

**SCHOOL DISTRICT
OF**

**LOWER
CAPE MAY
REGIONAL**

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

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

**Comprehensive Annual
Financial Report**

of the

**Lower Cape May Regional
Board of Education**

Cape May, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by
Lower Cape May Regional Board of Education
Finance Department

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	2
Organizational Chart	8
Roster of Officials	9
Consultants and Advisors	10

FINANCIAL SECTION

Independent Auditor's Report	12
K-1 Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	15
Required Supplementary Information - Part I Management's Discussion and Analysis	18
Basic Financial Statements	
A. District-wide Financial Statements:	
A-1 Statement of Net Position	28
A-2 Statement of Activities	29
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	31
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	32
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33
Proprietary Funds:	
B-4 Statement of Net Position	34
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	35
B-6 Statement of Cash Flows	36
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	37
B-8 Statement of Changes in Fiduciary Net Position	38
Notes to the Financial Statements	39

Required Supplementary Information - Part II

C.	Budgetary Comparison Schedules	
C-1	Budgetary Comparison Schedule - General Fund	69
C-1a	Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (if applicable)	N/A
C-2	Budgetary Comparison Schedule - Special Revenue Fund	76
	Notes to the Required Supplementary Information	
C-3	Budget-to-GAAP Reconciliation	77

Required Supplementary Information - Part III

L.	Schedules Related to Accounting and Reporting for Pensions (GASB-68)	
L-1	Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System	79
L-2	Schedule of the District Contributions - Public Employees Retirement System	80
L-3	Schedule of the District's Proportionate Share of the Net Pension Liability - Teachers' Pension and Annuity Fund	81
	Notes to the Required Supplementary Information Part III	82

Other Supplementary Information

D.	School Level Schedules :	N/A
E.	Special Revenue Fund:	
E-1	Combining Schedule of Revenues and Expenditures Special Revenue Fund - Budgetary Basis	85
F.	Capital Projects Fund:	
F-1	Summary Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis	87
F-2	Summary Statement of Project Expenditures	89
G.	Proprietary Fund:	
	Enterprise Fund:	
G-1	Combining Statement of Net Position	91
G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Position	92
G-3	Combining Statement of Cash Flows	93
H.	Fiduciary Funds:	
H-1	Combining Statement of Fiduciary Net Position	95
H-2	Combining Statement of Changes in Fiduciary Net Position	96
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	97
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	98

I. Long-Term Debt:

I-1	Schedule of Serial Bonds	100
I-2	Schedule of Obligations under Capital Leases	101
I-3	Budgetary Comparison Schedule	102

STATISTICAL SECTION (Unaudited)

Financial Trends

J-1	Net Position by Component	104
J-2	Changes in Net Position, Last Ten Fiscal Years	105
J-3	Fund Balances, Governmental Funds, Last Ten Fiscal Years	107
J-4	Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	108
J-5	General Fund - Other Local Revenue by Source, Last Ten Fiscal Years	109

Revenue Capacity

J-6	Assessed Value and Actual Value of Taxable Property, Last Ten Fiscal Years	110
J-7	Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	113
J-8	Principal Property Tax Payers, Current Year and Nine Years Ago	114
J-9	Property Tax Levies and Collections, Last Ten Fiscal Years	115

Debt Capacity

J-10	Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	116
J-11	Ratios of Net General Bonded Debt Outstanding, Last Ten Fiscal Years	117
J-12	Ratios of Overlapping Governmental Activities Debt, As of December 31, 2016	118
J-13	Legal Debt Margin Information, Last Ten Fiscal Years	119

Demographic and Economic Information

J-14	Demographic and Economic Statistics	120
J-15	Principal Employers, Current Year & Nine Years Ago (information not available)	N/A

Operating Information

J-16	Full-time Equivalent District Employees by Function/Program, Last Ten Fiscal Years	121
J-17	Operating Statistics, Last Ten Fiscal Years	122
J-18	School Building Information, Last Ten Fiscal Years	123
J-19	Schedule of Required Maintenance, Last Ten Fiscal Years	124
J-20	Insurance Schedule	125

SINGLE AUDIT SECTION

K-2	Report on Compliance for Each Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey Circular 15-08-OMB	127
K-3	Schedule of Expenditures of Federal Awards, Schedule A	129
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	130
K-5	Notes to the Schedules of Awards and Financial Assistance	131
K-6	Schedule of Findings and Questioned Costs	133
K-7	Financial Statement Findings	135
K-7	Federal Awards and State Financial Assistance Findings and Questioned Costs	136
K-8	Summary Schedule of Prior Audit Findings	137

Introductory Section

CHRISTOPHER H. KOBIK
Superintendent

RICHARD J. HOOYMAN
President

MARK G. MALLET
Business Administrator/Board Secretary

GARY PLAYFORD
Vice-President

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

CITY OF CAPE MAY

TOWNSHIP OF LOWER

BOROUGH OF WEST CAPE MAY

November 9, 2017

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

The comprehensive annual financial report of the Lower Cape May Regional School District for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

1. REPORTING ENTITY AND ITS SERVICES:

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

The District provides a full range of educational services appropriate to grade levels 7 through 12. These include regular and vocational, as well as special education for handicapped youngsters. The District completed the 2016/17 fiscal year with an enrollment of 1,325 students, which is a 2.14% decrease from the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2016/17	1,325	(2.14)%
2015/16	1,354	(3.70)%
2014/15	1,406	0.72%
2013/14	1,396	(4.51)%
2012/13	1,462	(4.61)%
2011/12	1,528	(5.03)%
2010/11	1,609	(0.43)%
2009/10	1,616	(0.98)%
2008/09	1,632	(5.72)%
2007/08	1,731	(0.08)%

2. ECONOMIC CONDITION AND OUTLOOK:

Lower Township

Description of Governmental Structure:

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

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

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

Population:

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

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

Cape May

Governmental Structure:

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

History and Geography:

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

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

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

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

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

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

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

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

West Cape May

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

3. MAJOR INITIATIVES:

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

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

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

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

4. INTERNAL ACCOUNTING CONTROLS:

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

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

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

5. BUDGETARY CONTROLS:

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

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

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law required governmental units to deposit public funds only in public depositories located in⁶New Jersey, where the funds are secured in accordance with the Act.

8. RISK MANAGEMENT:

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

9. OTHER INFORMATION:


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

10. ACKNOWLEDGEMENTS:

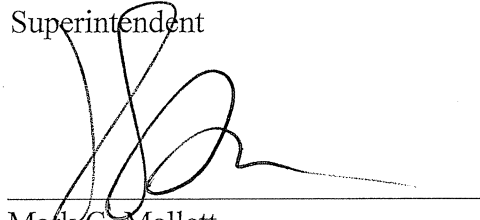
We would like to express our appreciation to the members of the Lower Cape May Regional School District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance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

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

Respectfully submitted,

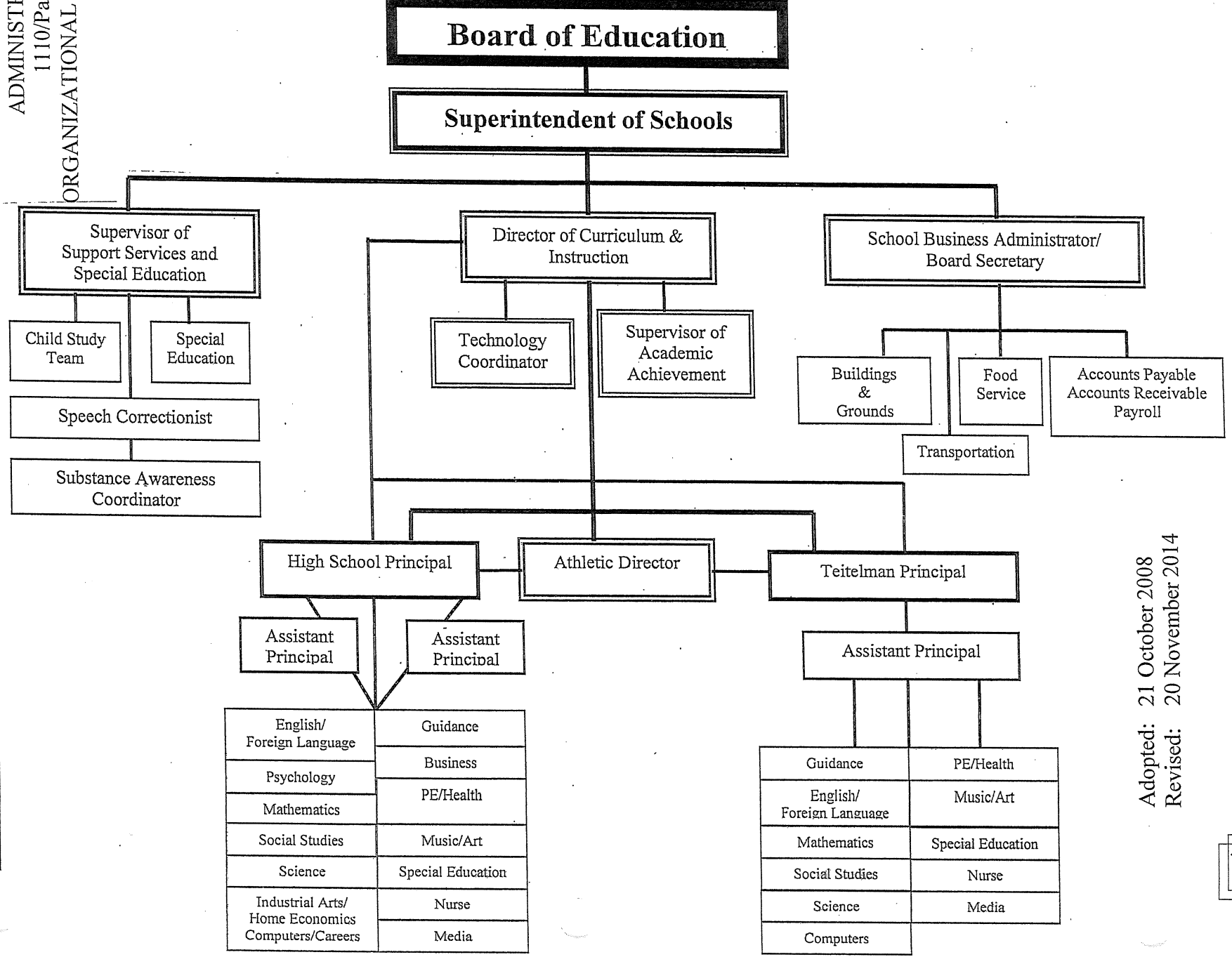


Christopher H. Kobik
Superintendent

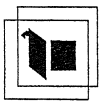


Mark G. Mallett
Business Administrator/
Board Secretary

Lower Cape May Regional School District
Organizational Chart



Adopted: 21 October 2008
Revised: 20 November 2014



**LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
CAPE MAY, NEW JERSEY 08204
ROSTER OF OFFICIALS
JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Richard J. Hooyman President	2018
Gary Playford Vice President	2018
Thomas Connelly, Jr.	2017
Gary Douglass	2019
Kathleen Elwell	2017
David Golden	2019
Nicole Morrison	2019
Harry Sundstrom	2018
Christopher Vassar	2017

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

Other Officials

Christopher H. Kobik, Superintendent

Mark G. Mallett, Business Administrator/Board Secretary

Ruth J. Foley, Treasurer

Brett Gorman, Solicitor

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT

Consultants and Advisors

Architect

Garrison Architects
713 Creek Road
Bellmawr, NJ 08031

Audit Firm

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

Attorney

Brett E.J. Gorman, Esquire
Parker McCay
9000 Midlantic Drive, Suite 300
PO Box 5054
Mount Laurel, NJ 08054-5054

Fiscal Agents

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

TD Bank, National Association
Corporate Trust Services
101 Haddonfield Rd., 2nd Floor
Cherry Hill, NJ 08002-4401

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

Official Depository

Sturdy Savings Bank
3851 Bayshore Road
North 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
E-Mail: iscpas@concentric.net

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Cape May Regional School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Cape May Regional School District, in the County of Cape May, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 9, 2017 on my consideration of the Lower Cape May Regional School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lower Cape May Regional School District's internal control over financial reporting and compliance.

INVERSO & STEWART, LLC
Certified Public Accountants



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

Marlton, New Jersey
November 9, 2017

INVERSO & STEWART, LLC
 Certified Public Accountants

651 Route 73 North, Suite 402
 Marlton, New Jersey 08053
 (856) 983-2244
 Fax (856) 983-6674
 E-Mail: iscpas@concentric.net

-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
 Lower Cape May Regional School District
 County of Cape May
 Cape May, New Jersey

I have audited, in accordance with the auditing standards generally accepted in the United States of America, 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 Lower Cape May Regional School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued my report thereon dated November 9, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters


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

Purpose of this Report

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

INVERSO & STEWART, LLC

Certified Public Accountants



Robert P. Inverso

Certified Public Accountant

Public School Accountant No. CS001095

Marlton, New Jersey
November 9, 2017

Required Supplementary Information - Part I

Management's Discussion and Analysis

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

As management of the Board of Education of the Lower Cape May Regional School District in Cape May New Jersey, we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by \$1,750,831 (*net position*).
- Governmental activities have an unrestricted net position deficit of \$13,561,376. The accounting treatments in the governmental funds for compensated absences payable, net pension liability, and the June state aid payments, and the state statute that prohibits school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net position of the School District decreased by \$2,422,931, or a 58.05% decrease from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds decreased by \$1,656,892 resulting in an ending fund balance of 10,657,771. This decrease is largely due to the results of operations in the General Fund and Capital Projects Fund.
- Business-type activities have unrestricted net position of \$55,605, which may be used to meet the School District's ongoing obligations of the food service operations.
- The School District's long-term obligations increased by \$3,010,529 which is the result of the reduction of capital leases, serial bonds and compensated absences and an increase in the 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 fund is the Food Service Fund and is considered to be a major fund.

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

Notes to the Basic Financial Statements

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

Other Information

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

District-wide Financial Analysis

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

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

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

The assets of the primary government activities exceeded liabilities by \$1,676,012 with an unrestricted deficit balance of \$13,561,376. The net position of the primary government does not include internal balances.

A net investment of \$4,285,902 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's 1,325 public school students. Net position of \$5,040,940 have been restricted to provide resources for future capital expansion and renovation projects, \$1,800,000 is reserved for maintenance, \$4,838 is reserved for debt service, \$20,000 is reserved for scholarships, while \$4,085,708 has been restricted for budget appropriation.

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

**Lower Cape May Regional School District
Comparative Summary of Net Position
As of June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		District-Wide	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current assets	\$ 10,741,166	\$ 12,421,691	\$ 66,655	\$ 61,835	10,807,821	12,483,526
Capital assets	<u>16,775,587</u>	<u>16,978,762</u>	<u>19,214</u>	<u>23,029</u>	<u>16,794,801</u>	<u>17,001,791</u>
Total assets	<u>27,516,753</u>	<u>29,400,453</u>	<u>85,869</u>	<u>84,864</u>	<u>27,602,622</u>	<u>29,485,317</u>
Deferred Outflows of Resources	<u>4,735,391</u>	<u>2,069,290</u>			<u>4,735,391</u>	<u>2,069,290</u>
LIABILITIES						
Current liabilities	1,959,986	1,215,246	11,050	11,259	1,971,036	1,226,505
Noncurrent liabilities	<u>28,305,456</u>	<u>25,567,335</u>			<u>28,305,456</u>	<u>25,567,335</u>
Total Liabilities	<u>30,265,442</u>	<u>26,782,581</u>	<u>11,050</u>	<u>11,259</u>	<u>30,276,492</u>	<u>26,793,840</u>
Deferred Inflows of Resources	<u>310,690</u>	<u>587,005</u>			<u>310,690</u>	<u>587,005</u>
Net Position	<u>\$ 1,676,012</u>	<u>\$ 4,100,157</u>	<u>\$ 74,819</u>	<u>\$ 73,605</u>	<u>\$ 1,750,831</u>	<u>\$ 4,173,762</u>
Net Position Consists of:						
Net investment in Capital Assets	4,285,902	3,689,154	19,214	23,029	4,305,116	3,712,183
Restricted Assets	10,951,486	12,565,054			10,951,486	12,565,054
Unrestricted Assets	<u>(13,561,376)</u>	<u>(12,154,051)</u>	<u>55,605</u>	<u>50,576</u>	<u>(13,505,771)</u>	<u>(12,103,475)</u>
Net Position	<u>\$ 1,676,012</u>	<u>\$ 4,100,157</u>	<u>\$ 74,819</u>	<u>\$ 73,605</u>	<u>\$ 1,750,831</u>	<u>\$ 4,173,762</u>

**Lower Cape May Regional School District
Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		District-Wide	
	2017	2016	2017	2016	2017	2016
Revenues:						
Charges for services	\$ -	\$ -	\$ 352,828	\$ 344,221	\$ 352,828	\$ 344,221
Operating Grants and contributions	4,141,326	3,795,741	442,666	429,320	4,583,992	4,225,061
Capital Grants and contributions					-	
Property taxes	20,852,827	20,338,999			20,852,827	20,338,999
State aid - unrestricted	10,032,655	9,833,476			10,032,655	9,833,476
Tuition	129,265	239,397				
Other revenues	230,803	352,916	47	25	230,850	352,941
Total Revenues	35,386,876	34,560,529	795,541	773,566	36,053,152	35,094,698
Expenses:						
Governmental Activities:						
Instruction	13,306,051	13,465,599			13,306,051	13,465,599
Tuition	2,475,403	2,370,107			2,475,403	2,370,107
Related Services	2,098,765	2,045,574			2,098,765	2,045,574
Administrative Services	1,669,227	1,680,009			1,669,227	1,680,009
Central Services	406,525	307,022				307,022
Operations and Maintenance	6,796,009	3,023,197			6,796,009	3,023,197
Transportation	1,358,762	1,339,556			1,358,762	1,339,556
Employee benefits	9,146,323	7,480,247			9,146,323	7,480,247
Charter Schools	62,856	23,644				23,644
Interest on debt	324,326	232,501			324,326	232,501
Other	33,089	34,053			33,089	34,053
Business-Type Activities:						
Food Service			928,012	953,238	928,012	953,238
Total Expenses	37,677,336	32,001,509	928,012	953,238	38,135,967	32,954,747
Increase (Decrease) in Net Position before transfers	(2,290,460)	2,559,020	(132,471)	(179,672)	(2,422,931)	2,379,348
Transfers	(133,685)	(204,612)	133,685	204,612		
Change in Net Position	(2,424,145)	2,354,408	1,214	24,940	(2,422,931)	2,379,348
Net Position, July 1	4,100,157	1,745,749	73,605	48,665	4,173,762	1,794,414
Net Position, June 30	<u>\$ 1,676,012</u>	<u>\$ 4,100,157</u>	<u>\$ 74,819</u>	<u>\$ 73,605</u>	<u>\$ 1,750,831</u>	<u>\$ 4,173,762</u>

Governmental Activities

Governmental activities decreased the net position of the School District by \$2,424,145 during the current fiscal year. Key elements of the decrease in net position for governmental activities are as follows:

- Total Governmental Funds results of operation decreased \$1,656,892.
- Depreciation expense was \$661,775.

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:

- The Food Service Fund had a net gain of \$1,214.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$10,657,771, a decrease of \$1,656,892 in comparison with the prior year. Most of this decrease is the results of operations in the General Fund and Capital Projects Fund

The unreserved fund balance for the School District at the end of the fiscal year includes a deficit unreserved fund balance for the General Fund of \$293,715. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) as restricted cash reserved for future capital outlay expenditures of \$3,181,633, 2) \$1,916,137 reserved as excess surplus, 3) \$1,800,000 reserved for maintenance, 5) \$2,104,341 reserved for encumbrances, 5) \$1,925,514 assigned for subsequent years expenditures, and 6) \$3,861 reserved for the repayment of debt, 7) \$20,000 reserved for the permanent fund.

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

General Fund Budgetary Highlights

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

At the end of the current fiscal year, unreserved fund balance (budgetary basis) of the general fund was \$585,594 while total fund balance (budgetary basis) was \$9,488,291. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$31,381,549 unreserved fund balance (budgetary basis) represents 1.87% of expenditures while total fund balance (budgetary basis) represents 30.24% 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 \$16,794,801 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was \$206,990, or a 1.22% decrease. The decrease is primarily due to depreciation expense.

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

	Governmental Activities		Business-Type Activities		District-Wide	
	2017	2016	2017	2016	2017	2016
Land	\$ 100	\$ 100	\$ -	\$ -	\$ 100	\$ 100
Site Improvements	270,000	300,000			270,000	300,000
Buildings and Building Improvements	14,756,363	14,813,505			14,756,363	14,813,505
Equipment	1,749,124	1,865,157	19,214	23,029	1,768,338	1,888,186
Total	<u>\$ 16,775,587</u>	<u>\$ 16,978,762</u>	<u>\$ 19,214</u>	<u>\$ 23,029</u>	<u>\$ 16,794,801</u>	<u>\$ 17,001,791</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, 2017, the School District had \$9,862,000 in serial bonds payable, \$2,627,685 in capital leases payable, \$1,688,983 in compensated absences, and \$15,447,063 in net pension liability.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$243,022,210. The available amount as of June 30, 2017 is \$233,160,210.

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

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the School District's budget for the 2017-18 fiscal year.

- For 2017-18 fiscal year the School District will be receiving a slight increase in state aid. The local tax levy in the General Fund increased by \$398,844 or 2.00%. Salaries continue to increase contractually; however, the District has managed to control costs. The 2017-18 General Fund Budget is \$1,378,896 greater than the previous year or a 4.38% increase.

For the Future

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

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

Requests for Information

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

Basic Financial Statements

District-Wide Financial Statements

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 5,300,840	\$ 36,457	\$ 5,337,297
Receivables, net	540,802	18,318	559,120
Inventory		11,880	11,880
Restricted assets:			
Capital reserve account	4,816,989		4,816,989
Cash held by fiscal agent	82,535		82,535
Capital assets, net (Note 5)	16,775,587	19,214	16,794,801
Total assets	<u>27,516,753</u>	<u>85,869</u>	<u>27,602,622</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	4,735,391		4,735,391
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	<u>32,252,144</u>	<u>85,869</u>	<u>32,338,013</u>
LIABILITIES:			
Accounts payable	488,996	877	489,873
Scholarships payable	607		607
Unearned revenue	253	5,173	5,426
Other liabilities	82,535	5,000	87,535
Accrued Interest	67,320		67,320
Noncurrent liabilities:			
Due within one year	1,320,275		1,320,275
Due beyond one year	28,305,456		28,305,456
Total liabilities	<u>30,265,442</u>	<u>11,050</u>	<u>30,276,492</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	310,690		310,690
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	<u>30,576,132</u>	<u>11,050</u>	<u>30,587,182</u>
NET POSITION:			
Net investment in capital assets	4,285,902	19,214	4,305,116
Restricted for:			
Capital Projects	5,040,940		5,040,940
Debt Service	4,838		4,838
Other purposes	5,905,708		5,905,708
Unrestricted	(13,561,376)	55,605	(13,505,771)
Total net position	<u>\$ 1,676,012</u>	<u>\$ 74,819</u>	<u>\$ 1,750,831</u>

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 9,936,892	\$ -	\$ 340,372	\$ (9,596,520)	\$ -	\$ (9,596,520)
Special education	2,496,784		401,271	(2,095,513)		(2,095,513)
Other instruction	872,375			(872,375)		(872,375)
Support Services:						
Tuition	2,475,403			(2,475,403)		(2,475,403)
Student & instruction related services	2,098,765		43,444	(2,055,321)		(2,055,321)
General administrative services	630,116			(630,116)		(630,116)
School administrative services	1,039,111			(1,039,111)		(1,039,111)
Central services	406,525			(406,525)		(406,525)
Plant operations and maintenance	6,796,009			(6,796,009)		(6,796,009)
Pupil transportation	1,358,762			(1,358,762)		(1,358,762)
Unallocated employee benefits	9,146,323		3,356,239	(5,790,084)		(5,790,084)
Charter schools	62,856			(62,856)		(62,856)
Interest on long-term debt	324,326			(324,326)		(324,326)
Unallocated depreciation and amortization	33,089			(33,089)		(33,089)
Total governmental activities	<u>37,677,336</u>		<u>4,141,326</u>	<u>(33,536,010)</u>		<u>(33,536,010)</u>
Business-type activities:						
Food service program	928,012	352,828	442,666		(132,518)	(132,518)
Total business-type activities	<u>928,012</u>	<u>352,828</u>	<u>442,666</u>		<u>(132,518)</u>	<u>(132,518)</u>
Total primary government	<u>\$ 38,605,348</u>	<u>\$ 352,828</u>	<u>\$ 4,583,992</u>	<u>\$ (33,536,010)</u>	<u>\$ (132,518)</u>	<u>\$ (33,668,528)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net				19,942,222		19,942,222
Taxes levied for debt service				910,605		910,605
Federal and state aid not restricted				10,032,655		10,032,655
Tuition				129,265		129,265
Transportation fees				104,755		104,755
Miscellaneous income				126,048	47	126,095
Transfer				(133,685)	133,685	
Total general revenues, special items, extraordinary items and transfers				<u>31,111,865</u>	<u>133,732</u>	<u>31,245,597</u>
Change in Net Position				<u>(2,424,145)</u>	<u>1,214</u>	<u>(2,422,931)</u>
Net Position - July 1				<u>4,100,157</u>	<u>73,605</u>	<u>4,173,762</u>
Net Position - June 30				<u>\$ 1,676,012</u>	<u>\$ 74,819</u>	<u>\$ 1,750,831</u>

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

Fund Financial Statements

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

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 3,251,281	\$ -	\$ 2,023,951	\$ 5,001	\$ 20,607	\$ 5,300,840
Receivables, net	145,595	394,869				540,464
Interfund receivable	399,954			4,837		404,791
Restricted cash and cash equivalents	4,899,524					4,899,524
Total assets	\$ 8,696,354	\$ 394,869	\$ 2,023,951	\$ 9,838	\$ 20,607	\$ 11,145,619
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable						-
Scholarships payable					607	607
Interfund payable	4,837	394,616		5,000		404,453
Other liabilities	82,535					82,535
Unearned revenues		253				253
Total liabilities	87,372	394,869		5,000	607	487,848
Fund Balances:						
Restricted for:						
Excess surplus	1,916,137					1,916,137
Excess surplus designated for Subsequent years expenditures	1,924,537					1,924,537
Capital reserve	3,016,989					3,016,989
Maintenance reserve	1,800,000					1,800,000
Permanent fund					20,000	20,000
Assigned to:						
Year-end encumbrances	245,034		1,859,307			2,104,341
Subsequent year's expenditures				977		977
Unassigned	(293,715)		164,644	3,861		(125,210)
Total fund balances	8,608,982	-	2,023,951	4,838	20,000	10,657,771
Total liabilities and fund balances	\$ 8,696,354	\$ 394,869	\$ 2,023,951	\$ 9,838	\$ 20,607	

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 \$32,072,892 and the accumulated depreciation is \$15,297,305.	16,775,587
Accounts payable related to the April 1, 2018 required PERS contribution that is not to be liquidated with current financial resources.	(488,996)
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	4,735,391
Net Pension Liability	(15,447,063)
Deferred Inflows of resources from Pensions	(310,690)
	(11,022,362)
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the funds.	(67,320)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Serial bonds payable	\$ (9,862,000)
Capital leases payable	(2,627,685)
Compensated absences	(1,688,983)
	(14,178,668)
Net position of governmental activities	\$ 1,676,012

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

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
REVENUES:						
Local sources:						
Local tax levy	\$ 19,942,222	\$ -	\$ -	\$ 910,605	\$ -	\$ 20,852,827
Tuition	129,265					129,265
Transportation fees	104,755					104,755
Interest earned	4,062					4,062
Miscellaneous	118,125		3,861			121,986
Total revenues-local sources	20,298,429		3,861	910,605		21,212,895
State sources	13,267,135					13,267,135
Federal sources	39,245	867,601				906,846
Total revenues	33,604,809	867,601	3,861	910,605	-	35,386,876
EXPENDITURES:						
Current expense:						
Regular instruction	9,201,439	340,372				9,541,811
Special education instruction	2,095,513	401,271				2,496,784
Other instruction	872,375					872,375
Support services and undistributed costs:						
Tuition	2,475,403					2,475,403
Student & instruction related services	2,055,321	43,444				2,098,765
General administrative services	530,850					530,850
School administrative services	1,039,111					1,039,111
Central services	406,525					406,525
Plant operations and maintenance	2,736,722					2,736,722
Pupil transportation	1,358,762					1,358,762
Unallocated employee benefits	7,638,616	82,514				7,721,130
Transfer to charter schools	62,856					62,856
Capital outlay	774,371		4,062,780			4,837,151
Debt service:						
Principal				600,000		600,000
Interest and other charges				317,357		317,357
Total expenditures	31,247,864	867,601	4,062,780	917,357	-	37,095,602
Excess (deficiency) of revenues over (under) expenditures	2,356,945	-	(4,058,919)	(6,752)	-	(1,708,726)
Other Financing Sources (Uses):						
Proceeds of Capital Leases	185,519					185,519
Transfers in				3,861		3,861
Transfers out	(133,685)		(3,861)			(137,546)
Total other financing sources (uses)	51,834	-	(3,861)	3,861	-	51,834
Net change in fund balance	2,408,779	-	(4,062,780)	(2,891)	-	(1,656,892)
Fund balances, July 1	6,200,203		6,086,731	7,729	20,000	12,314,663
Fund balances, June 30	<u>\$ 8,608,982</u>	<u>\$ -</u>	<u>\$ 2,023,951</u>	<u>\$ 4,838</u>	<u>\$ 20,000</u>	<u>\$ 10,657,771</u>

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

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

Total net change in fund balances - governmental funds (from B-2) \$ (1,656,892)

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

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

Depreciation expense	\$ (661,775)	
Capital outlay	<u>458,600</u>	(203,175)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities. 600,000

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities. 385,442

The proceeds of a capital lease is an other financing source of revenue in the governmental funds but is not reported in the statement of activities. (185,519)

Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities. (1,425,193)

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is a reduction in the reconciliation. (6,969)

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 (+). 68,161

Change in net position of governmental activities \$ (2,424,145)

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
for the Fiscal Year Ended June 30, 2017

	Business-type Activities Enterprise Funds
	Food Service Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 36,457
Accounts receivable	18,318
Inventories	11,880
	66,655
Total current assets	66,655
Noncurrent assets:	
Equipment	174,184
Less accumulated depreciation	(154,970)
	19,214
Total noncurrent assets	19,214
Total assets	\$ 85,869
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 877
Interfund payable	5,000
Unearned revenue	5,173
	11,050
Total liabilities	11,050
 NET POSITION	
Net investment in capital assets	19,214
Unrestricted	55,605
	74,819
Total net position	\$ 74,819

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

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

	Business-type Activities Enterprise Funds
	Food Service Fund
Operating revenues:	
Charges for services:	
Daily sales-reimbursable programs	\$ 139,948
Daily sales-non-reimbursable programs	212,880
	352,828
Operating expenses:	
Salaries	397,348
Employee benefits	193,685
Supplies and materials	8,265
Depreciation	3,815
Cost of sales - reimbursable programs	181,506
Cost of sales - nonreimbursable programs	139,646
Miscellaneous	3,747
	928,012
Total operating expenses	928,012
Operating income (loss)	(575,184)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	5,968
Federal sources:	
National school lunch program	255,546
National school breakfast program	123,711
U.S.D.A. commodities	57,441
Local sources:	
Operating transfer in	133,685
Interest revenue	47
	576,398
Total nonoperating revenues (expenses)	576,398
Change in net position	1,214
Total net position - July 1	73,605
Total net position - June 30	\$ 74,819

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

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

	Business-type Activities Enterprise Funds
	Food Service Fund
Cash flows from operating activities:	
Receipts from customers	\$ 350,652
Payments to employees for services	(591,033)
Payments to suppliers	(275,550)
Net cash used for operating activities	(515,931)
Cash flows from noncapital financing activities:	
Board contribution	133,685
State sources	5,992
Federal sources	381,390
Net cash provided by non-capital financing activities	521,067
Cash flows from capital activities:	
Purchases of fixed assets	-
Cash flows from investing activities:	
Interest and dividends	47
Net cash provided by investing activities	47
Net increase in cash and cash equivalents	5,183
Balances - July 1	31,274
Balances - June 30	\$ 36,457
Reconciliation of operating loss to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (575,184)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	3,815
Federal commodities	57,441
(Increase) decrease in inventories	(704)
(Increase) decrease in accounts receivable	(1,090)
Increase (decrease) in accounts payable	877
Increase (decrease) in unearned revenue	(1,086)
Total adjustments	59,253
Net cash provided by (used for) operating activities	\$ (515,931)

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

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trusts	Unemployment Compensation Insurance Trust	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents	\$ 39,650	\$ 157,014	\$ 256,992
Interfund receivable	<u>5,000</u>	<u> </u>	<u> </u>
Total assets	<u>44,650</u>	<u>157,014</u>	<u>256,992</u>
LIABILITIES:			
Accounts payable	<u> </u>	12,835	<u> </u>
Payroll deductions and withholdings	<u> </u>	<u> </u>	14,712
Due to teacher's association	<u> </u>	<u> </u>	330
Interfund payable	<u> </u>	<u> </u>	338
Due to student groups	<u> </u>	<u> </u>	<u>241,612</u>
Total liabilities	<u>---</u>	<u>12,835</u>	<u>\$ 256,992</u>
NET POSITION:			
Restricted for:			
Unemployment claims	<u> </u>	144,179	<u> </u>
Scholarship payments	44,650	<u> </u>	<u> </u>
	<u>\$ 44,650</u>	<u>\$ 144,179</u>	<u> </u>

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

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

	Private Purpose Trust Funds Scholarship Funds	Unemployment Compensation Insurance Trust
ADDITIONS:		
Contributions:		
Employee withholdings	\$ -	\$ 27,855
Other contributions		
Total Contributions	-	27,855
Investment earnings:		
Interest	28	86
Total additions	28	27,941
DEDUCTIONS:		
Unemployment claims		34,296
Scholarships awarded	12,854	
Total deductions	12,854	34,296
Change in net position	(12,826)	(6,355)
Net position - July 1	57,476	150,534
Net position - June 30	\$ 44,650	\$ 144,179

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity -The Lower Cape May Regional School District (District) is a Type II school district located in Cape May County, New Jersey and covers an area of approximately 34 square miles. As a Type II school district, it functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the School District is to provide educational services for all of Lower Cape May Regional's students in grades 7 through 12. The Lower Cape May Regional School District has an approximate enrollment at June 30, 2017 of 1,325 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Statements (Continued) - 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

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

The School District’s enterprise funds are:

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

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

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

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

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

Measurement Focus

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

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued) – The statement of changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

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

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

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

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

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

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued) - If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

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

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2017 and 2015 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

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

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

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

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

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

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2017.

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Recently Issued Accounting Pronouncements - In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for financial statements for periods beginning after June 30, 2017. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - 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 School District's financial statements.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In May 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

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

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School district in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the School District's amount on deposit of \$11,668,413 as of June 30, 2017, \$250,000 was insured under FDIC and the remaining balance of \$11,418,413 was collateralized under GUDPA.

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

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, 2016 to June 30, 2017 fiscal year is as follows:

Balance – July 1, 2016		\$	1,616,020
Increased by:			
Board resolution	\$		1,400,000
Interest earned		<u>969</u>	<u>1,400,969</u>
Balance – June 30, 2017		<u>\$</u>	<u>3,016,989</u>

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

4. RECEIVABLES

Receivables at June 30, 2017 consisted of tuition fees charged other governmental units and governmental grants. All receivables are considered collectible in full due to the stable condition of the other governmental units, State programs and the current fiscal year guarantee of federal funds.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Funds</u>	<u>Total</u>
State Aid	\$ 73,352	\$ -	\$ 240	\$ 73,592
Federal Aid	36,433	394,869	16,773	448,075
Other	<u>35,810</u>	<u> </u>	<u>1,305</u>	<u>37,115</u>
Total	<u>\$ 145,595</u>	<u>\$ 394,869</u>	<u>\$ 18,318</u>	<u>\$ 558,782</u>

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

5. CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Governmental Activities:</u>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 100	\$ -	\$ -	\$ 100
Construction in progress				
Total capital assets, not being Depreciated	<u>100</u>			<u>100</u>
<i>Capital Assets, being depreciated:</i>				
Site Improvements	600,000			600,000
Building and Building Improvements	26,417,361	458,600		26,875,961
Equipment	4,735,916		139,085	4,596,831
Totals at historical cost	<u>31,753,277</u>	<u>458,600</u>	<u>139,085</u>	<u>32,072,792</u>
<i>Less Accumulated Depreciation:</i>				
Site Improvements	(300,000)	(30,000)		(330,000)
Building and Building Improvements	(11,603,856)	(515,742)		(12,119,598)
Equipment	(2,870,759)	(116,033)	(139,085)	(2,847,707)
Totals accumulated depreciation	<u>(14,774,615)</u>	<u>(661,775)</u>	<u>(139,085)</u>	<u>(15,297,305)</u>
Total Capital Assets, being depreciated, net	<u>16,978,662</u>	<u>(203,175)</u>		<u>16,775,487</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,978,762</u>	<u>\$ (203,175)</u>	<u>\$ -</u>	<u>\$ 16,775,587</u>
	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Business-Type Activities:</u>				
<i>Capital Assets, being depreciated:</i>				
Equipment	\$ 176,360	\$ -	\$ 2,176	\$ 174,184
Less accumulated depreciation	<u>(153,331)</u>	<u>(3,815)</u>	<u>(2,176)</u>	<u>(154,970)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 23,029</u>	<u>\$ (3,815)</u>	<u>\$ -</u>	<u>\$ 19,214</u>

Depreciation expense in the amount of \$661,775 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$ 463,242
Administration	99,266
Plant Operations and Maintenance	66,178
Unallocated	<u>33,089</u>
Total depreciation expense	<u>\$ 661,775</u>

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

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2017 consisted of the following:

		<u>Food Service</u>		
Food	\$	11,571		
Supplies		<u>309</u>		
	\$	<u>11,880</u>		

7. LONG-TERM OBLIGATIONS

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

<u>Governmental Activities:</u>	<u>Principal Outstanding July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ 1,757,144	\$ -	\$ 68,161	\$ 1,688,983	\$ 182,036
Capital Leases	2,827,608	185,519	385,442	2,627,685	293,239
General Obligation Bonds	10,462,000		600,000	9,862,000	845,000
Net Pension Liability	<u>11,568,450</u>	<u>3,878,613</u>		<u>15,447,063</u>	
Total Governmental Activity	<u>\$ 26,615,202</u>	<u>\$ 4,064,132</u>	<u>\$ 1,053,603</u>	<u>\$ 29,625,731</u>	<u>\$ 1,320,275</u>

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

2009 Refunding Bonds dated October 15, 2009 in the amount of \$3,495,000 due in annual installments through June 1, 2022, bearing interest rates ranging from 2.25% - 4.00%.

2017 School Bonds dated March 15, 2017 in the amount of \$6,367,000 due in annual installments through March 15, 2036, bearing interest rates ranging from 2.00% - 3.00%

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

7. LONG-TERM OBLIGATIONS (Continued)

Debt Service Requirements

Principal and interest due on bonds outstanding is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 845,000	306,810	\$ 1,151,810
2019	865,000	277,010	1,142,010
2020	935,000	246,410	1,181,410
2021	930,000	213,010	1,143,010
2022	920,000	179,810	1,099,810
2023-2027	2,000,000	653,050	2,653,050
2028-2032	2,000,000	385,050	2,385,050
2033-2036	<u>1,367,000</u>	<u>93,540</u>	<u>1,460,540</u>
	<u>\$ 9,862,000</u>	<u>\$ 2,354,690</u>	<u>\$ 12,216,690</u>

Capital Leases – During the fiscal year 2017, the school district has a Capital Lease for Energy Program and two Capital Leases for Dell Computers and Chromebooks totaling \$2,627,685. The following is a schedule of the future minimum lease payments under these capital lease agreements:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 293,239	\$ 56,880	\$ 350,119
2019	199,325	57,741	257,066
2020	210,748	51,027	261,775
2021	157,308	43,927	201,235
2022	165,946	40,212	206,158
2023-2027	970,649	137,957	1,108,606
2028-2030	<u>630,470</u>	<u>24,004</u>	<u>654,474</u>
	<u>\$ 2,627,685</u>	<u>\$ 411,748</u>	<u>\$ 3,039,433</u>

8. OPERATING LEASES

At June 30, 2017, the District had operating lease agreements in effect for copiers.

Total operating lease payments made during the year ended June 30, 2017 and June 30, 2016 were \$56,128 and \$67,390 respectively. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2018	\$ 46,083
June 30, 2019	31,784
June 30, 2020	28,788
June 30, 2021	28,788
June 30, 2022	<u>11,995</u>
Total future minimum lease payments	<u>\$ 147,438</u>

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

9. PENSION PLANS

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

Teachers' Pension and Annuity Fund (TPAF)

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

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

The following represents the membership tiers for TPAF:

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

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

Contributions - The contribution requirements of plan members are determined by N.J.S.A.18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

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

9. PENSION PLANS (CONTINUED)

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

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

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

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

Based on the most recent TPAF measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2017 was \$924,720 and was paid by April 1, 2016. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$876,741.

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

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

For the year ended June 30, 2017, the School District recognized pension expense of \$6,863,053 and revenue of \$6,863,053 for support provided by the State. Although the School District does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the School District.

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

	<u>06/30/16</u>	<u>06/30/15</u>
Collective deferred outflows of resources	\$ 17,414,701,002	\$ 7,521,378,257
Collective deferred inflows of resources	134,532,594	554,399,005
Collective net pension liability (Non-Employer – State of New Jersey)	79,028,907,033	63,577,864,440
State's portion of the net pension liability that was associated with the School District	91,341,640	72,054,654
State's portion of the net pension liability that was associated with the School District as a percentage of the collective net pension liability	.1161126960%	.1140028253%

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

9. PENSION PLANS (CONTINUED)

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

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

Inflation: 2.5%
Salary Increases: Varies based on experience
Investment Rate of Return: 7.65%

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

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	05.00%	0.39%
Government Bonds	01.50%	1.28%
Credit Bonds	13.00%	2.76%
Mortgages	02.00%	2.38%
Inflation-Indexed Bonds	01.50%	1.41%
High Yield Bonds	02.00%	4.70%
Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	06.50%	8.16%
Private Real Estate Property	05.25%	3.64%
Timber	01.00%	3.86%
Farmland	01.00%	4.39%
Private Equity	09.00%	8.97%
Commodities	00.50%	2.87%
Hedge Funds – MultiStrategy	05.00%	3.70%
Hedge Funds – Equity Hedge	03.75%	4.72%
Hedge Funds - Distressed	03.75%	3.49%
	<u>100.00%</u>	

Discount rate. The discount rate used to measure the State's total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

9. PENSION PLANS (CONTINUED)

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

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the contribution rate in the most recent fiscal year. The state contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	109,082,331	91,341,640	76,854,076
	\$ 109,082,331	\$ 91,341,640	\$ 76,854,076

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

Public Employees' Retirement System (PERS)

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

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

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

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

The following represents the membership tiers for PERS:

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

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

Contributions - The contribution requirements of plan members are determined by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012. The member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 336, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The School District's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 13.94% of the School District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the School Districts contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was \$463,345 and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$254,451.

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:

Fiscal Year	Normal Contributions	Adjustment	Accrued Liability	Non Contributory Life	Total Liability Paid by District
2017	\$ 72,477	\$ -	\$ 368,842	\$ 22,026	\$ 463,345
2016	75,008	-	345,534	22,516	443,058
2015	69,970	-	323,665	26,661	420,296

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

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

At June 30, 2017, the School District reported a liability of \$15,447,063 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The School District's proportion of the of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2017, the School District recognized pension expense of \$1,425,166. At June 30, 2017, the School District reported a liability of \$15,447,063 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	\$ 287,269	\$ -
Changes of assumptions	3,199,806	
Net Difference between projected and actual earnings on pension plan investments	589,011	
Changes in proportion	170,309	310,690
District contributions subsequent to the measurement date	488,996	
Total	\$ 4,735,391	\$ 310,690

\$488,996 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net liability in the year ended June 30, 2017.

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

For the year ended:	Net Deferred Outflows of Resources
2017	\$ 778,525
2018	778,525
2019	1,043,570
2020	879,904
2021	455,181
Total	\$ 3,935,705

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

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

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

Additional Information

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

	<u>6/30/2016</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$ 8,685,338,380	\$ 3,578,755,666
Collective deferred inflows of resources	\$ 870,133,595	\$ 993,410,455
Collective net pension liability	\$ 29,617,131,759	\$ 22,447,996,119
District's Proportion	.0521558363%	.0515344434%

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

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

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

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	05.00%	00.87%
U.S. Treasuries	01.50%	01.74%
Investment Grade Credit	08.00%	01.79%
Mortgages	02.00%	01.67%
High Yield Bonds	02.00%	04.56%
Inflation Indexed Bonds	01.50%	03.44%
Broad US Equities	26.00%	08.53%
Developed Foreign Equities	13.25%	06.83%
Emerging Market Equities	06.50%	09.95%
Private Equity	09.00%	12.40%
Hedge Funds/Absolute Ret	12.50%	04.68%
Real Estate (Property)	02.00%	06.91%
Commodities	00.50%	05.45%
Global Debt ex US	05.00%	-0.25%
REIT	05.25%	05.63%
	<u>100.00%</u>	

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

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

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

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

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the net pension liability	\$ 18,928,573	\$ 15,447,063	\$ 12,572,775

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:

Year	Total Liability	Paid by District
2017	\$ 7,618	\$ 7,618
2016	7,997	7,997
2015	5,590	5,590

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

10. STATE POST-RETIREMENT MEDICAL BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

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

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

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2017, the School District has recognized as revenues and expenditures on-behalf payments made by the state for normal retirement costs, post-retirement medical costs and long term disability insurance related to TPAF, in the fund statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, post-retirement medical costs and long term disability insurance were \$1,303,777, \$1,086,343, and \$1,145, respectively. In addition, \$882,460 on-behalf payments were made by the state for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

12. RISK MANAGEMENT

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

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

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

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

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

12. RISK MANAGEMENT (Continued)

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>	
2016-2017	\$	\$	27,855	\$ 86	\$ 34,296	\$ 144,179
2015-2016			46,824	90	39,384	150,534
2014-2015			47,689	78	39,576	143,004
2013-2014			52,642	71	42,378	134,813
2012-2013			44,673	63	35,986	124,478

13. DEFERRED COMPENSATION

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

14. COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2017, the liability for compensated absences in the governmental and proprietary funds was \$1,688,983 and \$-0-, respectively.

15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various balance sheets as of June 30, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 399,954	\$ 4,837
Special Revenue		394,616
Debt Service	4,837	5,000
Proprietary		5,000
Fiduciary	5,000	338
	<u>\$ 409,791</u>	<u>\$ 409,791</u>

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

16. CONTINGENCIES

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

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

17. TAX ABATEMENTS

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

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

The City of Cape May and Borough of West Cape May had no tax abatements. The Township of Lower (Municipality) provides for long-term tax exemptions, as authorized by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Municipality are for affordable housing and other permitted purposes. Taxes abated include municipal, local school, and county taxes.

The municipality recognized revenue of \$102,500 from the annual service charge in lieu of payment of taxes in 2016. The assessed value on these tax exemption properties amounted to \$12,250,000 which would have resulted in 2016 taxes billed in full of \$204,943. A portion of the \$102,443 abatement would have been allocated to the District.

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

18. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$293,715 in the General Fund as of June 30, 2017 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability.

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

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$293,715 is equal to or less than the June state aid payment.

19. DEFICIT UNRESTRICTED NET POSITION

As of June 30, 2017, a deficit of \$13,561,376 existed in the Unrestricted Net Position of the Governmental Activities. A reconciliation of Unreserved Fund Balance reported on Exhibit B-1 to Unrestricted Net Position reported on Exhibited A-1 as follows:

Balances June 30, 2017	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance – Unassigned	\$ (293,715)
Liabilities:	
Accrued Interest Payable	(67,320)
Net Pension Differences	(11,511,358)
Compensated Absences	<u>(1,688,983)</u>
Unrestricted Net Position (Deficit)	<u>\$ (13,561,376)</u>

20. 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, 2017 is \$1,916,137 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$1,924,537 of excess fund balance generated during the 2015-2016 fiscal year has been restricted and designated for utilization in the 2017-2018 budget.

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

20. FUND BALANCES (CONTINUED)

RESTRICTED (CONTINUED)

Capital Reserve – As of June 30, 2017, the balance in the capital reserve account is \$3,016,989. Of this amount \$250,000 has been appropriated in the 2017-2018 Budget. The remaining amount is restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan.

Maintenance Reserve Account – As of June 30, 2017, the balance in the maintenance reserve account is \$1,800,000. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

Permanent Fund – As of June 30, 2017, the restricted fund balance amount was \$20,000 of which is restricted for future scholarships.

ASSIGNED

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

General Fund:

Other Purposes – At June 30, 2017 the School District has \$245,034 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

Capital Projects Fund:

Other Purposes – At June 30, 2017 the School District has \$1,859,307 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, 2018, \$977 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, 2017, the fund balance of the general fund was a deficit of \$293,715. The deficit is a result of the delay in the recording of the payment of state aid until the following fiscal year (See Note 18).

Capital Projects Fund – As of June 30, 2017, the fund balance of the capital projects fund was \$164,644.

Debt Service Fund – As of June 30, 2017, the fund balance of the debt service fund was \$3,861.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 19,942,222	\$ -	\$ 19,942,222	\$19,942,222	\$ -
Tuition from other LEAs	136,928		136,928	129,265	(7,663)
Transportation fees from other LEAs	50,000		50,000	104,755	54,755
Unrestricted miscellaneous revenue	50,000		50,000	122,187	72,187
Total local sources	20,179,150		20,179,150	20,298,429	119,279
State sources:					
School Choice Aid	924,399		924,399	924,399	
Categorical Special Education Aid	862,052		862,052	862,052	
Equalization Aid	95,936		95,936	95,936	
Categorical Security Aid	350,566		350,566	350,566	
Adjustment Aid	6,528,949		6,528,949	6,528,949	
Categorical Transportation Aid	1,178,704		1,178,704	1,178,704	
PARCC Readiness Aid	14,230		14,230	14,230	
Per Pupil Growth Aid	14,230		14,230	14,230	
Professional Learning Community Aid	13,610		13,610	13,610	
Additional non-public transportation aid				6,555	6,555
Extraordinary aid				23,267	23,267
On-behalf TPAF Pension (non-budgeted)				1,303,777	1,303,777
On-behalf TPAF Post Retirement Medical contributions (non-budgeted)				1,086,343	1,086,343
On-behalf TPAF Pension LTDI (non-budgeted)				1,145	1,145
Reimbursed TPAF social security contributions (non-budgeted)				882,460	882,460
Total state sources	9,982,676		9,982,676	13,286,223	3,303,547
Federal sources:					
Medicaid Assisitance Program	43,564	(6,654)	36,910	32,591	(4,319)
Medicaid ARRA/SEMI		6,654	6,654	6,654	
Total federal sources	43,564		43,564	39,245	(4,319)
TOTAL REVENUES	30,205,390		30,205,390	33,623,897	3,418,507
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Grades 6-8	2,838,966		2,838,966	2,823,202	15,764
Grades 9-12	5,390,821	(28,000)	5,362,821	5,223,664	139,157
Total Instruction	8,229,787	(28,000)	8,201,787	8,046,866	154,921
Regular Programs - Home Instruction:					
Salaries of teachers	130,000		130,000	68,597	61,403
Total Home Instruction	130,000		130,000	68,597	61,403

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	\$ 695,668	\$ 500	\$ 696,168	\$ 695,853	\$ 315
Purchased professional - educ services	10,000		10,000		10,000
Purchased technical services	34,000	(500)	33,500	8,672	24,828
Other purchased services	27,950		27,950	25,333	2,617
General supplies	427,000		427,000	322,266	104,734
Textbooks	77,000		77,000	33,852	43,148
Total Undistributed Instruction	<u>1,271,618</u>		<u>1,271,618</u>	<u>1,085,976</u>	<u>185,642</u>
Total - Regular Programs - Instruction	<u>9,631,405</u>	<u>(28,000)</u>	<u>9,603,405</u>	<u>9,201,439</u>	<u>401,966</u>
Special Educ Instruction: Multiple Disabilities					
Salaries of teachers		38,346	38,346		38,346
Total Multiple Disabilities		<u>38,346</u>	<u>38,346</u>		<u>38,346</u>
Special Educ Instruction: Res. Room/Res. Center					
Salaries of teachers	2,159,869	(38,346)	2,121,523	2,052,168	69,355
Other salaries for instruction	91,566		91,566		91,566
Purchased professional - educ services	1,000	(1,000)			
General supplies	40,000	4,000	44,000	43,345	655
Textbooks	3,500	(3,000)	500		500
Total Resource Room/Resource Center	<u>2,295,935</u>	<u>(38,346)</u>	<u>2,257,589</u>	<u>2,095,513</u>	<u>162,076</u>
Total Special Education - Instruction	<u>2,295,935</u>		<u>2,295,935</u>	<u>2,095,513</u>	<u>200,422</u>
Bilingual Education - Instruction					
Salaries of teachers	31,986	(4,000)	27,986	26,603	1,383
Total Bilingual Education - Instruction	<u>31,986</u>	<u>(4,000)</u>	<u>27,986</u>	<u>26,603</u>	<u>1,383</u>
Vocational Programs - Local - Instruction					
Salaries of teachers	30,000	(2,000)	28,000		28,000
Total Vocational Programs - Local - Instruction	<u>30,000</u>	<u>(2,000)</u>	<u>28,000</u>		<u>28,000</u>
School-Sponsored Cocurricular Act - Inst.					
Salaries	172,934	(1,350)	171,584	170,547	1,037
Supplies and materials	27,000	(22,700)	4,300	4,250	50
Total School-Sponsored Cocurr. Act. - Inst	<u>199,934</u>	<u>(24,050)</u>	<u>175,884</u>	<u>174,797</u>	<u>1,087</u>
School-Sponsored Athletics - Inst.					
Salaries	417,196	7,200	424,396	424,173	223
Purchased services	20,000	(18,700)	1,300	1,298	2
Supplies and materials	80,000	65,140	145,140	144,344	796
Other objects	60,000	1,160	61,160	61,160	
Transfers to cover deficit (agency funds)	40,000		40,000	40,000	
Total School-Sponsored Athletics - Inst	<u>617,196</u>	<u>54,800</u>	<u>671,996</u>	<u>670,975</u>	<u>1,021</u>

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Instructional Programs - Instruction					
Salaries	\$ 5,000	\$ (5,000)	\$ -	\$ -	\$ -
Supplies and materials	5,000	(5,000)			
Total Other Instructional Programs - Inst.	<u>10,000</u>	<u>(10,000)</u>			
Undistributed Expenditures - Instruction					
Tuition to other LEAs within the state - regular	111,000		111,000	107,162	3,838
Tuition county voc. school dist. - regular	909,381		909,381	909,381	
Tuition county voc. school dist. - special	113,537		113,537	113,537	
Tuition to CSSD & reg. day schools	1,435,416	(70,144)	1,365,272	818,816	546,456
Tuition to priv. sch. for the disabled w/ state	364,183	46,400	410,583	410,499	84
Tuition - state facilities	105,918		105,918	105,918	
Tuition - other	10,000	100	10,100	10,090	10
Total Undistributed Expenditures - Instruction	<u>3,049,435</u>	<u>(23,644)</u>	<u>3,025,791</u>	<u>2,475,403</u>	<u>550,388</u>
Undistributed Expenditures - Attendance & Social Work					
Salaries	43,404		43,404	36,033	7,371
Other purchased services (400-500)	100		100		100
Supplies and materials	1,000		1,000		1,000
Total Undistributed Expenditures - Attendance & Soc.	<u>44,504</u>		<u>44,504</u>	<u>36,033</u>	<u>8,471</u>
Undistributed Expenditures - Health Services					
Salaries	179,431		179,431	134,510	44,921
Purchased Professional Technical Services	27,494		27,494	25,585	1,909
Other purchased services	3,000	(1,000)	2,000		2,000
Supplies and materials	9,000	1,000	10,000	9,665	335
Total Undistributed Expenditures - Health Svcs.	<u>218,925</u>		<u>218,925</u>	<u>169,760</u>	<u>49,165</u>
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	41,306	28,000	69,306	23,926	45,380
Supplies and materials	100		100		100
Purchased Professional Technical Services					
Total Undst. Expend. - Speech, OT, PT & Related Services	<u>41,406</u>	<u>28,000</u>	<u>69,406</u>	<u>23,926</u>	<u>45,480</u>
Undist. Expend. - Guidance					
Salaries of other professional staff	522,513	(2,000)	520,513	475,483	45,030
Salaries of secretarial and clerical assistants	107,498	(2,000)	105,498	97,498	8,000
Other purchased prof. and tech. services	8,000	(1,000)	7,000	6,473	527
Supplies and materials	16,000	(8,000)	8,000	5,887	2,113
Total Undst. Expend. - Guidance	<u>654,011</u>	<u>(13,000)</u>	<u>641,011</u>	<u>585,341</u>	<u>55,670</u>
Undist. Expend. - Child Study Team					
Salaries of other professional staff	505,047		505,047	473,871	31,176
Salaries of secretarial and clerical assistants	85,655	(38,000)	47,655	18,634	29,021
Purchased professional - educ services	100,000	33,750	133,750	130,330	3,420
Supplies and materials	10,000	18,250	28,250	28,214	36
Other objects	1,000	(1,000)			
Total Undst. Expend. - Child Study Team	<u>701,702</u>	<u>13,000</u>	<u>714,702</u>	<u>651,049</u>	<u>63,653</u>

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	\$ 251,953	\$ 1,000	\$ 252,953	\$ 252,459	\$ 494
Salaries of secretarial and clerical assistants	66,202		66,202	66,202	
Total Undst. Expend. - Improvement of Instr. Services	318,155	1,000	319,155	318,661	494
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	266,452	(1,000)	265,452	210,042	55,410
Purchased professional and technical services	6,000		6,000		6,000
Supplies and materials	60,000		60,000	55,698	4,302
Total Undst. Expend. - Educ. Media Serv./Sch. Library	332,452	(1,000)	331,452	265,740	65,712
Undist. Expend. - Instructional Staff Training Services					
Salaries of supervisor of instruction					
Purchased professional - educ services	15,000		15,000	4,811	10,189
Total Undst. Expend. - Instructional Staff Training Svcs.	15,000		15,000	4,811	10,189
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	227,681		227,681	220,391	7,290
Legal services	30,000		30,000	7,261	22,739
Audit Fee	30,000		30,000	28,500	1,500
Architectural/Engineering Fees	15,000		15,000		15,000
Purchased technical services	50,000		50,000	33,449	16,551
Communications / telephone	31,000		31,000	30,562	438
Misc. Purchased Services	164,629		164,629	142,850	21,779
General Supplies	32,000	5,500	37,500	19,723	17,777
BOE In-House Training/Meeting Supplies	1,500	(1,500)			
Miscellaneous expenditures	30,000	(5,000)	25,000	17,575	7,425
BOE Membership Dues and Fees	30,000	1,000	31,000	30,539	461
Total Undst. Expend. - Supp. Serv. General Admin.	641,810		641,810	530,850	110,960
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	709,759	(9,500)	700,259	687,156	13,103
Salaries of secretarial and clerical assistants	288,570	1,500	290,070	289,726	344
Purchased professional and technical services	35,000	(35,000)			
Supplies and materials	56,000	(19,000)	37,000	35,367	1,633
Other objects	23,506	71,999	95,505	26,862	68,643
Total Undst. Expend. - Supp. Serv. School Admin.	1,112,835	9,999	1,122,834	1,039,111	83,723
Undist. Expend. - Central Services					
Salaries	239,508	6,200	245,708	245,686	22
Purchased technical services	12,000	(11,800)	200		200
Supplies and materials	10,000	(9,000)	1,000		1,000
Miscellaneous expenditures	4,500	(3,300)	1,200		1,200
Total Undst. Expend. - Central Services	266,008	(17,900)	248,108	245,686	2,422
Undist. Expend. - Admin. Info. Tech.					
Purchased technical services	55,000	107,900	162,900	160,839	2,061
Supplies and materials	85,000	(85,000)			
Total Undst. Expend. - Admin. Info. Tech.	140,000	22,900	162,900	160,839	2,061

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	\$ 248,453		\$ 248,453	\$ 220,313	\$ 28,140
General supplies	510,000		510,000	429,380	80,620
Total Undst. Expend. - Required Maint. Sch. Facilities	758,453		758,453	649,693	108,760
Undist. Expend. - Custodial Services					
Salaries	805,641		805,641	769,615	36,026
Purchased professional & tech. services	15,000	5,000	20,000	19,113	887
Lease purchase pymts-energy savings impr prog	365,547		365,547	365,547	
Other purchased property services	475,000	16,000	491,000	476,769	14,231
Insurance	105,378		105,378	101,409	3,969
General supplies	150,000	(21,000)	129,000	54,739	74,261
Energy (Electricity)	25,000		25,000		25,000
Other objects	5,000		5,000	1,245	3,755
Total Undst. Expend. - Custodial Services	1,946,566		1,946,566	1,788,437	158,129
Undist. Expend. - Care and Upkeep of Grounds					
Salaries	159,926		159,926	151,521	8,405
General supplies	10,000		10,000		10,000
Total Undst. Expend. - Care and Upkeep of Grounds	169,926		169,926	151,521	18,405
Undist. Expend. - Security					
Salaries	102,500		102,500	43,607	58,893
Purchased professional & tech. services	130,000		130,000	103,464	26,536
Total Undst. Expend. - Security	232,500		232,500	147,071	85,429
Total Undst. Expend. - Oper. & Maint. of Plant Services	3,107,445		3,107,445	2,736,722	370,723
Undist. Expend. - Student Transportation Services					
Salaries of Non-Instructional Aids		643,991	643,991	539,864	104,127
Salaries for pupil trans. (bet home & sch) - regular	658,991	(332,576)	326,415	311,397	15,018
Salaries for pupil trans. (bet home & sch) - spec ed.	359,515	(271,765)	87,750	87,725	25
Salaries for pupil trans. (other than bet home & sch)	50,000	(50,000)			
Other purchased professional and technical services	4,000	(4,000)			
Cleaning, repair, and maintenance services	116,278	501	116,779	116,506	273
Aide in Lieu - NonPublic Students	3,000	1,500	4,500	4,420	80
Aide in Lieu - Charter Schools		1,850	1,850	1,768	82
Contr. serv. (bet. home & sch.) - vendors	15,000	4,750	19,750	19,654	96
Contr. serv. (sp ed stds) - vendors	55,000	23,000	78,000	77,461	539
Miscellaneous purchased services - transportation	41,184		41,184		41,184
Supplies and materials	335,000	(17,000)	318,000	199,967	118,033
Other objects	2,000		2,000		2,000
Total Undst. Expend. - Student Transportation Services	1,639,968	251	1,640,219	1,358,762	281,457

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated Benefits - Employee Benefits					
Social security contributions	\$ 465,000	\$ -	\$ 465,000	\$ 410,031	\$ 54,969
Other retirement contributions - PERS	480,000		480,000	475,984	4,016
Unemployment compensation	30,000	(15,000)	15,000		15,000
Health benefits	3,699,756	(15,000)	3,684,756	3,158,891	525,865
Tuition reimbursement	50,000		50,000	29,541	20,459
Other employee benefits	263,309		263,309	243,017	20,292
Unused sick payments to terminated/retired staff	182,739		182,739	47,427	135,312
Total Unallocated Benefits - Employee Benefits	5,170,804	(30,000)	5,140,804	4,364,891	775,913
On-behalf TPAF NCGI pension contributions (non-budgeted)				1,303,777	(1,303,777)
On-behalf TPAF Post Retirement Medical contributions (non-budgeted)				1,086,343	(1,086,343)
On-behalf TPAF Pension LTDI (non-budgeted)				1,145	(1,145)
Reimbursed TPAF social security contributions (non-bud.)				882,460	(882,460)
Total Undistributed Expenditures - TPAF				3,273,725	(3,273,725)
Total Undistributed Expenditures	17,454,460	(10,394)	17,444,066	18,241,310	(797,244)
Total General Current Expense	30,270,916	(23,644)	30,247,272	30,410,637	(163,365)
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Regular Program Grade 9 - 12					
Undist. expenditures - instruction	158,000	211,000	369,000	227,274	141,726
Undist. expenditures - admin info tech	70,675	(70,675)			
Undist. expenditures - required maint for school fac	102,000	(102,000)			
Undist. expenditures - custodial services	55,000	(55,000)			
Undist. expenditures - care and upkeep of grounds	175,000	(175,000)			
Undist. expenditures - security	100,000	(100,000)			
Undist. expenditures - student trans-non-inst equip					
School buses - regular	285,777		285,777	95,777	190,000
Undist. Expenditures - non-inst serv		235,175	235,175	150,595	84,580
Total Equipment	946,452	(56,500)	889,952	473,646	416,306
Facilities acquisition and construction services:					
Land and improvements		56,500	56,500	56,358	142
SDA Assessment	58,848		58,848	58,848	
Total Facilities acquisition and construction services	58,848	56,500	115,348	115,206	142
Assets acquired under capital leases (non-budgeted):					
Instructional Equipment				185,519	(185,519)
Total Facilities Acquisition and Construction Services				185,519	(185,519)
Total Capital Outlay	1,005,300		1,005,300	774,371	230,929
Transfer of funds to Charter Schools	39,212	23,644	62,856	62,856	
Total Expenditures	\$ 31,315,428	\$ -	\$ 31,315,428	\$ 31,247,864	\$ 67,564

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess (Deficiency) of Revenues Over (Under) Expenditures:	\$ (1,110,038)	\$ -	\$ (1,110,038)	\$ 2,376,033	\$ 3,486,071
Other Financing Sources (Uses):					
Proceeds of Capital Leases				185,519	185,519
Operating transfer out - Enterprise Fund	(150,000)		(150,000)	(133,685)	16,315
Total Other Financing Sources	(150,000)		(150,000)	51,834	201,834
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(1,260,038)		(1,260,038)	2,427,867	3,687,905
Fund Balance, July 1	7,060,424		7,060,424	7,060,424	
Fund Balance, June 30	<u>\$ 5,800,386</u>	<u>\$ -</u>	<u>\$ 5,800,386</u>	<u>\$ 9,488,291</u>	<u>\$ 3,687,905</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Excess Surplus				\$ 1,916,137	
Excsss Surplus - Designated for Subsequent Years Expenditures				1,924,537	
Capital Reserve				3,016,989	
Maintenance Reserve Account				1,800,000	
Assigned Fund Balance					
Year-end Encumbrances				245,034	
Designated for Subsequent Years Expenditures				585,594	
Unassigned Fund Balance				<u>9,488,291</u>	
Last State Aid Payment not Recognized on a GAAP Basis				<u>(879,309)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 8,608,982</u>	

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

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

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
REVENUES:					
Local sources					
State sources					
Federal sources	\$ 876,127		\$ 876,127	\$ 867,601	\$ 8,526
Total revenues	876,127		876,127	867,601	8,526
EXPENDITURES:					
Instruction:					
Salaries of teachers	298,929	(726)	298,203	292,808	5,395
Purchased professional - tech. services	1,373	457	1,830	1,830	
Other purchased services					
Tuition	401,271		401,271	401,271	
General supplies	45,997	(263)	45,734	45,734	
Total instruction	747,570	(532)	747,038	741,643	5,395
Support services:					
Other salaries	46,210	(3,228)	42,982	42,066	916
Personal services - employee benefits	78,556	4,674	83,230	82,514	716
Other purchased professional and technical services					
Supplies and materials	3,791	(914)	2,877	1,378	1,499
Total support services	128,557	532	129,089	125,958	3,131
Facilities acquisition and construction services:					
Instructional equipment					
Total facilities acq. and const. services					
Total expenditures	876,127		876,127	867,601	8,526
Total outflows	876,127		876,127	867,601	8,526
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)					

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

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 33,623,897	\$ 867,601
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	860,221	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(879,309)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 33,604,809	\$ 867,601
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 31,247,864	\$ 867,601
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	\$ 31,247,864	\$ 867,601

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

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

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0521558363%	0.0515344434%	0.0509829395%	0.0540262820%
District's proportionate share of the net pension liability (asset)	\$ 15,447,063	\$ 11,568,450	\$ 9,545,401	\$ 10,325,496
District's covered-employee payroll	3,508,347	3,044,487	3,510,447	3,503,440
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	440.29%	379.98%	271.91%	294.72%
Plan fiduciary net position as a percentage of the total pension liability	31.20%	38.21%	42.74%	40.71%

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

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

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 488,996	\$ 463,345	\$ 443,058	\$ 420,296
Contributions in relation to the contractually required contributions	<u>(488,996)</u>	<u>(463,345)</u>	<u>(443,058)</u>	<u>(420,296)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	3,508,347	3,044,487	3,510,447	3,503,440
Contributions as a percentage of covered-employee payroll	13.94%	15.22%	12.62%	12.00%

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

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

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.1161126960%	0.1140028253%	0.1182919999%	0.1192847401%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 91,341,640	\$ 72,054,654	\$ 63,223,224	\$ 60,285,569
Total	\$ 91,341,640	\$ 72,054,654	\$ 63,223,224	\$ 60,285,569
District's covered-employee payroll	12,165,694	11,902,621	11,300,558	11,278,002
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%

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

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

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

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

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

2. Public Employees' Retirement System (PERS)

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

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

Other Supplementary Information

Special Revenue Fund
Detail Statements

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

	<u>No Child Left Behind (N.C.L.B.)</u>				<u>Totals</u>
	<u>Title I Current Yr.</u>	<u>Title II - Part A Current Yr.</u>	<u>IDEA Basic Current Yr.</u>	<u>Carl Perkins Grant</u>	
REVENUES:					
State sources					
Federal sources	\$ 343,370	\$ 67,895	\$ 401,271	\$ 55,065	\$ 867,601
Local sources					
Total Revenues	<u>343,370</u>	<u>67,895</u>	<u>401,271</u>	<u>55,065</u>	<u>867,601</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	233,400	53,159		6,250	292,809
Purchase professional and technical services				1,830	1,830
General supplies				45,733	45,733
Tuition			401,271		401,271
Total instruction	<u>233,400</u>	<u>53,159</u>	<u>401,271</u>	<u>53,813</u>	<u>741,643</u>
Support services:					
Other salaries	41,346			720	42,066
Personal services-employee benefits	67,246	14,736		532	82,514
Other purchased professional and technical serv.					
Purchase professional and technical services					
Supplies and materials	1,378				1,378
Total support services	<u>109,970</u>	<u>14,736</u>		<u>1,252</u>	<u>125,958</u>
Facilities acquisition and const. serv.:					
Instructional equipment					
Total facilities acquisition and const. serv.:					
Total Expenditures	<u>343,370</u>	<u>67,895</u>	<u>401,271</u>	<u>55,065</u>	<u>867,601</u>
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)					

Capital Projects Fund
Detail Statements

**LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Capital Projects Fund
Summary Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year ended June 30, 2017**

Revenues and Other Financing Sources:

Proceeds of Serial Bonds	\$	-
Interest earned on investments		3,861
		3,861
Total revenues and other financing sources		3,861

Expenditures and Other Financing (Uses):

Purchased professional services	\$	294,782
Construction services		3,767,998
Equipment		
Other Objects		
Transfer to Debt Service Fund		3,861
Total expenditures and other financing (uses)		4,066,641
Excess (deficiency) or revenues over (under) expenditures		(4,062,780)
Fund Balance - July 1, 2016		6,086,731
Fund Balance - June 30, 2017		\$ 2,023,951

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Capital Projects Fund
Statement of Project Revenues, Expenditures, Project Balance,
and Project Status - Budgetary Basis
Construction and Various Improvements to the District's Facilities
From Inception and for the Fiscal Year ended June 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources:				
Bond proceeds	\$ 6,367,000	\$ -	\$ 6,367,000	\$ 6,367,000
Total revenues	<u>6,367,000</u>	<u></u>	<u>6,367,000</u>	<u>6,367,000</u>
Expenditures and Other Financing Uses:				
Purchased professional services	\$ 229,759	\$ 294,782	\$ 524,541	\$ 524,541
Construction services	50,510	3,767,998	3,818,508	3,818,508
Equipment			-	-
Other Objects			-	-
	<u>280,269</u>	<u>4,062,780</u>	<u>4,343,049</u>	<u>4,343,049</u>
Excess (deficiency) or revenues over (under) expenditures	<u>\$ 6,086,731</u>	<u>\$ (4,062,780)</u>	<u>\$ 2,023,951</u>	<u>\$ 2,023,951</u>
Additional project information:				
Bond Authorization Date	01/26/16			
Bonds Authorized	\$ 6,367,963			
Bonds Issued	\$ 6,367,963			
Original Authorized Cost	\$ 6,367,963			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 6,367,963			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completion	10.00%			
Original target completion date	07/31/17			
Revised target completion date	N/A			

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Capital Projects Fund
 Summary Statement of Project Expenditures
 Year Ended June 30, 2017

<u>Issue/Project Title</u>	<u>Date Authorized</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Cancelled</u>	<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>		
Various Improvements to School Facilities	1/26/2016	\$ 6,367,000	\$ 280,269	\$ 4,062,780	_____	\$ 2,023,951
		<u>\$ 6,367,000</u>	<u>\$ 280,269</u>	<u>\$ 4,062,780</u>	<u>_____</u>	<u>\$ 2,023,951</u>

Proprietary Funds
Detail Statements

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

	Total
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 36,457
Accounts receivable:	
State	240
Federal	16,773
Other	1,305
Inventories	11,880
Total current assets	66,655
Fixed assets:	
Equipment	174,184
Less Accumulated depreciation	(154,970)
Total fixed assets	19,214
Total assets	\$ 85,869
 LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 877
Interfund payable	5,000
Unearned revenue	5,173
Total current liabilities	11,050
 NET POSITION:	
Net investment in capital assets	19,214
Unrestricted	55,605
Total net position	\$ 74,819

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Enterprise Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
for the Fiscal Year ended June 30, 2017

	Total
OPERATING REVENUES:	
Local sources:	
Daily sales-reimbursable programs:	
School lunch program	\$ 139,948
Total-daily sales-reimbursable programs	139,948
Daily sales non-reimbursable programs:	
Adult and AlaCarte meals	212,880
Total operating revenue	352,828
OPERATING EXPENSES:	
Salaries	397,348
Employee benefits	193,685
Supplies and materials	8,265
Depreciation	3,815
Cost of sales - reimbursable programs	181,506
Cost of sales - nonreimbursable programs	139,646
Miscellaneous	3,747
Total operating expenses	928,012
Operating income (loss)	(575,184)
Non-operating revenues:	
State sources:	
State school lunch program	5,968
Federal sources:	
National school lunch program	255,546
National school breakfast program	123,711
U.S.D.A. commodities	57,441
Operating transfer in	133,685
Interest revenue	47
Total non-operating revenues	576,398
Change in net position	1,214
Total net position - July 1	73,605
Total net position - June 30	\$ 74,819

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

	Total
Cash flows from operating activities:	
Cash receipts from customers	\$ 350,652
Cash payments to employees for services	(591,033)
Cash payments to suppliers for goods and services	(275,550)
	(515,931)
Cash flows from noncapital financing activities:	
Board contribution	133,685
Cash received from state and federal reimbursements	387,382
	521,067
Cash flows from capital financing activities:	
Purchases of fixed assets	-
	-
Cash flows from investing activities:	
Interest on investments	47
	47
Net increase (decrease) in cash and cash equivalents	5,183
Cash and cash equivalents, July 1	31,274
Cash and cash equivalents, June 30	\$ 36,457
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (575,184)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	3,815
Federal commodities	57,441
Change in assets and liabilities:	
(Increase)/decrease in inventory	(704)
(Increase)/decrease in accounts receivable	(1,090)
Increase (decrease) in accounts payable	877
Increase/(decrease) in unearned revenue	(1,086)
	(1,086)
Net cash used by operating activities	\$ (515,931)

Fiduciary Funds
Detail Statements

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

	<u>Agency Funds</u>		<u>Private Purpose Trust Fund</u>	<u>Unemployment Compensation Insurance Trust</u>	<u>Total</u>
	<u>Student Activity</u>	<u>Payroll</u>	<u>Scholarship Funds</u>		
ASSETS:					
Cash and cash equivalents	\$ 241,612	\$ 15,380	\$ 39,650	\$ 157,014	\$ 453,656
Interfund receivable			5,000		5,000
TOTAL ASSETS	<u>\$ 241,612</u>	<u>\$ 15,380</u>	<u>\$ 44,650</u>	<u>\$ 157,014</u>	<u>\$ 458,656</u>
LIABILITIES:					
Accounts payable				12,835	12,835
Payroll deductions and withholdings		14,712			14,712
Due to teachers' association		330			330
Interfund payable		338			338
Due to student groups	241,612				241,612
Total liabilities	<u>241,612</u>	<u>15,380</u>	<u>---</u>	<u>12,835</u>	<u>269,827</u>
NET POSITION:					
Restricted for:					
Unemployment claims				144,179	144,179
Scholarship payments			44,650		44,650
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,650</u>	<u>\$ 144,179</u>	<u>\$ 188,829</u>

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

	Private Purpose Trust Fund Scholarship Funds	Unemployment Compensation Insurance Trust Fund	Total
REVENUES:			
Local sources:			
Employee withholdings	\$ -	\$ 27,855	\$ 27,855
Other Contributions			0
Interest on Investments	<u>28</u>	<u>86</u>	<u>114</u>
Total Revenues	<u>28</u>	<u>27,941</u>	<u>27,969</u>
EXPENDITURES:			
Current Expense:			
Undistributed Expenditures:			
Unemployment claims		34,296	34,296
Scholarship payments	<u>12,854</u>		<u>12,854</u>
Total Expenditures	<u>12,854</u>	<u>34,296</u>	<u>47,150</u>
Change in net position	(12,826)	(6,355)	(19,181)
Total net position - July 1	<u>57,476</u>	<u>150,534</u>	<u>208,010</u>
Total net position - June 30	<u>\$ 44,650</u>	<u>\$ 144,179</u>	<u>\$ 188,829</u>

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2017

	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable June 30, 2017</u>	<u>Balance June 30, 2017</u>
JUNIOR/SENIOR HIGH SCHOOLS:					
Lower Cape May Regional:					
Activities	\$ 220,356	\$ 502,006	\$ 481,184	\$ -	\$ 241,178
Athletic	1,761	58,157	59,484	-	434
Total	<u>\$ 222,117</u>	<u>\$ 560,163</u>	<u>\$ 540,668</u>	<u>\$ -</u>	<u>\$ 241,612</u>

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

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
ASSETS:				
Cash and cash equivalents	\$ 25,718	\$ 19,484,705	\$ 19,495,043	\$ 15,380
Total assets	<u>\$ 25,718</u>	<u>\$ 19,484,705</u>	<u>\$ 19,495,043</u>	<u>\$ 15,380</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ -	\$ 8,882,096	\$ 8,867,384	\$ 14,712
Net payroll		10,602,483	10,602,483	
Due to teachers' association	330			330
Interfund payable	<u>25,388</u>	<u>126</u>	<u>25,176</u>	<u>338</u>
Total liabilities	<u>\$ 25,718</u>	<u>\$ 19,484,705</u>	<u>\$ 19,495,043</u>	<u>\$ 15,380</u>

Long-Term Debt Schedules

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Serial Bonds
 June 30, 2017

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017
			Date	Amount					
Refunding Bonds	10/15/2009	\$ 7,215,000	06/01/2018	\$ 645,000	4.00%	\$ 4,095,000	\$ -	\$ 600,000	\$ 3,495,000
			06/01/2019	665,000	4.00%				
			06/01/2020	735,000	4.00%				
			06/01/2021	730,000	4.00%				
			06/01/2022	720,000	4.00%				
School Bonds	3/15/2016	6,367,000	03/01/2018	200,000	2.00%	6,367,000			6,367,000
			03/01/2019	200,000	2.00%				
			03/01/2020	200,000	2.00%				
			03/01/2021	200,000	2.00%				
			03/01/2022	200,000	2.00%				
			03/01/2023	400,000	2.00%				
			03/01/2024	400,000	2.00%				
			03/01/2025	400,000	2.00%				
			03/01/2026	400,000	2.50%				
			03/01/2027	400,000	3.00%				
			03/01/2028	400,000	3.00%				
			03/01/2029	400,000	3.00%				
			03/01/2030	400,000	3.00%				
			03/01/2031	400,000	3.00%				
			03/01/2032	400,000	3.00%				
			03/01/2033	400,000	3.00%				
			03/01/2034	400,000	3.00%				
			03/01/2035	350,000	3.00%				
			03/01/2036	217,000	3.00%				
			Total						

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Obligations Under Capital Leases
June 30, 2017

Series	Interest Rate Payable	Amount of Original Issue	Amount Outstanding July 1, 2016	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2017
Energy Program	2.33%	\$ 2,931,725	\$ 2,664,651	\$ -	\$ 305,228	\$ 2,359,423
Dell Computers	1.98%	200,000	99,953		49,515	50,438
Dell Chromebooks	1.98%	200,000	63,004	-	30,699	32,305
Dell Chromebooks	2.82%	185,519		185,519		185,519
			<u>\$ 2,827,608</u>	<u>\$ 185,519</u>	<u>\$ 385,442</u>	<u>\$ 2,627,685</u>

LOWER CAPE MAY REGIONAL SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 910,605	\$ -	\$ 910,605	\$ 910,605	\$ -
Total revenues - local sources	<u>910,605</u>	<u>-</u>	<u>910,605</u>	<u>910,605</u>	<u>-</u>
State sources:					
Debt service aid type II	-	-	-	-	-
Total revenues - state sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>910,605</u>	<u>-</u>	<u>910,605</u>	<u>910,605</u>	<u>-</u>
EXPENDITURES:					
Regular debt service:					
Interest	317,357		317,357	317,357	-
Redemption of principal	600,000		600,000	600,000	-
Total Expenditures	<u>917,357</u>	<u>-</u>	<u>917,357</u>	<u>917,357</u>	<u>-</u>
Excess (Deficiency) of revenues over (under) expenditures	(6,752)		(6,752)	(6,752)	-
Other Financing Sources (Uses):					
Operating transfer in				3,861	3,861
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,861</u>	<u>3,861</u>
Excess (Deficiency) of revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(6,752)		(6,752)	(2,891)	3,861
Fund Balances, July 1	<u>7,729</u>		<u>7,729</u>	<u>7,729</u>	
Fund Balances, June 30	<u>\$ 977</u>		<u>\$ 977</u>	<u>\$ 4,838</u>	<u>\$ 3,861</u>
Recapitulation of Excess (Deficiency) or revenues over (under) expenditures					
Budgeted Fund Balance	<u>\$ (6,752)</u>		<u>\$ (6,752)</u>	<u>\$ (2,891)</u>	<u>\$ 3,861</u>

Statistical Section

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

Exhibit J-1

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 10,434,446	\$ 10,542,318	\$ 11,364,603	\$ 11,495,947	\$ 12,182,168	\$ 12,766,618	\$ 12,131,485	\$ 9,628,492	\$ 3,689,154	\$ 4,285,902
Restricted for:	-	-	-	-	-	-	-	-	-	-
Capital projects	11,617	11,704	11,764	11,824	21,919	11,979	112,039	612,345	7,702,751	5,040,940
Special revenue	(91,239)	-	-	-	-	-	-	-	-	-
Debt service	397,651	226,175	265,456	268,362	267,368	267,367	-	6,752	7,729	4,838
Other purposes	1,144,627	900,670	566,181	622,639	2,080,378	2,038,004	2,306,454	3,332,159	4,854,574	5,905,708
Unrestricted	(1,716,588)	(1,813,362)	(1,824,797)	(1,486,090)	(1,622,792)	(1,795,299)	(1,716,489)	(11,833,999)	(12,154,051)	(13,561,376)
Total governmental activities net position	<u>\$ 10,180,514</u>	<u>\$ 9,867,505</u>	<u>\$ 10,383,207</u>	<u>\$ 10,912,682</u>	<u>\$ 12,929,041</u>	<u>\$ 13,288,669</u>	<u>\$ 12,833,489</u>	<u>\$ 1,745,749</u>	<u>\$ 4,100,157</u>	<u>\$ 1,676,012</u>
Business-type activities:										
Net investment in capital assets	\$ 56,034	\$ 49,059	\$ 44,048	\$ 38,089	\$ 32,836	\$ 27,583	\$ 27,559	\$ 24,195	\$ 23,029	\$ 19,214
Unrestricted	17,888	37,078	21,527	13,933	58,563	50,154	36,459	24,470	50,576	55,605
Total business-type activities net position	<u>\$ 73,922</u>	<u>\$ 86,137</u>	<u>\$ 65,575</u>	<u>\$ 52,022</u>	<u>\$ 91,399</u>	<u>\$ 77,737</u>	<u>\$ 64,018</u>	<u>\$ 48,665</u>	<u>\$ 73,605</u>	<u>\$ 74,819</u>
District-wide:										
Net investment in capital assets	\$ 10,490,480	\$ 10,591,377	\$ 11,408,651	\$ 11,534,036	\$ 12,215,004	\$ 12,794,201	\$ 12,159,044	\$ 9,652,687	\$ 3,712,183	\$ 4,305,116
Restricted:										
Capital projects	11,617	11,704	11,764	11,824	21,919	11,979	112,039	612,345	7,702,751	5,040,940
Special revenue	(91,239)	-	-	-	-	-	-	-	-	-
Debt service	397,651	226,175	265,456	268,362	267,368	267,367	-	6,752	7,729	4,838
Other purposes	1,144,627	900,670	566,181	622,639	2,080,378	2,038,004	2,306,454	3,332,159	4,854,574	5,905,708
Unrestricted	(1,698,700)	(1,776,284)	(1,803,270)	(1,472,157)	(1,564,229)	(1,745,145)	(1,680,030)	(11,809,529)	(12,103,475)	(13,505,771)
Total district net position	<u>\$ 10,254,436</u>	<u>\$ 9,953,642</u>	<u>\$ 10,448,782</u>	<u>\$ 10,964,704</u>	<u>\$ 13,020,440</u>	<u>\$ 13,366,406</u>	<u>\$ 12,897,507</u>	<u>\$ 1,794,414</u>	<u>\$ 4,173,762</u>	<u>\$ 1,750,831</u>

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

Exhibit J-2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 10,786,022	\$ 10,340,318	\$ 10,213,080	\$ 10,002,765	\$ 9,542,650	\$ 9,840,839	\$ 10,549,770	\$ 10,012,727	\$ 10,096,876	\$ 9,936,892
Special education	2,561,306	2,881,873	2,956,499	3,409,275	2,846,667	2,174,703	2,573,801	2,578,098	2,552,234	2,496,784
Other instruction	679,185	749,364	827,748	703,005	802,021	807,053	805,687	812,076	816,489	872,375
Support Services:										
Tuition	2,650,051	2,905,570	2,816,501	2,253,954	2,023,446	2,903,704	2,708,703	3,038,667	2,370,107	2,475,403
Student & instruction related services	2,069,659	2,302,930	2,240,724	2,249,542	2,330,130	2,139,842	2,094,724	2,101,476	2,045,574	2,098,765
School administrative services	907,368	916,903	971,450	975,310	908,336	1,000,202	1,277,459	966,060	1,125,975	1,039,111
General and business administrative services	993,832	1,073,802	893,075	1,085,092	954,278	888,459	880,749	968,094	861,056	1,036,641
Plant operations and maintenance	2,513,071	2,224,952	2,675,579	2,494,661	2,736,751	3,073,300	3,229,918	5,795,676	3,023,197	6,796,009
Pupil transportation	1,277,827	1,295,841	1,248,046	1,321,877	1,393,584	1,490,083	1,503,109	1,376,761	1,339,556	1,358,762
Business and other support services										
Unallocated employee benefits	5,812,286	4,735,922	5,254,751	5,410,186	5,999,682	6,948,499	6,549,029	6,768,916	7,480,247	9,146,323
Special schools	20,866	4,660	2,421	19,225	25,022	60,441	41,664	32,644	23,644	-
Charter schools	-	15,925	-	-	-	-	-	-	-	62,856
Interest on long-term debt	545,536	555,632	335,461	381,877	328,873	282,100	232,748	209,409	232,501	324,326
Unallocated depreciation	69,035	96,914	29,206	139,056	51,682	29,763	88,007	31,733	34,053	33,089
Total governmental activities expenses	<u>30,886,044</u>	<u>30,100,606</u>	<u>30,464,541</u>	<u>30,445,825</u>	<u>29,943,122</u>	<u>31,638,988</u>	<u>32,535,368</u>	<u>34,692,337</u>	<u>32,001,509</u>	<u>37,677,336</u>
Business-type activities:										
Food service	1,101,589	1,099,231	1,078,894	1,021,039	979,085	971,152	966,178	964,123	953,238	928,012
Total business-type activities expense	<u>1,101,589</u>	<u>1,099,231</u>	<u>1,078,894</u>	<u>1,021,039</u>	<u>979,085</u>	<u>971,152</u>	<u>966,178</u>	<u>964,123</u>	<u>953,238</u>	<u>928,012</u>
Total district expenses	<u>\$ 31,987,633</u>	<u>\$ 31,199,837</u>	<u>\$ 31,543,435</u>	<u>\$ 31,466,864</u>	<u>\$ 30,922,207</u>	<u>\$ 32,610,140</u>	<u>\$ 33,501,546</u>	<u>\$ 35,656,460</u>	<u>\$ 32,954,747</u>	<u>\$ 38,605,348</u>
Program Revenues:										
Governmental activities:										
Operating grants and contributions	\$ 5,298,181	\$ 2,764,272	\$ 3,106,174	\$ 3,099,000	\$ 2,983,149	\$ 3,568,375	\$ 3,224,843	\$ 3,366,499	\$ 3,795,741	\$ 4,141,326
Total governmental activities program revenues	<u>5,298,181</u>	<u>2,764,272</u>	<u>3,106,174</u>	<u>3,099,000</u>	<u>2,983,149</u>	<u>3,568,375</u>	<u>3,224,843</u>	<u>3,366,499</u>	<u>3,795,741</u>	<u>4,141,326</u>

(Continued)

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

Exhibit J-2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services:										
Food service	\$ 462,674	\$ 462,692	\$ 474,616	\$ 443,652	\$ 453,884	\$ 408,018	\$ 385,247	\$ 366,411	\$ 344,221	\$ 352,828
Operating grants and contributions	444,702	507,187	408,454	370,726	399,491	361,430	401,359	398,183	429,320	442,666
Capital grants and contributions										
Total business-type activities program revenues	<u>907,376</u>	<u>969,879</u>	<u>883,070</u>	<u>814,378</u>	<u>853,375</u>	<u>769,448</u>	<u>786,606</u>	<u>764,594</u>	<u>773,541</u>	<u>795,494</u>
Total district program revenues	<u>\$ 6,205,557</u>	<u>\$ 3,734,151</u>	<u>\$ 3,989,244</u>	<u>\$ 3,913,378</u>	<u>\$ 3,836,524</u>	<u>\$ 4,337,823</u>	<u>\$ 4,011,449</u>	<u>\$ 4,131,093</u>	<u>\$ 4,569,282</u>	<u>\$ 4,936,820</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (25,587,863)	\$ (27,336,334)	\$ (27,358,367)	\$ (27,346,825)	\$ (26,959,973)	\$ (28,070,613)	\$ (29,310,525)	\$ (31,325,838)	\$ (28,205,768)	\$ (33,536,010)
Business-type activities	(194,213)	(129,352)	(195,824)	(206,661)	(125,710)	(201,704)	(179,572)	(199,529)	(179,697)	(132,518)
Total district-wide net expense	<u>\$ (25,782,076)</u>	<u>\$ (27,465,686)</u>	<u>\$ (27,554,191)</u>	<u>\$ (27,553,486)</u>	<u>\$ (27,085,683)</u>	<u>\$ (28,272,317)</u>	<u>\$ (29,490,097)</u>	<u>\$ (31,525,367)</u>	<u>\$ (28,385,465)</u>	<u>\$ (33,668,528)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 15,497,072	\$ 16,116,955	\$ 16,761,633	\$ 17,432,098	\$ 17,780,740	\$ 18,136,355	\$ 18,499,082	\$ 19,167,844	\$ 19,551,199	\$ 19,942,222
Taxes levied for debt service	1,400,984	1,212,021	1,401,784	1,427,947	1,418,460	1,256,338	961,534	1,088,238	787,800	910,605
Unrestricted grants and contributions	8,117,950	9,614,151	9,721,599	8,977,954	9,730,774	9,135,635	9,415,816	9,758,588	9,833,476	10,032,655
Miscellaneous income	373,179	221,358	164,053	231,301	211,358	179,700	144,723	325,987	592,313	360,068
Transfers	(167,000)	(141,160)	(175,000)	(193,000)	(165,000)	(188,000)	(165,810)	(184,140)	(204,612)	(133,685)
Total governmental activities	<u>25,222,185</u>	<u>27,023,325</u>	<u>27,874,069</u>	<u>27,876,300</u>	<u>28,976,332</u>	<u>28,520,028</u>	<u>28,855,345</u>	<u>30,156,517</u>	<u>30,560,176</u>	<u>31,111,865</u>
Business-type activities:										
Investment earnings	24,530	407	262	108	87	42	43	36	25	47
Miscellaneous income	-	-	-	-	-	-	-	-	-	-
Transfers	167,000	141,160	175,000	193,000	165,000	188,000	165,810	184,140	204,612	133,685
Total business-type activities	<u>191,530</u>	<u>141,567</u>	<u>175,262</u>	<u>193,108</u>	<u>165,087</u>	<u>188,042</u>	<u>165,853</u>	<u>184,176</u>	<u>204,637</u>	<u>133,732</u>
Total district-wide	<u>\$ 25,413,715</u>	<u>\$ 27,164,892</u>	<u>\$ 28,049,331</u>	<u>\$ 28,069,408</u>	<u>\$ 29,141,419</u>	<u>\$ 28,708,070</u>	<u>\$ 29,021,198</u>	<u>\$ 30,340,693</u>	<u>\$ 30,764,813</u>	<u>\$ 31,245,597</u>
Change in Net Position:										
Governmental activities	\$ (365,678)	\$ (313,009)	\$ 515,702	\$ 529,475	\$ 2,016,359	\$ 449,415	\$ (455,180)	\$ (1,169,321)	\$ 2,354,408	\$ (2,424,145)
Business-type activities	(2,683)	12,215	(20,562)	(13,553)	39,377	(13,662)	(13,719)	(15,353)	24,940	1,214
Total district-wide	<u>\$ (368,361)</u>	<u>\$ (300,794)</u>	<u>\$ 495,140</u>	<u>\$ 515,922</u>	<u>\$ 2,055,736</u>	<u>\$ 435,753</u>	<u>\$ (468,899)</u>	<u>\$ (1,184,674)</u>	<u>\$ 2,379,348</u>	<u>\$ (2,422,931)</u>

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

Exhibit J-3

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund:										
Reserved for:										
Encumbrances	\$ -	\$ -	\$ -	\$ 79,120	\$ 226,887	\$ 266,056	\$ 169,085	\$ 170,466	\$ 104,232	\$ 245,034
Capital reserve	11,617	11,704	11,764	11,824	21,919	11,979	112,039	612,345	1,616,020	3,016,989
Maintenance reserve					50,000	50,000	150,000	650,000	1,650,000	1,800,000
Excess surplus	805,547	795,670	532,959	523,519	983,233	706,423	1,215,680	1,105,535	1,924,537	1,916,137
Designated for Subsequent Years Expd.					800,258	995,525	751,689	1,386,158	1,155,805	1,924,537
Unreserved	<u>489,739</u>	<u>(212,370)</u>	<u>(442,194)</u>	<u>(204,434)</u>	<u>(253,207)</u>	<u>(139,121)</u>	<u>(86,782)</u>	<u>(189,066)</u>	<u>(250,391)</u>	<u>(293,715)</u>
Total general fund	<u>\$ 1,306,903</u>	<u>\$ 595,004</u>	<u>\$ 102,529</u>	<u>\$ 410,029</u>	<u>\$ 1,829,090</u>	<u>\$ 1,890,862</u>	<u>\$ 2,311,711</u>	<u>\$ 3,735,438</u>	<u>\$ 6,200,203</u>	<u>\$ 8,608,982</u>
All Other Governmental Funds										
Reserved:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,859,307
Debt service reserve	267,363	267,363	267,363	267,363	267,363	267,367	-	-	-	-
Unreserved, reported in:										
Special revenue fund	(91,239)	-	-	-	-	-	-	-	-	-
Capital projects fund									6,086,731	164,644
Permanent fund	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Debt service fund	200,585	27,610	52,364	45,203	5	-	-	6,752	7,729	4,838
Total all other governmental funds	<u>\$ 396,709</u>	<u>\$ 314,973</u>	<u>\$ 339,727</u>	<u>\$ 332,566</u>	<u>\$ 287,368</u>	<u>\$ 287,367</u>	<u>\$ 20,000</u>	<u>\$ 26,752</u>	<u>\$ 6,114,460</u>	<u>\$ 2,048,789</u>

Lower Cape May Regional School District
 Changes in Fund Balances, Governmental Funds,
 Last Ten Fiscal Years

(modified accrual basis of accounting)

Exhibit J-4

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax levy	\$ 16,898,056	\$ 17,328,976	\$ 18,163,417	\$ 18,860,045	\$ 19,199,200	\$ 19,392,693	\$ 19,460,616	\$ 20,256,082	\$ 20,338,999	\$ 20,852,827
Tuition charges	4,754	4,389	-	57,576	31,156	19,690	2,543	128,816	239,397	129,265
Transportation fees	120,865	98,095	82,531	82,301	76,611	50,721	82,463	75,219	93,678	104,755
Interest earnings	120,270	37,146	18,096	5,681	95	60	60	306	4,652	4,062
Miscellaneous	145,315	81,921	68,556	90,743	103,496	109,729	59,657	121,646	254,586	121,986
State sources	12,480,354	11,524,275	11,433,595	10,748,638	11,473,290	11,735,906	11,700,390	12,223,126	12,701,205	13,267,135
Federal sources	917,752	853,955	1,389,048	1,323,316	1,240,633	967,604	940,269	901,961	928,012	906,846
Total revenue	<u>30,687,366</u>	<u>29,928,757</u>	<u>31,155,243</u>	<u>31,168,300</u>	<u>32,124,481</u>	<u>32,276,403</u>	<u>32,245,998</u>	<u>33,707,156</u>	<u>34,560,529</u>	<u>35,386,876</u>
Expenditures										
Instruction										
Regular Instruction	9,752,046	9,482,761	9,804,829	8,939,499	8,933,128	9,221,158	9,337,997	9,432,757	9,620,128	9,541,811
Special education instruction	2,561,306	2,881,873	2,956,499	3,409,275	2,846,667	2,174,703	2,573,801	2,578,098	2,552,234	2,496,784
Other special instruction	679,185	749,364	827,748	703,005	802,021	807,053	805,687	812,076	816,489	872,375
Support Services:										
Tuition	2,650,051	2,905,570	2,816,501	2,253,954	2,023,446	2,903,704	2,708,703	3,038,667	2,370,107	2,475,403
Student & instruction related services	2,069,659	2,302,930	2,240,724	2,249,542	2,330,130	2,139,842	2,094,724	2,101,476	2,045,574	2,098,765
School administrative services	907,368	916,903	971,450	975,310	908,336	1,000,202	880,749	966,060	1,023,815	1,039,111
General and business admin. services	872,828	897,038	851,729	837,514	873,360	828,933	1,013,439	872,897	861,056	937,375
Plant operations and maintenance	2,161,272	2,524,800	2,686,824	2,610,777	2,687,255	2,728,755	2,622,496	2,560,888	2,704,963	2,736,722
Pupil transportation	1,277,827	1,295,841	1,248,046	1,321,877	1,393,584	1,490,083	1,503,109	1,376,761	1,339,556	1,358,762
Other support services	5,812,286	4,735,922	5,254,751	5,410,186	5,999,682	6,948,499	6,549,029	6,802,209	7,266,221	7,721,130
Special Schools	20,866	4,660	2,421	1,716	-	-	-	-	-	-
Charter Schools		15,925	-	17,509	25,022	60,441	41,664	32,644	23,644	62,856
Capital outlay	350,440	295,513	234,514	352,853	143,521	304,964	418,595	3,504,705	855,856	4,837,151
Debt service:										
Principal	990,000	1,015,000	1,210,000	1,200,000	1,280,000	1,130,000	1,125,000	930,000	600,000	600,000
Interest and other charges	614,014	557,132	426,221	391,944	339,466	288,295	251,713	215,024	187,800	317,357
Total expenditures	<u>30,719,148</u>	<u>30,581,232</u>	<u>31,532,257</u>	<u>30,674,961</u>	<u>30,585,618</u>	<u>32,026,632</u>	<u>31,926,706</u>	<u>35,224,262</u>	<u>32,267,443</u>	<u>37,095,602</u>
Excess (Deficiency) of revenues over (under) expenditures	(31,782)	(652,475)	(377,014)	493,339	1,538,863	249,771	319,292	(1,517,106)	2,293,086	(1,708,726)
Other Financing sources (uses)										
Proceeds from borrowing			7,665,786	-	-	-	-	3,131,725	96,999	185,519
Proceeds from Serial Bonds									6,367,000	
Payment to escrow agent			(7,581,493)	-	-	-	-	-	-	-
Transfers in	285,520	6,144	115	-	-	10,000	-	-	977	3,861
Transfers out	(452,520)	(147,304)	(175,115)	(193,000)	(165,000)	(198,000)	(165,810)	(184,140)	(205,589)	(137,546)
Total other financing sources (uses)	<u>(167,000)</u>	<u>(141,160)</u>	<u>(90,707)</u>	<u>(193,000)</u>	<u>(165,000)</u>	<u>(188,000)</u>	<u>(165,810)</u>	<u>2,947,585</u>	<u>6,259,387</u>	<u>51,834</u>
Net change in fund balances	<u>\$ (198,782)</u>	<u>\$ (793,635)</u>	<u>\$ (467,721)</u>	<u>\$ 300,339</u>	<u>\$ 1,373,863</u>	<u>\$ 61,771</u>	<u>\$ 153,482</u>	<u>\$ 1,430,479</u>	<u>\$ 8,552,473</u>	<u>\$ (1,656,892)</u>
Debt service as a percentage of noncapital expenditures	5.28%	5.19%	5.23%	5.25%	5.32%	4.47%	4.37%	3.61%	2.51%	2.84%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

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

Exhibit J-5

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Insurance Refunds	Transportaion	Other Refunds	Use of Facilities	Adult Education Program Fees	Sale of Assets	Energy Reimbursements	Miscellaneous	Total
2008	\$ 101,531	\$ 4,754	\$ 49,667	\$ 120,865	\$ 28,224	\$ 26,423	\$ 12,503	\$ -	\$ -	\$ 10,473	\$ 354,440
2009	30,668	4,389	40,533	98,095	3,194	34,617	2,981			403	214,880
2010	18,096	-	21,285	82,531	5,237	29,623	1,536			5,630	163,938
2011	5,621	57,576	5,798	82,301	50,919	22,696	761			5,569	231,241
2012	4,779	31,156	27,060	76,611	55,311	10,985				5,361	211,263
2013	1,943	16,690	13,226	50,721	56,675	21,696		10,046		5,703	176,700
2014	2,258	2,543	33,323	82,463	-	17,923		1,300		4,913	144,723
2015	2,681	128,816	13,597	75,219	66,540	17,510		8,966		12,352	325,681
2016	3,675	239,397	3,889	93,678	32,331	30,390		12,428	170,658	4,890	591,336
2017	4,062	129,265	1,000	104,755	54,133	45,264		12,393	1,250	4,085	356,207
	<u>\$ 175,314</u>	<u>\$ 614,586</u>	<u>\$ 209,378</u>	<u>\$ 867,239</u>	<u>\$ 352,564</u>	<u>\$ 257,127</u>	<u>\$ 17,781</u>	<u>\$ 45,133</u>	<u>\$ 171,908</u>	<u>\$ 59,379</u>	<u>\$ 2,770,409</u>

Source: District records

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

Exhibit J-6

Fiscal Year Ended June 30,	Borough of West Cape May								Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax- Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment							
2008	\$ 33,282,200	\$ 433,366,600	\$ 2,591,600	\$ 73,700	\$ 40,370,900		\$ 1,189,500	\$ 510,874,500	\$ 257,281	\$ 511,131,780	\$ 9,464,500	\$ 0.176	492,160,703	
2009	29,943,600	439,225,500	3,463,600	165,800	41,342,300		1,189,500	515,330,300	274,134	515,604,434	9,464,500	0.174	550,005,474	
2010	26,223,300	443,515,200	3,582,300	216,100	40,695,500		1,189,500	515,431,900	266,363	515,698,263	9,970,200	0.173	469,807,800	
2011	20,996,200	385,812,600	3,828,600	205,800	35,180,700		1,066,100	448,090,000	225,357	448,315,357	9,143,300	0.202	490,893,238	
2012	19,404,000	389,387,800	3,828,600	205,800	36,215,900		1,066,100	450,108,200	210,266	450,318,466	9,445,000	0.191	494,415,656	
2013	19,596,100	391,522,000	3,301,300	210,200	35,430,600		1,066,100	451,126,300	226,124	451,352,424	9,445,000	0.194	455,908,033	
2014	18,272,800	394,148,500	3,301,300	210,200	35,647,800		1,066,100	452,646,700	153,222	452,799,922	9,662,400	0.197	439,431,249	
2015	18,717,700	397,040,600	3,301,300	210,200	35,427,900		1,066,100	455,763,800	150,096	455,913,896	10,094,500	0.225	429,146,511	
2016	18,128,200	399,794,400	3,301,300	210,200	35,069,100		1,066,100	457,569,300	146,736	457,716,036	10,094,500	0.228	439,244,856	
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	

Source: Municipal Tax Assessor

Note:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

Continued

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

Exhibit J-6

Fiscal Year Ended June 30,	City of Cape May								Public Utilities a	Net Valuation Taxable	Tax- Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value					
2008	\$ 43,644,800	\$ 1,693,968,100			\$ 350,790,200		\$ 125,900,300	\$ 2,214,303,400	\$ 728,282	\$ 2,215,031,682	\$ 327,656,700	\$ 0.067	\$ 2,688,901,384
2009	41,928,800	1,722,295,200			352,884,200		121,649,800	2,238,758,000	765,569	2,239,523,569	327,747,900	0.067	2,782,533,630
2010	57,139,000	2,138,841,000			453,981,300		148,999,800	2,798,961,100	952,965	2,799,914,065	420,382,900	0.053	2,793,454,421
2011	58,125,700	2,149,223,600			439,858,800		143,882,000	2,791,090,100	796,181	2,791,886,281	420,630,400	0.054	2,848,404,511
2012	57,451,900	2,160,163,500			435,731,100		143,061,100	2,796,407,600	750,281	2,797,157,881	419,138,600	0.054	2,904,884,781
2013	53,163,900	2,168,319,400			435,863,300		139,510,400	2,796,857,000	815,630	2,797,672,630	429,768,200	0.054	2,812,671,567
2014	53,288,200	2,173,873,900			431,761,000		135,723,600	2,794,646,700	589,060	2,795,235,760	431,981,900	0.057	2,738,737,239
2015	64,370,700	2,177,186,500			430,297,700		133,612,100	2,805,467,000	612,231	2,806,079,231	433,484,900	0.062	2,742,474,025
2016	62,194,300	2,187,231,000			429,579,600		133,420,700	2,812,425,600	625,355	2,813,050,955	433,758,300	0.065	2,711,154,162
2017	61,236,100	2,193,506,400			427,044,200		131,838,600	2,813,625,300	612,446	2,814,237,746	433,571,800	0.066	2,814,237,746

Source: Municipal Tax Assessor

Note:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

Continued

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

Exhibit J-6

Fiscal Year Ended June 30,	Township of Lower								Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax- Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment							
2008	\$ 133,431,600	\$ 4,217,537,900	\$ 9,472,800	\$ 1,092,000	\$ 309,843,800	\$ -	\$ 13,262,500	\$ 4,684,640,600	\$ 6,343,694	\$ 4,690,984,294	\$ 325,244,700	\$ 0	\$ 4,919,878,070	
2009	135,540,800	4,236,864,100	5,612,600	951,900	309,691,200		14,165,900	4,702,826,500	6,790,522	4,709,617,022	319,776,100	0.306	4,503,993,506	
2010	98,832,700	3,693,867,300	6,757,300	967,900	275,537,400		13,375,400	4,089,338,000	6,782,972	4,096,120,972	261,510,700	0.351	4,418,591,951	
2011	91,427,900	3,694,390,400	6,219,800	942,300	278,275,900		13,375,400	4,084,631,700	5,957,340	4,090,589,040	268,718,900	0.355	4,227,524,473	
2012	87,921,400	3,705,980,700	4,460,700	911,900	276,929,100		13,161,400	4,089,365,200	6,102,592	4,095,467,792	268,066,300	0.362	4,034,131,771	
2013	86,948,300	3,684,519,500	5,236,800	953,300	275,766,100		13,161,400	4,066,585,400	5,339,934	4,071,925,334	270,144,600	0.371	3,773,894,430	
2014	70,784,000	3,247,623,400	4,914,400	953,300	258,806,900		11,332,200	3,594,414,200	4,337,206	3,598,751,406	232,262,300	0.432	3,725,002,834	
2015	70,254,400	3,254,393,300	4,914,400	927,600	259,130,000		11,432,200	3,601,051,900	4,347,721	3,605,399,621	234,835,200	0.446	3,719,358,459	
2016	68,016,300	3,261,711,400	5,052,600	577,600	263,588,800		11,432,200	3,610,378,900	4,212,178	3,614,591,078	232,698,600	0.458	3,781,566,024	
2017	64,279,700	3,274,539,000	5,413,000	595,500	264,828,800		11,432,200	3,621,088,200	4,172,271	3,625,260,471	233,773,100	0.466	3,802,011,213	

Source: Municipal Tax Assessor

Note:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Exhibit J-7

Borough of West Cape May

Fiscal Year Ended June 30,	West Cape May School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Rate
	General Obligation			Borough of West Cape May	Regional School	Cape May County	
	Basic Rate	Debt Service	Total Direct				
2008	\$ 0.167	\$ 0.009	\$ 0.176	\$ 0.279	\$ 0.306	\$ 0.184	\$ 0.945
2009	0.165	0.009	0.174	0.273	0.335	0.197	0.979
2010	0.164	0.009	0.173	0.283	0.333	0.202	0.991
2011	0.112	0.090	0.202	0.337	0.389	0.242	1.170
2012	0.180	0.011	0.191	0.346	0.356	0.256	1.149
2013	0.184	0.010	0.194	0.331	0.294	0.248	1.067
2014	0.107	0.010	0.197	0.330	0.378	0.244	1.149
2015	0.215	0.010	0.225	0.331	0.353	0.240	1.149
2016	0.218	0.010	0.228	0.350	0.397	0.247	1.222
2017	0.220	0.009	0.229	0.356	0.365	0.272	1.222

City of Cape May

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

Township of Lower

Fiscal Year Ended June 30,	Lower Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Rate
	General Obligation			Township of Lower	Regional School	Cape May County	
	Basic Rate	Debt Service	Total Direct				
2008	\$ 0.291	\$ 0.010	\$ 0.301	\$ 0.349	\$ 0.230	\$ 0.181	\$ 1.061
2009	0.296	0.010	0.306	0.366	0.247	0.193	1.112
2010	0.351		0.351	0.433	0.285	0.230	1.299
2011	0.355		0.355	0.443	0.277	0.231	1.306
2012	0.362		0.362	0.443	0.273	0.229	1.307
2013	0.371		0.371	0.473	0.291	0.227	1.362
2014	0.432		0.432	0.536	0.335	0.260	1.563
2015	0.446		0.446	0.556	0.353	0.263	1.618
2016	0.456	0.002	0.458	0.556	0.389	0.270	1.673
2017	0.462	0.004	0.466	0.574	0.381	0.276	1.697

Source: Municipal Tax Collector

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

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

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

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

Exhibit J-8

Borough of West Cape May

Taxpayer	2017		Taxpayer	2008	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Wilbraham Mansion, LLC	\$ 2,854,600	0.61%	Raysun Property Management	\$ 2,975,500	0.58%
Rayson Property Management	2,811,700	0.60%	CVS Property Management	2,149,900	0.42%
The Depot Travel Park, Inc.	2,729,900	0.58%	Depot Travel Park, Inc.	2,520,300	0.49%
Cape May Lumber Company	2,412,100	0.51%	Cape May Lumber	1,807,400	0.35%
CVS, Inc.	2,300,000	0.49%	Individual #1	1,516,600	0.30%
Individual #1	2,058,200	0.44%	Cape West Associates	1,353,400	0.26%
Cape West Associates, Inc.	1,862,800	0.40%	CMW Development	1,186,700	0.23%
Individual #2	1,594,300	0.34%	West Cape May Properties	995,800	0.19%
Individual #3	1,135,500	0.24%	Linnington/Citrino Partnership	826,600	0.16%
SPE Labrusciano, LLC	1,114,800	0.24%	Individual #2	824,200	0.16%
Total	\$ 20,873,900	4.45%	Total	\$ 16,156,400	3.16%

City of Cape May

Taxpayer	2017		Taxpayer	2008	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Congress Hall LLC	\$ 28,418,200	1.01%	Congress Hall LLC	\$ 22,972,500	1.04%
Oceanfront Properties LLC	25,310,200	0.90%	Oceanfront Properties LLC	20,379,500	0.92%
ADIS Inc.	21,787,600	0.77%	ADIS Inc.	15,021,600	0.68%
Ocean Club Hotel CM, LLC	13,000,000	0.46%	Statt Corporation	10,451,900	0.47%
Cape Coachman Realty, LLC	11,989,500	0.43%	Sandpiper Beach Associates, LLC	9,391,100	0.42%
Kejzman Hospitality, LLC	11,473,100	0.41%	CIRJ Inc.	8,330,200	0.38%
Montreal Inn	10,089,700	0.36%	Montreal Inn	7,889,700	0.36%
Osprey Landing Development Co. LLC	9,223,900	0.33%	Keystone Enterprises Inc.	7,755,800	0.35%
Individual #1	8,812,600	0.31%	JR Enterprises	7,357,800	0.33%
Bogle Investment Properties, LLC	7,768,300	0.28%	Cape Motels Inc.	6,875,600	0.31%
Total	\$147,873,100	5.27%	Total	\$ 116,425,700	5.26%

Township of Lower

Taxpayer	2017		Taxpayer	2008	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Sun Lake Laurie RV, LLC	\$ 17,300,000	0.48%	Achristavest, LLC	\$ 12,600,000	0.27%
Harbortown Resort Marina	15,617,300	0.43%	Bayshore May	5,600,000	0.12%
Achristavest Pier 6600, LLC	12,696,700	0.35%	Victoria Health Corp.	4,537,500	0.10%
Jenio Corp. & Harlo Inc	11,700,000	0.32%	North Cape Convalescent Center	3,900,000	0.08%
Shaw Limited partnership	10,101,400	0.28%	Ponderlodge	3,644,500	0.08%
Bayshore Mall, LLC	8,512,700	0.23%	Snows/Doxsee, Inc.	3,591,000	0.08%
Beachcomber Campground, Inc	6,749,100	0.19%	Harbortown Resort Marina, Inc.	3,435,300	0.07%
Cape Island Associates	6,000,000	0.17%	Shaw Limited Partnership	3,229,400	0.07%
FC-GEN Real Estate, LLC	6,000,000	0.17%	Channels Apts	3,100,000	0.07%
Ghannels Apts @ NY Comm	6,000,000	0.17%	Cold Spring Fish & Supply Co. Inc.	2,762,500	0.06%
Total	\$ 100,677,200	2.78%	Total	\$46,300,200	3.04%

Source: Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 16,898,058	\$ 16,898,058	100.00%	\$ -
2009	17,328,976	17,328,976	100.00%	
2010	18,163,417	18,163,417	100.00%	
2011	18,860,045	18,860,045	100.00%	
2012	19,199,200	19,194,200	99.97%	5,000
2013	19,392,693	19,397,693	100.03%	
2014	19,460,616	19,460,616	100.00%	
2015	20,256,082	20,256,082	100.00%	
2016	20,338,999	20,338,999	100.00%	
2017	20,852,827	20,852,827	100.00%	

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

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income (a)			Per Capita (b)		
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Borough of West Cape May	City of Cape May	Township of Lower	Borough of West Cape May	City of Cape May	Township of Lower
2008	\$ 11,060,000	\$ 1,335,000	\$ -	\$ -	\$ -	\$ 12,395,000	29.25%	7.76%	1.41%	12,584	3,338	609
2009	10,245,000	1,135,000	-	-	-	11,380,000	26.25%	6.99%	1.28%	11,553	3,077	562
2010	9,425,000	935,000	-	-	-	10,360,000	22.52%	6.39%	1.01%	10,127	2,875	453
2011	8,440,000	720,000	-	-	-	9,160,000	18.75%	5.37%	0.85%	8,928	2,558	404
2012	7,390,000	490,000	-	-	-	7,880,000	15.58%	4.48%	0.71%	7,680	2,207	349
2013	6,500,000	250,000	-	-	-	6,750,000	13.27%	3.82%	0.61%	6,598	1,901	301
2014	5,625,000	-	-	-	-	5,625,000	10.66%	3.07%	0.49%	5,526	1,593	253
2015	4,695,000	-	2,931,725	-	-	7,626,725	14.08%	4.07%	0.65%	7,507	2,170	345
2016	10,462,000	-	2,827,608	-	-	13,289,608	(c)	(c)	(c)	13,080	3,797	604
2017	9,862,000	-	2,627,685	-	-	12,489,685	(c)	(c)	(c)	(c)	(c)	(c)

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

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

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property(a)			Per Capita(b)		
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Borough of West Cape May	City of Cape May	Township of Lower	Borough of West Cape May	City of Cape May	Township of Lower
2008	\$ 11,060,000	\$ -	\$ 11,060,000	2.16%	0.50%	0.24%	11,228	2,979	543
2009	10,245,000		10,245,000	1.99%	0.46%	0.22%	10,401	2,770	506
2010	9,425,000		9,425,000	1.83%	0.34%	0.23%	9,213	2,615	412
2011	8,440,000		8,440,000	1.88%	0.30%	0.21%	8,226	2,357	373
2012	7,390,000		7,390,000	1.64%	0.26%	0.18%	7,203	2,069	327
2013	6,500,000		6,500,000	1.44%	0.23%	0.16%	6,354	1,830	290
2014	5,625,000		5,625,000	1.24%	0.20%	0.16%	5,526	1,593	253
2015	4,695,000		4,695,000	1.03%	0.17%	0.13%	4,621	1,336	212
2016	10,462,000		10,462,000	2.29%	0.37%	0.29%	10,297	2,989	475
2017	9,862,000		9,862,000	2.10%	0.35%	0.27%	(c)	(c)	(c)

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

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

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

(c) Not available.

**Lower Cape May Regional School District
Ratios of Overlapping Governmental Activities Debt
As of December 31, 2016**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Borough of West Cape May	\$ 782,946	100.000%	\$ 782,946
Township of Lower	19,411,552	100.000%	19,411,552
City of Cape May	45,875,998	100.000%	45,875,998
Cape May County General Obligation Debt	226,540,860	14.542%	<u>32,943,572</u>
Subtotal, overlapping debt			98,231,122
Lower Cape May Regional School District Direct Debt			<u>4,695,000</u>
Total direct and overlapping debt			<u><u>\$ 102,926,122</u></u>

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized valuation basis	
	2014	\$ 6,843,054,678
	2015	6,886,727,988
	2016	7,100,692,450
	[A]	<u>\$ 20,830,475,116</u>
Average equalized valuation of taxable property	[A/3]	\$ 6,943,491,705
Debt limit (3.5% of average equalized valuation)	[B]	243,022,210 ^a
Net bonded school debt	[C]	9,862,000
Legal debt margin	[B-C]	<u>\$ 233,160,210</u>

Fiscal Year

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 239,860,179	\$ 259,521,046	\$ 266,269,300	\$ 266,091,905	\$ 262,421,266	\$ 256,217,733	\$ 248,337,483	\$ 241,983,147	\$ 240,306,913	\$ 243,022,210
Total net debt applicable to limit	<u>11,060,000</u>	<u>10,245,000</u>	<u>9,425,000</u>	<u>8,440,000</u>	<u>7,390,000</u>	<u>6,500,000</u>	<u>5,625,000</u>	<u>4,695,000</u>	<u>10,462,000</u>	<u>9,862,000</u>
Legal debt margin	<u>\$ 228,800,179</u>	<u>\$ 249,276,046</u>	<u>\$ 256,844,300</u>	<u>\$ 257,651,905</u>	<u>\$ 255,031,266</u>	<u>\$ 249,717,733</u>	<u>\$ 242,712,483</u>	<u>\$ 237,288,147</u>	<u>\$ 229,844,913</u>	<u>\$ 233,160,210</u>
Total net debt applicable to the limit as a percentage of debt limit	4.61%	3.95%	3.54%	3.17%	2.82%	2.54%	2.27%	1.94%	4.35%	4.06%

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

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

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
<u>Borough of West Cape May</u>				
2008	985	\$ 42,380,610	\$ 43,026	9.1%
2009	985	43,356,745	44,017	13.0%
2010	1,023	45,999,195	44,965	13.5%
2011	1,026	48,848,886	47,611	14.2%
2012	1,026	50,588,982	49,307	15.2%
2013	1,023	50,859,468	49,716	18.8%
2014	1,018	52,744,616	51,812	10.4%
2015	1,016	54,161,944	53,309	9.9%
2016	1,016	e	e	9.2%
2017	e	e	e	e
<u>City of Cape May</u>				
2008	3,713	\$ 159,755,538	\$ 43,026	8.6%
2009	3,699	162,818,883	44,017	12.2%
2010	3,604	162,053,860	44,965	12.8%
2011	3,581	170,494,991	47,611	13.4%
2012	3,571	176,075,297	49,307	16.2%
2013	3,551	176,541,516	49,716	14.6%
2014	3,532	182,999,984	51,812	12.9%
2015	3,514	187,327,826	53,309	12.5%
2016	3,500	e	e	11.2%
2017	e	e	e	e
<u>Township of Lower</u>				
2008	20,369	\$ 876,396,594	\$ 43,026	9.9%
2009	20,239	890,860,063	44,017	13.9%
2010	22,855	1,027,675,075	44,965	14.5%
2011	22,647	1,078,246,317	47,611	15.2%
2012	22,572	1,112,957,604	49,307	14.4%
2013	22,421	1,114,682,436	49,716	11.9%
2014	22,248	1,152,713,376	51,812	12.6%
2015	22,125	1,179,461,625	53,309	11.1%
2016	22,007	e	e	10.1%
2016	e	e	e	e

Source:

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

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

Exhibit J-16

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Instruction										
Regular	153	152	152	147	136	136	135	132	130	126
Special education	30	30	30	30	32	34	34	31	31	30
Other special education	5	5	5	5	6	6	6	7	7	7
Vocational										
Other instruction										
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Student & instruction related services	21	21	34	34	34	32	32	28	28	27
School administrative services	9	9	9	8	12	12	12	12	12	12
General and business administrative services	6	6	6	6	6	6	6	6	6	6
Plant operations and maintenance	24	23	23	23	24	23	23	22	22	24
Pupil transportation	22	22	22	22	22	22	22	21	21	21
Special Schools										17
Food Service	20	19	19	19	19	19	18	17	17	
Total	<u>290</u>	<u>287</u>	<u>300</u>	<u>294</u>	<u>291</u>	<u>290</u>	<u>288</u>	<u>276</u>	<u>274</u>	<u>270</u>

Source: District Personnel Records

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

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Middle School	Senior High School				
2008	1,729	\$ 28,764,694	\$ 16,637	4.40%	139	1:11.3	1:13.9	1,731	1,623	8.00%	93.76%
2009	1,623	28,713,587	17,692	6.34%	139	1:10.9	1:13.3	1,632	1,523	-5.72%	93.32%
2010	1,635	29,661,522	18,142	2.54%	139	1:11.1	1:13.5	1,616	1,514	0.98%	93.69%
2011	1,616	28,730,164	17,779	2.54%	140	1:12.4	1:15.1	1,609	1,499	-0.43%	93.16%
2012	1,538	28,822,631	18,740	5.41%	140	1:12.4	1:15.1	1,528	1,433	-5.03%	93.78%
2013	1,480	30,303,373	20,475	9.20%	140	1:12.4	1:15.1	1,462	1,366	-4.61%	93.43%
2014	1,395	30,131,398	21,600	5.40%	140	1:12.4	1:15.1	1,396	1,307	-4.51%	93.61%
2015	1,429	30,574,533	21,396	0.94%	140	1:12.4	1:15.1	1,406	1,318	0.72%	93.79%
2016	1,354	30,623,787	22,617	5.71%	140	1:12.4	1:15.1	1,354	1,276	-3.70%	94.23%
2017	1,357	31,341,094	23,096	2.12%	140	1:12.4	1:15.1	1,325	1,248	-2.14%	94.19%

Sources: District records

Note: Enrollment based on annual October district count.

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

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

Exhibit J-18

District Building	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Tietleman School (1973)										
Square Feet	99,638	99,638	99,638	99,638	99,638	99,638	99,638	99,638	99,638	99,638
Capacity (students)	796	796	796	796	796	796	796	796	796	796
Enrollment	598	547	543	558	535	517	500	520	480	467
High School (1960)										
Square Feet	231,944	231,944	231,944	231,944	231,944	231,944	231,944	231,944	231,944	231,944
Capacity (students)	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016
Enrollment	1,131	1,106	1,073	1,051	1,003	963	897	886	874	858
Other										
Central Administration (1989)										
Square Feet	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Number of Schools at June 30, 2017										
Middle School = 1										
Senior High School = 1										

Source: District Facilities Office

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

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

Exhibit J-19

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
* School Facilities											
High School	\$ 437,080	\$ 511,519	\$ 566,495	\$ 475,485	\$ 544,357	\$ 503,049	\$ 531,230	\$ 497,830	\$ 418,474	\$ 447,054	\$ 4,932,573
Tietleman School	139,865	163,686	176,304	199,841	233,850	216,104	228,211	213,862	179,771	192,049	1,943,543
Other facilities	5,828	6,820	5,840	13,782	12,895	11,917	12,584	11,793	9,913	10,590	101,962
Total School Facilities	<u>\$ 582,773</u>	<u>\$ 682,025</u>	<u>\$ 748,639</u>	<u>\$ 689,108</u>	<u>\$ 791,102</u>	<u>\$ 731,070</u>	<u>\$ 772,025</u>	<u>\$ 723,485</u>	<u>\$ 608,158</u>	<u>\$ 649,693</u>	<u>\$ 6,978,078</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

**Lower Cape May Regional School District
Insurance Schedule
June 30, 2017**

Exhibit J-20

	<u>Coverage</u>	<u>Self-Insured Retention</u>	<u>Deductible</u>
School Package Policy (1)			
Building and Contents (All Locations)			
Limits of liability per occurrence	\$ 175,000,000	\$ 250,000	\$ 500
Boiler and Machinery	125,000,000		1,000
General and Automobile Liability	20,000,000	250,000	500
Worker's Compensation	Statutory	250,000	
Educators Legal Liability	20,000,000	175,000	
Crime coverage:			
Employee Dishonesty	500,000	250,000	500
Cyber Liability	1,000,000		25,000
Pollution Legal Liability	3,000,000		25,000
 Student Accident Insurance (2)	 1,000,000		
 Athletic Blanket Coverage (2)	 5,000,000		
 Surety Bonds (3)			
Treasurer	250,000		
Board Secretary	100,000		

- (1) Atlantic and Cape May Counties Joint Insurance Fund
- (2) Peoples Benefit Life Insurance Company
- (3) RLI Insurance Company

Source: District records

Single Audit Section

INVERSO & STEWART, LLC
 Certified Public Accountants

651 Route 73 North, Suite 402
 Marlton, New Jersey 08053
 (856) 983-2244
 Fax (856) 983-6674
 E-Mail: isepas@concentric.net

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

I have audited Lower Cape May Regional School District's (School District), in the County of Cape May, State of New Jersey compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major federal and state programs for the fiscal year ended June 30, 2017. The School District's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

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

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

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

INVERSO & STEWART, LLC
Certified Public Accountants



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

Marlton, New Jersey
November 9, 2017

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

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2016			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	June 30, 2017		
						Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
U.S. Department of Education															
<u>General Fund:</u>															
Medical Assistance Program	93.778	1705NJ5MAP	N/A	\$ 32,591	7/1/16 - 6/30/17	\$ -	\$ -	\$ -	\$ -	\$ 32,591	\$ (32,591)	\$ -	\$ -	\$ -	\$ -
Medical Assistance Program - ARRA	93.778	1705NJ5MAP	N/A	6,654	4/1/09-12/31/09					6,654	(6,654)				
Total General Fund						-	-	-	-	39,245	(39,245)	-	-	-	-
U.S. Department of Education															
<u>Special Revenue Fund:</u>															
<u>No Child Left Behind(N.C.L.B.)</u>															
Title I - Current Year	84.010A	S010A160030	NCLB-2820-17	351,895	7/1/16 - 6/30/17					90,089	(343,370)		(253,281)		
Title I - Prior Year	84.010A	S010A150030	NCLB-2820-16	333,588	7/1/15 - 6/30/16	(126,560)				126,560					
Title II - Part A - Current Year	84.367A	S367A160029	NCLB-2820-17	67,895	7/1/16 - 6/30/17					27,410	(67,895)		(40,485)		
Title II - Part A - Prior Year	84.367A	S367A150029	NCLB-2820-16	72,064	7/1/15 - 6/30/16	(32,028)				32,028					
<u>Individuals With Disabilities Act (I.D.E.A.)</u>															
Part B - Basic - Current Year	84.027	H027A160100	IDEA-2820-17	401,271	7/1/16 - 6/30/17					318,324	(401,271)		(82,947)		
Carl D. Perkins	84.048A	V048A160030	PERK-2820-17	55,065	7/1/16 - 6/30/17					36,909	(55,065)		(18,156)		
Carl D. Perkins - Prior Year	84.048A	V048A150030	PERK-2820-16	68,014	7/1/15 - 6/30/16	(18,810)				18,810					
Total Special Revenue Fund						(177,398)	-	-	-	650,130	(867,601)	-	(394,869)	-	-
U.S. Department of Agriculture															
<u>Enterprise Fund:</u>															
Food Distribution Program	10.565	171NJ304N1099	N/A	57,441	7/1/16 - 6/30/17					57,441	(57,441)				
National School Lunch Program	10.555	171NJ304N1099	N/A	255,545	7/1/16 - 6/30/17					245,221	(255,546)		(10,325)		
National School Lunch Program	10.555	16161NJ304N1099	N/A	251,488	7/1/15 - 6/30/16	(10,983)				10,983					
School Breakfast Program	10.553	171NJ304N1099	N/A	123,711	7/1/16 - 6/30/17					117,263	(123,711)		(6,448)		
School Breakfast Program	10.553	16161NJ304N1099	N/A	121,255	7/1/15 - 6/30/16	(7,923)				7,923					
Total Enterprise Fund						(18,906)	-	-	-	438,831	(436,698)	-	(16,773)	-	-
Total Federal Awards						\$ (196,304)	\$ -	\$ -	\$ -	\$ 1,128,206	\$ (1,343,544)	\$ -	\$ (411,642)	\$ -	\$ -

129

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

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

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2016			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2017		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education													
<u>General Fund:</u>													
Equalization Aid	17-495-034-5120-078	\$ 95,936	7/1/16 - 6/30/17	\$ -	\$ -	\$ -	\$ -	\$ 87,486	\$ (95,936)	\$ -	\$ (8,450)	\$ -	\$ -
Equalization Aid	16-495-034-5120-078	94,719	7/1/15 - 6/30/16	(8,345)				8,345					
Transportation Aid	17-495-034-5120-014	1,178,704	7/1/16 - 6/30/17					1,074,879	(1,178,704)		(103,825)		
Transportation Aid	16-495-034-5120-014	1,189,089	7/1/15 - 6/30/16	(104,764)				104,764					
Special Education Aid	17-495-034-5120-089	862,052	7/1/16 - 6/30/17					786,119	(862,052)		(75,933)		
Special Education Aid	16-495-034-5120-089	853,900	7/1/15 - 6/30/16	(75,232)				75,232					
Security Aid	17-495-034-5120-084	350,566	7/1/16 - 6/30/17					319,687	(350,566)		(30,879)		
Security Aid	16-495-034-5120-084	350,314	7/1/15 - 6/30/16	(30,864)				30,864					
Adjustment Aid	17-495-034-5120-085	6,528,949	7/1/16 - 6/30/17					5,953,856	(6,528,949)		(575,093)		
Adjustment Aid	16-495-034-5120-085	6,528,185	7/1/15 - 6/30/16	(575,163)				575,163					
Extraordinary Aid	17-495-034-5120-044	23,267	7/1/16 - 6/30/17						(23,267)		(23,267)		
Extraordinary Aid	16-495-034-5120-044	52,561	7/1/15 - 6/30/16	(52,561)				52,561					
School Choice Aid	17-495-034-5120-068	924,399	7/1/16 - 6/30/17					842,975	(924,399)		(81,424)		
School Choice Aid	16-495-034-5120-068	718,977	7/1/15 - 6/30/16	(63,345)				63,345					
Additional Transportation Aid	17-495-034-5120-014	6,555	7/1/16 - 6/30/17						(6,555)		(6,555)		
Additional Transportation Aid	16-495-034-5120-014	11,136	7/1/15 - 6/30/16	(11,136)				11,136					
PARCC Readiness Aid	17-495-034-5120-098	14,230	7/1/16 - 6/30/17					12,977	(14,230)		(1,253)		
PARCC Readiness Aid	16-495-034-5120-098	14,230	7/1/15 - 6/30/16	(1,254)				1,254					
Per Pupil Growth Aid	17-495-034-5120-097	14,230	7/1/16 - 6/30/17					12,977	(14,230)		(1,253)		
Per Pupil Growth Aid	16-495-034-5120-097	14,230	7/1/15 - 6/30/16	(1,254)				1,254					
Professional Learning Community Aid	17-495-034-5120-101	13,610	7/1/16 - 6/30/17					12,411	(13,610)		(1,199)		
On Behalf TPAF Pension Contributions	17-495-034-5094-002	1,303,777	7/1/16 - 6/30/17					1,303,777	(1,303,777)				
On Behalf TPAF Post Retirement Medical	17-495-034-5094-001	1,086,343	7/1/16 - 6/30/17					1,086,343	(1,086,343)				
On Behalf TPAF Pension LTDI Contributions	17-495-034-5094-004	1,145	7/1/16 - 6/30/17					1,145	(1,145)				
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	882,460	7/1/16 - 6/30/17					838,930	(882,460)		(43,530)		
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	871,108	7/1/15 - 6/30/16	(43,299)				43,299					
Total General Fund				<u>(967,217)</u>	---	---	---	<u>13,300,779</u>	<u>(13,286,223)</u>	---	<u>(952,661)</u>	---	---
State Department of Agriculture													
<u>Enterprise Fund:</u>													
State School Lunch Program	17-100-010-3350-023	5,968	7/1/16 - 6/30/17					5,728	(5,968)		(240)		
State School Lunch Program	16-100-010-3350-023	6,013	7/1/15 - 6/30/16	(264)				264					
Total Enterprise Fund				<u>(264)</u>	---	---	---	<u>5,992</u>	<u>(5,968)</u>	---	<u>(240)</u>	---	---
Total State Financial Assistance				<u>\$ (967,481)</u>	---	---	---	<u>\$ 13,306,771</u>	<u>\$ (13,292,191)</u>	---	<u>\$ (952,901)</u>	---	---
									Less: State Financial Assistance Not Subject to Major Program Determination:				
									On-Behalf TPAF Contribution - Pension (Non-Budgeted) (1,303,777)				
									On-Behalf TPAF Contribution - Post Retirement Medical (Non-Budgeted) (1,086,343)				
									On-Behalf TPAF Contribution - Pension LTDI (Non-Budgeted) (1,145)				
									<u>Total State Financial Assistance Subject to Major Program Determination \$ (10,900,926)</u>				

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

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

I. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Maple Shade School District ("School District"). The School District is defined in Note 1 to the School District's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

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

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

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

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is (\$19,088) in the general fund and \$-0- in the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 39,245	\$ 13,267,135	\$ 13,306,380
Special Revenue Fund	867,601		867,601
Food Service Fund	<u>436,698</u>	<u>5,968</u>	<u>442,666</u>
Total Awards & Financial Assistance	<u>\$ 1,343,544</u>	<u>\$ 13,273,103</u>	<u>\$ 14,616,647</u>

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the School District for the year ended June 30, 2017. TPAF Social Security Contributions represents the amount reimbursed by the State for the School District's share of social security contributions for TPAF members for the year ended June 30, 2017.

6. MAJOR PROGRAMS

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

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

Section I --Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weaknesses identified? yes X no

2) Significant deficiencies identified? yes X none reported

Noncompliance material to basic financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

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

2) Significant deficiencies identified? yes X none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555</u>	<u>171NJ304N1099</u>	<u>National School Lunch Program</u>
<u>10.553</u>	<u>171NJ304N1099</u>	<u>School Breakfast Program</u>

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

Auditee qualified as low-risk auditee? X yes no

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

Section 2 -- Schedule of Financial Statement Findings

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

No findings identified.

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

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

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

FEDERAL AWARDS:

No findings and/or questioned costs identified.

STATE AWARDS:

No findings and/or questioned costs identified.

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

This section identifies the status of prior year findings related to the 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

There were no prior year audit findings.

STATE AWARDS

There were no prior year audit findings.