SCHOOL DISTRICT
OF

WEST CAPE MAY

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

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010

Comprehensive Annual Financial Report

of the

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

For the Fiscal Year Ended June 30, 2010

Prepared by

West Cape May Board of Education
Finance Department

WEST CAPE MAY SCHOOL DISTRICT

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Introductory Section

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

Dominick A. Potena, Ed.D.
Interim Superintendent

Brenda Williams Elliott
Supervisor

Alfred Savio, Ed.D.
School Business Administrator

August 10, 2010

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

Dear Board and Community Members:

It is with pleasure that we submit the Comprehensive Annual Financial Report (CAFR) of the West Cape May School District for the fiscal year ended June 30, 2010. This CAFR includes the District's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133 "Audits of State and Local Governments", and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels K through 6. These include regular as well as special education for handicapped youngsters. The District completed the 2008-2009 fiscal year with an enrollment of 42 students, which is a decrease of ten students over the enrollment of the previous year. 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
2009-2010	37	(11.90%)
2008-2009	42	(19.23%)
2007-2008	52	4.00%
2006-2007	50	(10.71%)
2005-2006	56	(20.00)%
2004-2005	70	(11.39)%
2003-2004	79	(21.98)%
2002-2003	91	(5.21)%
2001-2002	96	5.49%
2000-2001	91	(7.14)%

2) **ECONOMIC CONDITION AND OUTLOOK:** Single family construction continues throughout the Borough. This construction has not had an impact on school enrollment.

3) **MAJOR INITIATIVES:** All exterior window frames were scraped and painted.

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

should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

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

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

where the funds are secured in accordance with the Act.

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

9) **OTHER INFORMATION:**

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

10) **ACKNOWLEDGEMENTS:**

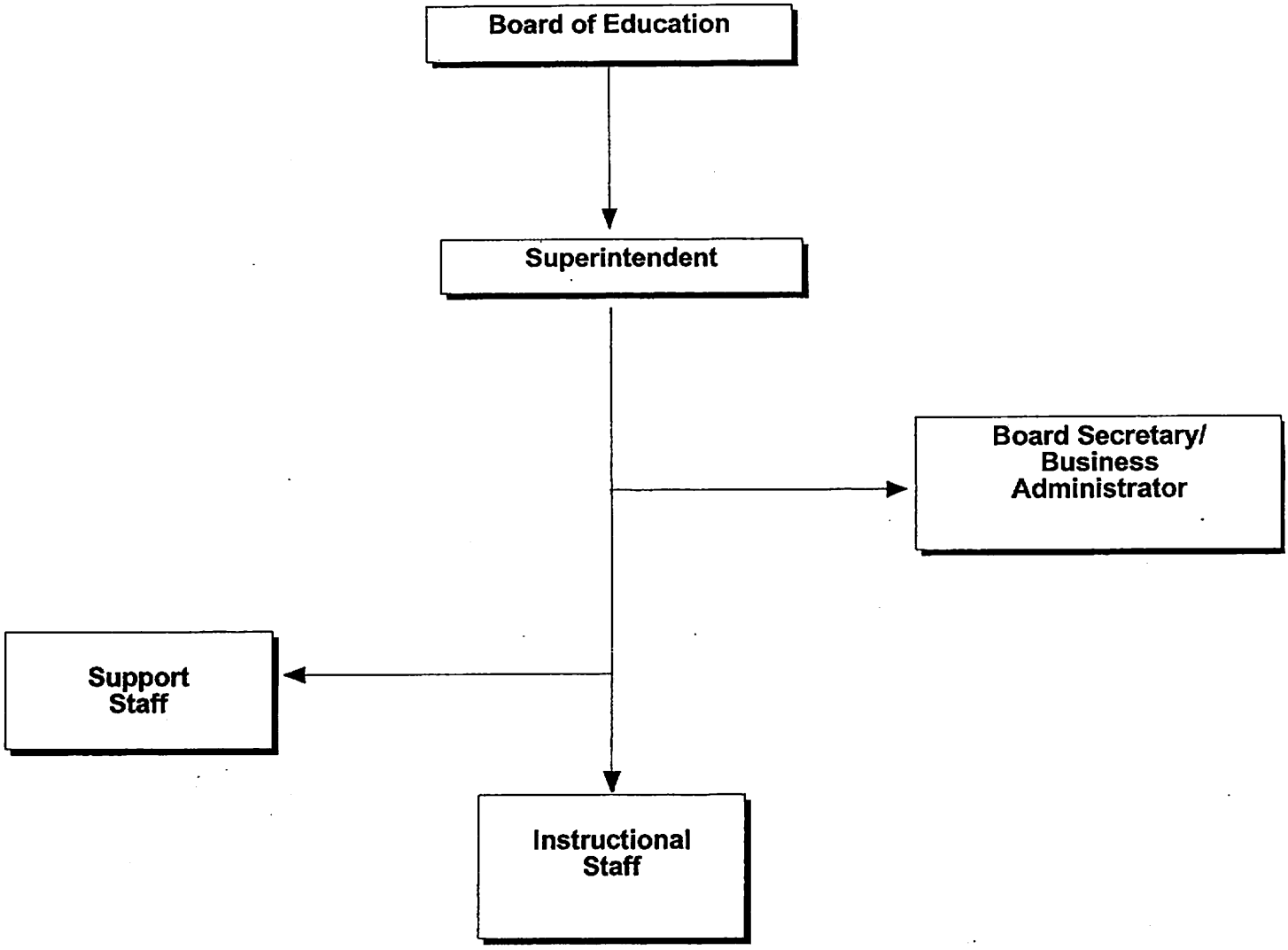
We would like to express our appreciation to the members of the West Cape May Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

Alfred Savio, Ed.D.
School Business Administrator / Board Secretary

WEST CAPE MAY BOARD OF EDUCATION

Organizational Chart
(Unit Control)



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

ROSTER OF OFFICIALS
JUNE 30, 2010

Members of the Board of Education	**Term Expires**
Irene L. Hober - President	2013
Lynn Bowlby - Vice-President	2011
Jeff Gott	2011
Christopher Shriver	2012
Arron Rothwell	2012

Other Officials

William J. Flynn, Interim Superintendent
Alfred Savio, Ed. D. Board Secretary & School Business Administrator
Dorey A. Bryan, Treasurer of School Monies
Arthur F. Risden, Esq., Solicitor

WEST CAPE MAY SCHOOL DISTRICT
Consultants and Advisors

Audit Firm

Inverso & Stewart, LLC
12000 Lincoln Drive West
Suite 402
Marlton, NJ 08053

Attorney

Arthur F. Risden, Esq.
Archer & Greiner, P.A.
One Centennial Square
P.O. Box 3000
Haddonfield, NJ 08033-09668

Official Depository

Sturdy Savings Bank
701 Washington Avenue
Cape May, NJ 08204

Financial Section

INVERSO & STEWART, LLC

Certified Public Accountants
Registered Municipal Accountants

12000 Lincoln Drive West, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: lscpas@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
West Cape May School District
County of Cape May
West Cape May, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the West Cape May School District, in the County of Cape May, State of New Jersey (School District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the West Cape May School District, in the County of Cape May, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

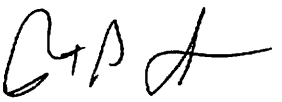
In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. In addition, the introductory section, combining statements and related major fund supporting statements and schedules, and statistical section listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance, combining statements and related major fund supporting statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Public School Accountant

Marlton, New Jersey
August 10, 2010

INVERSO & STEWART, LLC

Certified Public Accountants
Registered Municipal Accountants

12000 Lincoln Drive West, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: lscpas@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*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the West Cape May School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated August 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the West Cape May School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the Board of Education of the West Cape May School District in a separate report entitled, *Auditors Management Report on Administrative Findings - Financial, Compliance and Performance* dated August 10, 2010.

This report is intended solely for the information and use of the management and others within the West Cape May School District, the Division of Finance, Department of Education, State of New Jersey, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants

Robert P. Inverso
Public School Accountant

Marlton, New Jersey
August 10, 2010

Required Supplementary Information - Part I

Management's Discussion and Analysis

West Cape May School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

As management of the Board of Education of the Borough of West Cape May, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2010. 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 $1,081,462 *(net assets)*.
- Governmental activities have unrestricted net assets of $231,076. The accounting treatments in the governmental funds for compensated absences payable, and the last two state aid payments are primarily responsible for this balance.
- The total net assets of the School District increased by $179,418, or a 19.89% increase from the prior fiscal year-end balance. The majority of the increase is attributable to the results of operations in the General Fund.
- Fund balance of the School District's governmental funds increased by $153,699 resulting in an ending fund balance of $569,615. The increase in ending fund balance is due to the results of operations in the General Fund.
- Business-type activities have unrestricted net assets of $1,035, which may be used to meet the School District's ongoing obligations of the food service operations.
- The School District's long-term obligations decreased by $52,354 which is the result of the principal payment on long-term debt obligations and a slight decrease in compensated absences.

Overview of the Basic Financial Statements

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

District-wide Financial Statements

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

The *statement of net assets* presents information about all of the School District's assets and liabilities. The difference between the assets and liabilities is reported as net assets. Over time, changes in net assets 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 assets of the School District changed during the current fiscal year. Changes in net assets 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 which is listed individually 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, 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 2010. 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 2010.

The assets of the primary government activities exceeded liabilities by $1,080,427 with an unrestricted balance of $231,076. The net assets of the primary government do not include internal balances.

A net investment of $517,188 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's 36 public school students, represents 47.87% of the School District's net assets. Net assets of $127,134 have been restricted to provide resources for future capital expansion, $60,000 have been restricted for maintenance reserve, $6,375 is restricted as excess surplus, and $138,347 has been appropriated in the 2010/2011 Budget.

As mentioned earlier, unrestricted net assets of $231,076 are primarily due to the accounting treatment for compensated absences payable and the last state aid payment.

West Cape May School District
Comparative Summary of Net Assets
As of June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		District-Wide	
	2010	2009	2010	2009	2010	2009
Assets:						
Current assets	$ 591,132	$ 440,440	$ 2,303	$ 900	$ 593,435	$ 441,340
Capital assets	1,027,188	1,053,227			1,027,188	1,053,227
Total assets	1,618,320	1,493,667	2,303	900	1,620,623	1,494,567
Liabilities:						
Current Liabilities	63,240	65,178	1,268	338	64,508	65,516
Noncurrent Liabilities	474,653	527,007			474,653	527,007
Total liabilities	537,893	592,185	1,268	338	539,161	592,523
Net assets	$ 1,080,427	$ 901,482	$ 1,035	$ 562	$ 1,081,462	$ 902,044
Net assets consist of:						
Invested in capital Assets	$ 517,188	$ 493,227			$ 517,188	$ 493,227
Restricted net assets	332,163	178,235			332,163	178,235
Unrestricted net assets	231,076	230,020	$ 1,035	$ 562	232,111	230,582
Net assets	$ 1,080,427	$ 901,482	$ 1,035	$ 562	$ 1,081,462	$ 902,044

Governmental Activities

Governmental activities increased the net assets of the School District by $178,945 during the current fiscal year. Key elements of the increase in net assets for governmental activities are as follows:

- Reduction of serial bond principal of $50,000.

Business-type Activities

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

- Food Service Fund revenues exceeded expenditures by $473.

West Cape May School District
Comparative Schedule of Changes in Net Assets
As of and for the Fiscal Year Ended June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		District-Wide	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues						
Charges for services			$ 4,170	$ 3,950	$ 4,170	$ 3,950
Operating grants and Contributions	$ 127,456	$ 124,303	3,547	2,282	131,003	126,585
General Revenues:						
Property Taxes	893,129	897,846			893,129	897,846
Unrestricted State Aid	141,349	179,025			141,349	179,025
Tuition	25,000	32,576			25,000	32,576
Other Revenues	20,094	28,933	4	7	20,098	28,940
Total Revenues	1,207,028	1,262,683	7,721	6,239	1,214,749	1,268,922
Expenses:						
Governmental Activities:						
Instruction	506,770	546,998			506,770	546,998
Tuition	47,884	65,039			47,884	65,039
Related Services	124,355	125,766			124,355	125,766
Administrative Services	49,918	57,986			49,918	57,986
Operations and Maintenance	104,661	112,056			104,661	112,056
Transportation	7,398	10,000			7,398	10,000
Unallocated Benefits	146,262	149,122			146,262	149,122
Interest on long-term Debt	24,965	26,485			24,965	26,485
Other	4,790	4,982			4,790	4,982
Business-Type Activities:						
Food Service Operations			18,328	16,988	18,328	16,988
Total Expenses	1,017,003	1,098,434	18,328	16,988	1,035,331	1,115,422
Increase in net assets Before transfers	190,025	164,249	(10,607)	(10,749)	179,418	153,500
Transfers	(11,080)	(10,489)	11,080	10,489		
Changes in net assets	178,945	153,760	473	(260)	179,418	153,500
Net assets, July 1,	901,482	747,722	562	822	902,044	748,544
Net assets, June 30,	$ 1,080,427	$ 901,482	$ 1,035	$ 562	$ 1,081,462	$ 902,044

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 $569,615, an increase of $153,699 in comparison with the prior year. The increase is the result of operations in the General Fund.

The unreserved fund balance for the School District at the end of the fiscal year consists of unreserved fund balance in the General Fund of $237,452. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as restricted cash reserved for future capital outlay expenditures of $127,134, $60,000 is reserved for maintenance, and $144,722 in excess surplus reserved for subsequent budget appropriation.

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 last two state aid payments.

General Fund Budgetary Highlights

At the end of the current fiscal year, unreserved fund balance (budgetary basis) of the general fund was $250,000 while total fund balance (budgetary basis) was $581,856. 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 $941,111. Unreserved fund balance (budgetary basis) represents 26.56 % of expenditures while total fund balance (budgetary basis) represents 61,83% of that same amount.

Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental activities as of June 30, 2010, totaled $1,027,188 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was $26,039, or a 2.47% decrease. The decrease is due to depreciation expense.

West Cape May School District
Capital Asset (net of accumulated depreciation)
June 30, 2010 and 2009

	Governmental Activities	
	2010	2009
Land	$ 333,100	$ 333,100
Buildings and Building Improvements	691,296	715,943
Equipment	2,792	4,184
Net assets	$ 1,027,188	$ 1,053,227

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

Long-term debt – During the fiscal year ended June 30, 2010, the School District had $510,000 outstanding in serial bonds.

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 $12,297,185. The available debt limit as of June 30, 2010 is $11,787,185.

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 2010-11 fiscal year.

- For 2010-11 fiscal year the School District will be receiving a decrease in state aid. The local tax levy in the General Fund decreased by $8,979 or 1.06%. To offset the decrease in the local tax levy, $138,347 was used in budgeted fund balance. Salaries continue to increase contractually, however, the District has managed to control costs. The 2010-11 General Fund Budget is $2,275 lower than the previous year.

Requests for Information

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

Basic Financial Statements

District-Wide Financial Statements

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

WEST CAPE MAY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	$418,982	$1,887	$420,869
Receivables, net	25,343	416	25,759
Restricted assets:			
Restricted cash and cash equivalents			
Capital reserve account	127,134		127,134
Deferred bond issuance costs - net	19,673		19,673
Capital assets, net (Note 6)	1,027,188		1,027,188
Total assets	1,618,320	2,303	1,620,623
LIABILITIES:			
Accounts payable	1,470	1,617	3,087
Internal balances	349	(349)	
Deferred revenue	25		25
Accrued interest	11,396		11,396
Noncurrent liabilities (Note 7):			
Due within one year	50,000		50,000
Due beyond one year	474,653		474,653
Total liabilities	537,893	1,268	539,161
NET ASSETS:			
Invested in capital assets, net of related debt	517,188		517,188
Restricted for:			
Capital Projects	127,134		127,134
Debt Service	307		307
Other Purposes	204,722		204,722
Unrestricted	231,076	1,035	232,111
Total net assets	$1,080,427	$1,035	$1,081,462

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

WEST CAPE MAY SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:						
Instruction:						
Regular	$437,229		$18,826	($418,403)		($418,403)
Special education	69,541			(69,541)		(69,541)
Support Services:						
Tuition	47,884			(47,884)		(47,884)
Student & instruction related services	124,355		17,617	(106,738)		(106,738)
General administrative services	30,063			(30,063)		(30,063)
Central services	19,855			(19,855)		(19,855)
Plant operations and maintenance	104,661			(104,661)		(104,661)
Pupil transportation	7,398			(7,398)		(7,398)
Employee benefits	146,262		60,806	(85,456)		(85,456)
Interest on long-term debt	24,965		30,207	5,242		5,242
Unallocated depreciation and amortization	4,790			(4,790)		(4,790)
Total governmental activities	1,017,003		127,456	(889,547)		(889,547)
Business-type activities:						
Food service	18,328	$4,170	3,547		($10,611)	(10,611)
Total business-type activities	18,328	4,170	3,547		(10,611)	(10,611)
Total primary government	$1,035,331	$4,170	$131,003	($889,547)	($10,611)	($900,158)
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net				847,561		847,561
Taxes levied for debt service				45,568		45,568
Federal and State aid not restricted				141,349		141,349
Investment earnings				1,981	4	1,985
Tuition revenue				25,000		25,000
Miscellaneous				18,113		18,113
Transfer				(11,080)	11,080	
Total general revenues, special items, extraordinary items and transfers				1,068,492	11,084	1,079,576
Change in Net Assets				178,945	473	179,418
Net Assets--July 1				901,482	562	902,044
Net Assets--June 30				$1,080,427	$1,035	$1,081,462

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

Fund Financial Statements

The Individual Fund statements and schedules present more detailed information for the Individual Fund in a format that segregates information by fund type.

WEST CAPE MAY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Assets:					
Cash and cash equivalents	$418,675			$307	$418,982
Receivables, net	9,919	$12,118			22,037
Interfund receivables, net	15,399				15,399
Restricted cash and cash equivalents	127,134				127,134
Total assets	$571,127	$12,118	---	$307	$583,552
LIABILITIES AND FUND BALANCES					
Accounts payable	1,470				1,470
Interfund payable	349	12,093			12,442
Deferred revenue		25			25
Total liabilities	1,819	12,118			13,937
FUND BALANCES					
Fund Balances:					
Reserved for:					
Capital reserve account	127,134				127,134
Maintenance reserve	60,000				60,000
Excess surplus	6,375				6,375
Excess surplus - designated for subequent year's expenditures	138,347				138,347
Unreserved - designated for subequent year's expenditures				307	307
Unreserved	237,452				237,452
Total fund balances	569,308			307	569,615
Total liabilities and fund balances	$571,127	$12,118	---	$307	

Amounts reported for governmental activities in the statement of net assets (A-1) are different because:	
The cost associated with the issues of various bonds are expensed in the governmental funds in the year the bonds are issued, but are capitalized in the Statement of Net Assets. The bond issuance costs are $43,719 and the accumulated amortization is $24,046.	19,673
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $1,595,914 and the accumulated depreciation is $568,726.	1,027,188
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the funds.	(11,396)
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.	(524,653)
Net assets of governmental activities	$1,080,427

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

WEST CAPE MAY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	$847,561			$45,568	$893,129
Tuition charges	25,000				25,000
Interest earned	10				10
Miscellaneous	20,084				20,084
Total revenues-local sources	892,655			45,568	938,223
State sources	202,155			30,207	232,362
Federal sources		$35,793			35,793
Local sources		650			650
Total revenues	1,094,810	36,443		75,775	1,207,028
EXPENDITURES:					
Current expense:					
Regular instruction	418,752				418,752
Special education instruction	50,715	18,826			69,541
Other instruction					
Support services and undistributed costs:					
Tuition	47,884				47,884
Student & instruction related services	106,738	17,617			124,355
General administrative services	30,063				30,063
Central services	19,855				19,855
Plant operations and maintenance	94,830				94,830
Pupil transportation	7,398				7,398
Instruction - employee benefits	66,738				66,738
Unallocated employee benefits	79,524				79,524
Capital Outlay	7,227				7,227
Debt service:					
Principal				50,000	50,000
Interest and other charges				26,082	26,082
Total expenditures	929,724	36,443		76,082	1,042,249
Excess (deficiency) of revenues over (under) expenditures	165,086			(307)	164,779
Other Financing Sources (Uses):					
Transfers in				307	307
Transfers out	(11,387)				(11,387)
Total other financing sources (uses)	(11,387)			307	(11,080)
Net change in fund balance	153,699				153,699
Fund balances, July 1	415,609			307	415,916
Fund balances, June 30	$569,308	---	---	$307	$569,615

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

WEST CAPE MAY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
for the Fiscal Year Ended June 30, 2010

Total net change in fund balances - governmental funds (from B-2)		$153,699
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.		
Depreciation expense	($26,039)	
Capital outlay		(26,039)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is reported in the statement of activities.		50,000
Bond issuance costs are reported in the governmental fund as expenditures in year the bonds are issued. However, on the statement of activities, the costs are amortized over the life of the bonds.		(2,186)
Accrued interest is not due and payable in the current period and therefore is not reported as an expenditure in the governmental funds.		1,117
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		2,354
Change in net assets of governmental activities		$178,945

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

WEST CAPE MAY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities Enterprise Funds
	Food Service Program
ASSETS:	
Current assets:	
Cash and cash equivalents	$1,887
Accounts receivable	416
Interfund receivable	349
Total current assets	2,652
Total assets	$2,652
LIABILITIES	
Current liabilities:	
Accounts Payable	$1,617
Total liabilities	1,617
NET ASSETS	
Unrestricted	$1,035
Total net assets	$1,035

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

WEST CAPE MAY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
for the Fiscal Year Ended June 30, 2010

	Business-type Activities Enterprise Funds
	Food Service Program
Operating revenues:	
Charges for services:	
Daily sales-reimbursable programs	$4,170
Daily sales-non-reimbursable programs	
Total operating revenue	4,170
Operating expenses:	
Salaries	10,293
Employee benefits	787
Supplies	141
Cost of sales	7,107
Total operating expenses	18,328
Operating income (loss)	(14,158)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	184
Federal sources:	
National school lunch program	3,363
U.S.D.A. commodities	
Local sources:	
Operating transfer in	11,080
Interest revenue	4
Total nonoperating revenues (expenses)	14,631
Change in net assets	473
Total net assets - July 1	562
Total net assets - June 30	$1,035

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

WEST CAPE MAY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
for the Fiscal Year Ended June 30, 2010

	Business-type Activities Enterprise Funds
	Food Service Program
Cash flows from operating activities:	
Receipts from customers	$4,170
Payments to employees	(11,081)
Payments to suppliers	(5,968)
Net cash used for operating activities	(12,879)
Cash flows from noncapital financing activities:	
Operating subsidies	11,081
State sources	186
Federal sources	2,968
Net cash provided by non-capital financing activities	14,235
Cash flows from investing activities:	
Interest and dividends	4
Net cash provided by investing activities	4
Net increase in cash and cash equivalents	1,360
Balances - beginning of year	527
Balances - end of year	$1,887
Reconciliation of operating loss to net cash provided (used) by operating activities:	
Operating income (loss)	($14,158)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Change in assets and liabilities	
Increase/(decrease) in accounts payable	1,279
Total adjustments	1,279
Net cash provided by (used for) operating activities	($12,879)

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

WEST CAPE MAY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Unemployment Compensation Insurance Trust	Agency Fund
ASSETS:		
Cash and cash equivalents	$1,648	$11,710
Interfund receivable		
Total assets	$1,648	$11,710
LIABILITIES:		
Interfund payable		$3,306
Payroll Withholdings		5,438
Due to student groups		2,966
Total liabilities		$11,710
NET ASSETS:		
Held in trust for unemployment claims and other purposes	$1,648	

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

WEST CAPE MAY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

	Unemployment Compensation Insurance Trust
ADDITIONS:	
Contributions:	
Board contributions	
Employee contributions	$1,234
Total Contributions	1,234
Investment earnings:	
Interest	$5
Net investment earnings	5
Total additions	1,239
DEDUCTIONS:	
Unemployment claims	961
Total deductions	961
Change in net assets	278
Net assets - July 1	1,370
Net assets - June 30	$1,648

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

1. DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

The West Cape May School District (District) is located in Cape May County, New Jersey and covers an area of approximately 2.77 square miles. It is organized under the Constitution of the State of New Jersey, and provides educational services for all of West Cape May's students in grades K through 6. The District is managed under a locally elected Board form of government consisting of five members elected to three-year terms. The District services approximately 36 students.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the 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. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Component Units

GASB Statement No. 14, *The Financial Reporting Entity*, provides 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 Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Components Units*. There are no organizations that are considered to be component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The 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 School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. 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 assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

District-wide Statements - The statement of net assets 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 assets 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 goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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 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.

Fund Accounting

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 states 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 the proceeds of specific revenues from the state and federal governments, other than major capital projects, debt service, or the enterprise funds, and local appropriations that are legally restricted to expenditures for specified purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Capital Projects Fund - The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities, 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 the accumulation of resources for, and the payment of, general-long-term debt principal, interest and related costs.

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

Enterprise Funds – The enterprise funds are used to account for operations that are financed 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 assets) is segregated into investment in capital assets, net of related debt, and unrestricted net assets, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

District-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 Assets.

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 assets. The statement of changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. 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 deferred 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 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 thirty days of 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. There were no restricted formula aids.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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, if any, is reported in the operating statement as an expense. Unused donated commodities are reported as deferred 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 and are voted upon at the annual school election on the third Tuesday in April. 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. 6:23-2.2(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:23-2.11.

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, as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the 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.

Encumbrance Accounting

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances 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 the special revenue fund, for which the School District has received advances, are reflected in the balance sheet as deferred revenues 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments

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

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

Tuition Receivable

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

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2010 and 2009 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

Inventories

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

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, 2010.

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. This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Expenditures

Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure/expenses in the next fiscal period. Unlike prepaid expenses, deferred expenditures are not regularly recurring cost of operations.

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 assets, except for the net residual amounts due between governmental and business-type activities, which are presented as interfunds receivable and/or interfunds payable.

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 assets 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 assets and the proprietary fund statement of net assets. .

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 valued at their estimated fair market value as of the date received. The School District maintains a capitalization threshold of $2,000.00. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal repairs and maintenance that do not add to the value of the asset or materially extend asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

Asset Class	Governmental Activities Estimated Lives	Business -Type Activities Estimated Lives
School Buildings	50 years	N/A
Building Improvements	50 years	N/A
Site Improvements	20 years	N/A
Machinery and Equipment	5-20 years	12 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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 Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are 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 laws or regulations of other governments.

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

Fund Balance Reserves

The School District reserves portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund balance reserves are established for encumbrances, legally restricted appropriations, tuition, excess surplus, capital reserve, maintenance reserve and emergency reserves.

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 food service, tuition fees for the latchkey school program and transportation (substitute teacher) fees for the internal service fund. 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.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Custodial credit is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's formal policy regarding custodial credit risk is in compliance with N.J.S.A. 17:9-41.et seq. and requires the District to deposit all public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA), as described in Note 1. As of June 30, 2010 the District's bank balance of $620,801 was insured or collateralized as follows:

Insured by depository insurance	$ 287,979
Collateralized under GUDPA	332,822

4. 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) and updated annually in the Quality Assurance Annual Report (QAAR). 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. 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. 6A:23A-2-14.1(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, 2009 to June 30, 2010 fiscal year is as follows:

Balance – July 1, 2009		$2,431
Increased by:		
Resolution	$125,000	
Interest earned	10	125,010
		127,441
Decreased by:		
Resolution transfer to Debt Service Fund		307
Balance – June 30, 2010		$127,134

The June 30, 2010 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

5. RECEIVABLES

Receivables at June 30, 2010 consisted of tuition fees charged to individuals and governmental grants. All receivables are considered collectible in full due to the stable condition of the other governmental units, State programs and the current fiscal year guarantee of federal funds.

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

	General Fund	Special Revenue Fund	Proprietary Funds	Total
State Aid	$1,638		$20	$1,658
Federal Aid			396	396
Tuition fees	8,281			8,281
Other				
Total	$9,919		$416	$10,335

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Disposals	Balance June 30, 2010
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	$333,100			$333,100
Construction in progress				
Total capital assets, not being Depreciated	333,100			333,100
Capital Assets, being depreciated:				
Site Improvements				
Building and Building Improvements	1,173,975			1,173,975
Equipment	88,839			88,839
Totals at historical cost	1,262,814			1,262,814
Less Accumulated Depreciation:				
Site Improvements				
Building and Building Improvements	(458,032)	($24,647)		(482,679)
Equipment	(84,655)	(1,392)		(86,047)
Totals accumulated depreciation	(542,687)	(26,039)		(568,726)
Total Capital Assets, being depreciated, net	720,127	(26,039)		694,088
Governmental Activities Capital Assets, Net	$1,053,227	($26,039)		$1,027,188

Depreciation expense in the amount of $26,039 was charged to governmental functions as follows:

Function	Amount
Regular Instruction	$20,831
Plant Operations and Maintenance	2,604
Administration	2,604
Total depreciation expense	$26,039

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2010, the following changes occurred in long-term obligations:

Governmental Activities:	Principal Outstanding July 1, 2009	Additions	Reductions	Principal Outstanding June 30, 2010	Amounts Due Within One Year
Compensated Absences	$17,007		$2,354	$14,653	
General Obligation Bonds	560,000		$50,000	510,000	$50,000
Total Governmental Activity	$577,007	-	$52,354	$524,653	$50,000
Business – Type Activities:					
Compensated Absences	-	-	-	-	-

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

1998 School Bonds dated July 15, 1998 in the amount of $510,000 due in annual installments through July 15, 2018, bearing interest rate of 4.875%.

Debt Service Requirements

Principal and interest due on bonds outstanding is as follows:

Year ending June 30,	Principal	Interest	Total
2011	$50,000	$23,644	$73,644
2012	55,000	21,084	76,084
2013	55,000	18,403	73,403
2014	55,000	15,722	70,722
2015	55,000	13,041	68,041
2016-2019	240,000	23,400	263,400
	$510,000	$115,294	$625,294

As of June 30, 2010 the School District had no authorized but not issued bonds.

8. OPERATING LEASES

At June 30, 2010, the District had no operating lease agreements

9. PENSION PLANS

Description of Plans - Substantially all of the School District's employees participate in one of the following defined benefit pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits: 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. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits. P.O. Box 295, Trenton, New Jersey, 08625-0295.

Teachers' Pension and Annuity Fund (TPAF)

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114 and 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007 however, in accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

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.

Public Employees' Retirement System (PERS)

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the PERS were required to contribute 5% of their annual covered salary. Effective July 1, 2007 however, in accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

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 year were as follows:

Public Employees Retirement System

Fiscal Year	Normal Contribution	Accrued Liability	Non –Contr. Life Ins. Premium	Total Liability	Funded by State	Paid by District
2010	$2,758	$3,544	$874	$7,176		$7,176
2009	1,985	2,296	532	4,813		4,813
2008	2,467	1,901		4,368	$874	3,494

10. POST-RETIREMENT BENEFITS

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

Funding Policy - P.L.1987, c. 384 and P.L. 1990 c. 6 required Teachers' Pensions and Annuity Fund (TPAF) and 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, 2009 there were 84,590 retirees eligible for post-retirement medical benefits. 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 premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid $116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2010, the School District has recognized as revenues and expenditures on-behalf payments made by the State of New Jersey for normal costs and post-retirement costs related to TPAF. The amounts recognized as revenues and expenditures for NCGI premiums and post-retirement medical costs were $1,421 and $26,686, respectively. In addition, the State of New Jersey reimbursed the School District $32,699 during the fiscal year ended June 30, 2010 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has also been included as a revenue and expenditure in the basic financial statements, and the combining and individual fund statements and schedules in accordance with GASB 24.

12. DEFERRED COMPENSATION

The School District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by an outside organization, approved by the School District, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The School District has very little administrative involvement, performs no investing function, and has no fiduciary responsibility for these plans. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, are solely the property and rights of the participants and are not subject to claims of the School District's creditors. Accordingly, the plan assets are not reported as a part of these financial statements.

13. RISK MANAGEMENT

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

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

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

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

Fiscal Year	Interest Earnings	Board Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2009-2010	$5		$1,234	$961	$1,648
2008-2009	1	1,604	1,312	1,604	1,370
2007-2008	11	1,645	1,340	3,385	57
2006-2007	4		695	570	446
2005-2006	7		114	1,050	317

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, 2010, the liability for compensated absences in the governmental fund was $14,653.

15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various balance sheets as of June 30, 2010:

Fund	Interfund Receivable	Interfund Payable
General	$15,399	$349
Special Revenue		12,093
Enterprise	349	
Fiduciary		3,306
	$15,748	$15,748

All interfund balances are expected to be paid or collected within the subsequent year.

16. CONTINGENCIES

The School District participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management believes that the amount from future audits, if any, would not be material.

17. ECONOMIC DEPENDENCY

The School District receives a substantial portion of its operating support from the federal and state governments. A significant reduction in the level of support, if this were to occur, would have an effect on the School District's programs and activities.

18. FUND BALANCES APPROPRIATED

General Fund – Of the $569,308 General Fund balance as of June 30, 2010, $127,134 is reserved in the capital reserve account, $60,000 is reserved for maintenance, $144,722 is reserved for excess surplus in accordance with N.J.S.A. 18A:7F-7 ($138,347 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2011) and $237,452 is unreserved and undesignated.

Debt Service Fund – Of the $307 Debt Service Fund balance at June 30, 2010, $307 has been appropriated and included as anticipated revenue for the year ending June 30, 2011.

19. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7, the designation of Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted in their subsequent years' budget. The excess fund balance at June 30, 2010 is $6,375.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

WEST CAPE MAY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	$847,561		$847,561	$847,561	
Tuition	54,000		54,000	25,000	($29,000)
Interest Earned on Capital Reserve	10		10	10	
Unrestricted Micellaneous Revenue	2,000		2,000	20,084	18,084
Total local sources	903,571		903,571	892,655	(10,916)
State sources:					
Categorical Special Education Aid	13,157		13,157	13,157	
Categorical Security Aid	2,148		2,148	2,148	
Adjustment Aid	161,730		161,730	117,812	(43,918)
Categorical Transportation Aid	8,461		8,461	8,461	
On-behalf TPAF pension contributions (non-budgeted)				28,107	28,107
Reimbursed TPAF social security contributions (non-budgeted)				32,699	32,699
Total state sources	185,496		185,496	202,384	16,888
TOTAL REVENUES	1,089,067		1,089,067	1,095,039	5,972
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Kindergarten	79,859	$2,146	82,005	82,005	
Grades 1-5	283,312	(3,072)	280,240	234,581	45,659
Grades 6-8	58,206	926	59,132	50,501	8,631
Total Instruction	421,377		421,377	367,087	54,290
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	29,326		29,326	26,524	2,802
Purchased technical services	6,426	1,409	7,835	5,369	2,466
General supplies	20,400	(1,409)	18,991	18,938	53
Textbooks	10,200		10,200	834	9,366
Total Undistributed Instruction	66,352		66,352	51,665	14,687
Total - Regular Programs - Instruction	487,729		487,729	418,752	68,977

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

(CONTINUED TO NEXT PAGE)

WEST CAPE MAY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2010

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Educ Instruction: Multiple Disabilities					
General supplies	$204		$204		$204
Total Mulitple Disabilities	204		204		204
Special Educ Instruction: Res. Room/Res. Center					
Salaries of teachers	50,730		50,730	$50,217	513
Other Salaries for Instruction	5,304		5,304		5,304
General supplies	408	$400	808	498	310
Textbooks	204		204		204
Total Resource Room/Resource Center	56,646	400	57,046	50,715	6,331
Total Special Education - Instruction	56,850	400	57,250	50,715	6,535
Basic Skills/Remedial - Instruction					
Salaries of teachers	21,320		21,320		21,320
General supplies	306		306		306
Textbooks	204		204		204
Total Basic Skills/Remedial - Instruction	21,830		21,830		21,830
School-Sponsored Cocurricular Act - Inst.					
Purchased services	357		357		357
Total School-Sponsored Cocurr. Act. - Inst	357		357		357
Undistributed Expenditures - Instruction					
Tuition to CSSD & reg. day schools	53,273		53,273	47,884	5,389
Total Undistributed Expenditures - Instruction	53,273		53,273	47,884	5,389
Undistributed Expenditures - Attend. and Social Work					
Salaries of teachers	8,466	(1,866)	6,600	6,600	
Purchased professional and technical services	4,590	(4,590)			
Other Purchased Services	6,630	1,267	7,897	7,897	
Total Undistributed Expenditures - Attendance	19,686	(5,189)	14,497	14,497	
Undistributed Expenditures - Health Services					
Salaries	8,370	(473)	7,897	7,819	78
Supplies and materials	1,020	473	1,493	1,493	
Total Undistributed Expenditures - Health Svcs.	9,390		9,390	9,312	78

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

(CONTINUED TO NEXT PAGE)

WEST CAPE MAY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2010

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Speech, OT, PT & Rel. Serv.					
Purchased prof. and educational services	$30,600		$30,600	$12,284	$18,316
Total Undst. Expend. - Speech, OT, PT & Rel. Serv.	30,600		30,600	12,284	18,316
Undist. Expend. - Guidance					
Supplies and materials	2,142	($1,863)	279	71	$208
Total Undst. Expend. - Guidance	2,142	(1,863)	279	71	208
Undist. Expend. - Child Study Teams					
Salaries of Other Professional Staff	2,080	3,303	5,383	5,383	
Salaries of Secretarial and Clerical Assistants	7,800	1,770	9,570	9,570	
Purchased professional and educational services	17,458	(17,458)			
Other purchased professional and technical services	38,760	2,675	41,435	11,346	30,089
Total Undst. Expend. - Child study Teams	66,098	(9,710)	56,388	26,299	30,089
Undist. Expend. - Improvement of Instructional Services					
Salaries of Supervisors of Instruction	5,200	3,575	8,775	8,775	
Salaries of Other Professional Staff	10,400	(497)	9,903	6,600	3,303
Total Undst. Expend. - Imp. of Instructional Services	15,600	3,078	18,678	15,375	3,303
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	7,800	(1,500)	6,300	3,250	3,050
Purchased professional and technical services	79		79	58	21
Other purchased services	8,160	(3,675)	4,485	1,707	2,778
Supplies and materials	8,160	(6,304)	1,856	1,714	142
Other objects	5,814	6,304	12,118	12,118	
Total Undst. Expend. - Educ. Media Serv./Sch. Library	30,013	(5,175)	24,838	18,847	5,991
Undist. Expend. - Instructional Staff Training Services					
Salaries of Supervisors of Instruction	5,200	3,575	8,775	8,775	
Purchased professional and educ. services	1,020		1,020	997	23
Other purchased services (400-500)	306		306	281	25
Total Undst. Expend. - Instr. Staff Training Services	6,526	3,575	10,101	10,053	48
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	11,430	3,570	15,000	14,859	141
Legal services	3,570	(3,570)			
Audit Fees	8,670		8,670	8,000	670
Communications / telephone	1,530	1,000	2,530		2,530
Other purchased services (400-500)	714	4,640	5,354	1,650	3,704
General Supplies	791		791	780	11
BOE in-house training/meeting supplies	918	(140)	778	110	668
BOE membership dues and fees	5,202	(538)	4,664	4,664	
Total Undst. Expend. - Supp. Serv. General Admin.	32,825	4,962	37,787	30,063	7,724

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

(CONTINUED TO NEXT PAGE)

WEST CAPE MAY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2010

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Central Services					
Salaries					
Purchased professional services	$4,284	$1,963	$6,247	$6,247	
Purchased technical services	17,294	(1,370)	15,924	12,174	$3,750
Supplies and materials	893	541	1,434	1,434	
Miscellaneous expenditures	306		306		306
Total Undst. Expend. - Business & Other Supp. Services	22,777	1,134	23,911	19,855	4,056
Undist. Expend. - Required Maint. Sch. Facilities					
Cleaning, repair, and maintenance services	8,216		8,216	3,603	4,613
Total Undst. Expend. - Required Maint. Sch. Facilities	8,216		8,216	3,603	4,613
Undist. Expend. - Other Oper. & Maint. of Plant					
Salaries	34,177	(131)	34,046	34,012	34
Cleaning, repair, and maintenance services	20,502	(51)	20,451	13,465	6,986
Other purchased property services	1,224	182	1,406	1,406	
Insurance	26,010	(11,861)	14,149	8,887	5,262
General supplies	4,080		4,080	2,288	1,792
Energy (electricity)	33,915	7,361	41,276	31,169	10,107
Total Undst. Expend. - Other oper. & Maint. of Plant	119,908	(4,500)	115,408	91,227	24,181
Total Undst. Expend. - Oper. & Maint. of Plant Services	128,124	(4,500)	123,624	94,830	28,794
Undist. Expend. - Student Trans. Services					
Contr. serv. (other than bet. home & sch.) - vendors	612		612	386	226
Contr. serv. (bet. home and school) - joint agreements	5,380		5,380	5,148	232
Contr. serv. (sp ed stds) - ESC's & CTSA's	9,894		9,894	1,864	8,030
Total Undst. Expend. - Student Trans. Services	15,886		15,886	7,398	8,488
Regular Programs - Instruction - Employee Benefits					
Group Insurance	4,517	751	5,268	1,742	3,526
Workmen's compensation	14,790		14,790	11,779	3,011
Health Benefits	52,277	(4,909)	47,368	43,917	3,451
Tuition Reimbursement	9,464		9,464	9,300	164
Other Employee Benefits	1,183		1,183		1,183
Total regular Pograms - Instruction	82,231	(4,158)	78,073	66,738	11,335
Unallocated Benefits - Employee Benefits					
Social security contributions	8,364	3,458	11,822	9,999	1,823
Other retirement contributions - reg.	510	6,666	7,176	7,176	
Other retirement contributions - ERIP	4,278	(4,278)			
Unemployment compensation	1,020	1,500	2,520	1,487	1,033
Workmen's compensation	1,020	(193)	827	56	771
Total Unallocated Benefits - Employee Benefits	15,192	7,153	22,345	18,718	3,627
On-behalf TPAF pension contributions (non-budgeted)				28,107	(28,107)
Reimbursed TPAF social security contributions (non-budgeted)				32,699	(32,699)
Total Undstributed Expenditures - TPAF				60,806	(60,806)

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

(CONTINUED TO NEXT PAGE)

WEST CAPE MAY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2010

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Total Undstributed Expenditures	$530,363	($10,693)	$519,670	$453,030	$66,640
Total General Current Expense	1,097,129	(10,293)	1,086,836	922,497	164,339
CAPITAL OUTLAY:					
Facilities Acquisition and Construction Services Infrastructure	20,000		20,000	7,227	12,773
Total Facilities Acquisition and Construction Services	20,000		20,000	7,227	12,773
Total Capital Outlay	20,000		20,000	7,227	12,773
Total Expenditures	$1,117,129	(10,293)	$1,106,836	$929,724	$177,112
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(28,062)	10,293	(17,769)	165,315	183,084
Other Financing Sources:					
Operating Transfer Out - Debt Service Fund				(307)	(307)
Operating Transfer Out - Food Service Fund	(9,078)	(10,293)	(19,371)	(11,080)	8,291
Total Other Financing Sources	(9,078)	(10,293)	(19,371)	(11,387)	7,984
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(37,140)		(37,140)	153,928	191,068
Fund Balance, July 1	427,928		427,928	427,928	
Fund Balance, June 30	$390,788		$390,788	$581,856	$191,068
Recapitulation of Fund Balance:					
Capital Reserve Account				$127,134	
Maintenance Reserve				60,000	
Reserve for Excess Surplus				6,375	
Reserve for Excess Surplus - Designated for Subsequent Year's Expenditurers				138,347	
Unreserved:					
Undesignated Fund Balance				250,000	
				581,856	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(12,548)	
Fund Balance per Governmental Funds (GAAP)				$569,308	

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

WEST CAPE MAY SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State sources					
Federal sources	$12,294	$23,499	$35,793	$35,793	
Local sources		650	650	650	
Total revenues	12,294	24,149	36,443	36,443	
EXPENDITURES:					
Instruction:					
Purchased professional - educ. services					
Tuition	12,294	(162)	12,132	12,132	
General supplies		24,311	24,311	24,311	
Total instruction	12,294	24,149	36,443	36,443	
Total expenditures	12,294	24,149	36,443	36,443	
Total outflows	12,294	24,149	36,443	36,443	
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	---	---	---	---	---

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

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	$ 1,095,039	$ 36,443
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
The last State aid payment from the prior year is recognized as revenue for GAAP and differs from the budgetary basis which recognized this revenue in the prior year.	12,319	
The last State aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognizes this revenue until the subsequent year when the State recognizes the related expense (GASB 33)	(12,548)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	$ 1,094,810	$ 36,443
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	$ 929,724	$ 36,443
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	$ $929,724	$ $36,443

Other Supplementary Information

Special Revenue Fund
Detail Statements

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

WEST CAPE MAY SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2010
(With comparative totals for June 30, 2009)

	Cape Education Grant	City Education Grant	ARRA IDEA Basic	ARRA IDEA Preschool	REAP Grant	IDEA Basic	IDEA Preschool	Total 2010	Total 2009
REVENUES:									
State sources									
Federal sources			$6,461	$233	$16,967	$11,664	$468	$35,793	$28,928
Local sources	$475	$175						650	1,500
Total Revenues	475	175	6,461	233	16,967	11,664	468	36,443	30,428
EXPENDITURES:									
Instruction:									
Purchase professional and technical services									
Tuition						11,664	468	12,132	12,294
General supplies	475	175	6,461	233	16,967			24,311	18,134
Total instruction	475	175	6,461	233	16,967	11,664	468	36,443	30,428
Total Expenditures	$475	$175	$6,461	$233	$16,967	$11,664	$468	$36,443	$30,428
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	—	—	—	—	—	—	—	—	—

Proprietary Funds
Detail Statements

Proprietary 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 District's Board is that the costs of providing goods or services be financed through user fees.

Food Service Fund - This fund provides for the operation of food services in all schools within the school district.

WEST CAPE MAY SCHOOL DISTRICT
Enterprise Funds
Statement of Net Assets
as of June 30, 2010 and 2009

	2010	2009
ASSETS:		
Current assets:		
Cash and cash equivalents	$1,887	$527
Accounts receivable:		
State	20	22
Federal	396	351
Interfund	349	
Total current assets	2,652	900
Total assets	$2,652	$900
LIABILITES:		
Current liabilties:		
Accounts payable	$1,617	$338
NET ASSETS		
Unrestricted	$1,035	$562
Total net assets	$1,035	$562

WEST CAPE MAY SCHOOL DISTRICT
Enterprise Funds
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
for the Fiscal Years ended June 30, 2010 and 2009

	2010	2009
OPERATING REVENUES:		
Local sources:		
Daily sales-reimbursable programs:		
School lunch program	$4,170	$3,950
Total-daily sales-reimbursable programs	4,170	3,950
Daily sales non-reimbursable programs		
Total operating revenue	4,170	3,950
OPERATING EXPENSES:		
Salaries	10,293	9,744
Fringe Benefits	787	745
Supplies and materials	141	178
Cost of Sales	7,107	6,321
Total operating expenses	18,328	16,988
Operating income (loss)	(14,158)	(13,038)
Non-operating revenues:		
State sources:		
State school lunch program	184	139
Federal sources:		
National school lunch program	3,363	2,143
Local Sources:		
Interest revenue	4	7
Operating transfer in	11,080	10,489
Total non-operating revenues	14,631	12,778
Net income (loss)	473	(260)
Net assets - July 1	562	822
Net assets - June 30	$1,035	$562

WEST CAPE MAY SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Cash receipts from customers	$4,170	$3,950
Cash payments to employees for services	(11,081)	(10,489)
Cash payments to suppliers for goods and services	(5,968)	(6,161)
Net cash used by operating activities	(12,879)	(12,700)
Cash flows from noncapital financing activities:		
Operating transfer in	11,081	10,489
Cash received from state and federal reimbursements	3,154	2,393
Net cash provided by noncapital financing activities	14,235	12,882
Cash flows from investing activities:		
Interest on investments	4	7
Net cash provided by investing activities	4	7
Net increase (decrease) in cash and cash equivalents	1,360	189
Cash and cash equivalents, July 1	527	338
Cash and cash equivalents, June 30	$1,887	$527
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	($14,158)	($13,038)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:		
Change in assets and liabilities:		
Increase/(decrease) in accounts payable	1,279	338
Net cash used by operating activities	($12,879)	($12,700)

Fiduciary Funds
Detail Statements

Fiduciary Funds are used to account for funds received by the district for a specific purpose.

Unemployment Compensation Insurance Fund - This fiduciary fund is used to pay unemployment compensation claims.

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

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

Student Activity Fund - This agency fund is used to account for the funds held by the district to be used for student related projects.

WEST CAPE MAY SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Assets
June 30, 2010
(With comparative totals for June 30, 2009)

	Agency Funds		Unemployment	Totals	
	Student Activity	Payroll	Compensation Insurance Fund	2010	2009
ASSETS:					
Cash and cash equivalents	$2,966	$8,744	$1,648	$13,358	$23,419
Interfund receivable					$1,161
TOTAL ASSETS	$2,966	$8,744	$1,648	$13,358	$24,580
LIABILITIES					
LIABILITIES:					
Interfund payable		$3,306		$3,306	1,071
Payroll withholdings		5,438		5,438	19,185
Due to student groups	$2,966			2,966	2,954
Total liabilities	2,966	8,744	---	11,710	23,210
NET ASSETS					
Reserved for unemployment claims			$1,648	1,648	1,370
Total net assets	---	---	$1,648	$13,358	$24,580

WEST CAPE MAY SCHOOL DISTRICT
Fiduciary Fund
Comparative Statement of Changes in Fiduciary Net Assets
for the Fiscal Years ended June 30, 2010 and 2009

	Totals Unemployment Compensation Insurance Trust	
	2010	2009
REVENUES:		
Local sources:		
Board contribution		$1,604
Employee contributions	$1,234	1,312
Interest on Investments	5	1
Total Revenues	1,239	2,917
EXPENDITURES:		
Current Expense:		
Undistributed Expenditures:		
Unemployment claims	961	1,604
Total Expenditures	961	1,604
Excess (deficiency) of revenues over (under) expenditures)	278	1,313
Net Assets July 1	1,370	57
Net Assets June 30	$1,648	$1,370

WEST CAPE MAY SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2010

	Balance July 1, 2009	Cash Receipts	Cash Disbursements	Accounts Payable June 30, 2010	Balance June 30, 2010
Assets:					
West Cape May Elementary	$2,954	$614	$602		$2,966
Total	$2,954	$614	$602	---	$2,966

WEST CAPE MAY SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
ASSETS:				
Cash and cash equivalents	$19,095	$677,167	$687,518	$8,744
Interfund receivable	1,161		1,161	
Total assets	$20,256	$677,167	$688,679	$8,744
LIABILITIES:				
Payroll deductions and withholdings	$19,185	$274,621	$288,368	$5,438
Net payroll		400,311	400,311	
Interfund payable	1,071	2,235		3,306
Total liabilities	$20,256	$677,167	$688,679	$8,744

Long-Term Debt Schedules

The Long-Term Debt Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

WEST CAPE MAY SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Serial Bonds
June 30, 2010

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Annual Maturities Amount	Rate of Interest	Balance July 1, 2009	Issued	Retired	Balance June 30, 2010
School Bonds	07/15/1998	$970,000	07/15/10	$50,000	5.40%	$560,000		$50,000	$510,000
			07/15/11	55,000					
			07/15/12	55,000					
			07/15/13	55,000					
			07/15/14	55,000					
			07/15/15	60,000					
			07/15/16	60,000					
			07/15/17	60,000					
			07/15/18	60,000					
						$560,000	---	$50,000	$510,000

WEST CAPE MAY SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	$45,568		$45,568	$45,568	
Miscellaneous					
Total revenues - local sources	45,568		45,568	45,568	
State sources:					
Debt service aid type II	30,207		30,207	30,207	
Total revenues - state sources	30,207		30,207	30,207	
Total Revenues	75,775		75,775	75,775	
EXPENDITURES:					
Regular debt service:					
Interest	25,775	$307	26,082	26,082	
Redemption of principal	50,000		50,000	50,000	
Total Expenditures	75,775	307	76,082	76,082	
Excess (Deficiency) of revenues over (under) expenditures		(307)	(307)	(307)	
Other Financing Sources (Uses):					
Operating transfer in				307	$307
Total other financing sources (uses)				307	307
Net change in fund balance		(307)	(307)		307
Fund Balances, July 1	307		307	307	
Fund Balances, June 30	$307	($307)	-	$307	$307
Recapitulation of Excess (Deficiency) or revenues over (under) expenditures					
Budgeted Fund Balance	---	($307)	($307)	---	$307

Statistical Section

West Cape May School District
Net Assets by Component,
Last Seven Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,						
	(A) 2004	2005	2006	2007	2008	2009	2010
Governmental activities:							
Invested in capital assets, net of related debt	$ 391,938	$ 410,913	$ 429,478	$ 446,043	$ 471,189	$ 493,227	$ 517,188
Restricted for:							
Capital projects	2,617	2,643	2,725	2,824	2,890	2,431	127,134
Debt service						307	307
Other purposes	15,655	93,512	88,663	-	37,150	175,497	204,722
Unrestricted	110,914	89,283	68,688	152,648	236,493	230,020	231,076
Total governmental activities net assets	$ 521,124	$ 596,351	$ 589,554	$ 601,515	$ 747,722	$ 901,482	$ 1,080,427
Business-type activities:							
Invested in capital assets, net of related debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrestricted	882	995	1,340	1,360	822	562	1,035
Total business-type activities net assets	$ 882	$ 995	$ 1,340	$ 1,360	$ 822	$ 562	$ 1,035
District-wide:							
Invested in capital assets, net of related debt	$ 391,938	$ 410,913	$ 429,478	$ 446,043	$ 471,189	$ 493,227	$ 517,188
Restricted:							
Capital projects	2,617	2,643	2,725	2,824	2,890	2,431	127,134
Debt service	-	-				307	307
Other purposes	15,655	93,512	88,663	-	37,150	175,497	204,722
Unrestricted	111,796	90,278	70,028	154,008	237,315	230,582	232,111
Total district net assets	$ 522,006	$ 597,346	$ 590,894	$ 602,875	$ 748,544	$ 902,044	$ 1,081,462

(A) District was not required to implement GASB-34 until fiscal year 2004.

West Cape May Borough School District
Changes in Net Assets, Last Seven Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
Expenses:							
Governmental activities:							
Instruction:							
Regular	$ 497,749	$ 526,581	$ 565,976	$ 461,017	$ 747,846	$ 494,965	$ 437,229
Special education	19,659	23,241	42,242	37,301	57,092	50,013	69,541
Other instruction	37,023	37,583	270	19,631	148	2,020	
Support Services:							
Tuition	90,819	52,585	149,805	158,413	77,611	65,039	47,884
Student & instruction related services	103,907	108,967	129,774	119,110	117,256	125,766	124,355
School administrative services			-	-	-	-	
General and business administrative services	196,581	187,995	115,583	89,518	61,257	57,986	49,918
Plant operations and maintenance	98,869	97,322	101,372	97,674	100,906	112,056	104,661
Pupil transportation	34,283	15,623	4,010	7,912	8,182	10,000	7,398
Business and other support services					-	-	
Unallocated employee benefits			100,207	213,592	211,374	149,122	146,262
Special schools			-	-	-	-	
Charter schools			-	-	-	-	
Interest on long-term debt	39,975	55,006	34,714	32,276	30,757	26,485	24,965
Unallocated depreciation	3,971	3,840	1,347	2,186	4,671	4,982	4,790
Total governmental activities expenses	1,122,836	1,108,743	1,245,300	1,238,630	1,417,100	1,098,434	1,017,003
Business-type activities:							
Food service	17,479	18,432	14,752	15,264	15,789	16,988	18,328
			-	-	-	-	
Total business-type activities expense	17,479	18,432	14,752	15,264	15,789	16,988	18,328
Total district expenses	$ 1,140,315	$ 1,127,175	1,260,052	1,253,894	1,432,889	1,115,422	1,035,331
Program Revenues:							
Governmental activities:							
Charges for services:							
Instruction (tuition)	$ -		$ -	$ -	$ -	$ -	
Operating grants and contributions	144,945	$ 155,469	75,050	50,141	192,095	124,303	127,456
Total governmental activities program revenues	144,945	155,469	75,050	50,141	192,095	124,303	127,456

(Continued)

West Cape May Borough School District
Changes In Net Assets, Last Seven Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,						
	2004	2005	2006	2007	2008	2009	2010
Business-type activities:							
Charges for services:							
Food service	7,186	7,446	6,387	6,439	4,578	3,950	4,170
Operating grants and contributions	2,453	2,787	1,415	2,469	2,684	2,282	3,547
Capital grants and contributions							
Total business type activities program revenues	9,639	10,233	7,802	8,908	7,262	6,232	7,717
Total district program revenues	$ 154,584	$ 165,702	$ 82,852	$ 59,049	$ 199,357	$ 130,535	$ 135,173
Net (Expense)/Revenue:							
Governmental activities	$ (977,891)	$ (953,274)	$ (1,170,250)	$ (1,188,489)	$ (1,225,005)	$ (974,131)	$ (889,547)
Business-type activities	(7,840)	(8,199)	(6,950)	(6,356)	(8,527)	(10,756)	(10,611)
Total district-wide net expense	$ (985,731)	$ (961,473)	$ (1,177,200)	$ (1,194,845)	$ (1,233,532)	$ (984,887)	$ (900,158)
General Revenues and Other Changes In Net Assets:							
Governmental activities:							
Property taxes levied for general purposes, net	$ 718,729	$ 763,311	$ 793,176	$ 786,505	$ 817,965	$ 850,684	$ 847,561
Taxes levied for debt service	48,222	47,046	51,754	50,283	48,813	47,162	45,568
Unrestricted grants and contributions	193,981	180,760	275,983	309,085	181,104	179,025	141,349
Tuition revenue	41,328	42,750	41,500	54,100	51,000	32,576	25,000
Investment earnings	600	26	6,270	6,780	7,275	3,890	1,981
Miscellaneous income	286	2,918	2,000	-	-	25,043	18,113
Transfers	(8,293)	(8,310)	(7,230)	(6,303)	(7,945)	(10,489)	(11,080)
Total governmental activities	994,853	1,028,501	1,163,453	1,200,450	1,098,212	1,127,891	1,068,492
Business-type activities:							
Investment earnings	2	2	65	73	44	7	4
Transfers	8,293	8,310	7,230	6,303	7,945	10,489	11,080
Total business-type activities	8,295	8,312	7,295	6,376	7,989	10,496	11,084
Total district-wide	$ 1,003,148	$ 1,036,813	$ 1,170,748	$ 1,206,826	$ 1,106,201	$ 1,138,387	$ 1,079,576
Change In Net Assets:							
Governmental activities	$ 16,962	$ 75,227	$ (6,797)	$ 11,961	$ (126,793)	$ 153,760	$ 178,945
Business-type activities	455	113	345	20	(538)	(260)	473
Total district-wide	$ 17,417	$ 75,340	$ (6,452)	$ 11,981	$ (127,331)	$ 153,500	$ 179,418

(A) District was not required to implement GASB-34 until fiscal year 2004.

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

Exhibit J-3

	Fiscal Year Ending June 30,							
	(A) 2003	2004	2005	2006	2007	2008	2009	2010
General Fund:								
Reserved for:								
Encumbrances				$ -	$ -	$ -	$ -	$ -
Capital reserve		$ 2,617	$ 2,643	2,725	2,824	2,890	2,431	127,134
Maintenance reserve								60,000
Excess surplus		15,655	84,074	76,110	-	37,150	175,497	144,722
Unreserved		97,127	104,433	85,611	159,060	243,912	237,681	237,452
Total general fund	$ -	$ 115,399	$ 191,150	$ 164,446	$ 161,884	$ 283,952	$ 415,609	$ 569,308
All Other Governmental Funds								
Reserved:				$ -	$ -	$ -	$ -	$ -
Encumbrances		$ -						
Unreserved, reported in:								
Special revenue fund								
Capital projects fund								
Debt service fund		-	$ -					
Total all other governmental funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(A) District was not required to implement GASB-34 until fiscal year 2004.

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

Exhibit J-4

	Fiscal Year Ending June 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Tax levy	$ 717,539	$ 731,060	$ 674,648	$ 766,951	$ 810,357	$ 844,930	$ 836,788	$ 866,778	$ 897,846	$ 893,129
Tuition charges	26,450	34,250	39,525	41,328	42,750	41,500	54,100	51,000	32,576	25,000
Interest earnings		200		600	553	6,270	6,780	4,953	3,890	1,981
Miscellaneous	7,280	3,760	25,325	2,286	3,384	3,000	918	2,643	26,543	18,763
State sources	230,171	185,941	301,235	299,935	291,135	313,484	345,311	344,470	272,900	232,362
Federal sources	28,898	20,344	15,113	36,991	44,101	36,549	12,997	28,408	28,928	35,793
Total revenue	1,010,338	975,555	1,055,846	1,148,091	1,192,280	1,245,733	1,256,894	1,298,252	1,262,683	1,207,028
Expenditures										
Instruction										
Regular instruction	396,152	387,073	413,150	388,517	413,538	474,914	433,296	455,942	472,505	418,752
Special education instruction	14,946	14,875	11,416	15,951	18,795	42,242	37,301	57,092	50,013	69,541
Other special instruction	23,946	39,338	40,449	29,736	30,094		19,631	148	2,020	-
Other instruction						270	-			
Support Services:										
Tuition	69,026	76,248	103,605	90,819	52,585	149,805	158,413	77,611	65,039	47,884
Student & instruction related services	68,087	76,833	77,409	90,896	105,355	129,774	119,110	117,256	125,766	124,355
School administrative services						-	-			
General and business admin.services	138,629	139,444	148,369	162,196	153,845	112,439	86,174	61,257	57,986	49,918
Plant operations and maintenance	83,816	81,540	82,559	90,323	88,522	93,485	92,745	98,421	109,260	94,830
Pupil transportation	25,565	16,701	16,003	34,283	15,623	4,010	7,912	8,182	10,000	7,398
Other support services	94,559	85,676	115,253	136,667	142,222	166,122	213,592	211,374	149,122	146,262
Special Schools						-	-			
Charter Schools						-	-			
Capital outlay	29,817	3,049	18,372		9,615	6,314	1,585			7,227
Debt service:										
Principal	30,000	30,000	40,000	40,000	40,000	50,000	50,000	50,000	50,000	50,000
Interest and other charges	45,094	43,631	41,925	39,975	38,025	35,832	33,394	30,956	28,519	26,082
Total expenditures	1,019,637	994,406	1,108,510	1,119,363	1,108,219	1,265,207	1,253,153	1,168,239	1,120,230	1,042,249
Excess (Deficiency) of revenues over (under) expenditures	(9,299)	(18,851)	(52,664)	28,728	84,061	(19,474)	3,741	130,013	142,453	164,779
Other Financing sources (uses)										
Proceeds from borrowing	-		-	-	-	-	-	-	-	-
Accrued interest on sale of bonds	-		-	-	-	-	-	-	-	-
Capital contribution	-			-	-					
Transfers in	32		7,759			-	-	-	489	307
Transfers out	(10,360)	(8,864)	(16,095)	(8,293)	(8,310)	(7,230)	(6,303)	(7,945)	(10,978)	(11,387)
Total other financing sources (uses)	(10,328)	(8,864)	(8,336)	(8,293)	(8,310)	(7,230)	(6,303)	(7,945)	(10,489)	(11,080)
Net change in fund balances	$ (19,627)	$ (27,715)	$ (61,000)	$ 20,435	$ 75,751	$ (26,704)	$ (2,562)	$ 122,068	$ 131,964	$ 153,699
Debt service as a percentage of noncapital expenditures	7.59%	7.43%	7.52%	7.14%	7.10%	6.82%	6.66%	6.93%	7.01%	7.35%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

West Cape May School District **Exhibit J-5**
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Prior Year Refunds	Miscellaneous	Total
2001	$ 5,058	$ 26,450	$ 1,190		$ 32,698
2002	3,242	34,250		$ 218	37,710
2003	1,384	39,525			40,909
2004	600	41,328		286	42,214
2005	553	42,750	769	1,622	45,694
2006	6,270	41,500	2,000		49,770
2007	6,780	54,100			60,880
2008	4,953	51,000	2,322		58,275
2009	3,890	32,576	25,043		61,509
2010	1,971	25,000	18,113		45,084
	$ 34,701	$ 388,479	$ 49,437	$ 2,126	$ 474,743

Source: District records

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

Exhibit J-6

Fiscal Year Ended June 30,		Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2001		$ 8,007,000	$ 134,058,000	$ 713,100	$ 163,700	$ 17,774,100		$ 486,100	$ 161,202,000	$ 304,179	$ 161,506,179	$ 6,452,400	$ 0.452	$157,031,724
2002		7,290,700	140,056,700	713,100	163,700	17,937,900		486,100	166,648,200	266,261	166,914,461	6,452,400	0.400	189,850,578
2003		6,667,300	144,669,800	713,100	162,900	17,937,900		486,100	170,637,100	246,000	170,883,100	6,184,300	0.455	225,832,378
2004		18,928,500	255,094,500	936,100	158,400	28,944,900		746,700	304,809,100	299,552	305,108,652	6,957,100	0.266	262,776,052
2005		19,493,000	256,750,500	936,100	158,400	28,934,400		746,700	307,019,100	260,603	307,279,703	6,957,100	0.275	330,629,236
2006		19,000,900	259,645,700	1,295,400	160,300	28,934,400		746,700	309,783,400	193,518	309,976,918	6,967,000	0.334	398,452,287
2007	r	29,117,700	432,355,900	3,610,600	239,600	40,776,000		1,189,500	507,289,300	249,741	507,539,041	8,686,100	0.171	485,437,929
2008		33,282,200	433,366,600	2,591,600	73,700	40,370,900		1,189,500	510,874,500	257,281	511,131,781	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		26,233,300	443,515,200	3,562,300	216,100	40,695,500		1,189,500	515,431,900	266,363	515,698,263	9,970,200	0.173	c

Source: Municipal Tax Assessor

Note:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per $100

c Information not available.

r Reassessment.

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

Exhibit J-7

Fiscal Year Ended June 30,	West Cape May School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Borough of West Cape May	Regional School	Cape May County	
2001	$ 0.412	$ 0.040	$ 0.452	$ 0.446	$ 0.401	$ 0.391	$ 1.690
2002	0.362	0.038	0.400	0.439	0.428	0.432	1.699
2003	0.439	0.016	0.455	0.439	0.508	0.439	1.841
2004	0.250	0.016	0.266	0.253	0.313	0.248	1.080
2005	0.260	0.015	0.275	0.254	0.384	0.267	1.180
2006	0.317	0.017	0.334	0.271	0.443	0.272	1.320
2007	0.161	0.010	0.171	0.236	0.317	0.176	0.900
2008	0.167	0.009	0.176	0.279	0.306	0.184	0.945
2009	0.165	0.009	0.174	0.273	0.335	0.197	0.979
2010	0.164	0.009	0.173	0.283	0.333	0.202	0.991

Source: Municipal Tax Collector

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

Exhibit J-8

Taxpayer	2009-10 Taxable Assessed Value	2009-10 % of Total District Net Assessed Value	Taxpayer	2000-2001 Taxable Assessed Value	2000-2001 % of Total District Net Assessed Value
Depot Travel Park, Inc.	$ 4,473,000	0.87%	Raysun Property Management	1,193,700	0.74%
Rayson Properties	3,720,600	0.72%	Cape May Lumber Co.	718,600	0.44%
Wibraham Mansion, LLC	3,027,600	0.59%	Depot Travel Park	614,800	0.38%
CVS	2,611,600	0.51%	Cape West Associates	516,500	0.32%
Cape May Lumber	2,372,300	0.46%	Individual #1	491,000	0.30%
Individual #1	2,245,000	0.44%	NJ Bell Telephone Co.	457,713	0.28%
Cape West Associates	2,102,000	0.41%	Pharmacy Development	441,000	0.27%
Individual #2	1,433,100	0.28%	Wilbraham Partnership	438,200	0.27%
Individual #3	1,245,300	0.24%	Leslie Rea Farms	361,900	0.22%
Individual #4	1,225,700	0.24%	Individual #2	347,600	0.22%
Total	$ 24,456,200	4.76%		$ 5,581,013	3.44%

Source: Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy[a]		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	$ 717,539	$ 717,539	100.00%	-
2002	731,060	731,060	100.00%	-
2003	674,648	674,648	100.00%	-
2004	766,951	766,951	100.00%	-
2005	810,357	810,357	100.00%	-
2006	844,930	844,930	100.00%	-
2007	836,788	836,788	100.00%	-
2008	866,778	866,778	100.00%	-
2009	897,846	897,846	100.00%	-
2010	893,129	893,129	100.00%	-

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

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities			
	General Obligation Bonds	Unfunded Pension Liability	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Percentage of Personal Income [a]	Per Capita [b]
2001	$ 910,000		$ -	$ -	$ -	$ 910,000	2.37%	830
2002	880,000		-	-	-	880,000	2.23%	804
2003	840,000		-	-	-	840,000	2.09%	773
2004	800,000		-	-	-	800,000	1.95%	757
2005	760,000		-	-	-	760,000	1.83%	739
2006	710,000		-	-	-	710,000	1.67%	706
2007	660,000		-	-	-	660,000	1.50%	668
2008	610,000		-	-	-	610,000	1.35%	619
2009	560,000		-	-	-	560,000	c	569
2010	510,000		-	-	-	510,000	c	c

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

a Based on Per Capita Income for Cape May County.

b Based on School District Population as of July 1.

c Not available.

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding: General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value [a] of Property	Per Capita [b]
2001	$ 910,000	$ -	$ 910,000	0.56%	830
2002	880,000	-	880,000	0.53%	804
2003	840,000	-	840,000	0.49%	773
2004	800,000	-	800,000	0.26%	757
2005	760,000	-	760,000	0.25%	739
2006	710,000	-	710,000	0.23%	706
2007	660,000	-	660,000	0.13%	668
2008	610,000	-	610,000	0.12%	619
2009	560,000	-	560,000	0.11%	569
2010	510,000	-	510,000	0.10%	c

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

West Cape May School District
Ratios of Overlapping Governmental Activities Debt
As of December 31, 2009

Exhibit J-12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Borough of West Cape May	$ 734,776	100.000%	$ 734,776
Lower Cape May Regional School Debt			712,660
Cape May County General Obligation Debt	93,109,837	0.917%	853,352
Subtotal, overlapping debt			2,300,788
West Cape May School District Direct Debt			510,000
Total direct and overlapping debt			$ 2,810,788

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

Debt outstanding data provided by each governmental unit.

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2010

		Equalized valuation basis	
		2009	$ 487,965,852
		2008	499,730,510
		2007	487,965,852
		[A]	$ 1,475,662,214
Average equalized valuation of taxable property		[A/3]	$ 491,887,405
Debt limit (2 1/2% of average equalized valuation)		[B]	12,297,185 a
Net bonded school debt		[C]	510,000
Legal debt margin		[B-C]	$ 11,787,185

Fiscal Year

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	$ 3,413,202	$ 3,890,219	$ 4,631,221	$ 5,521,042	$ 6,725,118	$ 8,177,399	$ 9,838,472	$ 11,174,764	$ 12,053,590	$ 12,297,185
Total net debt applicable to limit	910,000	880,000	840,000	800,000	760,000	710,000	660,000	610,000	560,000	510,000
Legal debt margin	$ 2,503,202	$ 3,010,219	$ 3,791,221	$ 4,721,042	$ 5,965,118	$ 7,467,399	$ 9,178,472	$ 10,564,764	$ 11,493,590	$ 11,787,185
Total net debt applicable to the limit as a percentage of debt limit	26.66%	22.62%	18.14%	14.49%	11.30%	8.68%	6.71%	5.46%	4.65%	4.15%

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

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

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

Exhibit J-14

Year	Population [a]	Personal Income [b]	Per Capita Personal Income [c]	Unemployment Rate [d]
2001	1,096	$ 38,349,040	$ 34,990	4.3%
2002	1,094	39,441,982	36,053	5.0%
2003	1,086	40,119,012	36,942	5.2%
2004	1,057	40,948,180	38,740	7.4%
2005	1,029	41,485,164	40,316	7.4%
2006	1,006	42,575,932	42,322	7.8%
2007	988	44,040,100	44,575	7.4%
2008	985	45,310,985	46,001	9.1%
2009	985	e	e	13.0%
2010	e	e	e	e

Source:

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

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

Exhibit J-16

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Instruction										
Regular	7	7	7	7	7	7	7	7	7	7
Special education	1	1	1	1	1	1	1	1	1	1
Other instruction	3	3	3	3	3	3	3	3	3	3
Support Services:										
General and business administrative services	1	1	1	1	1	1	1	1	1	1
Plant operations and maintenance	1	1	1	1	1	1	1	1	1	1
Business and other support services	1	1	1	1	1	1	1	1	1	1
Total	14	14	14	14	14	14	14	14	14	14

Source: District Personnel Records

West Cape May 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 Elementary	Average Daily Enrollment (ADE) [c]	Average Daily Attendance (ADA) [c]	% Change in Average Daily Enrollment	Student Attendance Percentage
2001	91	$914,726	$10,052	18.27%	7	1 to 13	90.0	86.0	-8.16%	95.56%
2002	97	917,726	9,461	-5.52%	7	1 to 14	95.0	92.0	5.55%	96.84%
2003	86	1,008,213	11,723	12.50%	7	1 to 13	91.0	87.0	-4.21%	95.60%
2004	79	1,039,388	13,157	20.30%	7	1 to 11	79.0	76.0	-13.19%	96.20%
2005	71	1,020,579	14,374	11.06%	7	1 to 10	70.0	67.0	-11.39%	95.71%
2006	57	1,173,061	20,580	11.06%	7	1 to 8	56.2	52.0	-20.00%	93.40%
2007	50	1,168,174	23,363	13.52%	7	1 to 7	50.0	47.0	-10.71%	93.80%
2008	52	1,087,283	20,909	-10.50%	7	1 to 7	52.0	49.0	4.00%	94.23%
2009	42	1,041,711	24,803	23.40%	7	1 to 6	42.2	39.5	-19.20%	93.60%
2010	36	958,940	26,637	7.39%	7	1 to 6	37.2	35.4	-11.85%	95.16%

Sources: District records

Note: Enrollment based on annual October district count.

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

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

Exhibit J-18

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
District Building										
Elementary										
West Cape May Elementary (1963)										
Square Feet	12,715	12,715	12,715	12,715	12,715	12,715	12,715	12,715	12,715	12,715
Capacity (students)	118	118	118	118	118	118	118	118	118	118
Enrollment	91	97	86	79	71	57	50	52	42	37

Number of Schools at June 30, 2010
Elementary = 1
Other = 0

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

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

Exhibit J-19

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

* School Facilities	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
West Cape May School	$ 27,208	$ 3,858	$ 12,002	$ 5,967	$ 5,992	$ 5,370	$ 6,354	$ 8,757	$ 3,603	$ 79,111
Project # (s)										
Total School Facilities	$ 27,208	$ 3,858	$ 12,002	$ 5,967	$ 5,992	$ 5,370	$ 6,354	$ 8,757	$ 3,603	$ 79,111

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

Source: District records

West Cape May School District **Exhibit J-20**
Insurance Schedule
June 30, 2010

	Coverage		Deductible
School Package Policy - Harleysville			
Property - Blanket and Contents	$ 1,684,338		$ 1,000
Personal Property Coverage	19,950		
General Liability	2,000,000		1,000
Computer Hardware	91,759		1,000
Computer Software	58,351		1,000
Computer Extra Expense	18,352		1,000
Business Auto Policy - Harleysville	1,000,000		
Boiler and Machinery - Travelers			
Property Damage	15,000,000		1,000
Excess Liability - Harleysville			
Umbrella Policy	1,000,000		
School Board Legal Liability - Darwin National Assurance Co.	1,000,000		10,000
Workers Compensation - Harleysville			
By Accident	Statutory		
By Disease	Statutory		
Student Accident - AIG Life Ins. Co.	1,000,000		
Surety Bonds - RLI Insurance Co.			
Treasurer	150,000	(1)	
Board Secretary/Business Administrator	5,000		
Chief School Administrator	1,000		

(1) - Application pending.

Source: District records

Single Audit Section

WEST CAPE MAY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2009 Accounts Receivable	June 30, 2009 Deferred Revenue	June 30, 2009 Due to Grantor at	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2010 Accounts Receivable	June 30, 2010 Deferred Revenue	June 30, 2010 Due to Grantor at
U.S. Department of Education														
Special Revenue Fund:														
REAP Grant	84.358A	5610-09	$16,967	9/1/09 - 8/31/10					$16,967	($16,967)				
Individuals With Disabilities Imp. Act (I.D.E.A.)														
Part B - Basic - Prior Year	84.027	FT-5610-09	12,294	9/1/08 - 8/31/09	($12,294)				12,294					
Part B - Basic - Current Year	84.027	FT-5610-10	11,664	9/1/09 - 8/31/10					11,664	(11,664)				
ARRA - Part B - Current Year	84.391	ARRA-5610-10	6,461	7/1/09 - 6/30/11					6,461	(6,461)				
Part B - Preschool - Current Year	84.173	PS-5610-10	468	9/1/09 - 8/31/10					468	(468)				
ARRA - Preschool - Current Year	84.392	ARRA-5610-10	233	7/1/09 - 6/30/11					233	(233)				
Total Special Revenue Fund					(12,294)				48,087	(35,793)				
U.S. Department of Agriculture														
Enterprise Fund:														
National School Lunch Program	10.555	N/A	2,143	9/1/08 - 6/30/09	($351)				351					
National School Lunch Program	10.555	N/A	3,363	9/1/09 - 6/30/10					2,967	(3,363)		($396)		
Total Enterprise Fund					(351)	—	—	—	3,318	(3,363)	—	(396)	—	—
Total Federal Awards					($12,645)	—	—	—	$51,405	($39,156)	—	($396)	—	—

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

WEST CAPE MAY SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2010

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2009 Accounts Receivable	June 30, 2009 Deferred Revenue	June 30, 2009 Due to Grantor at	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	June 30, 2010 Accounts Receivable	June 30, 2010 Deferred Revenue	June 30, 2010 Due to Grantor at
State Department of Education												
General Fund:												
Special Education Categorical Aid	09-495-034-5120-089	$12,157	7/1/08 - 6/30/09	($171)				$171				
Special Education Categorical Aid	10-495-034-5120-089	13,157	7/1/09 - 6/30/10					11,991	($13,157)	($1,166)		
Security Aid	09-495-034-5120-084	3,271	7/1/08 - 6/30/09	(807)				807				
Security Aid	10-495-034-5120-084	2,148	7/1/09 - 6/30/10					1,958	(2,148)	(190)		
Adjustment Aid	09-495-034-5120-085	167,253	7/1/08 - 6/30/09	(11,123)				11,123				
Adjustment Aid	10-495-034-5120-085	117,812	7/1/09 - 6/30/10					107,370	(117,812)	(10,442)		
Transportation Aid	09-495-034-5120-014	2,575	7/1/08 - 6/30/09	(217)				217				
Transportation Aid	10-495-034-5120-014	8,461	7/1/09 - 6/30/10					7,711	(8,461)	(750)		
On Behalf TPAF Post Retirement Medical	10-495-034-5095-001	26,686	7/1/09 - 6/30/10					26,686	(26,686)			
On Behalf TPAF Non-Contibutory Insurance	10-495-034-5095-007	1,421	7/1/09 - 6/30/10					1,421	(1,421)			
Reimbursed TPAF Social Security Contributions	09-495-034-5095-051	33,650	7/1/08 - 6/30/09	(20,946)				20,946				
Reimbursed TPAF Social Security Contributions	10-495-034-5095-051	32,699	7/1/09 - 6/30/10					31,061	(32,699)	(1,638)		
Total General Fund				(33,264)			—	221,462	(202,384)	(14,186)	---	---
Debt Service Fund												
Debt Service Aid Type II	10-495-034-5120-017	30,207	7/1/09 - 6/30/10	—			---	30,207	(30,207)	---	---	---
State Department of Agriculture												
Enterprise Fund:												
State School Lunch Program	09-100-010-3350-023	139	7/1/08 - 6/30/09	(22)				22				
State School Lunch Program	10-100-010-3350-023	184	7/1/09 - 6/30/10					164	(184)	(20)		
Total Enterprise Fund				(22)			---	186	(184)	(20)	---	---
Total State Financial Assistance				($33,286)			---	$251,855	($232,775)	($14,206)	---	---

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

West Cape May School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2010

1. GENERAL

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

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is ($229) for the general fund and $-0- for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Expenditures from awards and financial assistance revenues are reported in the School District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund		$202,155	$202,155
Special Revenue Fund	$35,793		35,793
Debt Service Fund		30,207	30,207
Food Service Fund	3,363	184	3,547
Total Awards & Financial Assistance	$39,156	$232,546	$271,702

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

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, 2010. 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, 2009.

WEST CAPE MAY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Section I –Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	UNQUALIFIED			
Internal control over financial reporting:				
1) Material weakness(es) identified?		yes	X	no
2) Significant deficiencies identified that are not considered to be material weaknesses?		yes	X	none reported
Noncompliance material to general-purpose financial statements noted?		yes	X	no

WEST CAPE MAY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 paragraphs 5.18 through 5.20 of *Government Auditing Standards* and with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

No findings Identified.

WEST CAPE MAY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

This section identifies audit findings required to be reported by section .510(a) of Circular A-133, and NJOMB Circular 04-04.

FEDERAL AWARDS

A federal single audit was not required.

STATE AWARDS

A state single audit was not required.

WEST CAPE MAY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

This section identifies the status of prior-year findings related to the basic financial statements and federal and state grant awards that are required to be reported in accordance with Chapter 6.12 *Government Auditing Standards*, USOMB Circular A-133 and State of NJOMB Circular Letter 04-04.

FINANCIAL STATEMENT FINDINGS

There were no financial statement findings in the prior year audit.

FEDERAL AWARDS

A federal single audit was not required.

STATE AWARDS

A state single audit was not required.