0.244	1.149
2015	0.215	0.010	0.225	0.331	0.353	0.240	1.149
2016	0.218	0.010	0.228	0.350	0.397	0.247	1.222
2017	0.220	0.009	0.229	0.356	0.365	0.272	1.222
2018	0.239	0.008	0.247	0.357	0.382	0.279	1.265

**Source: Municipal Tax Collector**

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

**Exhibit J-8**

Taxpayer	2018		Taxpayer	2009	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Wilbraham Mansion, LLC	\$ 3,242,100	0.67%	Raysun Property Management	\$ 2,975,500	0.58%
Rayson Property Management	2,750,000	0.57%	CVS Property Management	2,149,900	0.42%
The Depot Travel Park, Inc.	2,729,900	0.57%	Depot Travel Park, Inc.	2,520,300	0.49%
Cape May Lumber Company	2,300,000	0.48%	Cape May Lumber	1,807,400	0.35%
CVS, Inc.	2,138,900	0.44%	Individual #1	1,516,600	0.29%
Individual #1	2,058,200	0.43%	Cape West Associates Inc.	1,353,400	0.26%
Cape West Associates, Inc.	1,862,800	0.39%	CMC Development Inc.	1,186,700	0.23%
Individual #2	1,594,300	0.33%	West Cape May Properties	995,800	0.19%
Individual #3	1,649,614	0.34%	Linnington/Citrino Partnership	826,600	0.16%
SPE Labrusciano, LLC	1,114,800	0.23%	Individual #2	824,200	0.16%
<b>Total</b>	<b>\$ 21,440,614</b>	<b>4.46%</b>		<b>\$ 16,156,400</b>	<b>3.13%</b>

**Source:** Municipal Tax Assessor

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

**Exhibit J-9**

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 897,846	\$ 897,846	100.00%	-
2010	893,129	893,129	100.00%	-
2011	887,065	887,065	100.00%	-
2012	905,454	905,454	100.00%	-
2013	858,618	858,618	100.00%	-
2014	873,041	873,041	100.00%	-
2015	887,788	887,788	100.00%	-
2016	1,025,402	1,025,402	100.00%	-
2017	1,043,241	1,043,241	100.00%	-
2018	1,068,583	1,068,583	100.00%	-

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

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Unfunded Pension Liability	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2009	\$ 560,000		\$ -	\$ -	\$ -	\$ 560,000	1.31%	\$ 569
2010	510,000		-	-	-	510,000	1.13%	501
2011	460,000		-	-	-	460,000	0.97%	451
2012	405,000		-	-	-	405,000	0.82%	397
2013	350,000		-	-	-	350,000	0.70%	345
2014	295,000		-	-	-	295,000	0.58%	292
2015	240,000		215,000	-	-	455,000	0.85%	452
2016	180,000		174,121	-	-	354,121	0.64%	351
2017	120,000		132,209	-	-	252,209	c	248
2018	60,000		89,236	-	-	149,236	c	c

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

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

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

**Exhibit J-11**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 560,000	\$ -	\$ 560,000	0.11%	569
2010	510,000	-	510,000	0.10%	501
2011	460,000	-	460,000	0.10%	451
2012	405,000	-	405,000	0.09%	397
2013	350,000	-	350,000	0.08%	345
2014	295,000	-	295,000	0.07%	292
2015	240,000	-	240,000	0.05%	238
2016	180,000	-	180,000	0.04%	178
2017	120,000	-	120,000	0.03%	118
2018	60,000	-	60,000	0.01%	c

**Note:** Details regarding the district's outstanding debt can be found in the notes to the financial statements.  
**a** See Exhibit J-6 for property tax data.  
**b** Population data can be found in Exhibit J-14.  
**c** Not available.

**West Cape May School District  
Ratios of Overlapping Governmental Activities Debt  
As of December 31, 2017**

**Exhibit J-12**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Borough of West Cape May	\$ 653,702	100.000%	\$ 653,702
Lower Cape May Regional School Debt	9,862,000	6.581%	648,996
Cape May County General Obligation Debt	226,578,595	0.985%	2,231,799
			<hr/>
Subtotal, overlapping debt			3,534,497
<b>West Cape May School District Direct Debt</b>			<hr/> 60,000
<b>Total direct and overlapping debt</b>			<hr/> <b>\$ 3,594,497</b> <hr/>

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

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

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

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

**Exhibit J-13**

**Legal Debt Margin Calculation for Fiscal Year 2018**

	Equalized valuation basis	
	2015	\$ 436,973,921
	2016	471,575,080
	2017	485,693,105
	<b>[A]</b>	<u>\$ 1,394,242,106</u>
Average equalized valuation of taxable property	<b>[A/3]</b>	\$ 464,747,369
Debt limit (2 1/2% of average equalized valuation)	<b>[B]</b>	11,618,684 <sup>a</sup>
Net bonded school debt	<b>[C]</b>	60,000
Legal debt margin	<b>[B-C]</b>	<u>\$ 11,558,684</u>

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 12,053,590	\$ 12,306,830	\$ 12,309,782	\$ 12,241,548	\$ 11,950,487	\$ 11,525,734	\$ 10,976,713	\$ 10,833,196	\$ 11,118,407	\$ 11,618,684
Total net debt applicable to limit	<u>560,000</u>	<u>510,000</u>	<u>460,000</u>	<u>405,000</u>	<u>350,000</u>	<u>295,000</u>	<u>240,000</u>	<u>180,000</u>	<u>120,000</u>	<u>60,000</u>
Legal debt margin	<u>\$ 11,493,590</u>	<u>\$ 11,796,830</u>	<u>\$ 11,849,782</u>	<u>\$ 11,836,548</u>	<u>\$ 11,600,487</u>	<u>\$ 11,230,734</u>	<u>\$ 10,736,713</u>	<u>\$ 10,736,713</u>	<u>\$ 10,998,407</u>	<u>\$ 11,558,684</u>
Total net debt applicable to the limit as a percentage of debt limit	4.65%	4.14%	3.74%	3.31%	2.93%	2.56%	2.19%	1.66%	1.08%	0.52%

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

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

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

**Exhibit J-14**

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2009	985	\$ 42,741,120	\$ 43,392	13.0%
2010	1,017	45,152,766	44,398	13.5%
2011	1,020	47,662,560	46,728	14.2%
2012	1,020	49,426,140	48,457	15.2%
2013	1,015	49,988,750	49,250	18.8%
2014	1,010	51,217,100	50,710	10.4%
2015	1,007	53,581,463	53,209	9.9%
2016	1,010	55,413,650	54,865	9.2%
2017	1,015	e	e	7.9%
2018	e	e	e	e

**Source:**

- <sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development.
- <sup>b</sup> Personal income for West Cape May Borough.
- <sup>c</sup> Per Capita income for Cape May County.
- <sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development.
- <sup>e</sup> Not available.

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

**Exhibit J-16**

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction										
Regular	7	7	5	6	4	5	5	6	6	6
Special education	1	1	1	1	1	1	1	1	1	1
Other instruction	3	3	3	3	5	5	6	6	6	6
Support Services:										
General and business administrative services	1	1	1	1	1	1	2	2	2	2
Plant operations and maintenance	1	1	1	1	1	1	1	1	1	1
Business and other support services	1	1	1	1	1	1	1	1	1	1
Total	<u>14</u>	<u>14</u>	<u>12</u>	<u>13</u>	<u>13</u>	<u>14</u>	<u>16</u>	<u>17</u>	<u>17</u>	<u>17</u>

**Source:** District Personnel Records

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

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
							Elementary				
2009	42	\$ 1,041,711	\$ 24,803	23.40%	7		1 to 6	42.2	39.5	-19.20%	93.60%
2010	36	958,940	26,637	7.39%	7		1 to 6	37.2	35.4	-11.85%	95.16%
2011	40	1,051,134	26,278	-0.13%	5		1 to 8	42.0	39.5	12.90%	94.05%
2012	56	1,092,924	19,517	-25.73%	5		1 to 10	51.8	49.5	23.33%	95.56%
2013	71	1,148,628	16,178	-17.11%	5		1 to 13	65.8	62.2	27.03%	94.53%
2014	78	1,276,959	16,371	1.19%	6		1 to 13	75.4	71.7	14.59%	95.06%
2015	80	1,351,851	16,898	3.21%	6		1 to 14	82.1	76.6	8.89%	93.30%
2016	88	1,542,390	17,527	3.72%	8		1 to 11	82.4	79.1	0.36%	95.91%
2017	98	1,598,644	16,313	3.72%	8		1 to 11	95.1	90.2	0.36%	95.91%
2018	102	1,784,418	17,494	7.24%	8		1 to 11	100.5	94.5	5.68%	94.05%

Sources: District records

Note: Enrollment based on annual October district count.

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

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

**Exhibit J-18**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>District Building</u></b>										
<u>Elementary</u>										
West Cape May Elementary (1963)										
Square Feet	17,233	17,233	17,233	17,233	17,233	17,233	17,233	17,233	17,233	17,233
Capacity (students)	118	118	118	118	118	118	118	118	118	118
Enrollment	42	37	42	56	65	75	82	88	95	100

Number of Schools at June 30, 2018  
 Elementary = 1  
 Other = 0

**Source:** District Facilities Office  
 Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October district count.

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

Exhibit J-19

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
* School Facilities											
West Cape May School	\$ 8,757	\$ 3,603	\$ 17,425	\$ 44,396	\$ 18,980	\$ 12,185	\$ 8,413	\$ 15,010	\$ 8,274	\$ 11,453	\$ 148,496
Project # (s)											
Total School Facilities	<u>\$ 8,757</u>	<u>\$ 3,603</u>	<u>\$ 17,425</u>	<u>\$ 44,396</u>	<u>\$ 18,980</u>	<u>\$ 12,185</u>	<u>\$ 8,413</u>	<u>\$ 15,010</u>	<u>\$ 8,274</u>	<u>\$ 11,453</u>	<u>\$ 148,496</u>

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

Source: District records

**West Cape May School District  
Insurance Schedule  
June 30, 2018**

**Exhibit J-20**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Property - Blanket and Personal Property	\$ 3,881,160	\$ 1,000
Extra Expense	50,000,000	1,000
Valuable Papers and Records	10,000,000	1,000
Equipment Breakdown	100,000,000	1,000
Cyber Liability	1,000,000	
Environmental Package	1,000,000	100,000
Computer Hardware	100,000	1,000
Blanket Faithful Performance	50,000	1,000
Depositors Forgery and Alteration	25,000	1,000
Money and Securities	10,000	1,000
Computer Fraud	25,000	1,000
General Liability Including Student Accident (1)	6,000,000	
Automobile Non Ownership Liability (1)	6,000,000	
School Leaders Errors and Omissions (1)	6,000,000	5,000
Workers Compensation (1)	Statutory	
Student Accident Coverage (2)		
Accidental Medical Benefits	1,000,000	
Excess Medical Benefits	5,000,000	25,000
Surety Bonds - (1)		
Board Secretary/Business Administrator	100,000	1,000
Treasurer	115,000	1,000

(1) - New Jersey School Boards Association Insurance Group

(2) - McCloskey Insurance

Source: District records

**Single Audit Section**

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American Institute of CPAs  
New Jersey Society of CPAs

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

**INDEPENDENT AUDITOR’S REPORT**

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

**Report on Compliance for Each Major State Program**

I have audited West Cape May School District (School District), in the County of Cape May, State of New Jersey’s compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District’s major state programs for the fiscal year ended June 30, 2018. The School District's major 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

**Auditor’s Responsibility**

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

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

### Opinion on Each Major State Program

In my opinion, the West Cape May School District, in the County of Cape May, State of New Jersey complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2018.

### Report on Internal Control Over Compliance

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

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

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

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

**INVERSO & STEWART, LLC**

Certified Public Accountants



Robert P. Inverso

Certified Public Accountant

Public School Accountant No. CS001095

Marlton, New Jersey  
January 31, 2019

WEST CAPE MAY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
for the Fiscal Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2017			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2018		
						Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
<b>U.S. Department of Education</b>															
<u>General Fund:</u>															
Medical Assistance Program (SEMI)	93.778	1805NJ5MAP	N/A	\$ 267	7/1/17 - 6/30/18	\$ -	\$ -	\$ -	\$ -	\$ 267	\$ (267)	\$ -	\$ -	\$ -	\$ -
Total General Fund						-	-	-	-	267	(267)	-	-	-	-
<u>Special Revenue Fund:</u>															
REAP Grant	84.358A	S358A170030	REAP-5610-18	17,868	7/1/17 - 6/30/18					17,868	(17,868)				
<u>Every Student Succeeds Act (ESSA)</u>															
Title I	84.010A	S010A170030	ESSA-5610-18	49,793	7/1/17 - 6/30/18						(30,330)		(30,330)		
Title II - Part A	84.367A	S367A170029	ESSA-5610-18	2,118	7/1/17 - 6/30/18					1,600	(1,600)				
Title III	84.365	S365A170030	ESSA-5610-18	655	7/1/17 - 6/30/18					655	(655)				
Title IV	84.424	S424A170031	ESSA-5610-18	10,000	7/1/17 - 6/30/18					1,012	(1,012)				
<u>No Child Left Behind(N.C.L.B.)</u>															
Title I	84.010A	S010A160030	NCLB-5610-17	53,875	7/1/16 - 6/30/17	(26,758)				26,758					
Title II - Part A	84.367A	S367A160029	NCLB-5610-17	3,085	7/1/16 - 6/30/17	(3,085)				3,085					
Title III	84.365	S365A160030	NCLB-5610-17	728	7/1/16 - 6/30/17	(728)				728					
<u>Individuals With Disabilities Imp. Act (I.D.E.A.)</u>															
Part B - Basic - Prior Year	84.027	H027A170100	IDEA-5610-18	21,601	7/1/17 - 6/30/18				738	21,164	(22,339)		(437)		
Part B - Basic - Current Year	84.027	H027A160100	IDEA-5610-17	20,199	7/1/16 - 6/30/17	(17,464)			(738)	18,202					
Part B - Preschool - Current Year	84.173	H173A170114	IDEA-5610-18	601	7/1/17 - 6/30/18					559	(601)		(42)		
Total Special Revenue Fund						(48,035)	-	-	-	91,631	(74,405)	-	(30,809)	-	-
<b>U.S. Department of Agriculture</b>															
<u>Enterprise Fund:</u>															
National School Lunch Program	10.555	181NJ304N1099	N/A	8,669	7/1/17 - 6/30/18					8,056	(8,669)		(613)		
National School Lunch Program	10.555	171NJ304N1099	N/A	10,405	7/1/16 - 6/30/17	(640)				640		-			
School Breakfast Program	10.553	181NJ304N1099	N/A	5,502	7/1/17 - 6/30/18					5,151	(5,502)		(351)		
School Breakfast Program	10.553	171NJ304N1099	N/A	5,635	7/1/16 - 6/30/17	(263)				263					
Total Enterprise Fund						(903)	---	---	---	14,110	(14,171)	---	(964)	---	---
Total Federal Awards						\$ (48,938)	\$ -	\$ -	\$ -	\$ 106,008	\$ (88,843)	\$ -	\$ (31,773)	\$ -	\$ -

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

**WEST CAPE MAY SCHOOL DISTRICT**  
**Schedule of Expenditures of State Financial Assistance**  
**for the Fiscal Year ended June 30, 2018**

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2017			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	June 30, 2018		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
<b>State Department of Education</b>													
<u>General Fund:</u>													
Special Education Categorical Aid	18-495-034-5120-089	\$ 28,525	7/1/17 - 6/30/18	\$ -	\$ -	\$ -	\$ -	\$ 25,676	\$ (28,525)	\$ -	\$ (2,849)	\$ -	\$ -
Special Education Categorical Aid	17-495-034-5120-089	28,525	7/1/16 - 6/30/17	(2,848)				2,848					
Security Aid	18-495-034-5120-084	6,810	7/1/17 - 6/30/18					6,130	(6,810)		(680)		
Security Aid	17-495-034-5120-084	6,810	7/1/16 - 6/30/17	(680)				680					
School Choice Aid	18-495-034-5120-068	548,457	7/1/17 - 6/30/18					493,679	(548,457)		(54,778)		
School Choice Aid	17-495-034-5120-068	548,457	7/1/16 - 6/30/17	(54,759)				54,759					
Transportation Aid	18-495-034-5120-014	5,454	7/1/17 - 6/30/18					4,909	(5,454)		(545)		
Transportation Aid	17-495-034-5120-014	5,454	7/1/16 - 6/30/17	(544)				544					
Under Adequacy Aid	18-495-034-5120-083	38,690	7/1/17 - 6/30/18					34,826	(38,690)		(3,864)		
Under Adequacy Aid	17-495-034-5120-083	38,690	7/1/16 - 6/30/17	(3,863)				3,863					
PARCC Readiness Aid	18-495-034-5120-098	830	7/1/17 - 6/30/18					747	(830)		(83)		
PARCC Readiness Aid	17-495-034-5120-098	830	7/1/16 - 6/30/17	(83)				83					
Per Pupil Growth Aid	18-495-034-5120-097	830	7/1/17 - 6/30/18					747	(830)		(83)		
Per Pupil Growth Aid	17-495-034-5120-097	830	7/1/16 - 6/30/17	(83)				83					
Professional Learning Community Aid	18-495-034-5120-101	650	7/1/17 - 6/30/18					585	(650)		(65)		
Professional Learning Community Aid	17-495-034-5120-101	650	7/1/16 - 6/30/17	(65)				65					
Reimbursement of Nonpublic Transportation	17-495-034-5120-014	174	7/1/16 - 6/30/17	(174)				174					
Lead Testing for Schools Aid	17-495-034-5120-104	330	7/1/16 - 6/30/17	(330)				330					
On Behalf TPAF Pension	18-495-034-5094-002	86,749	7/1/17 - 6/30/18					86,749	(86,749)				
On Behalf TPAF Post Retirement Medical	18-495-034-5094-001	56,029	7/1/17 - 6/30/18					56,029	(56,029)				
On Behalf TPAF Long Term Disability Insurance	18-495-034-5094-004	125	7/1/17 - 6/30/18					125	(125)				
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	52,161	7/1/17 - 6/30/18					49,668	(52,161)		(2,493)		
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	46,341	7/1/16 - 6/30/17	(673)				673					
Total General Fund				(64,102)				823,972	(825,310)		(65,440)		
<u>Debt Service Fund</u>													
Debt Service Aid Type II	18-495-034-5120-017	27,130	7/1/17 - 6/30/18					27,130	(27,130)				
<b>State Department of Agriculture</b>													
<u>Enterprise Fund:</u>													
State School Lunch Program	18-100-010-3350-023	257	7/1/17 - 6/30/18					237	(257)		(20)		
State School Lunch Program	17-100-010-3350-023	506	7/1/16 - 6/30/17	(18)				18					
Total Enterprise Fund				(18)				255	(257)		(20)		
Total State Financial Assistance				\$ (64,120)	\$ -	\$ -	\$ -	\$ 851,357	\$ (852,697)	\$ -	\$ (65,460)	\$ -	\$ -
Less: State Financial Assistance Not Subject to Major Program Determination													
On-Behalf TPAF Contribution - Pension (Non-Budgeted)									(86,749)				
On-Behalf TPAF Contribution - Post-Retirement Medical (Non-Budgeted)									(56,029)				
On-Behalf TPAF Contribution - Long Term Disability Insurance (Non-Budgeted)									(125)				
Total State Financial Assistance Subject to Major Program Determination									(709,794)				

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

**West Cape May School District  
Notes to Schedules of Expenditures  
of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2018**

**1. GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, West Cape May School District. The Board of Education is defined in Note 1 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, are included on the schedules of expenditures of federal awards and state financial assistance.

**2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The school district has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$22) for the general fund and \$0 for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General	\$ 267	\$ 825,288	\$ 825,555
Special Revenue	74,405	-	74,405
Debt Service	-	27,130	27,130
Food Service	14,171	257	14,428
Total	<u>\$ 88,843</u>	<u>\$ 852,675</u>	<u>\$ 941,518</u>

**West Cape May School District**  
**Notes to the Schedules of Expenditures**  
**of Federal Awards and State Financial Assistance**  
**For the Fiscal Year Ended June 30, 2018**  
**(Continued)**

**4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**5. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the School District for the year ended June 30, 2018. TPAF Social Security Contributions represents 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.

**6. MAJOR PROGRAMS**

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





**WEST CAPE MAY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Section 2 -- Schedule of Financial Statement Findings**

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

**Finding #2018-001**

**Criteria or specific requirement:**

The New Jersey Division of Pensions requires the enrollment of eligible employees into a pension plan.

**Condition:**

Several employees who appear to be eligible were not enrolled in the pension system.

**Context:**

The test of pension eligible employees disclosed several employees who were not enrolled in the pension system.

**Effect:**

By not enrolling employees in the pension system, penalties may be assessed by the Division of Pensions.

**Cause:**

Unknown

**Recommendation:**

That the District enroll all eligible employees into the pension system.

**View of responsible officials and planned corrective action:**

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

**WEST CAPE MAY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Section 2 -- Schedule of Financial Statement Findings (Continued)**

**Finding #2018-002**

**Criteria or specific requirement:**

The Board Secretary's Financial Report should properly reflect true balances for all balance sheet accounts, budgetary revenues, and budgetary expenditures.

**Condition:**

The financial records reflect errors in accounts receivable, revenues, and expenditures which required audit adjustments.

**Context:**

The annual PERS Pension bill was not charged to the budget appropriation.  
Healthcare deductions were not transferred from the Payroll Agency Fund and refunded to the Health Benefits budget appropriation.  
During the year, the Board Secretary Report cash balances did not agree with the Treasurer's Report.

**Effect:**

Improper financial decisions may be taken by the Board of Education if financial reports do not properly reflect true balances.

**Cause:**

The former Business Administrator left the District prior to June 30, 2018, and all final adjustments were not made.

**Recommendation:**

The financial records including all assets, liabilities, revenues, and expenditures should be reviewed on a monthly basis for accuracy.

**View of responsible officials and planned corrective action:**

The responsible officials agree with the finding and will review the Board Secretary's Report on a monthly basis for accuracy.

**WEST CAPE MAY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Circular 15-08-OMB.

**FEDERAL AWARDS:**

A federal single audit was not required.

**STATE AWARDS:**

No findings identified.

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

This section identifies the status of prior year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Circular 15-08-OMB.

**FINANCIAL STATEMENT FINDINGS**

There were no prior year audit findings

**FEDERAL AWARDS**

A federal single audit was not required.

**STATE AWARDS**

There were no prior year audit findings.