

**SCHOOL DISTRICT
OF
TOWNSHIP
OF
LOWER**

**Township of Lower Board of Education
Lower Township, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

Comprehensive Annual Financial Report

of the

**Township of Lower Board of Education
Lower Township, New Jersey**

For the Fiscal Year Ended June 30, 2011

Prepared by

Township of Lower Board of Education
Finance Department

LOWER TOWNSHIP SCHOOL DISTRICT

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Introductory Section

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October 14, 2011

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

Dear Board Members:

The comprehensive annual financial report of the Township of Lower School District for the fiscal year ended June 30, 2011 is hereby submitted. Responsibility for the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is presented 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 organizational chart and a list of principal officials. The financial 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, Local Governments and Non-Profit Organizations", and the State Treasury Circular letter 04-04 OMB, "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 compliance and internal control with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

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

The District provides a full range of educational services appropriate to grade levels K through 6. These include regular education, academic enrichment programs and Special Education instruction and Child Study Team services. The District completed the 2010-2011 fiscal year with an enrollment of 1,848 students (June 2011). The following details the changes in the student enrollment of the District over the last ten years.

**AVERAGE STUDENT ENROLLMENT
AS REPORTED TO THE STATE**

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2010-11	1,848	-1.96%
2009-10	1,885	1.51%
2008-09	1,857	1.65%
2007-08	1,827	-3.44%
2006-07	1,892	-1.40%
2005-06	1,919	1.00%
2004-05	1,900	-0.42%
2003-04	1,908	-3.49%
2002-03	1,977	-3.94%
2001-02	2,058	1.68%

2. ECONOMIC CONDITION AND OUTLOOK:

The Township of Lower encompasses 30.5 square miles in the southern part of Cape May County. Its boundaries include the Delaware Bay, the Atlantic Ocean, Cape May City, Cape May Point, Wildwood Crest, and the Township of Middle. The area was purchase from the original settlers, the Kechemeche Indians, in the early 1600's. It was a natural site and became a center for whaling, fishing and fur trading.

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

3. MAJOR INITIATIVES:

During the 2010-2011 school year, numerous programs were strengthened to further promote student achievement in the New Jersey Department of Education's newly adopted Common Core State Standards for English Language Arts. Common Core State Standards are the first step in providing our young people a high-quality education and have been adopted by 46 states. Although the Standards are divided into Reading, Writing, Speaking and Listening, and Language strands for conceptual clarity, the processes of communication are closely connected. Through continued emphasis on the 6+1 Traits of Writing in curriculum structure, goals, individual grade proficiencies & assessment in reading, writing and speaking, our next generation will help ensure that all students are college and career ready in literacy by high school graduation. BookFlix© subscriptions continue to be web-posted for preschool thru grade 4 students and their families to benefit from this reading intervention program for English and Bilingual students. BookFlix© is a program of popular children's reading titles, web-posted in Spanish and English, possessing visual text, optional auditory support and possessing individual student progress monitoring capabilities.

Continuing with the Common Core Standards Initiative, considerable emphasis was placed on aligning the kindergarten through second grade mathematics curriculum to incorporate the new content revisions into our existing ENVISION© MATH program. Kindergarten through second grade were to be using Common Core Curriculum by September 2011. Grades three through six shall have an additional year to accomplish this transition. Whole group math lessons continue to incorporate Miinio technology, which enhances student understanding of math concepts via the visual math manipulatives. Teacher training continues as the comprehensive digital capabilities and visual animations of ENVISION© MATH are daily utilized.

Preschool and kindergarten instructional staff continued assessment training via High/Scope COR (*Child Observation Record*) which provides meaningful assessment strategies in curriculum areas that DIBELS (*Dynamic Indicators of Basic Early Learning Skills*) was not designed to address.

HANDWRITING WITHOUT TEARS© (HWT) curriculum was adopted by preschool and kindergarten during the 2008-09 SY. During the 2010-2011 SY, the district expanded implementation of HANDWRITING WITHOUT TEARS© to include grades one through four. Orientation training continues to be provided for all new preschool through fourth grade teachers.

According to the district's five-year evaluation cycle, other programs that were revisited include Basic Skills, Child Study Team and Speech. Regarding the district's SCIENCE program, all curriculum guides were realigned to the recently released NJCCCS to incorporate the following: technology integration, student modifications and differentiated methods of instruction to meet the needs of all learners.

Staff development activities are implemented on an ongoing basis in accordance with the district's Professional Development Plan, which is closely aligned with the district's five-year plan for the evaluation and development of curriculum. Staff development priorities are identified as a result of a comprehensive review and analysis of numerous data sources. These data sources include: state assessments, standardized tests, district benchmark/annual assessments, anecdotal records, literacy portfolios, attendance records, discipline records, staff/parent surveys, teacher/administrative input, parent-teacher conferences, school-based

planning team meetings, guidance/office referrals, intervention and referral services committees, mobility data and program evaluation reports. During the school year, a Parent and Community Survey of the district's curriculum and programs yielded many positive comments as well as suggestions.

The district is committed to addressing the identified priority needs and, as a result, enabling students to meeting both the New Jersey Core Curriculum Content Standards as well as the new National Common Core Goals. To accommodate staff schedules and learning styles, many different approaches for providing professional development have been created. They include professional development days, half-day/full-day release time, before/after school meetings/workshops, faculty meetings, demonstration lessons during class periods, structured independent study groups, inter-classroom visitations, out of district classroom/program visitations, focus groups, on-line training, coaching, mentoring, training of trainers, teleconferences, distance learning, out of district workshops/conferences, college courses (tuition reimbursement) and the NJEA Convention.

Major staff development during the 2010-2011 school year focused on integrating additional teaching strategies and modalities into all instructional areas to increase student progress through varying teaching methods to reach all learners.

- Staff members participated in numerous workshops/seminars/courses. Professional development is provided by consultants and district staff members. These inservice opportunities were related to staff members' individual needs as identified on their Professional Development Plans (PDPs). All professional development activities are evaluated in writing and discussed informally at faculty/curriculum meetings. The results are compiled and utilized for future inservice opportunities. Many teachers are asked to turnkey appropriate information acquired at out-of-district workshops.

Entitlement funds from Title I, Title II, Title IV, and the Individuals with Disabilities Education Act, Part B Aid assist in providing additional specialized educational opportunities for at-risk students. The American Recovery & Reinvestment Act (ARRA) of 2010 provided further funds for equipment and training to incorporate SMART© Technology as the preferred method to introduce new material in the whole classroom instructional setting. I-Respond carts were purchased to provide opportunities for students to respond individually to a visual prompt, or interact with whiteboard or SMART© screen activities.

The entire district is provided with wireless internet in order to maximize each teachable moment. While classroom teachers provide small group instruction, remaining students in each classroom are engaged in individual independent practice via the computer(s) using Leapster, Book Flix© (preschool-4th), web-developed classroom websites via Site@School, Study Island (reading intervention/NJASK skills: grades 3-6), or SkillsTutor© (NJPASS skills: grades 1-2), WEB-DRVs (web-digital video recordings) of grade-appropriate educational videos, reading online graphic novels, or utilization of other educational software. All teachers were required to participate in technology sessions focusing on usage of A-V equipment in their building.

The Lower Township School District's Technology Initiative requires every teacher to develop and complete at least one integrated technology project per school year. With the augmentation of the past year's additional technology equipment and training, many teachers have acquired the ability to create and deliver interactive lessons taught through multiple modalities. The educational processes that took place in Lower Township this past year provided each student with an opportunity to challenge their potential to achieve.

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 recognized 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. Project-length budgets are approved for the capital improvements accounted for in the capital project 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 canceled or are included as reappropriations of fund balance in the subsequent year. Amounts to be reappropriated are reported as reservations of fund balance at June 30, 2011.

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. **CASH MANAGEMENT:**

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 2. The District has adopted a cash management plan which requires it to deposit public funds in the New Jersey Cash Management Fund or in public depositories protected from loss under the provisions of the Government 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 and comprehensive/collision, 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, LLC, was selected by the Board's audit committee. 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 State Treasury Circular Letter 04-04 OMB. This 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 sections of this report.

10. **ACKNOWLEDGEMENTS:**

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

Respectfully submitted,


Joseph A. Cirrinicione
Interim Superintendent

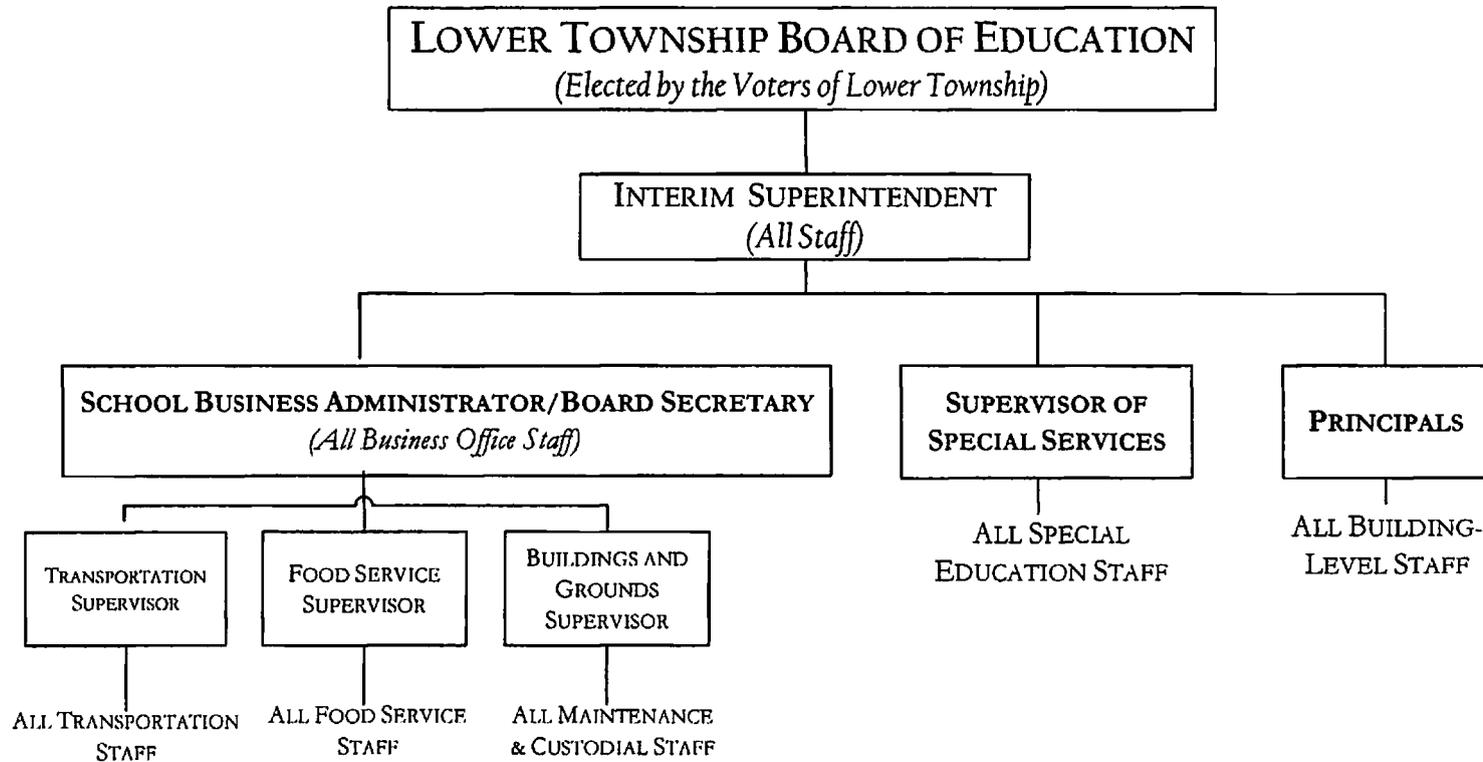

George Drozdowski
Business Administrator

Lower Township School District
Cape May, New Jersey

File Code: 1110

ADOPTED: MAY 10, 2011

ORGANIZATIONAL CHART



**TOWNSHIP OF LOWER BOARD OF EDUCATION
LOWER TOWNSHIP, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2011**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
James Rochford - President	2013
Ralph Bakley - Vice President	2012
David Chapman	2012
Joseph Jackson	2014
Frank Onorato	2014
Thomas Ottaviano	2013
David Robinson	2014
Charles Utsch	2013
Paul Yerk	2012

Other Officials

Joseph A. Cirrinicione, Interim Superintendent

George Drozdowski, Board Secretary &
School Business Administrator

Lauren Read, Treasurer

John B. Comegno, Esq., Solicitor

**TOWNSHIP OF LOWER SCHOOL DISTRICT
CONSULTANTS AND ADVISORS**

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Registered Municipal Accountants**

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INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
of the Board of Education
Township of Lower School District
County of Cape May
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 Lower Township School District, in the County of Cape May, State of New Jersey (School District), as of and for the fiscal year ended June 30, 2011, 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 in compliance with 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 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 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 Lower Township School District, in the County of Cape May, State of New Jersey, as of June 30, 2011, 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 October 14, 2011 on our consideration of the Lower Township School District, in the County of Cape May, State of New Jersey'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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lower Township School District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule 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 New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
October 14, 2011

INVERSO & STEWART, LLC

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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
Township of Lower School District
County of Cape May
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 Lower Township School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 14, 2011. 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 Lower Township School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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

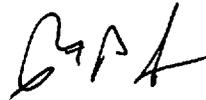
As part of obtaining reasonable assurance about whether the Lower Township School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a 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 Lower Township School District in a separate report entitled, *Auditors Management Report on Administrative Findings - Financial, Compliance and Performance* dated October 14, 2011.

This report is intended solely for the information and use of the management, the Board of Education, others within the School District, the Division of Finance, Department of Education, State of New Jersey, and other federal awarding agencies 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
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
October 14, 2011

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Lower Township School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

As management of the Board of Education of the Township of Lower, 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, 2011. 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 \$10,730,891 (*net assets*).
- Governmental activities have an unrestricted net assets deficit of \$2,532,940. The accounting treatments in the governmental funds for compensated absences payable, and the last two state aid payments, and the state statute that prohibits school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net assets of the School District decreased by \$634,387, or a 5.6% decrease from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds increased by \$40,316 resulting in an ending fund balance of \$2,007,303. This increase is largely due to the results of operations of the General Fund.
- Business-type activities have unrestricted net assets of \$325,987.
- The School District's long-term obligations increased by \$467,708 which is an increase 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 consolidate the Food Service Fund and the After-School Program.

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 two enterprise funds (Food Service Fund and Day Care Program Fund) are listed individually and are considered to be major funds.

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

Notes to the Basic Financial Statements

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

Other Information

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

District-wide Financial Analysis

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2011. 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 2011.

The assets of the primary government activities exceeded liabilities by \$10,386,870 with an unrestricted deficit balance of \$2,532,940. The net assets of the primary government do not include internal balances.

A net investment of \$10,541,268 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's public school students. Net assets of \$88,871 have been restricted to provide resources for future capital expansion and renovation projects, \$1,292,246 has been restricted for maintenance projects, and \$1,036,985 has been restricted for budget appropriation.

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

**Lower Township School District
Comparative Summary of Net Assets
As of June 30, 2011 and 2010**

	Governmental Activities		Business-Type Activities		District-Wide	
	2011	2010	2011	2010	2011	2010
Assets:						
Current assets	\$ 2,025,471	\$ 2,006,513	\$ 417,611	\$ 462,488	\$ 2,443,082	\$ 2,469,001
Capital assets	<u>10,541,268</u>	<u>10,714,210</u>	<u>18,034</u>	<u>21,531</u>	<u>10,559,302</u>	<u>10,735,741</u>
Total assets	<u>12,566,739</u>	<u>12,720,723</u>	<u>435,645</u>	<u>484,019</u>	<u>13,002,384</u>	<u>13,204,742</u>
Liabilities:						
Current Liabilities	18,168	39,526	1,164	7,346	19,332	46,872
Noncurrent Liabilities	<u>2,161,701</u>	<u>1,741,582</u>	<u>90,460</u>	<u>51,010</u>	<u>2,252,161</u>	<u>1,792,592</u>
Total liabilities	<u>2,179,869</u>	<u>1,781,108</u>	<u>91,624</u>	<u>58,356</u>	<u>2,271,493</u>	<u>1,839,464</u>
Net assets	<u>\$ 10,386,870</u>	<u>\$ 10,939,615</u>	<u>\$ 344,021</u>	<u>\$ 425,663</u>	<u>\$ 10,730,891</u>	<u>\$ 11,365,278</u>
Net assets consist of:						
Invested in capital						
Assets	\$ 10,541,268	\$ 10,714,210	\$ 18,034	\$ 21,531	\$ 10,559,302	\$ 10,735,741
Restricted net assets	2,378,542	2,443,670			2,378,542	2,443,670
Unrestricted net assets	<u>-2,532,940</u>	<u>-2,218,265</u>	<u>325,987</u>	<u>404,132</u>	<u>-2,206,953</u>	<u>-1,814,133</u>
Net assets	<u>\$ 10,386,870</u>	<u>\$ 10,939,615</u>	<u>\$ 344,021</u>	<u>\$ 425,663</u>	<u>\$ 10,730,891</u>	<u>\$ 11,365,278</u>

Lower Township School District
Comparative Schedule of Changes in Net Assets
As of and for the Fiscal Year Ended June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		District-Wide	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues						
Charges for services			\$ 666,854	\$ 728,979	\$ 666,854	\$ 728,979
Operating grants and Contributions	\$ 3,025,112	\$ 3,873,067	697,275	732,403	3,722,387	4,605,470
General Revenues:						
Property Taxes	14,371,889	14,371,889			14,371,889	14,371,889
Unrestricted State Aid	9,435,089	9,777,601			9,435,089	9,777,601
Tuition	35,869	37,015			35,869	37,015
Other Revenues	82,233	108,742	993	1,572	83,226	110,314
Total Revenues	26,950,192	28,168,314	1,365,122	1,462,954	28,315,314	29,631,268
Expenses:						
Governmental Activities:						
Instruction	12,335,514	12,248,189			12,335,514	12,248,189
Tuition	331,532	449,787			331,532	449,787
Related Services	2,779,070	3,071,712			2,779,070	3,071,712
Administrative Services	1,123,685	1,355,722			1,123,685	1,355,722
Central Services	351,603	336,411			351,603	336,411
Operations and Maintenance	2,181,749	3,644,913			2,181,749	3,644,913
Transportation	1,153,759	1,195,005			1,153,759	1,195,005
Employee Benefits	7,222,560	6,726,801			7,222,560	6,726,801
Interest on long-term Debt		33,353				33,353
Other	23,465	23,122			23,465	23,122
Business-Type Activities:						
Food Service Operations			1,132,556	1,154,673	1,132,556	1,154,673
Day Care Program			314,208	336,113	314,208	336,113
Total Expenses	27,502,937	29,085,015	1,446,764	1,490,786	28,949,701	30,575,801
Increase in net assets						
Before transfers	-552,745	-916,701	-81,642	-27,832	-634,387	-944,533
Transfers		-170,000		170,000		
Changes in net assets	-552,745	-1,086,701	-81,642	142,168	-634,387	-944,533
Net assets, July 1,	10,939,615	12,026,316	425,663	283,495	11,365,278	12,309,811
Net assets, June 30,	\$ 10,386,870	\$ 10,939,615	\$ 344,021	\$ 425,663	\$ 10,730,891	\$ 11,365,278

Governmental Activities

Governmental activities decreased the net assets of the School District by \$552,745 during the current fiscal year. Key elements of the decrease in net assets for governmental activities are as follows:

- Capital additions less depreciation expense decreased \$172,942
- Compensated absences increased by \$420,119

Business-type Activities

Business-type activities decreased the School District's net assets by \$81,642. Key elements of the increase in net assets for business-type activities are as follows:

- The Food Service Fund had a net loss of \$70,613 and the Day Care Program had a net loss of \$11,029.

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 \$2,007,303, an increase of \$40,316 in comparison with the prior year. Most of this increase is due to the General Fund results of operations.

The deficit unreserved fund balance for the School District at the end of the fiscal year includes a combination of an unreserved deficit fund balance for the General Fund of (\$371,239) and (\$39,560) in the Special Revenue Fund and \$88,870 in the Capital Projects Fund. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) as restricted cash reserved for future capital outlay expenditures of \$1, 2) \$523,150 appropriated as a revenue source in the subsequent year's budget, 3) \$507,648 reserved for future budget appropriation in accordance with state statute, 4) \$6,187 reserved for encumbrances, and 5) \$1,292,246 reserved for maintenance.

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 as discussed in Note 17 of the notes to the basic financial statements, and state statutes that prohibit New Jersey school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$23,368 or a increase of .09%. The increase to the budget was due to reserve for encumbrances.

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was \$478,954 while total fund balance (budgetary basis) was \$2,808,186. 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 \$25,493,828. Unreserved fund balance (budgetary basis) represents 1.88% of expenditures while total fund balance (budgetary basis) represents 11.02% of that same amount.

Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totaled \$10,559,302 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was \$176,439 or a 1.64% decrease. The decrease is due to depreciation.

Capital Asset (net of accumulated depreciation) June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		District-Wide	
	2011	2010	2011	2010	2011	2010
Land	\$ 80,045	\$ 80,045			\$ 80,045	\$ 80,045
Construction in Progress						
Buildings and Building Improvements	9,887,320	10,206,542			9,887,320	10,206,542
Equipment	573,903	427,623	\$ 18,034	\$ 21,531	591,937	449,154
Net assets	<u>\$ 10,541,268</u>	<u>\$ 10,714,210</u>	<u>\$ 18,034</u>	<u>\$ 21,531</u>	<u>\$ 10,559,302</u>	<u>\$ 10,735,741</u>

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

Long-term debt – During the fiscal year ended June 30, 2011, the School District had \$2,161,701 in compensated absences.

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 \$108,231,283. The available amount as of June 30, 2011 is \$108,231,283.

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 2011-12 fiscal year.

- For 2011-12 fiscal year the School District will be receiving an increase in state aid. The local tax levy in the General Fund increased by \$287,438 or a 2.0%. Salaries continue to increase contractually; however, the District has managed to control costs. The 2011-12 General Fund Budget is \$558,419 greater than the previous year or a 2.25 % increase. The tax rate was .351 in 2010 and slightly increased to .355 in 2011.

For the Future

The Lower Township Public School District is in very good financial condition presently. However, a major concern is the increased reliance on local property taxes as state aid has remained stagnant. Lower Township is primarily a residential community, with very few large ratables; thus the burden is focused on homeowners to share the tax burden.

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

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Lower Township School District Business Administrator, 834 Seashore Rd., Cape May, New Jersey 08204.

Basic Financial Statements

District-Wide Financial Statements

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$1,030,465	\$329,838	\$1,360,303
Receivables, net	1,035,910	30,977	1,066,887
Inventory (Note 6)		15,891	15,891
Internal balances	(40,905)	40,905	
Restricted assets:			
Restricted cash and cash equivalents	1		1
Capital assets, net (Note 5)	<u>10,541,268</u>	<u>18,034</u>	<u>10,559,302</u>
Total assets	<u>12,566,739</u>	<u>435,645</u>	<u>13,002,384</u>
LIABILITIES:			
Accounts payable	18,168	25	18,193
Deferred revenue		1,139	1,139
Noncurrent liabilities (Note 7):			
Due within one year			
Due beyond one year	<u>2,161,701</u>	<u>90,460</u>	<u>2,252,161</u>
Total liabilities	<u>2,179,869</u>	<u>91,624</u>	<u>2,271,493</u>
NET ASSETS:			
Invested in capital assets, net of related debt	10,541,268	18,034	10,559,302
Restricted for:			
Special Revenue	(39,560)		(39,560)
Capital Projects	88,871		88,871
Other purposes	2,329,231		2,329,231
Unrestricted	<u>(2,532,940)</u>	<u>325,987</u>	<u>(2,206,953)</u>
Total net assets	<u>\$10,386,870</u>	<u>\$344,021</u>	<u>\$10,730,891</u>

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$9,743,580		\$677,818	(\$9,065,762)		(\$9,065,762)
Special education	2,507,108		513,132	(1,993,976)		(1,993,976)
Other instruction	84,826			(84,826)		(84,826)
Support Services:						
Tuition	331,532			(331,532)		(331,532)
Student & instruction related services	2,779,070		183,641	(2,595,429)		(2,595,429)
General administrative services	244,277			(244,277)		(244,277)
School administrative services	879,408			(879,408)		(879,408)
Central services	351,603			(351,603)		(351,603)
Plant operations and maintenance	2,181,749			(2,181,749)		(2,181,749)
Pupil transportation	1,153,759			(1,153,759)		(1,153,759)
Unallocated employee benefits	7,222,560		1,650,521	(5,572,039)		(5,572,039)
Unallocated depreciation and amortization	23,465			(23,465)		(23,465)
Total governmental activities	27,502,937		3,025,112	(24,477,825)		(24,477,825)
Business-type activities:						
Day care program	314,208	\$303,179			(\$11,029)	(11,029)
Food service program	1,132,556	363,675	697,275		(71,606)	(71,606)
Total business-type activities	1,446,764	666,854	697,275		(82,635)	(82,635)
Total primary government	\$28,949,701	\$666,854	\$3,722,387	(\$24,477,825)	(\$82,635)	(\$24,560,460)
General revenues:						
Taxes:						
				14,371,889		14,371,889
			Property taxes, levied for general purposes, net			9,435,089
			Federal and state aid not restricted			35,869
			Tuition charges		993	83,226
			Miscellaneous income			
			Transfer			
			Total general revenues, special items, extraordinary items and transfers	23,925,080	993	23,926,073
			Change in Net Assets	(552,745)	(81,642)	(634,387)
			Net Assets -- July 1	10,939,615	425,663	11,365,278
			Net Assets -- June 30	\$10,386,870	\$344,021	\$10,730,891

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.

LOWER TOWNSHIP SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2011

ASSETS	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$1,030,465				\$1,030,465
Receivables, net	58,383	\$447,940	\$511,200		1,017,523
Interfund receivable	952,524				952,524
Restricted cash and cash equivalents	<u>1</u>				<u>1</u>
Total assets	<u>\$2,041,373</u>	<u>\$447,940</u>	<u>\$511,200</u>		<u>\$3,000,513</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	17,271	897			18,168
Interfund payables	<u>66,109</u>	<u>486,603</u>	<u>422,330</u>		<u>975,042</u>
Total liabilities	<u>83,380</u>	<u>487,500</u>	<u>422,330</u>		<u>993,210</u>
Fund Balances:					
Restricted for:					
Excess surplus	507,648				507,648
Excess surplus - designated for subsequent year's expenditures	323,150				323,150
Maintenance reserve	1,292,246				1,292,246
Capital reserve	1				1
Assigned to:					
Year-end encumbrances	6,187				6,187
Subsequent year's expenditures	200,000				200,000
Unassigned	<u>(371,239)</u>	<u>(39,560)</u>	<u>88,870</u>		<u>(321,929)</u>
Total fund balances	<u>1,957,993</u>	<u>(39,560)</u>	<u>88,870</u>		<u>2,007,303</u>
Total liabilities and fund balances	<u>\$2,041,373</u>	<u>\$447,940</u>	<u>\$511,200</u>	<u>-</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$19,408,565 and the accumulated depreciation is \$8,876,297.	10,541,268
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.	<u>(2,161,701)</u>
Net assets of governmental activities	<u>\$10,386,870</u>

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$14,371,889				\$14,371,889
Tuition charges	35,869				35,869
Miscellaneous	82,233				82,233
Total revenues-local sources	14,489,991				14,489,991
State sources	11,007,004	\$390,809			11,397,813
Federal sources	78,606	983,782			1,062,388
Total revenues	25,575,601	1,374,591			26,950,192
EXPENDITURES:					
Current expense:					
Regular instruction	8,312,336	682,613			8,994,949
Special education instruction	1,993,976	513,132			2,507,108
Other instruction	84,826				84,826
Support services and undistributed costs:					
Tuition	331,532				331,532
Student & instruction related services	2,595,429	183,641			2,779,070
General administrative services	244,277				244,277
School administrative services	832,478				832,478
Central services	351,603				351,603
Plant operations and maintenance	2,334,858				2,334,858
Pupil transportation	1,153,759				1,153,759
Unallocated employee benefits	7,222,560				7,222,560
Capital outlay	36,194		\$36,662		72,856
Total expenditures	25,493,828	1,379,386	36,662		26,909,876
Excess (deficiency) of revenues over (under) expenditures	81,773	(4,795)	(36,662)		40,316
Other Financing Sources (Uses):					
Transfers in					
Transfers out					
Total other financing sources (uses)					
Net change in fund balance	81,773	(4,795)	(36,662)		40,316
Fund balances, July 1	1,876,220	(34,765)	125,532		1,966,987
Fund balances, June 30	\$1,957,993	(\$39,560)	\$88,870	--	\$2,007,303

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

**LOWER TOWNSHIP 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, 2011**

Total net change in fund balances - governmental funds (from B-2) \$40,316

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

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

Depreciation expense	(\$469,302)	
Capital outlay	<u>296,360</u>	(172,942)

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 (+).

(420,119)

Change in net assets of governmental activities

(\$552,745)

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities Enterprise Funds	
	Food Service Fund	Day Care Program
ASSETS:		
Current assets:		
Cash and cash equivalents	\$319,816	\$10,022
Accounts receivable	27,523	3,454
Interfund receivable	43,023	
Inventories	15,891	
Total current assets	<u>406,253</u>	<u>13,476</u>
Noncurrent assets:		
Equipment	286,015	
Less accumulated depreciation	<u>(267,981)</u>	
Total noncurrent assets	<u>18,034</u>	
Total assets	<u><u>\$424,287</u></u>	<u><u>\$13,476</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	25	
Deferred revenue		1,139
Interfund payable	<u>2,118</u>	
Total current liabilities	<u>2,143</u>	<u>1,139</u>
Noncurrent liabilities:		
Compensated absences	<u>90,460</u>	
Total noncurrent liabilities	<u>90,460</u>	-
Total liabilities	<u>92,603</u>	<u>1,139</u>
NET ASSETS		
Invested in capital assets net of related debt	18,034	
Unrestricted	<u>313,650</u>	<u>12,337</u>
Total net assets	<u><u>\$331,684</u></u>	<u><u>\$12,337</u></u>

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
for the Fiscal Year Ended June 30, 2011

	Business-type Activities	
	Enterprise Funds	
	<u>Food Service Fund</u>	<u>Day Care Program</u>
Operating revenues:		
Charges for services:		
Daily sales-reimbursable programs	\$178,673	
Daily sales-non-reimbursable programs	185,002	\$303,179
Total operating revenue	<u>363,675</u>	<u>303,179</u>
Operating expenses:		
Salaries	458,927	274,097
Employee benefits	230,387	24,465
Supplies and materials	25,965	
Professional services	1,000	
Depreciation	3,497	
Cost of sales	398,207	15,227
Purchased property services	10,801	
Other	3,772	419
Total operating expenses	<u>1,132,556</u>	<u>314,208</u>
Operating income (loss)	<u>(768,881)</u>	<u>(11,029)</u>
Nonoperating revenues (expenses):		
State sources:		
State school lunch program	10,404	
School breakfast program		
Federal sources:		
ARRA - National school lunch equipment		
National school lunch program	384,823	
School breakfast program	249,137	
Snack Program	2,792	
U.S.D.A. commodities	50,119	
Local sources:		
Operating transfer in		
Interest revenue	993	
Total nonoperating revenues (expenses)	<u>698,268</u>	<u>-</u>
Change in net assets	(70,613)	(11,029)
Total net assets - July 1	<u>402,297</u>	<u>23,366</u>
Total net assets - June 30	<u><u>\$331,684</u></u>	<u><u>\$12,337</u></u>

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
for the Fiscal Year Ended June 30, 2011

	Business-type Activities Enterprise Funds	
	Food Service Fund	Day Care Program
Cash flows from operating activities:		
Receipts from customers	\$360,155	\$305,643
Payments to employees	(647,941)	(298,562)
Payments to suppliers	(397,932)	(15,646)
Net cash used for operating activities	(685,718)	(8,565)
Cash flows from noncapital financing activities:		
State sources	13,404	
Federal sources	654,043	
Net cash provided by non-capital financing activities	667,447	-
Cash flows from capital activities:		
Purchases of fixed assets	-	-
Cash flows from investing activities:		
Interest and dividends	993	
Net cash provided by investing activities	993	
 Net increase in cash and cash equivalents	(17,278)	(8,565)
Balances - July 1	337,094	18,587
Balances - June 30	\$319,816	\$10,022
 Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating income (loss)	(\$768,881)	(\$11,029)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	3,497	
Federal commodities	50,119	
ARRA - National school lunch equipment		
Operating transfer in		
(Increase) decrease in accounts receivable	(1,598)	2,068
(Increase) decrease in inventories	(3,845)	
Increase (decrease) in interfund payable, net	(4,460)	
Increase (decrease) in deferred revenue		396
Increase (decrease) in compensated absences	39,450	
Net cash provided by (used for) operating activities	(\$685,718)	(\$8,565)

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Unemployment Compensation Insurance Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$134,501	\$7,614
Interfund receivable		23,086
	<u> </u>	<u> </u>
Total assets	<u>134,501</u>	<u>30,700</u>
LIABILITIES:		
Cash Overdraft		3,767
Accounts payable	62,683	
Interfund payable	31,231	10,242
Payroll deductions and withholdings		9,077
Due to student groups		7,614
	<u> </u>	<u> </u>
Total liabilities	<u>93,914</u>	<u>30,700</u>
NET ASSETS:		
Restricted for:		
Unemployment claims	<u>\$40,587</u>	

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

	Unemployment Compensation Insurance Trust
ADDITIONS:	
Contributions:	
Board contributions	
Employee withholdings	\$49,385
Total Contributions	49,385
Investment earnings:	
Interest	304
Net investment earnings	304
Total additions	49,689
DEDUCTIONS:	
Unemployment payments	88,179
Total deductions	88,179
Change in net assets	(38,490)
Net assets - July 1	79,077
Net assets - June 30	\$40,587

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

The Lower Township School District (District) is a Type II school district located in Cape May County, New Jersey and covers an area of approximately 31 square miles. As a Type II school district, it functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the District is to provide educational services for all of Lower Township's students in grades preschool through 6. Students in grades 7 through 12 attend Lower Cape May Regional. The Lower Township School District has an approximate enrollment at June 30, 2011 of 1,848 students.

Criteria for determining if other entities are potential component units which should be reported within the School District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 and 2600. The application of these criteria provides for identification of any entities for which the School District is financially accountable and other organizations that the nature and significance of their relationship with the School District are such that exclusion would cause the School District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, there were no organizations that are considered to be component units.

Basis of Presentation

The basic financial statements of the Lower Township 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.

Government-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 the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Special Revenue Fund - The special revenue fund is used to account for 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.

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School District's enterprise funds are:

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

Day Care Program - This fund accounts for the financial transactions related to the day care operations of the District.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net 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.

Measurement Focus

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of 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 that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 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.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year, 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. 6:23A-16.2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as assigned 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.

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

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

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2011 and 2010 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

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

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

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

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

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.

Deferred Expenditures - Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure/expense 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 recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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 Equity - In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance – This classification reflects constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balances – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the School District – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the School District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Education and the Chief School Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted fund balances are available for use, it is the School District’s policy to use externally restricted fund balances first, then unrestricted fund balance – committed, assigned, and unassigned – in order as needed.

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

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

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 State of America requires management to make estimates and assumptions that affect the amonnts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the School District’s deposits may not be returned to it. Although the School District does not have a formal policy regarding custodial credit risk, state statutes requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit. Banks that qualify as public depositories under New Jersey statutes hold cash deposits, with bank balances totaling \$2,249,090 at June 30, 2011. All deposits are insured by federal depository insurance and/or collateralized with securities held in New Jersey’s multiple financial institution collateral pool as required by N.J.S.A. 17.9-41 et seq.

3. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Balance – July 1, 2010	\$1
Increased by:	
Interest earned	_____
Balance – June 30, 2011	\$1

The June 30, 2011 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

4. RECEIVABLES

All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

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

	General Fund	Special Revenue Fund	Proprietary Fund	Capital Projects Fund	Total
State Aid	\$ 44,910			\$ 511,200	\$ 556,110
Federal Aid	8,860	\$ 477,940			486,800
Other	4,614	_____	\$ 30,977	_____	35,591
Total Accounts Receivable	\$ 58,384	\$ 477,940	\$ 30,977	\$ 511,200	\$ 1,078,501

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
Governmental Activities:				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 80,045			\$ 80,045
Construction in progress	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets, not being Depreciated	<u>80,045</u>	<u> </u>	<u> </u>	<u>80,045</u>
<i>Capital Assets, being depreciated:</i>				
Building and Building Improvements	17,441,682	\$ 16,995	\$	17,458,677
Equipment	<u>2,186,486</u>	<u>279,365</u>	<u>596,008</u>	<u>1,869,843</u>
Totals at historical cost	<u>19,628,168</u>	<u>296,360</u>	<u>596,008</u>	<u>19,328,520</u>
<i>Less Accumulated Depreciation:</i>				
Building and Building Improvements	(7,235,140)	\$ (336,217)	\$	(7,571,357)
Equipment	<u>(1,758,863)</u>	<u>(133,085)</u>	<u>(596,008)</u>	<u>(1,295,940)</u>
Totals accumulated depreciation	<u>(8,994,003)</u>	<u>(469,302)</u>	<u>(596,008)</u>	<u>(8,867,297)</u>
Total Capital Assets, being depreciated, net	<u>10,634,165</u>	<u>(172,942)</u>		<u>10,461,223</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,714,210</u>	<u>\$ (172,942)</u>	<u>\$ -</u>	<u>\$ 10,541,268</u>
Business-Type Activities:				
<i>Capital Assets, being depreciated:</i>				
Equipment	\$ 286,015		\$	\$ 286,015
Less accumulated depreciation	<u>(264,484)</u>	<u>(3,497)</u>		<u>(267,981)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 21,531</u>	<u>\$ (3,497)</u>	<u>\$ -</u>	<u>\$ 18,034</u>

Depreciation expense in the amount of \$469,302 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Instruction	\$ 328,512
School Administration	46,930
Plant Operations and Maintenance	70,395
Unallocated	<u>23,465</u>
Total	<u>\$ 469,302</u>

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2011 consisted of the following:

	<u>Food Service</u>
Food	\$12,720
Supplies	3,171
	\$15,891

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2011, the following changes occurred in long-term obligations:

	<u>Principal Outstanding July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2011</u>	<u>Amount Due Within One Year</u>
Compensated Absences	\$ <u>1,741,582</u>	\$ <u>420,119</u>	<u> </u>	\$ <u>2,161,701</u>	<u> -</u>
Total Governmental Activity	\$ <u>1,741,582</u>	\$ <u>420,119</u>	\$ <u> -</u>	\$ <u>2,161,701</u>	\$ <u> -</u>

	<u>Principal Outstanding July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2011</u>	<u>Amount Due Within One Year</u>
<u>Business -- Type Activities:</u>					
Compensated Absences	\$ <u>42,871</u>	\$ <u>47,589</u>	\$ <u> -</u>	\$ <u>90,460</u>	\$ <u> -</u>

Bonds Payable – At June 30, the District had no bonds payable.

Capital Leases – At June 30, the District had no capital leases payable.

Compensated Absences

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

8. OPERATING LEASES

At June 30, 2011, the School District had an operating lease agreement in effect for the following:

Copiers

Total operating lease payments made during the year ended June 30, 2011 and 2010, were \$55,287, and \$47,737 respectively. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2012	\$,43,380
June 30, 2013	<u>19,873</u>
Total future minimum lease payments	<u>\$,63,253</u>

9. PENSION PLANS

Description of Plans – Substantially all of the School District's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). The TPAF and PERS are defined benefit pension plans while the DCRP 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 for the plan as a whole, but not by individual employer. 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 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS)

The contribution requirements of plan members are determined by State statute. 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 to the PERS, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Contr. Group Life Insurance</u>	<u>Total Liability</u>	<u>Delayed Enrollments</u>	<u>Delayed Appropriation</u>	<u>Paid by District</u>
2011	\$156,516	\$249,397	\$30,829	\$436,742	\$35,401	\$111,900	\$584,043
2010	128,291	164,839	40,650	333,780			333,780
2009	131,800	152,443	35,332	319,575			319,575

Defined Contribution Retirement Program (DCRP)

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

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

There were no School District employees enrolled in the DCRP for the fiscal years ended June 30, 2011, 2010 and 2009.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2010 there were 87,288 retirees receiving 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's contribution rate is based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in Fiscal Year 2009.

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 \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2011, 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 contributions were \$35,607 and \$756,284, respectively. In addition, the State of New Jersey reimbursed the School District \$858,630 during the fiscal year ended June 30, 2011 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. RISK MANAGEMENT

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

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

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

12. RISK MANAGEMENT (Continued)

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.

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>	
2010-2011	\$	\$	49,385	\$ 304	\$ 88,179	\$ 40,587
2009-2010	30,000	47,660	678	45,623	79,077	
2008-2009	30,000	47,076	1,262	53,050	46,362	
2007-2008	60,000	41,339	1,713	104,575	21,074	
2006-2007		38,695	2,111	56,239	22,597	

13. DEFERRED COMPENSATION

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

14. COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2011, the liability for compensated absences in the governmental and proprietary funds was \$2,161,701 and \$90,460 respectively.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various balance sheets as of June 30, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 952,524	\$ 66,109
Special Revenue		486,603
Capital Projects		422,330
Proprietary	43,023	2,118
Fiduciary	23,086	41,473
	<u>\$ 1,018,633</u>	<u>\$ 1,018,633</u>

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

16. CONTINGENCIES

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

At June 30, 2011, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

17. DEFICIT FUND BALANCE

The District has a deficit fund balance of \$371,239 in the General Fund and \$39,560 in the Special Revenue Fund as of June 30, 2011 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the District can not recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the General and Special Revenue Fund fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District deficit in the GAAP fund statements of \$371,239 in the General Fund and \$39,560 in the Special Revenue Fund is equal to or less than the June state aid payments.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

18. DEFICIT UNRESTRICTED NET ASSETS

As reflected on Exhibit A-1, Statement of Net Assets, a deficit in unrestricted net assets of \$2,532,940 existed as of June 30, 2011 for governmental activities. The primary causes of this deficit are the District not recognizing the receivable for the June state aid payments and the recording of the long-term liability for compensated absences. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net Assets, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), compensated absences that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net assets for governmental activities does not indicate that the District is facing financial difficulties.

19. FUND BALANCES

The School District has classified its fund balances with the following hierarchy:

Nonspendable – The School District does not have any nonspendable funds.

Spendable – The School District has classified the spendable fund balances as *Restricted*, *Assigned* and *Unassigned* and considered each to have been spent when expenditures are incurred. The School District currently has no funds classified as *Committed*.

Restricted Items:

Capital Reserve – As of June 30, 2011, the balance in the capital reserve account is \$1 which is restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan.

Excess Surplus – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund, fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2011 is \$830,798 of which \$323,150 has been appropriated and included as anticipated revenue for the year ending June 30, 2012.

Maintenance Reserve Account – As of June 30, 2011, the balance in the maintenance reserve account is \$1,292,246. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

Assigned:

Year-end Encumbrances – At June 30, 2011 a total of \$6,187 in the General fund is committed to meet contractual obligations. The School District has purchase orders outstanding with vendors in this amount and expects the vendors to deliver the goods and services in the upcoming year.

Designated for Subsequent Year's Expenditures – The School District has assigned a total of \$200,000 for appropriation of existing unassigned fund balance at year-end to eliminate a deficit in the upcoming 2011-2012 budget.

Unassigned items - Represents the remainder of the School District's equity in governmental fund type balances. The balance at June 30, 2011 is (\$321,929). The amounts are (\$371,239) in the General Fund, (\$39,560) in the Special Revenue Fund, and \$88,870 in the Capital Projects fund.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$14,371,889		\$14,371,889	\$14,371,889	
Tuition				35,869	\$35,869
Unrestricted miscellaneous revenue	103,790		103,790	82,233	(21,557)
Total local sources	14,475,679		14,475,679	14,489,991	14,312
State sources:					
School choice aid	551,060		551,060	551,060	
Special education aid	825,603		825,603	825,603	
Equalization aid	5,229,911		5,229,911	5,229,911	
Security aid	442,635		442,635	442,635	
Adjustment aid	1,421,138		1,421,138	1,421,138	
Transportation aid	756,830		756,830	756,830	
Additional Non Public Transportation Aid				2,088	2,088
On-behalf TPAF pension contributions (non-budgeted)				35,607	35,607
On-behalf TPAF Medical (non-budgeted)				756,284	756,284
Reimbursed TPAF social security contributions (non-budgeted)				858,630	858,630
Total state sources	9,227,177		9,227,177	10,879,786	1,652,609
Federal sources:					
Special Education Medicaid Initiative (SEMI)	52,109		52,109	78,606	26,497
Total federal sources	52,109		52,109	78,606	26,497
TOTAL REVENUES	23,754,965		23,754,965	25,448,383	1,693,418
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Preschool	158,985	(\$25,625)	133,360	118,522	14,838
Kindergarten	853,259	(20,349)	832,910	832,909	1
Grades 1-5	5,712,879	(549,190)	5,163,689	5,117,816	45,873
Grades 6-8	875,915	38,906	914,821	914,821	
Total Instruction	7,601,038	(556,258)	7,044,780	6,984,068	60,712
Regular Programs - Home Instruction:					
Salaries of teachers	3,500	(274)	3,226	3,226	
Other purchased services	250	780	1,030	923	107
General Supplies	600	(508)	94	94	94
Total Home Instruction	4,350	(274)	4,350	4,149	201

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

(CONTINUED TO NEXT PAGE)

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	\$570,392	\$185,000	\$755,392	\$742,385	\$13,007
Purchased professional - educ services		13,609	13,609	8,904	4,705
Purchased technical services	10,000	2,540	12,540	8,770	3,770
Other purchased services	114,440	9,450	123,890	104,830	19,060
General supplies	338,000	(86,255)	251,745	234,627	17,118
Textbooks	16,000	195,120	211,120	204,016	7,104
Other objects	21,500	(450)	21,050	20,587	463
Total Undistributed Instruction	1,070,332	319,014	1,389,346	1,324,119	65,227
Total - Regular Programs - Instruction	8,675,720	(237,244)	8,438,476	8,312,336	126,140
Special Educ Instruction: Learning/Lang. Disabilities					
Salaries of teachers	428,034	3,000	431,034	430,808	226
Other salaries for instruction	188,766	(50,302)	138,464	122,030	16,434
General Supplies	8,000		8,000	4,815	3,185
Total Learning/Lang. Disabilities	624,800	(47,302)	577,498	557,653	19,845
Special Educ Instruction: Res. Room/Res. Center					
Salaries of teachers	1,426,277	(1,000)	1,425,277	1,375,308	49,969
General supplies	8,000		8,000	5,603	2,397
Total Resource Room/Resource Center	1,434,277	(1,000)	1,433,277	1,380,911	52,366
Special Educ Instruction: Pre-K Disabilities Part-time					
Salaries of teachers	54,848	1,000	55,848	55,326	522
Other salaries for instruction					
General supplies	2,500		2,500	86	2,414
Total Pre-K Disabilities Part-time	57,348	1,000	58,348	55,412	2,936
Special Educ Instruction: Home Instruction					
Salaries of teachers	14,231		14,231		14,231
Total Home Instruction	14,231		14,231		14,231
Total Special Education - Instruction	2,130,656	(47,302)	2,083,354	1,993,976	89,378
Before/after school programs - Instruction					
Salaries of teachers		4,000	4,000	297	3,703
Total Before/after school - Instruction		4,000	4,000	297	3,703
Bilingual Education - Instruction					
Salaries of teachers		84,953	84,953	84,529	424
Total Bilingual Education - Instruction		84,953	84,953	84,529	424
Undistributed Expenditures - Instruction					
Tuition to other LEA's w/in state/special		16,936	16,936	14,761	2,175
Tuition to CSSD & reg. day schools	351,761	27,672	379,433	316,771	62,662
Tuition to priv. sch. for the handicapped in state	50,516	(44,608)	5,908		5,908
Total Undistributed Expenditures - Instruction	402,277		402,277	331,532	70,745

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

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Attendance & Social Work					
Salaries	\$25,891	\$800	\$26,691	\$26,493	\$198
Purchased professional and technical services	9,400		9,400	9,000	400
Other purchased services (400-500)	435		435		435
Supplies and materials	165		165	40	125
Other objects		2,000	2,000	2,000	
Total Undistributed Expenditures - Attendance & Soc.	35,891	2,800	38,691	37,533	1,158
Undistributed Expenditures - Health Services					
Salaries	377,490		377,490	372,355	5,135
Purchased professional and technical services	24,000		24,000	22,462	1,538
Other purchased services (400-500)	260		260		260
Supplies and materials	21,740	(10,000)	11,740	9,917	1,823
Total Undistributed Expenditures - Health Svcs.	423,490	(10,000)	413,490	404,734	8,756
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	382,387	(6,800)	375,587	373,388	2,199
Purchased professional - educ services	4,000		4,000		4,000
Supplies and materials	2,500		2,500	27	2,473
Total Undst. Expend. - Speech, OT, PT & Related Services	388,887	(6,800)	382,087	373,415	8,672
Undist. Expend. - Guidance					
Salaries of other professional staff	323,191	(7,000)	316,191	313,088	3,103
Other purchased services (400-500)	235		235	10	225
Supplies and materials	765		765	416	349
Other objects	500		500		500
Total Undst. Expend. - Guidance	324,691	(7,000)	317,691	318,814	4,177
Undist. Expend. - Child Study Teams					
Salaries of other professional staff	622,543	(62,000)	560,543	533,487	27,056
Salaries of secretarial and clerical assistants	115,492		115,492	109,021	6,471
Purchased professional - educ services	220,000	1	220,001	168,740	51,261
Other purchased professional - tech services	28,000	2,300	30,300	15,540	14,760
Misc. purchased services (400-500)	5,760		5,760	3,367	2,393
Supplies and materials	16,000		16,000	9,555	6,445
Other objects	1,300		1,300	100	1,200
Total Undst. Expend. - Child Study Teams	1,009,095	(59,699)	949,396	839,810	109,586
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction		10,000	10,000	10,000	
Salaries of Secr and Clerical Assist.	34,097	(2,650)	31,447	28,664	2,783
Purchased professional - educ services	3,000		3,000		3,000
Other purchased services (400-500)	4,045	(3,545)	500		500
Supplies and materials	1,500		1,500	1,036	464
Other objects	500		500		500
Total Undst. Expend. - Improvement of Instr. Services	43,142	3,805	46,947	39,700	7,247
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	459,755	6,000	465,755	463,558	2,197
Other purchased services (400-500)	800		800	444	356
Supplies and materials	36,000		36,000	31,100	4,900
Other objects	3,700		3,700	3,440	260
Total Undst. Expend. - Educ. Media Serv./Sch. Library	500,255	6,000	506,255	498,542	7,713

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

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Instructional Staff Training Services					
Salaries of supervisor of instruction			\$12,200	\$12,200	
Salaries of other professional staff	\$14,500	(\$2,300)	55,279	55,239	\$40
Salaries of secretarial and clerical assistants	54,279	1,000	4,800	4,800	
Other salaries	2,500	2,300	16,745		16,745
Purchased professional - educ services	21,000	(4,255)	5,000	4,418	582
Other purchased services	5,000		5,000	323	4,677
Supplies and materials	5,000		19,450	11,201	8,249
Other objects	22,000	(2,550)			
Total Undst. Expend. - Instructional Staff Training Svcs.	124,279	(5,805)	118,474	88,181	30,293
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	242,126	(47,000)	195,126	111,778	83,348
Legal services	30,220		30,220	14,630	15,590
Audit fees	21,749		21,749	20,700	1,049
Other purchased professional services	9,100	(5,200)	3,900	2,370	1,530
Communications / telephone	65,000	(5,500)	59,500	1,266	58,234
Other purchased services	63,751	10,700	74,451	72,031	2,420
General supplies	10,150	207	10,357	4,826	5,531
BOE in-house training/meeting supplies	3,000		3,000	1,410	1,590
Judgements against school district					
Miscellaneous expenditures	16,110		16,110	3,243	12,867
BOE membership dues and fees	14,890		14,890	12,023	2,867
Total Undst. Expend. - Supp. Serv. General Admin.	476,096	(46,793)	429,303	244,277	185,026
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	456,343	2,130	458,473	458,472	1
Salaries of secretarial and clerical assistants	376,023	(2,130)	373,893	354,473	19,420
Purchased professional and technical services	1,000		1,000		1,000
Other purchased services (400-500)	27,924		27,924	416	27,508
Supplies and materials	15,500		15,500	11,857	3,643
Other objects	18,323		18,323	7,260	11,063
Total Undst. Expend. - Supp. Serv. School Admin.	895,113		895,113	832,478	62,635
Undist. Expend. - Central Services					
Salaries	322,208		322,208	316,874	5,334
Purchased professional services	18,000		18,000	17,006	994
Miscellaneous purchased services	10,200		10,200	5,067	5,133
Supplies and materials	11,000		11,000	8,592	2,408
Miscellaneous expenditures	4,500		4,500	4,064	436
Total Undst. Expend. - Central Services	365,908		365,908	351,603	14,305
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	178,892	56,000	234,892	224,154	10,738
Other purchased services (400-500)	170,000	19,900	189,900	175,829	14,071
Supplies and materials	110,000	(3,225)	106,775	96,013	10,762
Other objects	1,000		1,000		1,000
Total Undst. Expend. - Required Maint. Sch. Facilities	459,892	72,675	532,567	495,996	36,571

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

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	\$1,037,188	(\$213,984)	\$823,184	\$797,531	\$25,653
Purchased professional & tech. services	13,000		13,000	9,712	3,288
Cleaning, repair and maintenance services	1,000		1,000		1,000
Rental of Land & Bldg. oth than Lease Pur agrmt					
Other purchased property services	43,700	5,000	48,700	47,501	1,199
Insurance	119,952	984	120,936	120,936	
Travel		800	800		800
Miscellaneous purchased services	6,800	(800)	6,000	3,137	2,863
General supplies	104,000	(63)	103,937	74,281	29,656
Energy (electricity)	394,613	67,080	461,693	461,691	2
Other objects	2,000		2,000		2,000
Salaries of Non-Instructional Aides	50,170	50,000	100,170	100,112	58
Energy (natural gas)	220,010	(92,080)	127,930	104,489	23,441
Total Undst. Expend. - Custodial Services	1,992,413	(183,063)	1,809,350	1,719,390	89,960
Undist. Expend. - Care & Upkeep of Grounds					
Salaries	5,000	7,000	12,000	10,445	1,555
Purchased professional & tech. services		8,550	8,550	1,950	6,600
Cleaning, repair and maintenance services	10,050	(6,450)	3,600	2,665	935
General supplies	22,736	(3,500)	19,236	17,029	2,207
Total Undst. Expend. - Care & Upkeep of Grounds	37,786	5,600	43,386	32,089	11,297
Undist. Expend. - Security					
Purchased Professional & technical services		25,000	25,000	24,326	674
Cleaning, repair and maintenance services		59,500	59,500	59,500	
General supplies		1,000	1,000	623	377
Other objects		3,225	3,225	2,934	291
Total Undst. Expend. - Security		88,725	88,725	87,383	1,342
Total Undst. Expend. - Oper. & Maint. of Plant Services	2,490,091	(16,063)	2,474,028	2,334,858	139,170
Undist. Expend. - Student Transportation Services					
Salaries of non-instructional aides	57,751	20,000	77,751	72,869	4,882
Salaries for pupil trans. (bet home & sch) - regular	773,198	(59,608)	713,590	711,859	1,731
Salaries for pupil trans. (bet home & sch) - spec ed.					
Salaries for pupil trans. (other than bet home & sch)	19,000		19,000	7,292	11,708
Rental Payments		4,140	4,140	2,099	2,041
Cleaning, repair, & maintenance services					
Contr. serv. (sp ed stds) - joint agrmnts	56,000	(35,000)	21,000	20,438	562
Contr. serv. - Aide in lieu Pyrmts - Non Public	70,000	(20,087)	49,913	49,912	1
Miscellaneous purchased services - transportation	30,140	(4,140)	26,000	25,077	923
Supplies and materials	278,000	(180,000)	98,000	93,900	4,100
Transportation supplies		190,000	190,000	169,446	20,554
Other objects	1,700		1,700	867	833
Total Undst. Expend. - Student Transportation Services	1,285,789	(84,695)	1,201,094	1,153,759	47,335
Unallocated Benefits - Employee Benefits					
Social security contributions	470,412	(91,387)	379,025	374,222	4,803
Other retirement contributions - regular	416,000	168,044	584,044	584,043	1
Unemployment compensation					
Workers' compensation	165,568	(9,407)	156,161	156,161	
Health benefits	3,895,743	(199,945)	3,695,798	3,668,811	27,187
Tuition reimbursement	50,000	(4,230)	45,770	45,770	
Other employee benefits	200,000	543,937	743,937	743,232	705
Total Unallocated Benefits - Employee Benefits	5,197,723	407,012	5,604,735	5,572,039	32,696

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

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
On-behalf TPAF noncontributory ins. prem. (non-budgeted)				\$35,607	(\$35,607)
On-behalf TPAF Medical (non-budgeted)				756,284	(756,284)
Reimbursed TPAF social security contributions (non-budgeted)				858,630	(858,630)
Total Undistributed Expenditures - TPAF				1,650,521	(1,650,521)
Total Undistributed Expenditures	\$13,962,727	\$182,762	\$14,145,489	15,066,496	(921,007)
Total General Current Expense	24,769,103	(12,831)	24,756,272	25,457,634	(701,362)
CAPITAL OUTLAY:					
Equipment:					
Undist. Exp - support services - students - regular		5,642	5,642	5,642	
Undist. Exp - req. maint - school facilities		17,000	17,000	16,995	5
Undist. Exp - Non Instructional - School Buses - Regular		13,557	13,557	13,557	
Total Equipment		36,199	36,199	36,194	5
Total Capital Outlay		36,199	36,199	36,194	5
Total Expenditures	24,769,103	23,368	24,792,471	25,493,828	(701,357)
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(1,014,138)	(23,368)	(1,037,506)	(45,445)	992,061
Other Financing Sources (Uses):					
Operating transfer out - Capital Projects Fund					
Operating transfer out - Enterprise Fund					
Total Other Financing Sources					
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(1,014,138)	(23,368)	(1,037,506)	(45,445)	992,061
Fund Balance, July 1	2,853,631		2,853,631	2,853,631	
Fund Balance, June 30	\$1,839,493	(\$23,368)	\$1,816,125	\$2,808,186	\$992,061
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Years Expenditures				\$323,150	
Reserve for Excess Surplus				507,648	
Maintenance Reserve				1,292,246	
Capital Reserve				1	
Assigned Fund Balance					
Year-end Encumbrances				6,187	
Designated for Subsequent Years Expenditures				200,000	
Unassigned Fund Balance				478,954	
				2,808,186	
Reconciliation on Governmental Fund Statements (GAAP):					
Less: State Aid Payment not Recognized on GAAP Basis				(850,193)	
Fund Balance per Government Fund (GAAP)				1,957,993	

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

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
REVENUES:					
Local sources					
State sources	\$395,604		\$395,604	\$395,604	
Federal sources			983,723	983,782	
Total revenues	<u>395,604</u>		<u>1,379,327</u>	<u>1,379,386</u>	
EXPENDITURES:					
Instruction:					
Salaries of teachers	677,400		677,400	677,400	
Other salaries					
Other purchased services					
Tuition	513,132		513,132	513,132	
General supplies	5,213		5,213	5,213	
Miscellaneous expenditures					
Textbooks					
Total instruction	<u>1,195,745</u>		<u>1,195,745</u>	<u>1,195,745</u>	
Support services:					
Salaries of program director	57,199		57,199	57,199	
Salaries of teachers					
Salaries of supervisor of instruction					
Personal services - employee benefits	126,383		126,383	126,442	
Purchased prof. and educational services					
Other purchased professional services					
Purchased professional and technical services					
Travel					
Tuition					
Other purchased services					
Miscellaneous					
Supplies and materials					
Total support services	<u>183,582</u>		<u>183,582</u>	<u>183,641</u>	
Facilities acquisition and construction services:					
Instructional equipment					
Non-instructional equipment					
Total facilities acq. and const. services					
Transfer to charter schools					
Total expenditures	<u>1,379,327</u>		<u>1,379,327</u>	<u>1,379,386</u>	
Total outflows	<u>1,379,327</u>		<u>1,379,327</u>	<u>1,379,386</u>	
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)					

**Lower Township School District
Notes to Required Supplementary Information
Budgetary Comparison**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 25,448,383	\$ 1,379,386
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	977,411	34,765
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(850,193)</u>	<u>(39,560)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 25,575,601</u>	<u>\$ 1,374,591</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 25,493,828	\$ 1,379,386
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.	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 25,493,828</u>	<u>\$ 1,379,386</u>

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.

LOWER TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2011
(With comparative totals for June 30, 2010)

	Brought Forward (Exh. E-1B)	2011	Totals 2010
REVENUES:			
State sources	\$395,604	\$395,604	\$349,664
Federal sources	983,782	983,782	1,637,653
Local sources			5,997
Total Revenues	1,379,386	1,379,386	1,993,314
EXPENDITURES:			
Instruction:			
Salaries of teachers	677,400	677,400	818,834
Other salaries for instruction			
Purchase professional educational services			
Purchase professional and technical services			
Other purchased services			
Travel			
Tuition	513,132	513,132	503,756
General supplies	5,213	5,213	223,631
Miscellaneous			4,760
Textbooks			
Total instruction	1,195,745	1,195,745	1,550,981
Support services:			
Salaries of program director	57,199	57,199	53,512
Salaries of teachers			108,282
Salaries of secretarial and clerical asst.			
Other salaries			
Personal services-employee benefits	126,442	126,442	213,008
Purchased prof. and educational services			
Purchased professional and technical services			
Other purchased professional and technical serv.			14,908
Travel			
Tuition			
Other purchased services (400-500)			13,404
Miscellaneous			
Supplies and materials			1,525
Total support services	183,641	183,641	404,639
Facilities acquisition and const. serv.:			
Instructional equipment			37,694
Total facilities acquisition and const. serv.:			37,694
Total Expenditures	1,379,386	1,379,386	1,993,314
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)			

LOWER TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2011

	E.S.E.A. as amended by No Child Left Behind (N.C.L.B.)							
	Title I Current Yr.	Title II - Part A Current Yr.	Title II - Part D Current Yr.	Title III Current Yr.	IDEA - Part B Basic Current Yr.	IDEA - Part B Preschool Current Yr.	Preschool Program Aid	Totals
REVENUES:								
State sources							\$395,604	\$395,604
Federal sources	\$330,805	\$127,213	\$829	\$11,803	\$486,207	\$26,925		983,782
Local sources								
Total Revenues	330,805	127,213	829	11,803	486,207	26,925	395,604	1,379,386
EXPENDITURES:								
Instruction:								
Salaries of teachers	273,157	106,011	770	8,924			288,538	677,400
Other salaries for instruction								
Other purchased services (400-500)								
Purchased professional educational services								
Purchased professional and technical services								
Travel								
General supplies	3,017			2,196				5,213
Tuition					486,207	26,925		513,132
Misc								
Total instruction	276,174	106,011	770	11,120	486,207	26,925	288,538	1,195,745
Support services:								
Salaries of program director							57,199	57,199
Salaries of supervisor of instruction								
Salaries of secretarial and clerical asst.								
Other salaries								
Personal services-employee benefits	54,831	21,202	59	683			49,867	126,442
Purchased prof. and educational services								
Purchased professional and technical services								
Other purchased professional and technical serv.								
Other purchased services (400-500)								
Contracted services - transportation								
Supplies and materials								
Miscellaneous								
Total support services	54,831	21,202	59	683			107,066	183,641
Facilities acquisition and const. serv.:								
Instructional equipment								
Non-instructional equipment								
Total facilities acquisition and const. serv.:								
Total Expenditures	330,805	127,213	829	11,803	486,207	26,925	395,604	1,379,386
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)								

**Capital Projects Fund
Detail Statements**

The Capital Projects Fund is used to account for the acquisition, construction and/or renovation of major facilities and equipment purchase other than those financed by Proprietary Funds.

**LOWER TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Summary Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year ended June 30, 2011**

Revenues and Other Financing Sources:

State Aid - SDA Grant	
Transfer from capital outlay	
Total revenues and other financing sources	<u> </u>

Expenditures and Other Financing (Uses):

Purchased professional services	\$2,661
Construction services	<u>34,001</u>
Total expenditures and other financing (uses)	<u>36,662</u>

Excess (deficiency) or revenues over (under) expenditures (36,662)

Fund Balance - July 1, 2010 125,532

Fund Balance - June 30, 2011 \$88,870

LOWER TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Statement of Project Revenues, Expenditures, Project Balance,
and Project Status - Budgetary Basis
Sandman Elementary School - Roof Replacement
From Inception and for the Fiscal Year ended June 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources:				
State sources - SCC Grant	\$511,200		\$511,200	\$511,200
Transfer from capital outlay	766,800		766,800	766,800
Total revenues	<u>1,278,000</u>		<u>1,278,000</u>	<u>1,278,000</u>
Expenditures and Other Financing Uses:				
Purchased professional services	91,858	\$2,661	94,519	94,519
Construction services	1,060,610	34,001	1,094,611	1,094,611
	<u>1,152,468</u>	<u>36,662</u>	<u>1,189,130</u>	<u>1,189,130</u>
Excess (deficiency) or revenues over (under) expenditures	<u>\$125,532</u>	<u>(\$36,662)</u>	<u>\$88,870</u>	<u>\$88,870</u>
Additional project information:				
Project Number	#2840-050-09-0ZAB			
Grant Date	07/01/09			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$1,278,000			
Additional Authorized Cost	\$0			
Revised Authorized Cost	\$1,278,000			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completion	100.00%			
Original target completion date	09/30/09			
Revised target completion date	12/31/09			

LOWER TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Summary Statement of Project Expenditures
Year Ended June 30, 2011

<u>Issue/Project Title</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Sandman Elementary School Roof Replacement	6/9/09	<u>\$1,278,000</u>	<u>\$1,152,468</u>	<u>\$36,662</u>	<u>\$88,870</u>
Total		<u>\$1,278,000</u>	<u>\$1,152,468</u>	<u>\$36,662</u>	<u>\$88,870</u>

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.

Day Care Program - This fund provides for the operation of the day care program provided by the school district.

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Net Assets
as of June 30, 2011 and 2010

	Food Service	Day Care Program	2011	2010
ASSETS:				
Current assets:				
Cash and cash equivalents	\$319,816	\$10,022	\$329,838	\$355,681
Accounts receivable:				
State				3,777
Federal				59,537
Other	27,523	3,454	30,977	31,447
Interfund	43,023		43,023	
Inventories	15,891		15,891	12,046
Total current assets	<u>406,253</u>	<u>13,476</u>	<u>419,729</u>	<u>462,488</u>
Fixed assets:				
Equipment	286,015		286,015	286,015
Less accumulated depreciation	<u>(267,981)</u>		<u>(267,981)</u>	<u>(264,484)</u>
Total fixed assets	<u>18,034</u>		<u>18,034</u>	<u>21,531</u>
Total assets	<u>\$424,287</u>	<u>\$13,476</u>	<u>\$437,763</u>	<u>\$484,019</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	25		25	4,485
Interfund payable	2,118		2,118	2,118
Prepaid program fees		1,139	1,139	743
Total current liabilities	<u>2,143</u>	<u>1,139</u>	<u>3,282</u>	<u>7,346</u>
Noncurrent liabilities:				
Compensated Absences	<u>90,460</u>		<u>90,460</u>	<u>51,010</u>
Total Noncurrent Liabilities	<u>90,460</u>		<u>90,460</u>	<u>51,010</u>
Total Liabilities	<u>92,603</u>	<u>1,139</u>	<u>93,742</u>	<u>58,356</u>
NET ASSETS:				
Invested in capital assets net of related debt	18,034		18,034	25,968
Unrestricted	<u>313,650</u>	<u>12,337</u>	<u>325,987</u>	<u>257,527</u>
Total net assets	<u>\$331,684</u>	<u>\$12,337</u>	<u>\$344,021</u>	<u>\$283,495</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
 Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
 for the Fiscal Years ended June 30, 2011 and 2010

	Food Service	Day Care Program	2011	2010
OPERATING REVENUES:				
Local sources:				
Daily sales-reimbursable programs:				
School lunch program	\$178,673		\$178,673	\$173,483
Total-daily sales-reimbursable programs	178,673		178,673	173,483
Daily sales non-reimbursable programs:				
Adult and AlaCarte meals	159,196		159,196	159,410
Registration Fees		\$303,179	303,179	322,827
Other reimbursements	10,075		10,075	40,969
Special Functions	15,731		15,731	32,290
Total operating revenue	<u>363,675</u>	<u>303,179</u>	<u>666,854</u>	<u>728,979</u>
OPERATING EXPENSES:				
Salaries	458,927	274,097	733,024	715,341
Employee benefits	230,387	24,465	254,852	232,967
Supplies and materials	25,965		25,965	48,901
Depreciation	3,497		3,497	4,437
Cost of sales	398,207	15,227	413,434	439,386
Professional services	1,000		1,000	5,070
Purchased property services	10,801		10,801	20,308
Other	3,772	419	4,191	24,376
Total operating expenses	<u>1,132,556</u>	<u>314,208</u>	<u>1,446,764</u>	<u>1,490,786</u>
Operating income (loss)	<u>(768,881)</u>	<u>(11,029)</u>	<u>(779,910)</u>	<u>(761,807)</u>
Non-operating revenues:				
State sources:				
State school lunch program	10,404		10,404	17,703
School breakfast program				22,372
Federal sources:				
ARRA - National school lunch equipment				9,355
National school lunch program	384,823		384,823	381,675
School breakfast program	249,137		249,137	242,224
Snack Program	2,792		2,792	12,751
U.S.D.A. commodities	50,119		50,119	46,323
Operating transfer in				170,000
Interest revenue	993		993	1,572
Total non-operating revenues	<u>698,268</u>		<u>698,268</u>	<u>903,975</u>
Change in net assets	(70,613)	(11,029)	(81,642)	142,168
Total net assets - July 1	<u>402,297</u>	<u>23,366</u>	<u>425,663</u>	<u>283,495</u>
Total net assets - June 30	<u>\$331,684</u>	<u>\$12,337</u>	<u>\$344,021</u>	<u>\$425,663</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Years ended June 30, 2011 and 2010

	Food Service	Day Care Program	2011	2010
Cash flows from operating activities:				
Cash receipts from customers	\$360,155	\$305,643	\$665,798	\$707,367
Cash payments to employees for services	(647,941)	(298,562)	(946,503)	(777,161)
Cash payments to suppliers for goods and services	(397,932)	(15,646)	(413,578)	(471,118)
Net cash used by operating activities	(685,718)	(8,565)	(694,283)	(540,912)
Cash flows from noncapital financing activities:				
Board subsidies				
Cash received from state and federal reimbursements	667,447		667,447	651,340
Net cash provided by noncapital financing activities	667,447		667,447	651,340
Cash flows from capital financing activities:				
Purchases of fixed assets				
Net cash used by capital financing activities				
Cash flows from investing activities:				
Interest on investments	993		993	1,572
Net cash provided by investing activities	993		993	1,572
Net increase (decrease) in cash and cash equivalents	(17,278)	(8,565)	(25,843)	112,000
Cash and cash equivalents, July 1	337,094	18,587	355,681	243,681
Cash and cash equivalents, June 30	\$319,816	\$10,022	\$329,838	\$355,681
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(\$768,881)	(\$11,029)	(\$779,910)	(\$761,807)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	3,497		3,497	4,437
Federal commodities	50,119		50,119	46,323
ARRA - National school lunch equipment				9,355
Operating transfer in				170,000
Change in assets and liabilities:				
(Increase)/decrease in accounts receivable	(1,598)	2,068	470	(21,278)
(Increase)/decrease in inventory	(3,845)		(3,845)	1,689
Increase/(decrease) in accounts payable	(4,460)		(4,460)	4,486
Increase/(decrease) in interfund payable, net				
Increase/(decrease) in deferred revenue		396	396	(2,256)
Increase/(decrease) in compensated absences	39,450		39,450	8,139
Net cash used by operating activities	(685,718)	(8,565)	(694,283)	(540,912)

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.

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Assets
June 30, 2011
(With comparative totals for June 30, 2010)

	<u>Agency Funds</u>		Unemployment Compensation Insurance Trust	Totals	
	<u>Student Activity</u>	<u>Payroll</u>		<u>2011</u>	<u>2010</u>
ASSETS:					
Cash and cash equivalents	\$7,614		\$134,501	\$142,115	\$181,534
Interfund receivable		\$23,086		23,086	
TOTAL ASSETS	<u>\$7,614</u>	<u>\$23,086</u>	<u>\$134,501</u>	<u>\$165,201</u>	<u>\$181,534</u>
LIABILITIES:					
Cash overdraft		3,767		3,767	23,716
Accounts payable			62,683	62,683	23,716
Interfund payable		10,242	31,231	41,473	73,945
Payroll deductions and withholdings		9,077			
Due to student groups	7,614			7,614	4,796
Total liabilities	<u>7,614</u>	<u>23,086</u>	<u>93,914</u>	<u>115,537</u>	<u>126,173</u>
NET ASSETS:					
Restricted for:					
Unemployment claims			40,587	40,587	79,077
Total net assets	<u>---</u>	<u>---</u>	<u>\$40,587</u>	<u>\$40,587</u>	<u>\$79,077</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
 Comparative Statement of Changes in Fiduciary Net Assets
 for the Fiscal Years ended June 30, 2011 and 2010

	Unemployment Compensation Insurance Trust Fund	2011	Totals 2010
REVENUES:			
Local sources:			
Board Contributions			\$30,000
Other Contributions	\$49,385	\$49,385	47,660
Interest on Investments	304	304	678
Total Revenues	49,689	49,689	78,338
EXPENDITURES:			
Current Expense:			
Undistributed Expenditures:			
Unemployment payments	88,179	88,179	45,623
Total Expenditures	88,179	88,179	45,623
Change in net assets	(38,490)	(38,490)	32,715
Total net assets - July 1	79,077	79,077	46,362
Total net assets - June 30	\$40,587	\$40,587	\$79,077

LOWER TOWNSHIP SCHOOL DISTRICT
Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2011

	<u>Balance July 1, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable June 30, 2011</u>	<u>Balance June 30, 2011</u>
Elementary Schools - All	\$4,796	\$4,801	\$1,983		\$7,614
Total	<u><u>\$4,796</u></u>	<u><u>\$4,801</u></u>	<u><u>\$1,983</u></u>	<u><u>-</u></u>	<u><u>\$7,614</u></u>

LOWER TOWNSHIP SCHOOL DISTRICT
Payroll Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
ASSETS:				
Cash and cash equivalents	\$42,714	\$19,727,501	\$19,750,896	\$19,319
Total assets	<u>\$42,714</u>	<u>\$19,727,501</u>	<u>\$19,750,896</u>	<u>\$19,319</u>
LIABILITIES:				
Payroll deductions and withholdings		\$8,383,439	\$8,374,362	\$9,077
Interfund payable	42,714		32,472	10,242
Net payroll		<u>11,344,062</u>	<u>11,344,062</u>	
Total liabilities	<u>\$42,714</u>	<u>\$19,727,501</u>	<u>\$19,750,896</u>	<u>\$19,319</u>

Statistical Section

Lower Township School District
Net Assets by Component,
Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:									
Invested in capital assets, net of related debt	\$ 8,520,218	\$ 9,284,435	\$ 9,821,537	\$ 10,024,958	\$ 10,136,099	\$ 10,255,861	\$ 10,586,124	\$ 10,714,210	\$ 10,541,268
Restricted for:									
Capital projects	337,260	1	1	1	1	1	1	61,193	88,871
Special revenue			(80,053)	(82,562)	(82,562)	(101,812)	(34,033)	(34,765)	(39,560)
Debt service	127,236	(51,829)	(73,538)	(9,863)	(4,164)	(168)	(2,938)		
Other purposes	755,262	1,559,035	2,036,696	2,199,342	2,645,302	2,704,163	3,561,030	2,417,242	2,329,231
Unrestricted	(106,066)	(66,071)	(855,991)	(847,139)	(781,005)	(1,513,921)	(2,083,868)	(2,218,265)	(2,532,940)
Total governmental activities net assets	\$ 9,633,910	\$ 10,725,571	\$ 10,848,652	\$ 11,284,737	\$ 11,913,671	\$ 11,344,124	\$ 12,026,316	\$ 10,939,615	\$ 10,386,870
Business-type activities:									
Invested in capital assets, net of related debt	\$ 38,555	\$ 33,734	\$ 39,981	\$ 44,389	\$ 36,220	\$ 31,094	\$ 25,968	\$ 21,531	\$ 18,034
Unrestricted	(13,042)	(57,245)	(39,009)	91,315	122,457	117,976	257,527	404,132	325,987
Total business-type activities net assets	\$ 25,513	\$ (23,511)	\$ 972	\$ 135,704	\$ 158,677	\$ 149,070	\$ 283,495	\$ 425,663	\$ 344,021
District-wide:									
Invested in capital assets, net of related debt	\$ 8,558,773	\$ 9,318,169	\$ 9,861,518	\$ 10,069,347	\$ 10,172,319	\$ 10,286,955	\$ 10,612,092	\$ 10,735,741	\$ 10,559,302
Restricted:									
Capital projects	337,260	1	1	1	1	1	1	61,193	88,871
Special revenue			(80,053)	(82,562)	(82,562)	(101,812)	(34,033)	(34,765)	(39,560)
Debt service		(51,829)	(73,538)	(9,863)	(4,164)	(168)	(2,938)		
Other purposes	755,262	1,559,035	2,036,696	2,199,342	2,645,302	2,704,163	3,561,030	2,417,242	2,329,231
Unrestricted	(119,108)	(123,316)	(895,000)	(755,824)	(658,548)	(1,395,945)	(1,826,341)	(1,814,133)	(2,206,953)
Total district net assets	\$ 9,532,187	\$ 10,702,060	\$ 10,849,624	\$ 11,420,441	\$ 12,072,348	\$ 11,493,194	\$ 12,309,811	\$ 11,365,278	\$ 10,730,891

Lower Township School District
 Changes in Net Assets, Last Nine Fiscal Years
 (accrual basis of accounting)

Exhibit J-2

Fiscal Year Ending June 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:									
Governmental activities:									
Instruction:									
Regular	\$ 9,440,775	\$ 7,522,781	\$ 10,694,139	\$ 9,098,943	\$ 9,098,158	\$ 9,822,955	\$ 9,085,370	\$ 9,514,262	\$ 9,743,580
Special education	1,930,063	4,780,560	2,750,400	2,396,143	2,473,287	2,615,030	2,520,758	2,642,703	2,507,108
Other instruction	14,452	13,459	13,222	10,512	10,512	10,512	2,226	91,224	84,826
Support Services:									
Tuition	248,408	95,894	147,586	255,684	337,307	247,578	472,665	449,787	331,532
Student & instruction related services	3,742,766	4,080,671	3,777,740	3,053,827	2,777,703	2,942,790	2,911,069	3,071,712	2,779,070
School administrative services	952,719	969,412	897,529	668,873	726,108	794,739	848,452	883,487	879,408
General and business administrative services	1,060,382	905,606	959,448	770,082	796,085	779,555	807,778	808,648	595,880
Plant operations and maintenance	3,348,431	3,436,349	3,177,338	2,995,420	2,849,551	3,037,863	2,735,170	3,644,913	2,181,749
Pupil transportation	1,323,780	1,239,783	1,309,747	1,145,572	1,208,360	1,258,081	1,166,298	1,195,005	1,153,759
Unallocated employee benefits				5,149,668	6,641,039	7,028,477	6,123,656	6,726,801	7,222,560
Interest on long-term debt	282,012	235,911	213,147	120,992	129,131	105,601	67,956	33,353	
Unallocated depreciation	86,585	86,919	24,245	24,729	24,302	24,851	21,728	23,122	23,465
Total governmental activities expenses	<u>22,430,373</u>	<u>23,347,345</u>	<u>23,964,541</u>	<u>25,690,445</u>	<u>26,871,523</u>	<u>28,667,832</u>	<u>26,763,124</u>	<u>29,085,015</u>	<u>27,502,937</u>
Business-type activities:									
After-school program	246,542	263,503	256,430	272,258	327,852	333,869	352,947	336,113	314,208
Food service	1,052,408	1,077,827	1,052,391	1,069,776	1,133,185	1,154,226	1,138,221	1,154,673	1,132,556
Total business-type activities expense	<u>1,298,950</u>	<u>1,341,330</u>	<u>1,308,821</u>	<u>1,342,034</u>	<u>1,461,037</u>	<u>1,488,095</u>	<u>1,491,168</u>	<u>1,490,786</u>	<u>1,446,764</u>
Total district expenses	<u>\$ 23,729,323</u>	<u>\$ 24,688,675</u>	<u>\$ 25,273,362</u>	<u>\$ 27,032,479.00</u>	<u>\$ 28,332,560.00</u>	<u>\$ 30,155,927.00</u>	<u>\$ 28,254,292.00</u>	<u>\$ 30,575,801.00</u>	<u>\$ 28,949,701.00</u>
Program Revenues:									
Governmental activities:									
Charges for services:									
Instruction (tuition)	\$ 12,831	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants and contributions	6,487,585	6,910,535	\$ 4,038,689	3,088,266	5,117,331	5,489,695	3,234,644	3,873,067	3,025,112
Total governmental activities program revenues	<u>6,500,416</u>	<u>6,910,535</u>	<u>4,038,689</u>	<u>3,088,266</u>	<u>5,117,331</u>	<u>5,489,695</u>	<u>3,234,644</u>	<u>3,873,067</u>	<u>3,025,112</u>

(Continued)

Lower Township School District
Changes in Net Assets, Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-2

Fiscal Year Ending June 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business-type activities:									
Charges for services:									
After-school program	271,395	251,801	269,033	290,973	340,307	296,648	367,080	322,827	303,179
Food service	381,655	391,689	396,464	387,563	394,241	394,997	408,825	408,152	363,675
Operating grants and contributions	450,297	448,579	429,262	514,973	538,406	584,316	678,235	732,403	697,275
Capital grants and contributions									
Total business type activities program revenues	<u>1,103,347</u>	<u>1,092,069</u>	<u>1,094,759</u>	<u>1,193,509</u>	<u>1,272,954</u>	<u>1,275,961</u>	<u>1,454,140</u>	<u>1,461,382</u>	<u>1,384,129</u>
Total district program revenues	<u>\$ 7,603,763</u>	<u>\$ 8,002,604</u>	<u>\$ 5,133,448</u>	<u>\$ 4,281,775</u>	<u>\$ 6,390,286</u>	<u>\$ 6,765,656</u>	<u>\$ 4,688,784</u>	<u>\$ 5,334,449</u>	<u>\$ 4,389,241</u>
Net (Expense)/Revenue:									
Governmental activities	\$ (15,929,957)	\$ (16,438,810)	\$ (19,925,852)	\$ (22,602,179)	\$ (21,754,192)	\$ (23,178,137)	\$ (23,528,480)	\$ (25,211,948)	\$ (24,477,825)
Business-type activities	(195,603)	(249,261)	(214,062)	(148,525)	(188,083)	(212,134)	(37,028)	(29,404)	(82,635)
Total district-wide net expense	<u>\$ (16,125,560)</u>	<u>\$ (16,688,071)</u>	<u>\$ (20,139,914)</u>	<u>\$ (22,750,704)</u>	<u>\$ (21,942,275)</u>	<u>\$ (23,390,271)</u>	<u>\$ (23,565,508)</u>	<u>\$ (25,241,352)</u>	<u>\$ (24,560,460)</u>
General Revenues and Other Changes in Net Assets:									
Governmental activities:									
Property taxes levied for general purposes, net	\$ 11,989,447	\$ 12,755,123	\$ 11,631,420	\$ 12,907,390	\$ 13,606,146	\$ 13,364,508	\$ 13,899,088	\$ 13,899,088	\$ 14,371,889
Taxes levied for debt service			473,074	494,484	471,558	474,410	470,775	472,801	
Unrestricted grants and contributions	4,596,468	4,987,253	7,953,699	9,568,438	8,133,435	8,628,209	9,883,607	9,777,601	9,435,089
Tuition	63,079	50,821		124,821	87,688	39,737	26,299	37,015	35,869
Investment earnings	100,542	34,175	65,606	146,934	183,368	127,189	67,208	25,595	
Miscellaneous income	46,911	64,931	157,134	75,340	109,136	174,864	33,397	83,147	82,233
Loss on Disposal of Capital Assets	(47,281)	(163,832)							
Transfers	(230,000)	(200,000)	(232,000)	(279,143)	(208,205)	(200,327)	(169,702)	(170,000)	
Total governmental activities	<u>16,519,166</u>	<u>17,528,471</u>	<u>20,048,933</u>	<u>23,038,264</u>	<u>22,383,126</u>	<u>22,608,590</u>	<u>24,210,672</u>	<u>24,125,247</u>	<u>23,925,080</u>
Business-type activities:									
Investment earnings	815	236	362	4,114	2,851	2,200	1,751	1,572	993
Miscellaneous income			6,183						
Loss on Disposal of Capital Assets		(2,904)							
Transfers	230,000	200,000	232,000	279,143	208,205	200,327	169,702	170,000	
Total business-type activities	<u>230,815</u>	<u>197,332</u>	<u>238,545</u>	<u>283,257</u>	<u>211,056</u>	<u>202,527</u>	<u>171,453</u>	<u>171,572</u>	<u>993</u>
Total district-wide	<u>\$ 16,749,981</u>	<u>\$ 17,725,803</u>	<u>\$ 20,287,478</u>	<u>\$ 23,321,521</u>	<u>\$ 22,594,182</u>	<u>\$ 22,811,117</u>	<u>\$ 24,382,125</u>	<u>\$ 24,296,819</u>	<u>\$ 23,926,073</u>
Change in Net Assets:									
Governmental activities	\$ 589,209	\$ 1,091,661	\$ 123,081	\$ 438,085	\$ 628,934	\$ (569,547)	\$ 682,192	\$ (1,086,701)	\$ (552,745)
Business-type activities	35,212	(51,929)	24,483	134,732	22,973	(9,607)	134,425	142,168	(81,642)
Total district-wide	<u>\$ 624,421</u>	<u>\$ 1,039,732</u>	<u>\$ 147,564</u>	<u>\$ 572,817</u>	<u>\$ 651,907</u>	<u>\$ (579,154)</u>	<u>\$ 816,617</u>	<u>\$ (944,533)</u>	<u>\$ (634,387)</u>

Lower Township School District
Fund Balances, Governmental Funds,
Last Nine Fiscal Years
(modified accrual basis of accounting)

Exhibit J-3

		Fiscal Year Ending June 30,								
		2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund:										
Reserved for:										
Encumbrances	\$	56,670	\$ 31,582	\$ 499,735	\$ 42,780	\$ 167,854	\$ 30,194	\$ 6,592	\$ 23,368	\$ 6,187
Maintenance reserve			400,000	400,000	700,000	1,000,000	1,292,246	1,292,246	1,292,246	1,292,246
Capital reserve		1	1	1	1	1	1	1	1	1
Excess surplus		698,592	1,127,453	482,941	973,621	503,827	681,254	514,138	323,150	507,648
Excess surplus - designated for subsequent years expenditures				439,432	482,941	973,621	681,254	514,138	323,150	507,648
Unreserved - designated for subsequent years expenditures							196,642	1,086,800	200,000	200,000
Unreserved		764,425	807,780	250,659	45,893	64,212	59,565	(470,872)	(476,683)	(371,239)
Total general fund	\$	<u>1,519,688</u>	<u>2,366,816</u>	<u>2,072,768</u>	<u>2,245,236</u>	<u>2,709,515</u>	<u>2,763,729</u>	<u>3,090,159</u>	<u>1,878,220</u>	<u>1,957,993</u>
All Other Governmental Funds										
Reserved:										
Encumbrances										
Unreserved, reported in:										
Special revenue fund	\$	(85,882)	\$ (81,954)	\$ (80,053)	\$ (82,562)	\$ (82,562)	\$ (101,812)	\$ (34,033)	\$ (34,765)	\$ (39,560)
Capital projects fund		337,259							125,532	88,870
Debt service fund		147,477	(19,888)	(19,455)	1,340	1,738	1,832	94	-	-
Total all other governmental funds	\$	<u>398,854</u>	<u>(101,842)</u>	<u>(99,508)</u>	<u>(81,222)</u>	<u>(80,824)</u>	<u>(99,980)</u>	<u>(33,939)</u>	<u>90,767</u>	<u>49,310</u>

Lower Township School District
Changes In Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit J-4

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Tax levy	\$ 11,074,886	\$ 11,989,447	\$ 12,755,123	\$ 12,104,494	\$ 13,401,874	\$ 14,077,704	\$ 13,838,918	\$ 14,369,863	\$ 14,371,889	\$ 14,371,889
Tuition charges	18,807	63,079	50,821	62,398	124,821	87,688	39,737	26,299	37,015	35,869
Interest earnings	71,919			65,606	146,934	183,368	127,189	67,208	25,595	
Miscellaneous	76,626	161,136	100,562	96,704	81,340	110,132	176,339	35,397	89,144	82,233
State sources	10,169,700	9,944,661	10,684,668	10,799,221	11,496,486	12,171,222	13,082,136	12,092,683	12,799,561	11,397,813
Federal sources	1,029,900	1,138,539	1,211,664	1,191,199	1,154,218	1,078,548	1,034,293	1,023,568	1,356,310	1,062,388
Total revenue	22,441,838	23,296,862	24,802,838	24,319,622	26,405,673	27,708,662	28,298,612	27,615,018	28,679,614	26,950,192
Expenditures										
Instruction										
Regular Instruction	7,525,844	7,796,130	5,762,128	8,232,672	8,751,768	8,805,744	8,749,568	8,741,665	9,319,145	8,994,949
Special education instruction	1,381,508	1,461,641	3,594,069	2,186,748	2,396,143	2,473,287	2,615,030	2,520,758	2,642,703	2,507,108
Other special instruction	4,557	10,932	10,237	10,512	10,512	10,512	10,512	2,226	91,224	84,826
Other instruction					-	-				
Support Services:										
Tuition	238,422	248,408	95,894	147,586	255,684	337,307	247,578	472,665	449,787	331,532
Student & instruction related services	3,181,465	3,071,027	3,259,806	3,003,551	3,053,827	2,777,703	2,942,790	2,911,069	3,071,712	2,779,070
School administrative services	734,912	875,007	737,666	675,042	619,415	677,504	745,437	807,776	837,244	832,478
General and business admin. services	707,546	731,007	749,349	762,863	770,082	796,065	779,555	804,996	808,646	595,880
Plant operations and maintenance	2,300,994	2,607,291	3,000,035	2,698,718	2,937,838	2,595,257	2,606,225	2,631,538	2,542,554	2,334,858
Pupil transportation	1,002,491	978,770	1,003,249	1,041,335	1,145,572	1,208,360	1,258,081	1,166,298	1,195,005	1,153,759
Other support services	3,158,125	3,772,861	4,467,404	4,696,391	5,149,668	6,641,039	7,028,477	6,123,656	6,726,801	7,222,560
Capital outlay	870,104	345,243	272,358	232,271	151,394	23,571	386,373	179,371	1,222,540	72,856
Debt service:										
Principal	760,000	790,000	1,080,000	500,000	530,000	555,000	590,000	620,000	655,000	
Interest and other charges	296,037	261,772	224,210	191,647	163,873	134,431	103,601	70,827	36,386	
Total expenditures	22,162,005	22,950,089	24,256,405	24,379,336	25,935,776	27,035,780	28,083,227	27,052,845	29,598,747	26,909,876
Excess (Deficiency) of revenues over (under) expenditures	279,833	346,773	546,433	(59,714)	469,897	672,882	235,385	562,173	(919,233)	40,316
Other Financing sources (uses)										
Proceeds from borrowing		-	-	-	-	-	-	-	-	-
Loss on sale of securities		(47,281)	-	-	-	-	-	-	-	-
Transfers in									766,800	
Transfers out	(180,000)	(230,000)	(200,000)	(232,000)	(279,143)	(208,205)	(200,327)	(169,702)	(936,800)	
Total other financing sources (uses)	(180,000)	(277,281)	(200,000)	(232,000)	(279,143)	(208,205)	(200,327)	(169,702)	(170,000)	-
Net change in fund balances	\$ 99,833	\$ 69,492	\$ 346,433	\$ (291,714)	\$ 190,754	\$ 464,677	\$ 35,058	\$ 392,471	\$ (1,089,233)	\$ 40,316
Debt service as a percentage of noncapital expenditures	4.96%	4.65%	5.44%	2.86%	2.69%	2.55%	2.51%	2.57%	2.44%	0.00%

Source: District records

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

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Insurance Refunds	Refunds	Rentals	Contracted Services	Sale of Used Equipment	Miscellaneous	Total
2002	\$ 48,043	\$ 18,807			\$ 19,156	\$ 6,800	\$ 200	\$ 1,359	\$ 94,365
2003	43,168	63,079		24,818	19,800	12,831	725	1,568	165,989
2004	33,875	50,821		31,298	21,780			11,853	149,627
2005	65,285	62,398		38,334	23,960			32,331	222,308
2006	146,934	124,821		41,957	26,360			6,116	346,188
2007	183,368	87,688		79,523	28,200			1,015	379,794
2008	127,189	39,737		140,529	30,160			4,081	341,696
2009	67,208	26,299		290	32,260			847	126,904
2010	25,595	37,015		47,897	33,500			1,750	145,757
2011	8,338	35,869		2,400	69,600			1,895	118,102
	<u>\$ 749,003</u>	<u>\$ 546,534</u>	<u>\$ -</u>	<u>\$ 407,046</u>	<u>\$ 304,776</u>	<u>\$ 19,631</u>	<u>\$ 925</u>	<u>\$ 62,815</u>	<u>\$ 2,090,730</u>

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Source: District records

**Lower Township School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Township of Lower

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Prop.	Ofarm	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
2002	\$ 35,425,800	\$ 1,236,449,100	\$ 3,474,700	\$ 813,500	\$ 131,250,300	\$ 1,124,800	\$ 6,059,200	\$ 1,414,597,400	\$ 5,963,833	\$ 1,420,561,233	\$ 107,024,400	\$ 0.813	\$ 1,675,885,313
2003	35,040,300	1,266,401,200	3,400,100	753,900	130,424,000	1,124,800	6,059,200	1,443,203,500	5,349,591	1,448,553,091	107,542,800	0.854	1,905,719,623
2004	31,868,200	1,292,620,600	3,200,800	890,000	130,204,600	1,124,800	6,059,200	1,466,868,200	4,246,714	1,470,213,914	109,210,500	0.847	2,346,625,587
2005	30,765,500	1,320,048,900	3,564,400	946,700	131,287,900	1,124,800	6,059,200	1,493,797,400	3,535,783	1,497,333,183	110,162,100	0.852	2,913,105,728
2006	29,777,500	1,347,706,100	3,469,700	899,200	130,801,500		6,059,200	1,518,733,200	2,738,571	1,521,471,771	114,453,300	0.905	3,530,553,715
2007	139,126,300	4,221,414,400	10,553,100	1,188,000	310,577,500		13,262,500	4,896,123,800	6,437,653	4,702,561,453	324,196,400	0.297	4,114,474,564
2008	133,431,600	4,217,537,900	9,472,800	1,092,000	309,843,800		13,262,500	4,684,640,600	6,343,694	4,690,984,294	325,244,700	0.301	4,419,678,070
2009	135,540,800	4,236,864,100	5,612,600	951,900	309,691,200		14,165,900	4,702,626,500	6,790,522	4,709,617,022	319,776,100	0.306	4,503,993,506
2010	98,832,700	3,693,867,300	6,757,300	967,900	275,537,400		13,375,400	4,089,338,000	6,782,972	4,096,120,972	261,510,700	0.351	4,418,691,951
2011	91,427,900	3,694,390,400	6,219,800	942,300	278,275,900		13,375,400	4,084,631,700	5,857,340	4,090,589,040	268,718,900	0.355	4,227,524,473

Source: Municipal Tax Assessor

Notes:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

**Lower Township 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,	Lower Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Township of Lower	Regional School	Cape May County	
2002	\$ 0.761	\$ 0.052	\$ 0.813	\$ 0.776	\$ 0.512	\$ 0.439	\$ 2.540
2003	0.803	0.051	0.854	0.776	0.541	0.439	2.610
2004	0.797	0.050	0.847	0.772	0.557	0.464	2.640
2005	0.791	0.061	0.852	0.799	0.599	0.480	2.730
2006	0.874	0.031	0.905	0.844	0.642	0.489	2.880
2007	0.287	0.010	0.297	0.324	0.229	0.170	1.020
2008	0.291	0.010	0.301	0.349	0.230	0.181	1.061
2009	0.296	0.010	0.306	0.366	0.247	0.193	1.112
2010	0.351	-	0.351	0.433	0.285	0.230	1.299
2011	0.355	-	0.355	0.443	0.277	0.231	1.306

Source: Municipal Tax Collector

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

- a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.
- b Rates for debt service are based on each year's requirements.

**Lower Township School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

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Taxpayer	2010-2011	
	Taxable Assessed Value	% of Total District Net Assessed Value
Jenio Corp. & Harlo Inc.	\$ 10,408,800	0.25%
Achristavest Pier 6600, LLC	9,700,000	0.24%
Bayshore Mall 1A, LLC	8,795,000	0.21%
Lake Laurie RV Resort, LLC	7,133,800	0.17%
Seashore Campsites Inc.	6,500,000	0.16%
Channels Apartments	6,242,600	0.15%
Victoria Health Corp.	6,203,800	0.15%
Verison - New Jersey	5,975,340	0.15%
Beachcomber Campground Inc.	5,932,800	0.14%
North Cape Convalescent Center	5,890,000	0.14%
Total	\$ 72,782,140	1.78%

Taxpayer	2001-2002	
	Taxable Assessed Value	% of Total District Net Assessed Value
New Jersey Bell	10,599,557	0.79%
Michael Belansen	9,970,000	0.74%
Cape May Mall	8,500,000	0.63%
Chas. & Margaret Masciarella	5,050,000	0.38%
North Cape Convalescent Center	4,927,000	0.37%
Victoria Health Corp.	4,700,000	0.35%
Beer World, Inc.	3,755,500	0.28%
Snows/Doxsee, Inc.	3,591,000	0.27%
Channels Apartments	3,450,000	0.26%
Cold Spring Fish & Supply Co., Inc.	2,762,500	0.21%
Total	\$ 57,305,557	4.26%

Source: Municipal Tax Assessor

**Lower Township 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	
2002	\$ 9,367,175	\$ 9,367,175	100.00%	-
2003	10,396,347	10,396,347	100.00%	-
2004	11,532,166	11,532,166	100.00%	-
2005	12,429,809	12,429,809	100.00%	-
2006	12,429,809	12,429,809	100.00%	-
2007	12,753,184	12,753,184	100.00%	-
2008	13,739,789	13,739,789	100.00%	-
2009	13,958,311	13,958,311	100.00%	-
2010	14,104,390	14,104,390	100.00%	-
2011	14,371,889	14,371,889	100.00%	-

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

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^b
	General Obligation Bonds	Unfunded Pension Liability	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2002			\$ 5,959,359	\$ -	\$ -	\$ 5,959,359	0.74%	265
2003			4,965,537	-	-	4,965,537	0.61%	222
2004			3,675,303	-	-	3,675,303	0.44%	169
2005			3,042,702	-	-	3,042,702	0.36%	143
2006			2,475,581	-	-	2,475,581	0.28%	119
2007			1,876,327	-	-	1,876,327	0.21%	92
2008			1,275,000	-	-	1,275,000	0.14%	63
2009			655,000	-	-	655,000	0.07%	32
2010			-	-	-	-	c	c
2011			-	-	-	-	c	c

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

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

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2002	\$ -	\$ -	\$ -	0.00%	\$ -
2003	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2005	-	-	-	0.00%	-
2006	-	-	-	0.00%	-
2007	-	-	-	0.00%	-
2008	-	-	-	0.00%	-
2009	-	-	-	0.00%	-
2010	-	-	-	0.00%	-
2011	-	-	-	0.00%	-

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

**Lower Township School District
 Ratios of Overlapping Governmental Activities Debt
 As of December 31, 2010**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Township of Lower	\$ 19,240,695	100.000%	\$ 19,240,695
Cape May County General Obligation Debt	81,583,964	8.254%	6,733,940
Lower Cape May Regional School District Debt	9,285,000	56.944%	<u>5,287,265</u>
Subtotal, overlapping debt			31,261,900
Lower Township School District Direct Debt			<u> </u>
Total direct and overlapping debt			<u><u>\$ 31,261,900</u></u>

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

Note: Debt outstanding data provided by each governmental unit.
 Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Lower Township. 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.

Lower Township 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	
		2010	\$ 4,214,074,608
		2009	4,307,012,089
		2008	4,466,667,239
		[A]	<u>\$ 12,987,753,936</u>
	Average equalized valuation of taxable property	[A/3]	\$ 4,329,251,312
	Debt limit (2.5% of average equalized valuation)	[B]	108,231,283 ^a
	Net bonded school debt	[C]	-
	Legal debt margin	[B-C]	<u>\$ 108,231,283</u>

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		Fiscal Year									
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit		\$ 37,657,207	\$ 49,759,395	\$ 57,885,480	\$ 70,013,070	\$ 86,048,330	\$ 86,462,457	\$ 99,504,432	\$ 107,897,776	\$ 109,877,137	\$ 108,231,283
Total net debt applicable to limit		-	-	-	-	-	-	-	-	-	-
Legal debt margin		<u>\$ 37,657,207</u>	<u>\$ 49,759,395</u>	<u>\$ 57,885,480</u>	<u>\$ 70,013,070</u>	<u>\$ 86,048,330</u>	<u>\$ 86,462,457</u>	<u>\$ 99,504,432</u>	<u>\$ 107,897,776</u>	<u>\$ 109,877,137</u>	<u>\$ 108,231,283</u>
Total net debt applicable to the limit as a percentage of debt limit		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

**Lower Township School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2002	22,478	\$ 810,399,334	\$ 36,053	10.10%
2003	22,337	815,121,804	36,492	10.50%
2004	21,777	843,640,980	38,740	7.20%
2005	21,216	855,344,256	40,316	7.90%
2006	20,731	877,377,382	42,322	8.40%
2007	20,329	906,165,175	44,575	8.00%
2008	20,369	936,994,369	46,001	9.90%
2009	20,239	937,652,631	46,329	13.90%
2010	e	e	e	14.50%
2011	e	e	e	e

Source:

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

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

Exhibit J-16

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function/Program										
Instruction										
Regular	128	125	121	116	116	116	112	112	112	112
Special education	25	26	26	26	26	26	30	30	30	29
Other special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Nonpublic school programs	1	1	1	1	1	1	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services:										
Student & instruction related services	37	37	37	37	37	37	38	38	38	38
School administrative services	12	12	12	12	12	12	12	12	12	12
General and business administrative services	3	3	3	3	3	7	2	2	2	2
Plant operations and maintenance	20	20	20	20	20	16	26	26	25	22
Pupil transportation	20	20	20	20	20	20	20	20	20	20
Business and other support services	4	4	4	4	4	4	4	4	4	4
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	11	11	16	16	16	16	14	14	13	14
Child Care	2	2	2	2	2	2	2	2	2	2
Total	263	261	262	257	257	257	260	260	258	255

Source: District Personnel Records

Lower Township School District
 Operating Statistics,
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2002	2,077	\$ 20,235,864	\$ 9,743	3.00%	153	1:14	2,058	1,948	1.68%	94.66%
2003	1,975	21,553,074	10,913	12.00%	151	1:13	1,977	1,866	-3.94%	94.39%
2004	1,940	22,679,837	11,691	7.13%	147	1:13	1,908	1,801	-3.49%	94.39%
2005	1,882	23,455,418	12,463	6.60%	142	1:13	1,900	1,789	-0.42%	94.16%
2006	1,934	25,090,509	12,973	4.09%	142	1:14	1,919	1,801	0.67%	93.85%
2007	1,905	26,322,778	13,818	6.51%	142	1:14	1,892	1,779	-1.40%	94.03%
2008	1,837	26,983,253	14,689	6.30%	142	1:13	1,827	1,732	-3.43%	94.80%
2009	1,874	26,182,647	13,972	4.88%	142	1:13	1,857	1,763	1.64%	94.94%
2010	1,897	27,684,821	14,594	4.88%	142	1:13	1,885	1,763	1.51%	93.53%
2011	1,834	26,837,020	14,633	0.26%	141	1:13	1,848	1,731	-1.96%	93.67%

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Sources: District records

Note: Enrollment based on annual October district count.

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

**Lower Township School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>District Building</u>									
<u>Elementary</u>									
Charles W Sandman Consolidated (1929)									
Square Feet	61,711	61,711	61,711	61,711	61,711	61,711	61,711	61,711	61,711
Capacity (students)	581	581	581	581	581	581	581	581	581
Enrollment	584	572	561	560	492	480	505	517	500
Maud Abrams (1966)									
Square Feet	58,639	58,639	58,639	58,639	58,639	58,639	58,639	58,639	58,639
Capacity (students)	593	593	593	593	593	593	593	593	593
Enrollment	553	538	503	470	488	488	477	467	485
David C Douglass Veterans Memorial (1979)									
Square Feet	39,303	39,303	39,303	39,303	39,303	39,303	39,303	39,303	39,303
Capacity (students)	395	395	395	395	395	395	395	395	395
Enrollment	364	392	404	382	421	425	417	442	427
100 Carl T Mitnick (1989)									
Square Feet	67,481	67,481	67,481	67,481	67,481	67,481	67,481	67,481	67,481
Capacity (students)	527	527	527	527	527	527	527	527	527
Enrollment	576	473	472	470	489	444	458	459	436
<u>Other</u>									
Central Administration (1938)									
Square Feet	3,469	3,469	3,469	3,469	3,469	3,469	3,469	3,469	3,469
Maintenance (1930)									
Square Feet	3,848	3,848	3,848	3,848	3,848	3,848	3,848	3,848	3,848
Transportation(1999)									
Square Feet	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880
Curriculum Trailer (1995)									
Square Feet	938	938	938	938	938	938	938	938	938
Special Programs Trailer (1986)									
Square Feet	684	684	684	684	684	684	684	684	684
Number of Schools at June 30, 2011									
Elementary = 4									
Middle School = 0									
Senior High School = 0									
Other = 3									

Source: District Facilities Office

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

Lower Township School District
 Schedule of Required Maintenance
 Last Ten Fiscal Years

Exhibit J-19

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
* School Facilities											
Sandman Consolidated School	\$ 105,920	\$ 193,364	\$ 111,712	\$ 140,485	\$ 294,797	\$ 113,129	\$ 111,112	\$ 106,353	\$ 115,268	\$ 133,919	\$ 1,426,059
Maud Abrams School	124,077	122,151	120,258	199,172	209,298	97,525	106,997	102,414	110,998	128,959	1,321,849
Carl T. Mitnick School	77,154	193,096	214,915	194,178	89,495	62,416	69,959	66,963	72,576	148,799	1,189,551
Memorial School	136,773	73,040	113,229	123,985	79,765	117,029	123,457	118,170	128,075	84,319	1,097,842
Other Facilities		37,216	73,808		65,574						176,598
Total School Facilities	<u>\$ 443,924</u>	<u>\$ 618,867</u>	<u>\$ 633,922</u>	<u>\$ 657,820</u>	<u>\$ 738,929</u>	<u>\$ 390,099</u>	<u>\$ 411,525</u>	<u>\$ 393,900</u>	<u>\$ 426,917</u>	<u>\$ 495,996</u>	<u>\$ 5,211,899</u>

**Lower Township School District
Insurance Schedule
June 30, 2011**

Exhibit J-20

	<u>Coverage</u>	<u>Self-insured Retention</u>	<u>Deductible</u>
School Package Policy (1)			
Building and Contents (All Locations)			
Limits of liability per occurrence	\$ 150,000,000	\$ 200,000	\$ 500
Boiler and Machinery	125,000,000		1,000
Crime coverage	500,000	200,000	500
General and automobile liability	10,000,000	150,000	
Workers' compensation	Statutory	250,000	
Educator's legal liability	10,000,000	100,000	
Public Employee Dishonesty	500,000	200,000	25,000
Pollution legal liability	3,000,000		25,000
Student Accident	1,000,000		
Surety Bonds (2)			
Treasurer	275,000		
Board Secretary	100,000		

(1) Atlantic & Cape May Counties Joint Insurance Fund

(2) RLI Insurance Company

Source: District records

Single Audit Section

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

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(856) 983-2244
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-Member of-
American Institute of CPAs
New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

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

Compliance

We have audited Lower Township School District (School District), in the County of Cape May, State of New Jersey's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major federal and state programs for the fiscal year ended June 30, 2011. The School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133 *Audits of State, Local Governments, and Non-Profit Organizations*; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Lower Township School District, in the County of Cape May, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011

Internal Control Over Compliance

Management of the Lower Township School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, the Board of Education, others within the School District, the Division of Finance, Department of Education, State of New Jersey, and other federal awarding agencies 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
October 14, 2011

LOWER TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2010			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2011		
					Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
U.S. Department of Education														
General Fund:														
Medical Assistance Program	93.778	N/A	\$78,606	7/1/10 - 6/30/11					\$69,746	(\$78,606)		(\$8,860)		
Medical Assistance Program	93.778	N/A	110,508	7/1/09 - 6/30/10	(\$10,073)				10,073					
Total General Fund					(\$10,073)	---	---	---	\$79,819	(\$78,806)	---	(\$8,860)	---	---
U.S. Department of Education														
Special Revenue Fund:														
No Child Left Behind(N.C.L.B.)														
Title I	84.010A	NCLB-2840-11	330,805	9/1/10 - 8/31/11					163,894	(330,805)		(166,911)		
Title I	84.010A	NCLB-2840-10	308,055	9/1/09 - 8/31/10	(64,783)				64,783					
Title I - ARRA	84.389	ARRA-2840-10	189,090	7/1/09 - 6/30/11	(35,704)				35,704					
Title II - Part A	84.367A	NCLB-2840-11	127,213	9/1/10 - 8/31/11					63,606	(127,213)		(63,607)		
Title II - Part A	84.367A	NCLB-2840-10	124,740	9/1/09 - 8/31/10	(31,185)				31,185					
Title II - Part D	84.316X	NCLB-2840-11	829	9/1/10 - 8/31/11					462	(829)		(367)		
Title II - Part D	84.316X	NCLB-2840-10	3,041	9/1/09 - 8/31/10	(3,041)				3,041					
Title III	84.365A	NCLB-2840-11	11,803	9/1/10 - 8/31/11						(11,803)		(11,803)		
Title III	84.365A	NCLB-2840-10	11,245	9/1/09 - 8/31/10	(1,029)				1,029					
Title IV	84.186A	NCLB-2840-10	5,905	9/1/09 - 8/31/10	(968)				968					
Individuals With Disabilities Act (I.D.E.A.)														
Part B - Basic	84.027	FT-2840-11	486,207	9/1/10 - 8/31/11					291,724	(486,207)		(194,483)		
Part B - Basic	84.027	FT-2840-10	477,583	9/1/09 - 8/31/10	(47,759)				47,759					
ARRA - Part B - Basic	84.391	ARRA-2840-10	464,683	7/1/09 - 6/30/11	(97,862)				97,862					
Part B - Preschool	84.173	PS-2840-11	28,925	9/1/10 - 8/31/11					16,156	(28,925)		(10,769)		
Part B - Preschool	84.173	PS-2840-10	28,173	9/1/09 - 8/31/10	(2,617)				2,617					
ARRA - Part B - Preschool	84.392	ARRA-2840-10	18,712	7/1/09 - 6/30/11	(10,618)				10,618					
Total Special Revenue Fund					(295,566)	---	---	---	831,408	(983,782)	---	(447,940)	---	---
U.S. Department of Agriculture														
Enterprise Fund:														
Food Distribution Program	10.550	N/A	50,119	9/1/10 - 6/30/11					50,119	(50,119)				
National School Lunch Program	10.555	N/A	384,823	9/1/10 - 6/30/11					384,823	(384,823)				
National School Lunch Program	10.555	N/A	381,675	9/1/09 - 6/30/10	(36,506)				36,506					
School Breakfast Program	10.553	N/A	249,137	9/1/10 - 6/30/11					249,137	(249,137)				
School Breakfast Program	10.553	N/A	242,224	9/1/09 - 6/30/10	(22,831)				22,831					
After School Snack Program	10.554	N/A	2,792	9/1/10 - 6/30/11					2,792	(2,792)				
After School Snack Program	10.554	N/A	12,751	9/1/09 - 6/30/10	(200)				200					
Total Enterprise Fund					(69,537)	---	---	---	746,406	(668,671)	---	---	---	---
Total Federal Awards					(\$365,176)	---	---	---	\$1,657,635	(\$1,749,269)	---	(\$456,800)	---	---

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

LOWER TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2011

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2010			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2011		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education													
<u>General Fund:</u>													
Equalization Aid	11-495-034-5120-078	5,229,911	7/1/10 - 6/30/11					\$4,748,027	(\$5,229,911)		(\$481,884)		
Equalization Aid	10-495-034-5120-078	4,838,877	7/1/09 - 6/30/10	(\$448,727)				448,727					
School Choice Aid	11-495-034-5120-068	551,060	7/1/10 - 6/30/11					500,285	(551,060)		(50,775)		
School Choice Aid	10-495-034-5120-068	550,260	7/1/09 - 6/30/10	(61,077)				61,077					
Transportation Aid	11-495-034-5120-014	758,830	7/1/10 - 6/30/11					687,096	(756,830)		(69,734)		
Transportation Aid	10-495-034-5120-014	729,349	7/1/09 - 6/30/10	(80,955)				80,955					
Special Education Categorical Aid	11-495-034-5120-089	825,603	7/1/10 - 6/30/11					749,532	(825,603)		(76,071)		
Special Education Categorical Aid	10-495-034-5120-089	822,314	7/1/09 - 6/30/10	(91,273)				91,273					
Security Aid	11-495-034-5120-084	442,635	7/1/10 - 6/30/11					401,851	(442,635)		(40,784)		
Security Aid	10-495-034-5120-084	405,761	7/1/09 - 6/30/10	(45,038)				45,038					
Adjustment Aid	11-495-034-5120-085	1,421,138	7/1/10 - 6/30/11					1,290,194	(1,421,138)		(130,944)		
Adjustment Aid	10-495-034-5120-085	3,097,228	7/1/09 - 6/30/10	(250,341)				250,341					
Non Public Transportation Aid	11-04103190	2,088	7/1/10 - 6/30/11						(2,088)		(2,088)		
On Behalf TPAF NCGI	11-495-034-5095-007	35,607	7/1/10 - 6/30/11					35,607	(35,607)				
On Behalf TPAF Medical	11-495-034-5095-007	756,284	7/1/10 - 6/30/11					756,284	(756,284)				
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	658,630	7/1/10 - 6/30/11					615,808	(658,630)		(42,822)		
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	877,343	7/1/09 - 6/30/10	(87,290)				87,290					
Total General Fund				(1,064,701)	---	---	---	11,049,385	(10,679,786)	---	(695,102)	---	
<u>Special Revenue Fund:</u>													
Preschool Education Aid	11-495-034-5120-086	395,604	7/1/10 - 6/30/11					356,044	(395,604)		(39,560)		
Preschool Education Aid	10-495-034-5120-086	347,652	7/1/09 - 6/30/10	(34,765)				34,765					
Early Childhood SE Study	10-100-034-5065-086	2,012	7/1/09 - 6/30/10	(2,012)				2,012					
Total Special Revenue Fund				(36,777)	---	---	---	392,821	(395,604)	---	(39,560)	---	
New Jersey School Development Authority													
<u>Capital Projects Fund:</u>													
Sandman Consolidated Elementary School	2640-09-1001	511,200	7/1/09 - 6/30/10	(511,200)							(511,200)		
State Department of Agriculture													
<u>Enterprise Fund:</u>													
State School Lunch Program	11-100-010-3350-023	10,403	7/1/10 - 6/30/11					10,404	(10,404)				
State School Lunch Program	10-100-010-3350-023	17,702	7/1/09 - 6/30/10	(1,701)				1,701					
School Breakfast Program	10-100-010-3350-021	22,372	7/1/09 - 6/30/10	(2,076)				2,076					
Total Enterprise Fund				(3,777)	---	---	---	14,181	(10,404)	---	---	---	
Total State Financial Assistance				(\$1,616,455)	---	---	---	\$11,456,387	(\$11,285,794)	---	(\$1,445,662)	---	

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

**Lower Township School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2011**

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, Township of Lower School District. The Board of Education is defined in Note 1 to the School District's 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 one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more of the June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or two June state aid payments in the current budget year, consistent with *N.J.S.A. 18A:22-44.2*.

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is \$127,218 for the general fund and (\$4,795) for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$78,606	\$11,007,004	\$11,085,610
Special Revenue Fund	983,782	390,809	1,374,591
Food Service Fund	<u>686,871</u>	<u>10,404</u>	<u>697,275</u>
Total Awards & Financial Assistance	<u>\$1,749,259</u>	<u>\$11,408,217</u>	<u>\$13,157,476</u>

**Lower Township School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2011
(Continued)**

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the School District for the year ended June 30, 2011. 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, 2011.

6. MAJOR PROGRAMS

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

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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? yes X none reported

Noncompliance material to basic financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

- 1) Material weakness(es) identified? yes X no
- 2) Significant deficiencies identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 ? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010A</u>	<u>N.C.L.B. - Title I</u>
<u>84.027</u>	<u>I.D.E.A. Part B</u>
<u>10.555</u>	<u>National School Lunch Program</u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Section II -- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting in a Circular A-133 audit.

No findings identified.

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Section III -- 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) Circular A-133 and NJOMB Circular Letter 04-04.

FEDERAL AWARDS:

No findings and/or questioned costs identified.

STATE AWARDS:

No findings and/or questioned costs identified.

**LOWER TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

There were no prior year audit findings.