

**Lower Alloways Creek Township School District
Board of Education
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014**

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT

SALEM, NEW JERSEY 08079

**Lower Alloways Creek School Board of Education
Salem, New Jersey 08079**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Of the

**Lower Alloways Creek School Board of Education
Salem, New Jersey 08079**

For the Fiscal Year Ended June 30, 2014

Prepared by:

**Lower Alloways Creek School
Board of Education Administration**

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INTRODUCTORY SECTION

Lower Alloways Creek School Board of Education

967 Main Street – Canton
Salem, NJ 08079

Telephone: (856) 935-6984
Fax: (856) 935-1955

October 23, 2014

Honorable President and
Members of the Board of Education
Lower Alloways Creek Township School District
967 Main Street - Canton
Salem, New Jersey 08079

Dear Board Members:

The comprehensive annual financial report of the Lower Alloways Creek Township School District for the fiscal year ending June 30, 2014, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the independent auditor's report, MD&A and the basic financial statements including the district-wide statements fund statements, notes to the financial statements, required supplementary information other than MD&A including budgetary comparison schedules and other supplementary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Lower Alloways Creek Township School District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments," and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's reports on the internal control and compliance with applicable laws and regulations and findings and recommendations, if any, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

The District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds of the District are included in this report. The Board constitutes the District's reporting entity.

The District provides a full range of education services appropriate to grade levels Pre-K and K through 8. The district implemented a full day Pre-K program SY: 2009-2010. Other classes include regular, remedial, and gifted, as well as special education resource room for students who require that accommodation. Our students in grades 9-12 are sent to Salem High School in a sending/receiving relationship. The graduated students may also choose to attend academies that are housed in several Salem County high school districts, including the Salem County Vo-Tech. There was a decrease from the previous year's District Average Daily Enrollment. The LAC District completed the 2013-2014 fiscal year with an enrollment of 194.

2) ECONOMIC CONDITIONS AND OUTLOOK

The most recent data available, the 2010 U.S. Census, reveals a population decrease in the Township.

<u>Year</u>	<u>Population</u>
1970	1,400
1980	1,547
1990	1,858
2000	1,851
2010	1,770

3) MAJOR INITIATIVES

The Lower Alloways Creek Township School District is working hard to ensure that each child will experience optimal academic, social, emotional, and physical success through a challenging and progressive learner-active educational program in a technology-infused, safe, and healthy learning environment. The District serves grades Pre-Kindergarten to grade 8. This year, students will be partaking in the new PARCC test in grades 3-8 for ELA and mathematics, while students in grades 4 and 8 will take the NJASK for science to be compliant with the NCLB mandates.

In 2013 - 2014, and based on the State's minimum expectations on the NJASK 3 -8 where the State expects passing in LAL and Mathematics, the school district has met all AYP requirements. The Board of Education is provided with a running record of all test results.

While we met our AYP, we are addressing all students to ensure that all are learning. If needed, academic support and remediation is provided on an individual and small group basis to students based on the following criteria:

- Those individual State mandated test results (with a 210 or under on the 2014 NJASK),
- Analysis of student performance in school via report cards and progress reports during the four marking periods.
- Recognized individual student needs via the IEP, 504 Accommodation Plans, and IR&S Team.

The district continues to expose students to a varied amount of daily and monthly Character Education themes. Students are recommended for outstanding recognition as students of the month and each month students are invited to the local board meeting to receive a certificate of recognition.

The District circulates around excellence in the academics, athletics, and arts. Students are given instruction in ELA, Math, Science, and Social Studies (the core content areas) but are also given “specials” (electives) consisting of Spanish, Digital Shop, Computer Studies, Music, Art, and Physical Education.

The student’s educational program is enhanced with a variety of educational field trips and programming provided for all students through the LAC Parent Teacher Organization.

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 is compiled to allow for the preparation of the financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

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

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

As a 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 voters of the municipality. Annual appropriated budgets are adopted for the General Fund and the Special Revenue Fund. Project-length budgets, though not applicable, would be approved for the capital improvements accounted for in the capital projects fund. The final budget amount for the fiscal year is reflected in the financial section.

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

6) ACCOUNTING SYSTEM AND REPORTS

The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds and account groups which are converted from Governmental fund balances to net assets.

7) DEBT ADMINISTRATION

The School District has had no outstanding debt for the last twenty years, including 2014.

8) CASH MANAGEMENT

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

9) RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability, automobile liability, comprehensive/collision, hazard and theft insurance on property and contents, school board liability, workman's compensation and fidelity bonds.

10) OTHER INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Petroni & Associates LLC, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996, and the revised OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11) ACKNOWLEDGMENTS

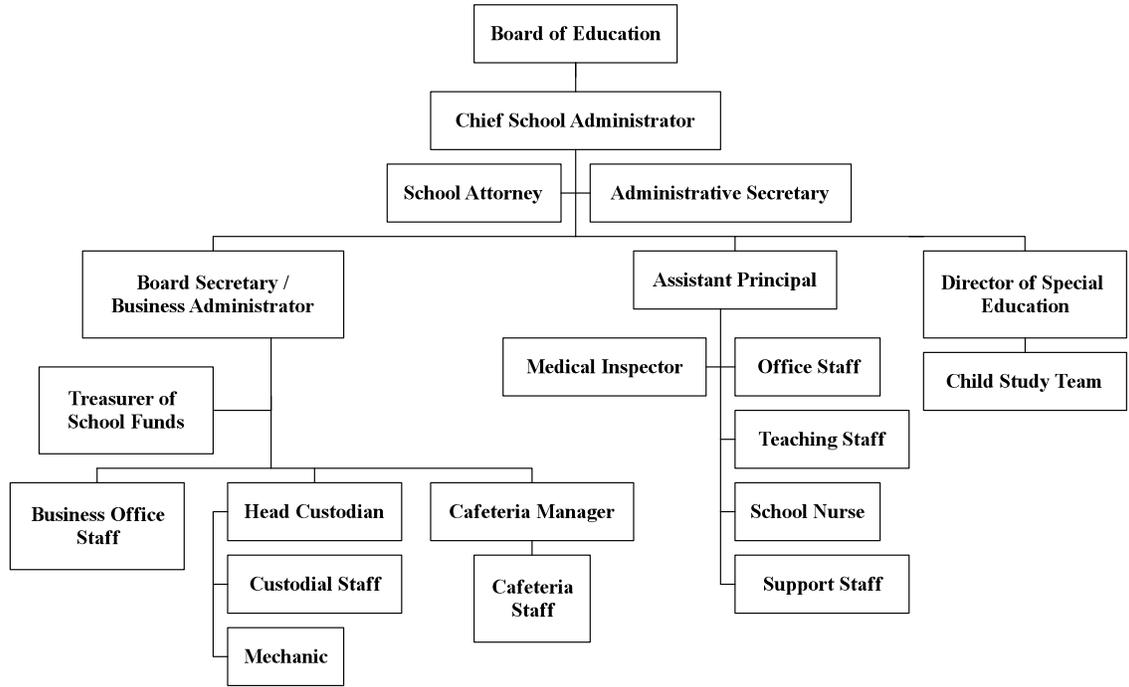
We would like to express our appreciation to the members of the Lower Alloways Creek School Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our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

Respectfully submitted,

Jason Eitner
Jason Eitner, Chief School Administrator

Shannon N. DuBois-Brody
Shannon N. DuBois-Brody, Business
Administrator/Board Secretary

**Lower Alloways Creek Township Board of Education
Organization Chart**



**LOWER ALLOWAYS CREEK SCHOOL BOARD OF EDUCATION
SALEM, NEW JERSEY**

ROSTER OF OFFICIALS

JUNE 30, 2014

MEMBERS OF THE BOARD OF EDUCATION	TERM EXPIRES
Walter Sheets, President	2015
Michael Bedilion, Vice President	2014
Tracy Beal	2014
Laura Tice Crane	2015
Gail B. Donelson	2015
Linwood H. Donelson, III	2016
Robert Hill	2014
Joyce A. Willis	2016

OTHER OFFICIALS

Jason M. Eitner, Chief School Administrator

Shannon N. DuBois-Brody, Business Administrator/Board Secretary

Rebecca S. Joyce, Alternate Board Secretary

Robert A. Muccilli, Solicitor

**LOWER ALLOWAYS CREEK SCHOOL BOARD OF EDUCATION
SALEM, NEW JERSEY**

CONSULTANTS AND ADVISORS

AUDIT FIRM

Nick L. Petroni, CPA, RMA
Petroni & Associates LLC
Certified Public Accountants
102 West High Street, Suite 100
P. O. Box 279
Glassboro, NJ 08028

ATTORNEY

Robert A. Muccilli
Capehart Scatchard, PA
8000 Midlantic Drive, Suite 300S
PO Box 5016
Mount Laurel, NJ 08054

OFFICIAL DEPOSITORY

Fulton Bank of New Jersey
1 South Main Street
Woodstown, NJ 08098

INSURANCE AGENCY

Conner Strong
P.O. Box 358
Bridgeton, NJ 08302

FINANCIAL SECTION

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
102 West High Street, Suite 100 • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Education
Lower Alloways Creek Township School District
967 Main Street - Canton
Salem, New Jersey 08079

Report on the Financial Statements

We have audited the accompanying financial statements of the Governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Lower Alloways Creek Township School District, in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the, Office of School 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education, Lower Alloways Creek, New Jersey, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lower Alloways Creek Board of Education's basic financial statements. The combining and individual non-major fund financial statements and schedule of expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of state financial assistance as required by NJ OMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, schedule of expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of state financial assistance as required by NJ OMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, is the responsibility of management and was derived from and

relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedule of expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of state financial assistance as required by NJ OMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of the Lower Alloways Creek Board of Education's internal control over financial reporting and our test 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 our audit performed in accordance with *Government Auditing Standards* in considering Lower Alloways Creek Board of Education's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Licensed Public School Accountant #542

October 23, 2014

Required Supplementary Information – Part I

**Lower Alloways Creek Township School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014
Unaudited**

This section of the Lower Alloways Creek Township School District's Comprehensive Annual Financial Report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements.

Overview of the Financial Statements

The Comprehensive Annual Financial Report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term and long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The *Governmental Funds Statements* tell how *basic* services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Proprietary Funds Statements* offer *short-term and long-term* financial information about activities the District operates *like business*.
- *Fiduciary Funds Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

Key financial highlights for 2013-2014 are as follows:

- General revenues accounted for \$4,551,298 in revenue or 96% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants accounted for \$195,576 or 4% percent to total revenues of \$4,746,874 (See Exhibit A-2).
- Total net position of Governmental Activities increased by \$333,453 comprised of changes in cash and cash equivalents, receivables, inventory and capital assets. The net position of the Business-type Activities decreased by \$2,673 (See Exhibit A-2).
- The School District had \$4,416,094 in expenses, of which only \$195,576 of these expenses were offsets by program specific charges for services, grants or contributions. General revenues (primarily Federal awards, State aid and property taxes) of \$4,548,698 were adequate to provide for these programs. These revenues and expenses include the Business-type Activities (See Exhibit A-2).
- The Governmental Funds had \$4,647,469 in revenues and \$5,160,134 in expenditures. The General Fund's balance increased \$206,141 and Capital Projects fund decreased by (\$733,014) which is an overall decrease of (\$526,873) over FY 2013 net change in fund balance (See Exhibit B-2).

District-wide Financial Statements – Reporting the School District as a Whole

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

**Lower Alloways Creek Township School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014
Unaudited**

District-wide Financial Statements – Reporting the School District as a Whole (Continued)

The two District-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's overall financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the District-wide financial statements, the District's activities are divided into two categories:

- **Governmental Activities** - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- **Business-type Activities** - The District charges fees to help it cover the costs of certain services it provides. The District's Food Service Program is reported as a Business-type Activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts or completing approved capital projects) or to show that it is properly using certain revenues (such as Federal Grants).

The District has four kinds of funds:

- **Governmental Funds** - Most of the District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and; (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the Governmental Funds statements explains the relationship (or differences) between them.
- **Proprietary Funds** - Services for which the District charges a fee are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way as the district-wide statements. In fact, the District's *Enterprise Funds* (one type of Proprietary Fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

**Lower Alloways Creek Township School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014
Unaudited**

Fund Financial Statements (Continued)

- **Internal service funds** - (the other kind of proprietary fund) are optional and utilized to report activities that provide supplies and services for other district programs and activities and for other districts. The District currently does have an internal service fund.
- **Fiduciary funds** - The District is the trustee, or *fiduciary*, for assets that belong to others, such as the Student Activity Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Table 1 provides a comparative summary of the School District's net position for the fiscal years ended in 2014 and 2013.

Net position: The District's combined net position is \$3,479,652 on June 30, 2014. Approximately .38% of the total net position are from business-type activities, while the balance of the total net position of 99.62% is attributable to Governmental activities.

Table 1

Net Position (See Exhibit A-1)

	FY 2014		FY 2013		Total	
	Governmental	Business-Type	Governmental	Business-Type	FY 2014	FY 2013
Assets						
Current and other assets	\$ 1,669,252	\$ 6,582	\$ 2,269,341	\$ 10,405	\$ 1,675,834	\$ 1,647,847
Capital assets	1,903,866	6,551	1,034,496	5,401	1,910,417	610,408
Total assets	<u>3,573,118</u>	<u>13,133</u>	<u>3,303,837</u>	<u>15,806</u>	<u>3,586,251</u>	<u>3,319,643</u>
Liabilities						
Current liabilities	27,794		101,471		27,794	52,298
Noncurrent liabilities	78,805		69,300		78,805	82,835
Total liabilities	<u>106,599</u>		<u>170,771</u>		<u>106,599</u>	<u>170,771</u>
Net Position						
Invested in capital assets, net of related debt	1,903,866	6,551	1,034,496	5,401	1,910,417	610,408
Restricted	1,412,851		1,955,939		1,412,851	1,410,710
Unrestricted	149,802	6,582	142,631	10,405	156,384	102,004
Total net position	<u>\$ 3,466,519</u>	<u>\$ 13,133</u>	<u>\$ 3,133,066</u>	<u>\$ 15,806</u>	<u>\$ 3,479,652</u>	<u>\$ 3,148,872</u>

**Lower Alloways Creek Township School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014
Unaudited**

Changes in Net Position

Table 2 shows the changes in net position from FY 2014 and 2013.

	FY 2014		FY 2013		Total	
	Governmental	Business- Type	Governmental	Business- Type	FY 2014	FY 2013
Revenues						
Program revenues						
Charges for services	\$ 24,099	\$ 46,538	\$ 20,980	\$ 55,379	\$ 70,637	\$ 76,359
Operating grants and contributions	95,246	29,693	96,444	22,253	124,939	118,697
General revenues						
Property taxes	3,292,016		3,292,016		3,292,016	3,292,016
Grants and entitlements	1,213,118		1,232,736		1,213,118	1,232,736
Other	43,564	2,600	44,872		46,164	44,872
Total revenues	4,668,043	78,831	4,687,048	77,632	4,746,874	4,764,680
Expenses						
Instruction - related	1,562,828		1,540,926		1,562,828	1,540,926
Instruction - tuition	578,708		456,836		578,708	456,836
Student & instructional related services	315,367		274,120		315,367	274,120
School administration	58,715		59,422		58,715	59,422
General administration	136,260		127,322		136,260	127,322
Central services	101,450		94,316		101,450	94,316
Plant operations & maintenance	317,915		416,061		317,915	416,061
Pupil transportation	351,905		299,835		351,905	299,835
Employee benefits	759,237		823,840		759,237	823,840
Food service/childcare		99,504		97,152	99,504	97,152
Unallocated depreciation	132,947		122,517		132,947	122,517
Other	1,258		61,391		1,258	61,391
Total expenses	4,316,590	99,504	4,276,586	97,152	4,416,094	4,373,738
Transfers	(18,000)	18,000	(25,000)	25,000		
Increase (decrease) in net position	\$ 333,453	\$ (2,673)	\$ 385,462	\$ 5,480	\$ 330,780	\$ 390,942

Governmental Activities

The District's total revenues are \$4,746,874 for the fiscal period ended June 30, 2014. The revenue breakout for all funds is as follows: Property taxes 69%, state formula aid 25.6%, state and federal aid for specific programs 2.6%, and 2.4% from fees charged for services and miscellaneous resources.

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations.

The total cost of services, as show above, was \$4,316,590. The net costs of all Governmental programs and services, was \$4,197,245. Instruction comprises 48%, of the total District expenses.

**Lower Alloways Creek Township School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014
Unaudited**

Governmental Activities (Continued)

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows a comparison of the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>FY 2014</u>		<u>FY 2013</u>	
Instruction	\$ 1,562,828	\$ 1,484,294	\$ 1,540,926	\$ 1,471,359
Support services:				
Tuition	578,708	578,708	456,836	456,836
Pupil and instructional staff	315,367	275,838	274,120	229,928
School administration	58,715	58,715	59,422	59,422
General administration	136,260	136,260	127,322	127,322
Central services	101,450	101,450	94,316	94,316
Operation and maintenance	317,915	317,915	416,061	416,061
Pupil transportation	351,905	351,905	299,835	299,835
Employee benefits	759,237	757,955	823,840	820,175
Capital outlay	1,258	1,258	61,391	61,391
Unallocated depreciation	132,947	132,947	122,517	122,517
	<u>\$ 4,316,590</u>	<u>\$ 4,197,245</u>	<u>\$ 4,276,586</u>	<u>\$ 4,159,162</u>

Instructional expenses include activities directly dealing with the teaching of pupils and the interaction between teachers and students, including extracurricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching the students, including curriculum and staff development. Curriculum and staff development expenses (included in support services) related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Extracurricular activities include instructional expenses related to student activities provided by the School District which are designated to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

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

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

Other includes Enterprise Fund expenditures and unallocated depreciation.

**Lower Alloways Creek Township School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014
Unaudited**

Business-Type Activities

Revenues of the District's business-type activities (food and nutrition services) were comprised of charges for services, Federal and State reimbursements.

- Business-type activities expenditures exceeded revenues by \$2,673.
- Charges for services represent \$46,538 of revenue. This represents amounts paid by patrons.
- Federal and state reimbursements include payments for free & reduced lunches and donated commodities were \$29,693.

The School District's Funds

Information about the School District's Major Funds starts on (Exhibit B-1). These funds are accounted for using the modified accrual basis of accounting. All Governmental Funds implemented (i.e., General Fund, Special Revenue Fund and Capital Projects Fund, presented in the fund-based statements) had total revenues of \$4,647,469 and expenditures of \$5,160,134 (Exhibit B-2). The net change in fund balance for the year was (\$526,873). This demonstrates that the District was able to meet current operating costs with no urgent need for additional funds. The District was not required to maintain a Debt Service Fund in the 2013-2014 fiscal year.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the Governmental funds for the fiscal year ended June 30, 2014, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenue	Amount	Percent of Total	Increase (Decrease) from 2013	Percent of Increase (Decrease)
Local sources	\$ 3,339,105	71.85%	\$ (1,084)	-0.03%
State sources	1,213,118	26.10%	(19,618)	-1.59%
Federal sources	95,246	2.05%	2,103	2.26%
	<u>\$ 4,647,469</u>	<u>100.00%</u>	<u>\$ (18,599)</u>	<u>-0.40%</u>

The following schedules present a summary of General Fund, Special Revenue Fund, and Capital Projects Fund expenditures for the fiscal year ended June 30, 2014, and the amount and percentage of increases and decreases in relation to prior year expenditures.

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2013	Percent of Increase (Decrease)
Current expense:				
Instruction	\$ 1,538,131	29.81%	\$ 11,537	0.76%
Undistributed	2,652,281	51.40%	103,159	4.05%
Capital outlay	969,722	18.79%	844,614	675.11%
	<u>\$ 5,160,134</u>	<u>100.00%</u>	<u>\$ 959,310</u>	<u>22.84%</u>

The increase in capital outlay is attributed to roof, door and vestibule projects.

**Lower Alloways Creek Township School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014
Unaudited**

General Fund Budgetary Highlights

The School District's Budget is prepared according to New Jersey Law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the year, the School District amended its General Fund budget as needed. The School District uses program based budgeting. These budgeting systems are designed to tightly control total program budgets while providing flexibility for program management to address the following:

- Transfers of available funds into the capital account.
- Transfers between budgetary line accounts to prevent overruns.

While the District's final budget for the General Fund anticipated that revenues, including surplus appropriated, would roughly equal expenditures, the actual results for the year show a change of \$208,835 as shown on Exhibit C-1. There was a capital reserve transfer of \$133,742 to Capital Projects Fund and a transfer to the Food Service Fund of \$18,000.

The District's final FY 2014 budget anticipated utilizing \$397,485 in fund balance; \$11,983 of prior year encumbrances, capital reserve to capital projects of \$396,342 offset by increase in capital reserve of \$128,842 for this fiscal period.

Capital Assets

The Lower Alloways Creek Township School District investment in capital assets for its Governmental and Business-type Activities as of June 30, 2014, amounts to \$1,910,417 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and furniture (more detailed information about capital assets can be found in Note 5 to the financial statements).

Capital Assets (Net of Depreciation)

	<u>FY 2014</u>		<u>FY 2013</u>		<u>Total FY 2014</u>	<u>Total FY 2013</u>
	<u>Governmental</u>	<u>Business- Type</u>	<u>Governmental</u>	<u>Business- Type</u>		
Construction in progress			\$ 41,236		\$ 41,236	\$ 41,236
Site improvements	\$ 7,133		7,857		\$ 7,133	7,857
Buildings	1,355,219		513,691		1,355,219	513,691
Machinery & equipment	541,514	\$ 6,551	471,712	\$ 5,401	548,065	477,113
Total	<u>\$ 1,903,866</u>	<u>\$ 6,551</u>	<u>\$ 1,034,496</u>	<u>\$ 5,401</u>	<u>\$ 1,910,417</u>	<u>\$ 1,039,897</u>

Overall capital assets increased by \$870,520 from fiscal year 2013 which is attributed to roof, door and vestibule additions. Depreciation expenses were \$134,397 for the fiscal year 2014, including food service.

Long-Term Debt

Lower Alloways Creek Township School District has \$78,805 in compensated absences which is the only long-term debt as of June 30, 2014.

**Lower Alloways Creek Township School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2014
Unaudited**

Factors Bearing on the District's Future

While Lower Alloways Creek Township is primarily a residential community, the funding of school operations is provided by industrial property owners.

The District anticipates an enrollment of 200 students for the 2014-2015 fiscal year.

In conclusion, the Lower Alloways Creek Township School District has committed itself to fiscal responsibility for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are function. The School District plans to continue its sound fiscal management to meet the requirements of the future, which entail matching revenues to meet expense requirements.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Shannon N. Dubois-Brody, Business Administrator, Lower Alloways Creek Township School District, 967 Main Street-Canton, Salem, NJ 08079.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

	Governmental Activities	Business- Type Activities	FY 2014
ASSETS			
Cash and cash equivalents	\$ 1,173,593	\$ 2,988	\$ 1,176,581
Receivables, net	90,434	2,033	92,467
Inventory		1,561	1,561
Restricted assets:			
Restricted cash and cash equivalents	259,965		259,965
Capital reserve account - cash	145,260		145,260
Capital assets:			
Assets net of depreciation	1,903,866	6,551	1,910,417
Total Assets	3,573,118	13,133	3,586,251
LIABILITIES			
Cash overdraft	21,979		21,979
Accounts payable	4,815		4,815
Deferred revenue	1,000		1,000
Noncurrent liabilities:			
Due beyond one year	78,805		78,805
Total liabilities	106,599		106,599
NET POSITION			
Invested in capital assets, net of related debt	1,903,866	6,551	1,910,417
Restricted for:			
Capital projects	152,268		152,268
Other purposes	1,260,583		1,260,583
Unrestricted	149,802	6,582	156,384
Total net position	\$ 3,466,519	\$ 13,133	\$ 3,479,652

See accompanying notes to the basic financial statements.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 1,396,118			\$ (1,396,118)		\$ (1,396,118)
Special education	166,215	\$ 23,625	\$ 54,909	(87,681)		(87,681)
Other instruction	495			(495)		(495)
Support services:						
Tuition	578,708			(578,708)		(578,708)
Student & instructional related services	315,367		39,529	(275,838)		(275,838)
General administration	136,260			(136,260)		(136,260)
School administrative services	58,715			(58,715)		(58,715)
Central services	101,450			(101,450)		(101,450)
Plant operations & maintenance	317,915			(317,915)		(317,915)
Pupil transportation	351,905			(351,905)		(351,905)
Employee benefits	759,237	474	808	(757,955)		(757,955)
Capital outlay	1,258			(1,258)		(1,258)
Unallocated depreciation	132,947			(132,947)		(132,947)
Total governmental activities	4,316,590	24,099	95,246	(4,197,245)		(4,197,245)
Business-type activities:						
Food service	96,311	42,263	29,693		\$ (24,355)	(24,355)
Latchkey program	3,193	4,275			1,082	1,082
Total business-type activities	99,504	46,538	29,693		(23,273)	(23,273)
Total primary government	\$ 4,416,094	\$ 70,637	\$ 124,939	\$ (4,197,245)	\$ (23,273)	\$ (4,220,518)
General revenues:						
Taxes:						
Property taxes, levied for general purpose				\$ 3,292,016		\$ 3,292,016
Federal and state aid not restricted				1,213,118		1,213,118
Tuition charges				3,483		3,483
Transportation charges				600		600
Investment earnings				23,511		23,511
Miscellaneous income				19,495		19,495
Loss on disposal of assets				(3,525)		(3,525)
Capital asset contribution					\$ 2,600	2,600
Transfers				(18,000)	18,000	
Total general revenues, special items, extraordinary items and transfers				4,530,698	20,600	4,551,298
Change in net position				333,453	(2,673)	330,780
Net position - beginning				3,133,066	15,806	3,148,872
Net position - end				\$ 3,466,519	\$ 13,133	\$ 3,479,652

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Balance Sheet
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	FY 2014
ASSETS				
Cash and cash equivalents	\$ 1,162,332		\$ 7,008	\$ 1,169,340
Receivables from other governments	67,455	\$ 22,979		90,434
Restricted cash and cash equivalents	405,225			405,225
Total assets	<u>1,635,012</u>	<u>\$ 22,979</u>	<u>\$ 7,008</u>	<u>1,664,999</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash overdraft		\$ 21,979		21,979
Accounts payable	\$ 4,815			4,815
Deferred revenue - local grants		1,000		1,000
Total liabilities	<u>4,815</u>	<u>\$ 22,979</u>		<u>27,794</u>
Fund balances:				
Restricted for:				
Excess surplus - current year	523,595			523,595
Excess surplus - prior year - designated for subsequent year's expenditures	427,703			427,703
Emergency reserve	30,000			30,000
Maintenance reserve	229,965			229,965
Capital reserve	145,260			145,260
Capital projects fund			\$ 7,008	7,008
Assigned to:				
Other purposes	6,021			6,021
Designated by the BOE for subsequent year's expenditures	43,299			43,299
Unassigned:				
General fund	224,354			224,354
Total fund balances	<u>1,630,197</u>		<u>7,008</u>	<u>1,637,205</u>
Total liabilities and fund balances	<u>\$ 1,635,012</u>	<u>\$ 22,979</u>	<u>\$ 7,008</u>	

See accompanying notes to the basic financial statements.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2014

	<u>FY 2014</u>
Amounts reported for governmental activities in the Statement of Net Position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$5,339,815 and the accumulated depreciation is \$3,435,949. (See Note 6).	1,903,866
Internal Service Funds are used by management to charge the costs of certain activities, such as shared teacher to other districts. Assets and liabilities of the Internal Service Fund of \$4,253 are included in the governmental activities in the Statement of Net Position.	4,253
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 (See Note 7).	(78,805)
Net position of governmental activities	<u><u>\$ 3,466,519</u></u>

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Capital Projects Fund	FY 2014
REVENUES				
Local tax levy	\$ 3,292,016			\$ 3,292,016
Tuition charges	3,483			3,483
Transportation	600			600
Interest earned on investments	23,291			23,291
Interest earned on capital reserve funds	220			220
Miscellaneous	19,495			19,495
	<u>3,339,105</u>			<u>3,339,105</u>
State sources	1,213,118			1,213,118
Federal sources		\$ 95,246		95,246
Total revenues	<u>4,552,223</u>	<u>95,246</u>		<u>4,647,469</u>
EXPENDITURES				
Current:				
Regular instruction	1,371,383			1,371,383
Special education instruction	110,744	54,909		165,653
Other instruction	1,095			1,095
Support services & undistributed costs:				
Tuition	578,708			578,708
Student & instruction related services	275,838	39,529		315,367
General administration	136,260			136,260
School administrative services	58,715			58,715
Central services	101,450			101,450
Plant operations and maintenance	355,293			355,293
Pupil transportation	347,725			347,725
Employee benefits	757,955	808		758,763
Capital outlay	102,966		\$ 866,756	969,722
Total expenditures	<u>4,198,132</u>	<u>95,246</u>	<u>866,756</u>	<u>5,160,134</u>
Excess (deficiency) of revenues over expenditures	<u>354,091</u>		<u>(866,756)</u>	<u>(512,665)</u>
Other financing sources (uses)				
Capital reserve to Capital Projects Fund	(133,742)		133,742	
Transfers in - Internal Service Fund	3,792			3,792
Transfers out - Food Service Fund	(18,000)			(18,000)
Total other financing sources (uses)	<u>(147,950)</u>		<u>133,742</u>	<u>(14,208)</u>
Net change in fund balances	206,141		(733,014)	(526,873)
Fund balance - July 1	1,424,056		740,022	2,164,078
Fund balance - June 30	<u>\$ 1,630,197</u>		<u>\$ 7,008</u>	<u>\$ 1,637,205</u>

See accompanying notes to the basic financial statements.

LOWER ALLOWAYS CREEK 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 Year Ended June 30, 2014

Total net change in fund balances - Governmental Funds (from B-2) \$ (526,873)

Amounts reported for Governmental activities in the Statement of Activities (A-2)
 are different because:

Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Capital outlays	\$ 1,005,842	
Depreciation	<u>(132,947)</u>	872,895

In the statement of activities, only the gain/loss on disposal of capital assets is reported, whereas in the Governmental Funds, the proceeds from a sale increase financial resources. Thus, the change in net position will differ from the change in fund balance by the cost of the asset removed. (3,525)

Internal service funds are used by management to charge the costs of certain activities, such as a shared Spanish teacher. The operating income of \$4,253 is included in the Governmental Activities and the Statement of Net Position. 4,253

Internal service funds are used by management to charge the costs of certain activities, such as a shared Spanish teacher. The operating net position of \$3,792 was transferred to the General Fund. These funds are already included in the Governmental Activities and Statement of Net position. (3,792)

In the Statement of Activities, certain operating expenses, e.g., compensated absences 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. (9,505)

Change in net position of Governmental Activities \$ 333,453

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	Business-type Activities		Governmental Activities -
	Food Service	Latchkey Program	Internal Service Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 971	\$ 2,017	\$ 4,253
Accounts receivable	2,033		
Inventories	1,561		
Total current assets	<u>4,565</u>	<u>2,017</u>	<u>4,253</u>
Noncurrent assets:			
Furniture, machinery & equipment	70,787		
Less: accumulated depreciation	<u>(64,236)</u>		
Total noncurrent assets	<u>6,551</u>		
Total assets	<u>\$ 11,116</u>	<u>\$ 2,017</u>	<u>\$ 4,253</u>
NET POSITION			
Invested in capital assets net of related debt	\$ 6,551		
Unrestricted	<u>4,565</u>	<u>\$ 2,017</u>	<u>\$ 4,253</u>
Total net position	<u>\$ 11,116</u>	<u>\$ 2,017</u>	<u>\$ 4,253</u>

See accompanying notes to the basic financial statements.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2014

	Business-type Activities		Governmental Activities - Internal Service Fund
	Food Service	Latchkey Program	
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs	\$ 33,332		
Daily sales non-reimbursable programs	8,931		
Tuition		\$ 4,275	
Other			\$ 24,099
Total operating revenue	<u>42,263</u>	<u>4,275</u>	<u>24,099</u>
OPERATING EXPENSES:			
Salaries	36,022	2,848	19,372
Employee benefits	3,117	287	474
Purchased property services	846		
Other purchased services (400-500 series)	12,800		
Supplies and materials	593	58	
Cost of sales	41,483		
Depreciation	1,450		
Total operating expenses	<u>96,311</u>	<u>3,193</u>	<u>19,846</u>
Operating income (loss)	<u>(54,048)</u>	<u>1,082</u>	<u>4,253</u>
NON-OPERATING REVENUES:			
State sources:			
National school lunch program - state	930		
Federal sources:			
National school lunch program	23,384		
School breakfast program	288		
Food distribution program	5,091		
Total non-operating revenues (expenses)	<u>29,693</u>		
Income (loss) before operating transfers	<u>(24,355)</u>	<u>1,082</u>	<u>4,253</u>
Operating financing sources (uses)			
Operating transfer in - general fund	18,000		
Capital asset contributions	2,600		
Operating transfer out - general fund			(3,792)
Net income (loss)	<u>(3,755)</u>	<u>1,082</u>	<u>461</u>
Total net position - beginning	<u>14,871</u>	<u>935</u>	<u>3,792</u>
Total net position - ending	<u>\$ 11,116</u>	<u>\$ 2,017</u>	<u>\$ 4,253</u>

See accompanying notes to the basic financial statements.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities		Governmental Activities - Internal Service Fund
	Food Service	Latchkey Program	
Cash flows from operating activities:			
Receipts from customers	\$ 42,263	\$ 4,485	\$ 24,099
Payments to suppliers	(54,677)	(58)	
Payments to employees	(36,022)	(2,848)	(19,372)
Payments for employee benefits	(3,117)	(287)	(474)
Net cash provided (used) by operating activities	(51,553)	1,292	4,253
Cash flows from non-capital financing activities:			
Cash received from state & federal reimbursements	28,701		
Transfer to general fund			(3,792)
Board contribution	18,000		
Net cash provided by non-capital financing activities	46,701		(3,792)
Net increase in cash & cash equivalents	(4,852)	1,292	461
Cash and cash equivalents - July 1	5,823	725	3,792
Cash and cash equivalents - June 30	\$ 971	\$ 2,017	\$ 4,253
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (54,048)	\$ 1,082	\$ 4,253
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	1,450		
Change in assets and liabilities:			
(Increase) decrease in accounts receivable		210	
(Increase) decrease in inventory	1,045		
	\$ (51,553)	\$ 1,292	\$ 4,253

See accompanying notes to the basic financial statements.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Statement of Fiduciary Net Position
For the Fiscal Year Ended June 30, 2014

	Trust Funds			Totals FY 2014
	Scholarship Trust	Unemployment Compensation Trust	Agency Funds	
ASSETS				
Cash and cash equivalents	\$ 2,114	\$ 180,124	\$ 9,318	\$ 191,556
Total assets	<u>\$ 2,114</u>	<u>\$ 180,124</u>	<u>\$ 9,318</u>	<u>191,556</u>
LIABILITIES				
Due to student groups			\$ 8,373	8,373
Payroll deductions and withholdings			945	945
Total liabilities			<u>\$ 9,318</u>	<u>9,318</u>
NET POSITION				
Held in trust for:				
Unemployment claims		\$ 180,124		180,124
Scholarship awards	\$ 2,114			2,114
Total net position	<u>\$ 2,114</u>	<u>\$ 180,124</u>		<u>\$ 182,238</u>

See accompanying notes to the basic financial statements.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2014

	Trust Funds		Totals FY 2014
	Scholarship Trust	Unemployment Compensation Trust	
ADDITIONS:			
Contributions:			
Plan members		\$ 3,458	\$ 3,458
Total contributions		3,458	3,458
Investment earnings:			
Interest		281	281
Total investment earnings		281	281
Total additions		3,739	3,739
DEDUCTIONS:			
Unemployment claims		14,695	14,695
Scholarships awarded	\$ 125		125
Total deductions	125	14,695	14,820
Change in net position	(125)	(10,956)	(11,081)
Net position July 1	2,239	191,080	193,319
Net position June 30	\$ 2,114	\$ 180,124	\$ 182,238

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The Lower Alloways Creek Township School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials who are responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

The financial statements of the Board of Education of Lower Alloways Creek 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. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in (GAAP) and used by the District are discussed below.

A. Reporting Entity

The Lower Alloways Creek Township School District is a Type II District located in the County of Salem, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. The purpose of the District is to educate students in grades K-8.

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

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

Based on the aforementioned criteria, the District has no component units.

B. Government-wide Statements

The School District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's Major Funds.) Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, capital projects and debt service are classified as governmental activities. The District's food service and latchkey programs are classified as business-type activities.

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

**LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide Statements (Continued)

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

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

The District does not allocate indirect costs such as depreciation expense, on-behalf TPAF Pension contributions, and TPAF Social Security Contributions.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Financial Statements

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

The District reports the following Governmental Funds:

GOVERNMENTAL FUNDS

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

General Fund - The General Fund is the general operating fund of the District. It 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 which are classified in the Capital Outlay Sub-fund.

As required by the New Jersey State Department of Education, the District included budgeted capital outlay in this fund. Generally accepted accounting principles 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 that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds,

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Financial Statements (Continued)

General Fund (Continued) - construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from 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 temporary notes or serial bonds that 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 principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

PROPRIETARY FUNDS

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

Enterprise Funds - The Enterprise Funds account for all revenues and expenses pertaining to the Board's operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services on a continuing basis are financed or recovered primarily through user charges.

The District's Enterprise Funds are comprised of the Food Service Fund and Child Care.

Internal Service Fund - The Internal Service Fund accounts for the financing of services provided by one department to other departments of the School District, or to other Governments on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held by the District in a trustee capacity or as an agent for individuals, private organizations and other Governments and therefore not available to support District programs. The reporting focus is on net assets. Changes in net position and are reported using accounting principles similar to Proprietary Funds.

The emphasis in fund financial statements is on the major funds in either the Governmental or Business-type activities categories. Non-major funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the Governmental and enterprise combined)

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Financial Statements (Continued)
FIDUCIARY FUNDS (CONTINUED)

for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

The District's Fiduciary Funds are presented in the Fiduciary Fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The Fiduciary Funds include Student Activity Fund, Payroll, and Payroll Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

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

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

The Governmental Funds financial statements are reported on the modified accrual basis of accounting. Under this method, revenues are recorded when they become both susceptible to accrual; i.e. both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Proceeds of general obligation long-term debt, if any, is recognized when due.

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

E. Cash and Cash Equivalent

Cash and cash equivalent include petty cash, change funds, cash in banks, money market accounts 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 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.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents (Continued)

For purposes of determining cash equivalents the District considers all investments with an original maturity of three months or less as cash equivalents.

New Jersey School Districts are limited to the types of investments and types of financial institutions they may invest in. (NJSA 18A:20-37) provides a list of permissible investments that may be purchased by New Jersey School Districts.

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

NJSA 17:9-41 et. seq. establishes the requirements for the security of deposits of Governmental Units. The statute requires that no Governmental Unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least 5% 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.

F. Inventories

Inventories in the General Fund consist of expendable supplies held for the District's use and are carried at cost using first-in first-out method. Inventories in the Enterprise Fund are valued at cost, which approximates market, using first-in first-out method. Inventory in the Food Service Fund at June 30, 2014, consisted of the following:

Food - commodities	\$ 1,137
Food	424
	<u>\$ 1,561</u>

The value of federal donated commodities are reflected in Schedule A (required by Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

G. Capital Assets

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

**LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Site improvements	15-20
Building & improvements	20-50
Machinery & equipment	5-20

GASB No. 34 requires the District to report and depreciate new infrastructure assets. Infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical costs nor related depreciation has historically been reported in the financial statements. The District has included infrastructure assets in the current fiscal year.

H. Revenues

Substantially all Governmental Fund revenue is accrued. Property taxes are susceptible to accrual and 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 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 District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable." Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue. In respect to grant revenues, the provider recognizes liabilities and expenses and recipient recognizes receivables and revenue when the applicable eligibility requirements, including requirements are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

I. Expenditures

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

J. Compensated Absences

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

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

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

**LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Interfund Receivables/Payables

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. 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 the Enterprise Fund. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the Statement of Net Position, except for amounts due between governmental and business-type activities or Governmental and Agency Funds, which are presented as internal balances.

L. Accrued Salaries and Wages

None of the School District's employees who provide services to the District, over the ten month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year.

M. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budgets are submitted to the county office for approval and are approved as long as the District budget is within State mandated CAP's, there is no public vote on the budget. If the budget exceeds State mandated CAP's, the voters have an opportunity to approve or reject the budget at the regular election held in November. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund, as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in NJAC 6:23-2(g). Budget amendments/transfers of appropriations must be made by School Board resolution at any time during the fiscal year and are subject to two-thirds majority vote by the School Board and under certain circumstances require approval by the County Superintendent of Schools. All budget amendments presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The Capital Projects Fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the legally mandated revenue recognition of the last state aid payment 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.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Budgets/Budgetary Control (Continued)

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

N. 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 Special Revenue Fund, are reported as reservations of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund, for which the 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.

O. Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

P. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the District-wide 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, contractually required pension contributions and compensated absences that are paid from Governmental Funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

Q. Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

S. Use of Estimates

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

T. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position 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. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

U. Fund Balance Reserves

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

Non-spendable - The Non-Spendable Fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The Restricted Fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other Governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The Committed Fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Fund Balance Reserves (Continued)

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

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

When an expenditure is incurred for purposes for which both Restricted and Unrestricted Fund balances are available, the District considers Restricted Funds to have been spent first. When an expenditure is incurred for which Committed, Assigned, or Unassigned Fund balance are available, the District considers amounts to have been spent first out of Committed Funds, then Assigned Funds, and finally Unassigned Funds, as needed.

V. Recent Accounting Pronouncements Not Yet Effective

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27." This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the District's financial reporting.

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the District's financial reporting.

In November 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68." This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the District's financial reporting.

NOTE 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is based on New Jersey statutes requiring cash to be deposited only in New Jersey banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes NJSA 18A:20-37 that are treated as cash equivalents. The carrying amount of the District's cash and cash equivalents at June 30, 2014 and 2013, was \$1,751,383 and \$2,119,197. As of June 30, 2014 and 2013, \$0 of the District's bank balance of \$1,905,223 and \$1,946,574, respectively, was exposed to Custodial Credit Risk.

**LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3: INVESTMENTS

As of June 30, 2014 and 2013, the District did not have any investments.

Interest Rate Risk - The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, NJSA 18A:20-37 limits the length of time for most investments to 397 days.

Credit Risk - NJSA 18A:20-37 limits District investments to those specified in the Statutes. The type of allowable investments are: Bonds of the United States of America or of the District or the local units in which the District is located; obligations of federal agencies not exceeding 397 days; Government Money Market Mutual Funds; the State of New Jersey Cash Management Plan; local Government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

NOTE 4: RECEIVABLES

Receivables at June 30, 2014, (see Exhibit B-1 and B-4) consisted of intergovernmental and property taxes receivable. All receivables are considered collectible in full. A summary of the principal items of the intergovernmental receivables are as follows:

	Governmental Activities	Business- Type Activities
State aid	\$ 67,455	\$ 125
Federal aid	22,979	1,908
	\$ 90,434	\$ 2,033

NOTE 5: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Board of Education by inclusion of \$500 on October 10, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the General Fund 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 District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual General Fund budget certified for taxes or by transfer by board resolution at year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A 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 NJSA 19:60-2. Pursuant to NJAC 6A: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 June 30, 2014, LRFP balance does not exceed the capital reserve balance.

**LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5: CAPITAL RESERVE ACCOUNT (CONTINUED)

Beginning balance, July 1, 2013	\$ 103,781
Deposit	175,000
Interest earnings	220
Approved withdrawal	<u>(133,742)</u>
Ending balance, June 30, 2014	<u><u>\$ 145,260</u></u>

NOTE 6: CAPITAL ASSETS

Activity for capital assets capitalized by the District group is summarized below for the fiscal year ended June 30, 2014.

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance June 30, 2014</u>
Governmental activities:				
Construction in progress	\$ 41,236	\$ 866,756	\$ 907,992	
Site improvements	127,475			\$ 127,475
Building & building improvements	2,792,016	914,668		3,706,684
Machinery & equipment	<u>1,502,747</u>	<u>132,410</u>	<u>129,501</u>	<u>1,505,656</u>
Totals at historical cost	<u>4,463,474</u>	<u>1,913,834</u>	<u>1,037,493</u>	<u>5,339,815</u>
Less: accumulated depreciation				
Site improvements	(119,618)	(724)		(120,342)
Building & building improvements	(2,278,325)	(73,140)		(2,351,465)
Machinery & equipment	<u>(1,031,035)</u>	<u>(59,083)</u>	<u>125,976</u>	<u>(964,142)</u>
Total accumulated depreciation	<u>(3,428,978)</u>	<u>(132,947)</u>	<u>125,976</u>	<u>(3,435,949)</u>
Governmental activities capital assets, net	<u>\$ 1,034,496</u>	<u>\$ 1,780,887</u>	<u>None</u>	<u>\$ 1,903,866</u>
Business-type activities:				
Machinery & equipment	\$ 68,187	\$ 2,600		\$ 70,787
Less: accumulated depreciation	<u>(62,786)</u>	<u>(1,450)</u>		<u>(64,236)</u>
Business-type capital assets, net	<u>\$ 5,401</u>	<u>\$ 1,150</u>	<u>None</u>	<u>\$ 6,551</u>

Depreciation was charged as an unallocated expense since it could not be specifically identified to one program/function for governmental activities.

NOTE 7: GENERAL LONG-TERM DEBT

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

Long-Term Obligation Activity

Changes in long-term obligations for the fiscal year ended June 30, 2014, are as follows:

**LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7: GENERAL LONG-TERM DEBT (CONTINUED)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ 69,300	\$ 10,781	\$ 1,276	\$ 78,805	None

Bonds Payable

During the year ended June 30, 2014, the Board had no bonds issued or outstanding.

Bonds Authorized but Not Issued

As of June 30, 2014, the Board has \$0 of bonds authorized but not issued.

Capital Leases

As of June 30, 2014, the Board has \$0 capital leases.

Other

Interest paid on debt issued by the District is exempt from federal income tax. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the Federal Government based on the requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in Governmental Funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the Federal Government. Thus, rebatable arbitrage liabilities related to Governmental debt will be accrued as incurred at least annually (at fiscal year-end) on the District-wide financial statements.

For the year ended June 30, 2014, it is not necessary for the Board to establish a liability for arbitrage rebate.

Compensated absences are recorded as long-term liabilities due in more than one year.

NOTE 8: PENSION FUNDS

Description of Plans - All eligible employees of the District are covered by the Public Employees' Retirement System, (PERS), or Teachers' Pension and Annuity Fund (TPAF) a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System. The reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625 or can be accessed on the internet at <http://www.state.nj.us/treasury/pensions/actuarial-rpts.shtml>.

**LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8: PENSION FUNDS (CONTINUED)

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

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

Funding Policy - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Effective with the first payroll to be paid on or after October 1, 2011, the employee contributions for TPAF and PERS increased from 5.5% of employees' annual compensation, as defined, to 6.5%. Subsequent increases will be phased in over 7 years (each July 1) to bring the total pension contribution rate to 7.5% as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The District's contributions to PERS for the years ending June 30, 2014, 2013, and 2012, were \$23,002, \$24,601, and \$39,749, respectively, equal to the required contributions for each year. The School District's share of TPAF for normal contributions, post-retirement medical benefits and life insurance premiums for the years ending June 30, 2014, 2013, and 2012, which were \$163,383, \$217,712, and \$168,980, respectively, paid by the State of New Jersey on behalf of the Board, equal to the required contributions for each year.

Also, in accordance with NJSA 18A:66-66, the State of New Jersey reimbursed the District for the years ending June 30, 2014, 2013, and 2012; \$106,296, \$108,186, and \$111,033, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

The Board's total payroll for the years ending June 30, 2014, 2013, and 2012, were \$1,859,446, \$1,839,644, and \$1,829,287, covered payroll was \$1,420,848, \$1,438,040, and \$1,423,704 for TPAF and \$176,212, \$220,718, and \$209,897 for PERS.

**LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8: PENSION FUNDS (CONTINUED)

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing, multiple-employer defined contribution pension fund which was established on July 1, 2007, under provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (NJAC 43:15C-1 et. seq.). 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 provision are established by NJSA 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 member rates based on the existence of surplus pension assets in the retirement system; however, state statute also requires the return to the normal rate when such surplus pension assets no longer exist. In addition to the employee contributions, the School District's contributes amounts for each pay period to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The School District's contributions for the years ending June 30, 2014, 2013, and 2012, were \$3,488, \$3,363, and \$1,342.

NOTE 9: 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, 2013, there were 100,134 retirees eligible for post-retirement medical benefits and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

NOTE 10: LABOR CONTRACTS

As of June 30, 2014, the District's teachers, school nurses, LDT-C, social workers, guidance counselors, and psychologists are organized in the Lower Alloways Creek Education Association collective bargaining unit, which expired June 30, 2014.

NOTE 11: DEFERRED COMPENSATION

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years.

**LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11: DEFERRED COMPENSATION (CONTINUED)

Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

ING
Lincoln Investment Planning, Inc.
MetLife

NOTE 12: COMPENSATED ABSENCES

The District accounts for compensated absences using the termination method (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 that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policies. The District's policy permits employees to accumulate sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with District's agreements with the various employee unions. The District uses the vesting method to record the liability.

For the District-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due in more than one year. The liability for compensated absences in the Governmental Fund at June 30, 2014, is \$78,805. The liability for compensated absences in the Food Service Fund at June 30, 2014, is \$0.

NOTE 13: EMPLOYEE BENEFITS

The District established and maintains a cafeteria plan for health benefits required by NJSA 18A:16-19.1, as amended by P.L. 2011, c.78, s.51. The District entered into a pre-tax benefits plan with AFLAC. The medical care reimbursement plan maximum amount for staff as of July 1, 2011, was \$1,000.

NOTE 14: RISK MANAGEMENT

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

Property and Liability Insurance:

The District maintains commercial insurance coverage for property, liability, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (Exhibit J-20) of this Comprehensive Annual Financial Report. During the fiscal year ended June 30, 2014, the District did not incur claims in excess of their coverage.

**LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 14: RISK MANAGEMENT (CONTINUED)

Property and Liability Insurance (Continued):

The District is a member of the New Jersey School Boards Association Insurance Group – ERIC – South. The purpose of this is to permit member Boards of Education to make use of their powers and resources by cooperating on a basis that will be of mutual advantage and to provide a procedure for development, administration, and provision of Risk Management Programs, a Joint Self Insurance Fund, Joint Insurance Purchases and related services for members and their employees for the following:

- Workers Compensation and Employers Liability
- Automobile and Equipment Liability
- General Liability and Property Damage
- School Board Legal Liability
- Boiler and Machinery

New Jersey Unemployment Compensation Insurance:

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

Fiscal Year	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2013-2014		\$ 3,458	\$ 14,695	\$ 180,124
2012-2013	\$ 45,492	3,255	6,239	191,080
2011-2012	57,000	3,067	6,180	148,217

NOTE 15: FUND BALANCE APPROPRIATED

Restrictions of fund balances of Governmental Funds are established to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

The District uses restricted/committed amounts to be spent first when both Restricted and Unrestricted Fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District does not have a formal fund balance spending policy therefore the default spending order requires committed, assigned and then unassigned to be used/spent first when expenditures are made.

The District follows the State of New Jersey’s minimum fund balance policy for New Jersey Public School Districts (NJSA 18A:7F-7). Pursuant to that policy, an Undesignated Fund balance of 2% of the General Fund budget or \$250,000, whichever is greater may be maintained. Specific classifications of fund balance are summarized below:

**LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 15: FUND BALANCE APPROPRIATED (CONTINUED)

Non-Spendable Fund Balance - The District had no non-spendable fund balance at June 30, 2014.

Restricted Fund Balance:

Capital Reserve Account - Of the \$145,260 balance in the capital reserve account at June 30, 2014, \$0 has been designated for utilization in the 2014-2015 budget. These funds are restricted for future capital outlay expenditures for projects in the School District's long range facilities plan.

Maintenance Reserve Account - Of the \$229,965 balance in the maintenance reserve account at June 30, 2014, \$7,500 has been designated for utilization in the 2014-2015 budget. These funds are restricted for required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (NJSA 18A:7G-9) as amended by P.L. 2004, c.73 (S1701).

Emergency Reserve Account - Of the \$30,000 balance in the emergency reserve account at June 30, 2014, \$0 has been designated for utilization in the 2014-2015 budget.

Excess Surplus - At June 30, 2014, excess surplus created in FY 2013 of \$427,703 will be utilized for expenditures in the 2014-2015 budget, while excess surplus created in FY 2014 of \$523,595 is restricted and will be utilized for budget expenditures in 2015-2016.

Debt Service Fund - At June 30, 2014, there was \$0 fund balance.

Committed Fund Balance - The District had no fund balance at June 30, 2014.

Assigned Fund Balance - At June 30, 2014, the Board has assigned \$43,299 of General Fund balance to expenditures in the 2014-2015 budget. \$6,021 was assigned for other purposes as of the year end. This represents encumbrances resulting from issuing purchase orders as a result of normal purchasing activities approved by District officials.

Unassigned Fund Balance - At June 30, 2014, the District has \$224,354 of Unassigned Fund balance in the General Fund.

NOTE 16: CALCULATION OF EXCESS SURPLUS

The designation of Reserve Fund Balance - Excess surplus is a required calculation pursuant NJSA 18A:7F-7, as amended. New Jersey School Districts are required to reserve General Fund, fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2014, is \$951,298.

NOTE 17: ECONOMIC DEPENDENCY

The District is heavily reliant on the local tax levy and state sources to fund the District operations. State sources funded approximately 26% of the District's 2013-2014 Governmental Fund revenue, while local tax levy accounted for approximately 70%.

**LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 18: INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances remaining on the balance sheet at June 30, 2014.

NOTE 19: OPERATING LEASES

The District has commitments to lease copy machines under non-cancelable operating leases spanning 48 months. Monthly payments range from \$79-\$290 a month per machine. Total lease payments made during the year ended June 30, 2014, amounted to \$6,997. Future minimum lease payments are as follows:

Year Ended	
June 30	Amount
2015	\$ 6,997
2016	3,517
2017	3,517
	<u>\$ 14,031</u>

NOTE 20: CONTINGENT LIABILITIES

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

It is the opinion of the administration and legal counsels, there exists no litigation or contingent liability that may be pending against the Lower Alloways Creek Township School District that would have a material or adverse effect on the Board or the financial position of the District.

NOTE 21: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2014 and October 23, 2014, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 3,292,016		\$ 3,292,016	\$ 3,292,016	
Tuition from individuals				3,483	\$ 3,483
Transportation fees				600	600
Interest on investments	1,000		1,000	23,291	22,291
Interest on capital reserve funds	100		100	220	120
Miscellaneous				19,495	19,495
Total - local sources	3,293,116		3,293,116	3,339,105	45,989
State sources:					
Transportation aid	120,883		120,883	120,883	
Special education aid	124,366		124,366	124,366	
Equalization aid	421,194		421,194	421,194	
Security aid	19,864		19,864	19,864	
Adjustment aid	196,496		196,496	196,496	
Extraordinary aid				60,858	60,858
Other state aid - nonpublic transportation				1,350	1,350
Other state aid				1,122	1,122
TPAF post-retirement medical (on-behalf non-budgeted)				101,487	101,487
Teachers' pension & annuity fund (on-behalf non-budgeted)				61,896	61,896
Reimbursed TPAF social security contributions (non-budgeted)				106,296	106,296
Total - state sources	882,803		882,803	1,215,812	333,009
Total revenues	4,175,919		4,175,919	4,554,917	378,998

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Regular programs - instruction:					
Salaries of teachers:					
Preschool	89,410		89,410	88,496	914
Kindergarten	150,560		150,560	147,925	2,635
Grades 1-5	600,083	\$ 13,500	613,583	587,889	25,694
Grades 6-8	434,128	(13,500)	420,628	412,535	8,093
Regular programs - home instruction:					
Salaries of teachers	4,000		4,000		4,000
Purchased professional-education services	2,000		2,000		2,000
Regular programs - undistributed instruction:					
Other salaries for instruction	13,820	2,700	16,520	16,268	252
Purchased professional-education services	4,000	(2,700)	1,300		1,300
Purchased technical services	36,000		36,000	28,025	7,975
Other purchased services (400-500 series)	41,150	(15,500)	25,650	18,934	6,716
General supplies	76,350	15,500	91,850	63,442	28,408
Textbooks	10,000		10,000	5,602	4,398
Miscellaneous expenditures	7,050		7,050	2,267	4,783
Total regular programs	1,468,551		1,468,551	1,371,383	97,168
Resource room:					
Salaries of teachers	111,809		111,809	109,844	1,965
General supplies	3,850		3,850	900	2,950
Textbooks	300		300		300
Total resource room	115,959		115,959	110,744	5,215
Total special education	115,959		115,959	110,744	5,215
Basic skills/remedial:					
Salaries of teachers	4,010	(100)	3,910	87	3,823
General supplies	500		500		500
Total basic skills/remedial	4,510	(100)	4,410	87	4,323
School sponsored co-curricular activities:					
Salaries	1,000	100	1,100	1,008	92
Total school sponsored co-curricular activities	1,000	100	1,100	1,008	92
Total other instructional programs	5,510		5,510	1,095	4,415
Total - instruction	1,590,020		1,590,020	1,483,222	106,798

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed expenditures:					
Instruction:					
Tuition to other LEAs within state-regular	298,677	5,000	303,677	303,294	383
Tuition to other LEAs within state-special	22,850	1,000	23,850	23,450	400
Tuition to county vocational - regular	94,500		94,500	89,250	5,250
Tuition to CSSD & regional day school	37,077	(13,000)	24,077	3,077	21,000
Tuition to private schools for the handicapped - within state	154,782	7,000	161,782	159,637	2,145
Total undistributed expenditures - instruction	607,886		607,886	578,708	29,178
Attendance and social work services:					
Salaries	18,450		18,450	17,058	1,392
Purchased professional/technical services	5,200		5,200	4,800	400
Total attendance and social work services	23,650		23,650	21,858	1,792
Health services:					
Salaries	48,500	3,550	52,050	46,672	5,378
Purchased professional/technical services	7,650	(3,550)	4,100	2,053	2,047
Supplies and materials	1,800		1,800	1,451	349
Total health services	57,950		57,950	50,176	7,774
Related services:					
Purchased professional - education services	27,500		27,500	25,214	2,286
Supplies and materials	300		300		300
Total related services	27,800		27,800	25,214	2,586
Extraordinary services:					
Other salaries for instruction	15,469	(450)	15,019	13,513	1,506
Purchased professional - education services	115,050	4,050	119,100	117,095	2,005
Supplies and materials	300		300		300
Total extraordinary services	130,819	3,600	134,419	130,608	3,811
Other support services - guidance services:					
Purchased professional - education services	16,000		16,000	15,000	1,000
Supplies and materials	500		500		500
Total other support services - guidance services	16,500		16,500	15,000	1,500
Other support services - child study team					
Purchased professional - education services	24,035	(3,600)	20,435	14,615	5,820
Other purchased professional - technical services	2,000		2,000		2,000
Supplies and materials	900		900		900
Total other support services - child study team	26,935	(3,600)	23,335	14,615	8,720
Improvement of instruction services:					
Salaries of other professional staff	1,500		1,500	720	780
Other purchased services (400-500 series)	1,400		1,400		1,400
Total improvement of instruction services:	2,900		2,900	720	2,180

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Educational media services/school library:					
Purchased professional - education services	2,100		2,100	480	1,620
Supplies and materials	8,650		8,650	6,831	1,819
Total educational media services/school library	10,750		10,750	7,311	3,439
Instructional staff training:					
Salaries of other professional staff	1,500		1,500	163	1,337
Purchased professional - education services	2,500		2,500	1,350	1,150
Other purchased professional - technical services	2,000		2,000		2,000
Other purchased services (400-500 series)	15,391		15,391	8,823	6,568
Supplies and materials	1,200		1,200		1,200
Total instructional staff training	22,591		22,591	10,336	12,255
Support services general administration:					
Salaries	85,950	(3,100)	82,850	80,786	2,064
Legal services	6,500	(800)	5,700	5,200	500
Audit fees	12,200		12,200	11,425	775
Other purchased professional services	10,100	(2,800)	7,300	4,696	2,604
Other purchased professional - technical services	1,500	(1,000)	500		500
Other purchased services (400-500 series)	12,000	2,550	14,550	12,447	2,103
Communications/telephone	8,100	1,000	9,100	8,646	454
BOE other purchased services	200		200		200
Supplies and materials	4,500	250	4,750	4,569	181
BOE in-house training/meeting supplies	100	(80)	20		20
Miscellaneous expenditures	3,250	2,455	5,705	5,480	225
BOE membership dues and fees	3,500	(475)	3,025	3,011	14
Total support services general administration	147,900	(2,000)	145,900	136,260	9,640
Support services school administration:					
Salaries of principals/assistant principals	59,500	(200)	59,300	58,400	900
Other purchased services (400-500 series)		400	400	270	130
Supplies and materials		200	200	45	155
Total support services school administration	59,500	400	59,900	58,715	1,185
Central services					
Purchased professional services	88,100	2,600	90,700	90,116	584
Purchased technical services	8,862		8,862	8,525	337
Miscellaneous purchased services	2,500	(1,000)	1,500	1,241	259
Supplies and materials	3,778		3,778	1,568	2,210
Total central services	103,240	1,600	104,840	101,450	3,390
Required maintenance for school facilities:					
Other salaries	30,469		30,469	29,828	641
Cleaning, repair and maintenance services	67,350	15,000	82,350	41,954	40,396
Supplies and materials	2,500		2,500	1,909	591
Other objects	700		700	115	585
Total required maintenance for school facilities	101,019	15,000	116,019	73,806	42,213

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Custodial services:					
Other salaries	3,000	13,207	16,207	15,853	354
Purchased professional and technical services	6,500		6,500	2,288	4,212
Purchased technical services	100	55,500	55,600	51,606	3,994
Cleaning, repair, and maintenance services	86,900	(71,500)	15,400	4,032	11,368
Insurance	32,000		32,000	30,598	1,402
Miscellaneous purchased services	600		600		600
General supplies	20,000		20,000	16,078	3,922
Energy - electricity	88,000	2,793	90,793	86,647	4,146
Energy - oil	73,000		73,000	70,535	2,465
Energy - gasoline	1,000		1,000		1,000
Other objects	1,660		1,660	722	938
Total other operation and maintenance of plant services	312,760		312,760	278,359	34,401
Total operation and maintenance of plant services	413,779	15,000	428,779	352,165	76,614
Security					
Cleaning, repair and maintenance services	3,600	(500)	3,100	2,976	124
General supplies		500	500	152	348
Total security	3,600		3,600	3,128	472
Student transportation services:					
Salaries (between home and school) - regular	73,785	(6,400)	67,385	65,029	2,356
Salaries (between home and school) - special	76,901	(25,570)	51,331	48,622	2,709
Salaries (other than between home and school)	33,398		33,398	31,849	1,549
Other purchased professional - technical services					
Cleaning, repair and maintenance services	6,000	300	6,300	5,281	1,019
Rental school bus	500		500		500
Contracted services (regular students) - ESC and CTSA	71,000	2,494	73,494	57,554	15,940
Contracted services (special education students) - ESC	51,000	58,726	109,726	98,324	11,402
Miscellaneous purchased services	15,000	(15,000)			
Supplies and materials	62,500	(14,550)	47,950	33,437	14,513
Aid in lieu - nonpublic	6,000		6,000	5,422	578
Aid in lieu - choice	1,800		1,800	884	916
Miscellaneous expenditures	2,950		2,950	1,323	1,627
Total student transportation services	400,834		400,834	347,725	53,109
Unallocated benefits:					
Social security contributions	30,000		30,000	25,536	4,464
Other retirement contributions - regular	41,000	(3,000)	38,000	25,165	12,835
Unemployment compensation	10,000	(6,400)	3,600		3,600
Workers' compensation	25,000		25,000	20,699	4,301
Health benefits	483,000	9,400	492,400	400,279	92,121
Tuition reimbursement	10,000		10,000	1,334	8,666
Other employee benefits	28,000		28,000	15,263	12,737
Total unallocated benefits	627,000		627,000	488,276	138,724

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
TPAF post-retirement medical (on-behalf non-budgeted)				101,487	(101,487)
Teachers' Pension & Annuity Fund (on-behalf non-budgeted)				61,896	(61,896)
Reimbursed TPAF social security contributions (non-budgeted)				106,296	(106,296)
Total non-budgeted				269,679	(269,679)
Total undistributed expenditures	2,683,634	15,000	2,698,634	2,611,944	86,690
Total expenditures - current expense	4,273,654	15,000	4,288,654	4,095,166	193,488
CAPITAL OUTLAY:					
Equipment:					
Undistributed expenditures:					
Instruction - instructional equipment	42,000	2,650	44,650	44,307	343
Health services	2,650	(2,650)			
Required maintenance - equipment	16,983	12,000	28,983	24,439	4,544
Custodial services	10,000		10,000		10,000
Security	20,000	15,000	35,000	32,962	2,038
Student transportation - school bus special	65,000	(27,000)	38,000		38,000
Total equipment	156,633		156,633	101,708	54,925
Facilities acquisition and construction services:					
SDA debt service assessment	1,258		1,258	1,258	
Total facilities acquisition and construction services	1,258		1,258	1,258	
Total capital outlay	157,891		157,891	102,966	54,925
Total expenditures	4,431,545	15,000	4,446,545	4,198,132	248,413
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(255,626)	(15,000)	(270,626)	356,785	627,411
Other financing sources (uses)					
Capital reserve to capital projects fund	(396,342)		(396,342)	(133,742)	(262,600)
Maintenance reserve to required maintenance		15,000	15,000		15,000
Transfers out - food service	(25,000)		(25,000)	(18,000)	(7,000)
Transfer in - internal service fund				3,792	(3,792)
Total other financing sources and uses	(421,342)	15,000	(406,342)	(147,950)	(258,392)
Net changes in fund balance	(676,968)		(676,968)	208,835	369,019
Fund balances - July 1	1,509,216		1,509,216	1,509,216	
Fund balances - June 30	\$ 832,248		\$ 832,248	\$ 1,718,051	\$ 369,019

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation:					
Restricted Fund Balance:					
Capital reserve				\$ 145,260	
Maintenance reserve				229,965	
Emergency reserve				30,000	
Excess surplus - designated for subsequent year's expenditures				427,703	
Excess surplus - current year				523,595	
Assigned Fund Balance:					
Year-end encumbrances				6,021	
Designated for subsequent year's expenditures				43,299	
Unassigned Fund Balance					
				<u>312,208</u>	
				1,718,051	
Reconciliation to governmental fund statements (GAAP):					
Last state aid payment not recognized on GAAP Basis				(87,854)	
Fund balance per governmental funds (GAAP)				<u>\$ 1,630,197</u>	

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal sources	\$ 73,089	\$ 23,157	\$ 96,246	\$ 95,246	\$ 1,000
Total revenues	<u>\$ 73,089</u>	<u>\$ 23,157</u>	<u>\$ 96,246</u>	<u>\$ 95,246</u>	<u>\$ 1,000</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	\$ 10,557		\$ 10,557	\$ 10,557	
Other purchased services (400-500 series)	16,639		16,639	15,639	\$ 1,000
Supplies and materials	5,556	\$ 23,157	28,713	28,713	
Total Instruction	<u>32,752</u>	<u>23,157</u>	<u>55,909</u>	<u>54,909</u>	<u>1,000</u>
Support services:					
Personal services - employee benefits	808		808	808	
Purchased professional - technical services					
Purchased professional - educational services	35,731		35,731	35,731	
Other purchased services (400-500 series)	3,798		3,798	3,798	
Supplies and materials					
Total support services	<u>40,337</u>		<u>40,337</u>	<u>40,337</u>	
Total expenditures	<u>\$ 73,089</u>	<u>\$ 23,157</u>	<u>\$ 96,246</u>	<u>\$ 95,246</u>	<u>\$ 1,000</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Required Supplementary Information
 Budget-to-GAAP Reconciliation
 Note to RSI
 For the Fiscal Year Ended June 30, 2014

Note A: Explanation of Differences between Budgetary Inflows and Outflows and
 GAAP Revenues and Expenditures

	<u>General Fund N-1</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources:			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	[C-1] \$ 4,554,917		[C-2] \$ 95,246
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	85,160		
State aid payment recognized for budgetary purposes, not recognized for GAAP statements.	(87,854)		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - Governmental Funds.	[B-2] \$ <u>4,552,223</u>		[B-2] \$ <u>95,246</u>
Uses/outflows of resources:			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule.	[C-1] \$ <u>4,198,132</u>		\$ <u>95,246</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - Governmental Funds.	[B-2] \$ <u>4,198,132</u>		[B-2] \$ <u>95,246</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2014

	Total Brought Forward Ex. E-1a	Title I Part A	Title I Part A FY 2013	Totals	
				FY 2014	FY 2013
REVENUES:					
Federal sources	\$ 78,325	\$ 14,394	\$ 2,527	\$ 95,246	\$ 93,143
Local sources					3,301
Total revenues	\$ 78,325	\$ 14,394	\$ 2,527	\$ 95,246	\$ 96,444
EXPENDITURES:					
Instruction:					
Salaries of teachers		\$ 10,557		\$ 10,557	\$ 13,140
Other purchased services (400-500 series)	\$ 15,639			15,639	14,304
Supplies and materials	23,157	3,029	\$ 2,527	28,713	23,803
Total instruction	38,796	13,586	2,527	54,909	51,247
Support services:					
Personal services - employee benefits		808		808	1,005
Purchased professional - technical services					291
Purchased professional - educational services	35,731			35,731	39,950
Other purchased services (400-500 series)	3,798			3,798	941
Supplies and materials					3,010
Total support services	39,529	808		40,337	45,197
Total expenditures	\$ 78,325	\$ 14,394	\$ 2,527	\$ 95,246	\$ 96,444

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2014

	Title II, Part A Teacher & Principal Training & Recruiting	IDEA Preschool	IDEA Part B	Rural Education Achievement Program	Total Carried Forward
REVENUES:					
Federal sources	\$ 3,798	\$ 731	\$ 50,639	\$ 23,157	\$ 78,325
Total revenues	<u>\$ 3,798</u>	<u>\$ 731</u>	<u>\$ 50,639</u>	<u>\$ 23,157</u>	<u>\$ 78,325</u>
EXPENDITURES:					
Instruction:					
Other purchased services (400-500 series)			\$ 15,639		\$ 15,639
Supplies and materials				\$ 23,157	23,157
Total instruction			<u>15,639</u>	<u>23,157</u>	<u>38,796</u>
Support services:					
Purchased professional - technical services					
Purchased professional - educational services		\$ 731	35,000		35,731
Other purchased services (400-500 series)	\$ 3,798				3,798
Total support services	<u>3,798</u>	<u>731</u>	<u>35,000</u>		<u>39,529</u>
Total expenditures	<u>\$ 3,798</u>	<u>\$ 731</u>	<u>\$ 50,639</u>	<u>\$ 23,157</u>	<u>\$ 78,325</u>

CAPITAL PROJECTS FUND

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Capital Projects Fund
 Summary Schedule of Project Expenditures
 June 30, 2014

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations 6/30/14
			Prior Years	Current Year	
Exterior door replacement, partial roof replacement & front vestibule	04/23/12	\$ 915,000	\$41,236	\$ 866,756	\$ 7,008

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Capital Projects Fund
 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budgetary Basis
 For the Fiscal Year Ended June 30, 2014

	FY 2014
Revenues & other financing sources	
Transfer from capital reserve	\$ 133,742
Total revenues	133,742
Expenditures & other financing uses	
Purchased professional & technical services	5,461
Construction services	861,295
Total expenditures	866,756
Excess (deficiency) or revenues over (under) expenditures	(733,014)
Fund balance - beginning	740,022
Fund balance - ending	\$ 7,008

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund

Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Exterior Door Replacement, Partial Roof Replacement and Front Vestibule
From Inception and for the Fiscal Year Ended June 30, 2014

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues & other financing sources:				
Transfer from capital reserve	\$ 781,258	\$ 133,742	\$ 915,000	\$ 915,000
Total revenues	781,258	133,742	915,000	915,000
Expenditures & other financing uses:				
Purchased professional & technical services	41,236	5,461	46,697	49,050
Construction services		861,295	861,295	865,950
Total expenditures	41,236	866,756	907,992	915,000
Excess (deficiency) or revenues over (under) expenditures	\$ 740,022	\$ (733,014)	\$ 7,008	
Additional project information:				
Project number	2800-050-13-1000			
Grant date	n/a			
Bond authorization date	n/a			
Bonds authorized	0			
Bonds issued	0			
Original authorized cost	\$ 915,000			
Additional authorized cost	None			
Revised authorized cost	915,000			
Percentage increase over original authorized cost	0%			
Percentage completion	100%			
Original target completion date	September 2013			
Revised target completion date	September 2013			

PROPRIETARY FUNDS

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Combining Schedule of Net Position
For the Fiscal Year Ended June 30, 2014

	Business-type Activities			
	Food Service Fund	Latchkey Fund	Totals FY 2014	Totals FY 2013
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 971	\$ 2,017	\$ 2,988	\$ 6,548
Accounts receivable:				
State	125		125	106
Federal	1,908		1,908	935
Other				210
Inventory	1,561		1,561	2,606
Total current assets	<u>4,565</u>	<u>2,017</u>	<u>6,582</u>	<u>10,405</u>
Non-current assets:				
Machinery and equipment	70,787		70,787	68,187
Less: accumulated depreciation	(64,236)		(64,236)	(62,786)
Total non-current assets	<u>6,551</u>		<u>6,551</u>	<u>5,401</u>
Total assets	<u>\$ 11,116</u>	<u>\$ 2,017</u>	<u>\$ 13,133</u>	<u>\$ 15,806</u>
NET POSITION				
Invested in capital assets, net of related debt	\$ 6,551		\$ 6,551	\$ 5,401
Unrestricted	4,565	\$ 2,017	6,582	10,405
Total net position	<u>\$ 11,116</u>	<u>\$ 2,017</u>	<u>\$ 13,133</u>	<u>\$ 15,806</u>

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2014

	Business-type Activities			
	Food Service Fund	Latchkey Fund	Totals FY 2014	Totals FY 2013
OPERATING REVENUES:				
Local sources:				
Daily sales:				
Reimbursable programs	\$ 33,332		\$ 33,332	\$ 36,981
Non-reimbursable programs	8,931		8,931	12,592
Tuition		\$ 4,275	4,275	5,806
Total operating revenue	42,263	4,275	46,538	55,379
OPERATING EXPENSES:				
Salaries	36,022	2,848	38,870	40,194
Employee benefits	3,117	287	3,404	3,465
Purchased property services	846		846	
Other purchased services (400-500 series)	12,800		12,800	12,237
Supplies and materials	593	58	651	259
Cost of sales	41,483		41,483	39,286
Depreciation	1,450		1,450	1,711
Total operating expenses	96,311	3,193	99,504	97,152
Operating income (loss)	(54,048)	1,082	(52,966)	(41,773)
NON-OPERATING REVENUES:				
State sources:				
National school lunch program - state	930		930	917
Federal sources:				
National school lunch program	23,384		23,384	16,615
School breakfast program	288		288	
Food distribution program	5,091		5,091	4,721
Total non-operating revenues (expenses)	29,693		29,693	22,253
Income (loss) before operating transfers	(24,355)	1,082	(23,273)	(19,520)
Other financing sources (uses)				
Operating transfer in - general fund	18,000		18,000	25,000
Capital asset contributions	2,600		2,600	
Net income (loss)	(3,755)	1,082	(2,673)	5,480
Total net position - July 1	14,871	935	15,806	10,326
Total net position - June 30	\$ 11,116	\$ 2,017	\$ 13,133	\$ 15,806

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2014

	Business-type Activities			
	Food Service Fund	Latchkey Fund	Totals FY 2014	Totals FY 2013
Cash flows from operating activities:				
Receipts from customers	\$ 42,263	\$ 4,485	\$ 46,748	\$ 55,169
Payments to suppliers	(54,677)	(58)	(54,735)	(52,396)
Payments to employees	(36,022)	(2,848)	(38,870)	(40,194)
Payments for employee benefits	(3,117)	(287)	(3,404)	(3,465)
Net cash provided (used) by operating activities	(51,553)	1,292	(50,261)	(40,886)
Cash flows from non-capital financing activities:				
Cash received from state & federal reimbursements	28,701		28,701	21,991
Board contribution	18,000		18,000	25,000
Net cash provided by non-capital financing activities	46,701		46,701	46,991
Net increase in cash and cash equivalents	(4,852)	1,292	(3,560)	6,105
Cash and cash equivalents - July 1	5,823	725	6,548	443
Cash and cash equivalents - June 30	\$ 971	\$ 2,017	\$ 2,988	\$ 6,548
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (54,048)	\$ 1,082	\$ (52,966)	\$ (41,773)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	1,450		1,450	1,711
Change in assets and liabilities:				
(Increase) decrease in accounts receivable		210	210	(210)
(Increase) decrease in inventory	1,045		1,045	(614)
	\$ (51,553)	\$ 1,292	\$ (50,261)	\$ (40,886)

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Internal Service Fund
Combining Schedule of Net Position
For the Fiscal Year Ended June 30, 2014

	Total FY 2014	Total FY 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,253	\$ 3,792
Total assets	\$ 4,253	\$ 3,792
LIABILITIES AND NET POSITION		
Net position:		
Unrestricted	\$ 4,253	\$ 3,792
Total liabilities and net position	\$ 4,253	\$ 3,792

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Internal Service Fund
 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
 For the Fiscal Year Ended June 30, 2014

	Total FY 2014	Total FY 2013
OPERATING REVENUES:		
Local sources:		
Other charges and fees	\$ 24,099	\$ 20,980
Total operating revenue	24,099	20,980
OPERATING EXPENSES:		
Salaries	19,372	18,320
Employee benefits	474	1,690
Total operating expenses	19,846	20,010
Income (loss) before operating transfers	4,253	970
Net changes in net position	4,253	970
Other financing sources (uses)		
Transfer to general fund	(3,792)	
Total net position - July 1	3,792	2,822
Total net position - June 30	\$ 4,253	\$ 3,792

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Internal Service Fund
 Combining Schedule of Cash Flows
 For the Fiscal Year Ended June 30, 2014

	Total FY 2014	Total FY 2013
Cash flows from operating activities:		
Receipts from customers	\$ 24,099	\$ 20,980
Payments to employees	(19,372)	(18,320)
Payments for employee benefits	(474)	(1,690)
	4,253	970
Cash flows from non-capital financing activities:		
Transfer to general fund	(3,792)	
	461	970
Net increase in cash and cash equivalents	461	970
Cash and cash equivalents - July 1	3,792	2,822
Cash and cash equivalents - June 30	\$ 4,253	\$ 3,792
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 4,253	\$ 970
	\$ 4,253	\$ 970

FIDUCIARY FUNDS

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Combining Statement of Fiduciary Net Position
For the Fiscal Year Ended June 30, 2014

	Trust Funds		Agency Funds		Totals	
	Scholarship Trust	Unemployment Compensation Trust	Student Activity	Payroll & Payroll Agency	FY 2014	FY 2013
ASSETS						
Cash and cash equivalents	\$ 2,114	\$ 180,124	\$ 8,373	\$ 945	\$ 191,556	\$ 206,489
Total assets	<u>2,114</u>	<u>180,124</u>	<u>\$ 8,373</u>	<u>\$ 945</u>	<u>\$ 191,556</u>	<u>206,489</u>
LIABILITIES						
Due to student groups			\$ 8,373		8,373	12,862
Payroll deductions and withholdings				\$ 945	945	308
Total liabilities			<u>\$ 8,373</u>	<u>\$ 945</u>	<u>9,318</u>	<u>13,170</u>
NET POSITION						
Held in trust for:						
Unemployment claims		180,124			180,124	191,080
Scholarship awards	2,114				2,114	2,239
Total net position	<u>\$ 2,114</u>	<u>\$ 180,124</u>			<u>\$ 182,238</u>	<u>\$ 193,319</u>

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Combining Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2014

	Trust Funds		Totals	
	Scholarship Trust	Unemployment Compensation Trust	FY 2014	FY 2013
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:				
Contributions:				
Plan members		\$ 3,458	\$ 3,458	\$ 3,255
Board of Education				45,492
Total contributions		<u>3,458</u>	<u>3,458</u>	<u>48,747</u>
Investment earnings:				
Interest		281	281	355
Total investment earnings		<u>281</u>	<u>281</u>	<u>355</u>
Total additions		<u>3,739</u>	<u>3,739</u>	<u>49,102</u>
DEDUCTIONS:				
Unemployment claims		14,695	14,695	6,239
Scholarships awarded	\$ 125		125	125
Total deductions	<u>125</u>	<u>14,695</u>	<u>14,820</u>	<u>6,364</u>
Change in net position	(125)	(10,956)	(11,081)	42,738
Net position July 1	2,239	191,080	193,319	150,581
Net position June 30	<u>\$ 2,114</u>	<u>\$ 180,124</u>	<u>\$ 182,238</u>	<u>\$ 193,319</u>

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Student Activity Agency Fund -
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Cash Receipts	Cash Disbursements	Balance June 30, 2014
ACTIVITIES:				
Elementary school	\$ 12,862	\$ 9,324	\$ 13,813	\$ 8,373

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Payroll Agency Fund -
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS				
Cash and cash equivalents	\$ 308	\$ 2,048,231	\$ 2,047,594	\$ 945
Total assets	<u>\$ 308</u>	<u>\$ 2,048,231</u>	<u>\$ 2,047,594</u>	<u>\$ 945</u>
LIABILITIES				
Employees' net pay		\$ 1,141,861	\$ 1,141,861	
Payroll deductions and withholdings	\$ 308	904,348	903,711	\$ 945
Interfund Payable		2,022	2,022	
Total liabilities	<u>\$ 308</u>	<u>\$ 2,048,231</u>	<u>\$ 2,047,594</u>	<u>\$ 945</u>

**STATISTICAL SECTION
(Unaudited)**

**LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
STATISTICAL SECTION**

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	89-94
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	95-98
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	99-102
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	103-104
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	105-109

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Net Position By Component
 Last Ten Fiscal Years
 For the Fiscal Year Ended June 30, 2014
 Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Invested in capital assets, net of related debt	\$ 911,726	\$ 770,603	\$ 595,814	\$ 741,886	\$ 676,263	\$ 610,486	\$ 601,201	\$ 1,093,296	\$ 1,034,496	\$ 1,903,866
Restricted	241,422	599,337	554,796	775,703	1,151,420	1,186,001	1,410,710	1,512,647	1,955,939	1,412,851
Unrestricted	464,766	22,887	230,264	123,172	51,764	69,805	96,704	141,661	142,631	149,802
Total governmental activities net position	\$ 1,617,914	\$ 1,392,827	\$ 1,380,874	\$ 1,640,761	\$ 1,879,447	\$ 1,866,292	\$ 2,108,615	\$ 2,747,604	\$ 3,133,066	\$ 3,466,519
Business-type activities:										
Invested in capital assets, net of related debt	\$ 1,914	\$ 1,602		\$ 15,493	\$ 13,398	\$ 11,303	\$ 9,207	\$ 7,112	\$ 5,401	\$ 6,551
Unrestricted	32,688	22,535	\$ 4,674	1,796	2,653	17,542	5,300	3,214	10,405	6,582
Total business-type activities net position	\$ 34,602	\$ 24,137	\$ 4,674	\$ 17,289	\$ 16,051	\$ 28,845	\$ 14,507	\$ 10,326	\$ 15,806	\$ 13,133
District-wide:										
Invested in capital assets, net of related debt	\$ 913,640	\$ 772,205	\$ 595,814	\$ 757,379	\$ 689,661	\$ 621,789	\$ 610,408	\$ 1,100,408	\$ 1,039,897	\$ 1,910,417
Restricted	241,422	599,337	554,796	775,703	1,151,420	1,186,001	1,410,710	1,512,647	1,955,939	1,412,851
Unrestricted	497,454	45,422	234,938	124,968	54,417	87,347	102,004	144,875	153,036	156,384
Total district-wide net position	\$ 1,652,516	\$ 1,416,964	\$ 1,385,548	\$ 1,658,050	\$ 1,895,498	\$ 1,895,137	\$ 2,123,122	\$ 2,757,930	\$ 3,148,872	\$ 3,479,652

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Changes In Net Position
Last Ten Fiscal Years
For the Fiscal Year Ended June 30, 2014
Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
Instruction:										
Regular	\$ 1,479,341	\$ 1,544,013	\$ 1,674,165	\$ 1,519,852	\$ 1,495,052	\$ 1,508,549	\$ 1,441,678	\$ 1,336,507	\$ 1,382,904	\$ 1,396,118
Special education	109,732	144,826	160,142	217,138	210,381	211,250	166,930	155,811	157,600	166,215
Other special education	55,794	55,470	58,516	61,548	81,762	138,608	4,110	51,000		
Other instruction				616	1,687	732	1,552	878	422	495
Support services:										
Tuition	566,584	614,057	669,381	565,401	595,614	488,660	761,204	795,473	456,836	578,708
Student & instruction and related services	230,063	247,198	150,295	212,305	267,415	300,073	251,425	278,268	274,120	315,367
General administration	133,319	70,761	72,696	128,399	124,318	130,919	112,810	118,218	127,322	136,260
School administrative services	65,047	149,868	144,123	56,511	57,719	59,241	59,241	60,808	59,422	58,715
Central services	65,705	71,978	72,677	75,560	84,447	89,152	86,226	90,799	94,316	101,450
Administrative information technology	1,560	1,743	1,080	1,204	1,797	2,156				
Plant operations and maintenance	291,669	305,420	340,566	367,540	334,194	359,133	283,799	311,990	416,061	317,915
Pupil transportation	254,325	273,720	281,640	305,753	355,780	344,052	314,203	342,116	299,835	351,905
Unallocated benefits	711,943	827,002	990,173	975,747	758,890	779,860	889,829	835,848	823,840	759,237
Capital outlay				9,734		14,412	3,113	2,315	61,391	1,258
Unallocated depreciation				89,114	60,026	57,739	80,907	123,654	122,517	132,947
Total Governmental activities expenses	<u>3,965,082</u>	<u>4,306,056</u>	<u>4,615,454</u>	<u>4,586,422</u>	<u>4,429,082</u>	<u>4,484,536</u>	<u>4,457,027</u>	<u>4,503,685</u>	<u>4,276,586</u>	<u>4,316,590</u>
Business-type activities:										
Food service	76,161	83,033	88,013	95,201	95,888	90,611	89,053	94,612	91,778	96,311
Child care	770	433				9,497	7,744	6,526	5,374	3,193
Total business-type activities expense	<u>76,931</u>	<u>83,466</u>	<u>88,013</u>	<u>95,201</u>	<u>95,888</u>	<u>100,108</u>	<u>96,797</u>	<u>101,138</u>	<u>97,152</u>	<u>99,504</u>
Total district expenses	<u>\$ 4,042,013</u>	<u>\$ 4,389,522</u>	<u>\$ 4,703,467</u>	<u>\$ 4,681,623</u>	<u>\$ 4,524,970</u>	<u>\$ 4,584,644</u>	<u>\$ 4,553,824</u>	<u>\$ 4,604,823</u>	<u>\$ 4,373,738</u>	<u>\$ 4,416,094</u>
Program revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ 16,840							\$ 23,275	\$ 20,980	\$ 24,099
Pupil transportation	29,970	\$ 38,190	\$ 43,027							
Operating grants and contributions	<u>207,943</u>	<u>394,498</u>	<u>505,810</u>	<u>\$ 118,281</u>	<u>\$ 108,198</u>	<u>\$ 152,197</u>	<u>\$ 132,441</u>	<u>108,584</u>	<u>96,444</u>	<u>95,246</u>
Total Governmental activities program revenues	<u>254,753</u>	<u>432,688</u>	<u>548,837</u>	<u>118,281</u>	<u>108,198</u>	<u>152,197</u>	<u>132,441</u>	<u>131,859</u>	<u>117,424</u>	<u>119,345</u>

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Changes In Net Position
Last Ten Fiscal Years
For the Fiscal Year Ended June 30, 2014
Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services:										
Food service	44,423	43,865	41,729	45,653	48,642	53,140	51,945	50,152	49,573	42,263
Child care	380					9,040	8,593	6,637	5,806	4,275
Operating grants and contributions	12,241	17,697	19,860	19,575	21,008	25,722	21,921	24,168	22,253	29,693
Total business-type activities program revenues	57,044	61,562	61,589	65,228	69,650	87,902	82,459	80,957	77,632	76,231
Total district program revenue	<u>\$ 311,797</u>	<u>\$ 494,250</u>	<u>\$ 610,426</u>	<u>\$ 183,509</u>	<u>\$ 177,848</u>	<u>\$ 240,099</u>	<u>\$ 214,900</u>	<u>\$ 212,816</u>	<u>\$ 195,056</u>	<u>\$ 195,576</u>
Net (expense) revenue:										
Governmental activities:	\$ (3,710,329)	\$ (3,873,368)	\$ (4,066,617)	\$ (4,468,141)	\$ (4,320,884)	\$ (4,332,339)	\$ (4,324,586)	\$ (4,371,826)	\$ (4,159,162)	\$ (4,197,245)
Business-type activities	(19,887)	(21,904)	(26,424)	(29,973)	(26,238)	(12,206)	(14,338)	(20,181)	(19,520)	(23,273)
Total district-wide net expense	<u>\$ (3,730,216)</u>	<u>\$ (3,895,272)</u>	<u>\$ (4,093,041)</u>	<u>\$ (4,498,114)</u>	<u>\$ (4,347,122)</u>	<u>\$ (4,344,545)</u>	<u>\$ (4,338,924)</u>	<u>\$ (4,392,007)</u>	<u>\$ (4,178,682)</u>	<u>\$ (4,220,518)</u>
General revenues and other changes in net position:										
Governmental activities:										
Property taxes levied for Government purposes	\$ 2,602,961	\$ 2,603,000	\$ 3,000,000	\$ 3,120,000	\$ 3,170,000	\$ 3,230,000	\$ 3,359,200	\$ 3,359,200	\$ 3,292,016	\$ 3,292,016
Unrestricted grants and contributions	1,005,399	1,007,679	1,005,720	1,424,366	1,322,368	933,733	1,178,253	1,354,182	1,232,736	1,213,118
Restricted grants and contributions	125,074					123,835				
Tuition charges		14,200	12,750	16,900	17,070	30,830	12,229	7,000	6,890	3,483
Transportation fees				26,897	55,150	13,200	575	250	62	600
Investment earnings	14,304	31,393	42,779	33,850	18,128	10,545	31,840	34,845	37,283	23,511
Gain on disposal of assets	(9,941)	(7,326)	1,142	(2,946)			(34,515)	(19,914)		(3,525)
Transfers out	(32,000)	(9,400)	(9,000)	(25,000)	(25,000)	(25,000)		(16,000)	(25,000)	(18,000)
Insurance recovery								286,754		
Miscellaneous income	6,728	8,735	1,273	2,099	1,854	2,041	19,327	4,498	637	19,495
Total Governmental activities	<u>3,712,525</u>	<u>3,648,281</u>	<u>4,054,664</u>	<u>4,596,166</u>	<u>4,559,570</u>	<u>4,319,184</u>	<u>4,566,909</u>	<u>5,010,815</u>	<u>4,544,624</u>	<u>4,530,698</u>
Business-type activities:										
Transfers	32,000	9,400	9,000	25,000	25,000	25,000			25,000	18,000
Capital asset contributions										2,600
Total business-type activities	<u>32,000</u>	<u>9,400</u>	<u>9,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>			<u>25,000</u>	<u>20,600</u>
Total district-wide	<u>\$ 3,744,525</u>	<u>\$ 3,657,681</u>	<u>\$ 4,063,664</u>	<u>\$ 4,621,166</u>	<u>\$ 4,584,570</u>	<u>\$ 4,344,184</u>	<u>\$ 4,566,909</u>	<u>\$ 5,010,815</u>	<u>\$ 4,569,624</u>	<u>\$ 4,551,298</u>
Change in net position										
Governmental activities	\$ 2,196	\$ (225,087)	\$ (11,953)	\$ 128,025	\$ 238,686	\$ (13,155)	\$ 242,323	\$ 638,989	\$ 385,462	\$ 333,453
Business-type activities	12,113	(12,504)	(17,424)	(4,973)	(1,238)	12,794	(14,338)	(20,181)	5,480	(2,673)
Total district	<u>\$ 14,309</u>	<u>\$ (237,591)</u>	<u>\$ (29,377)</u>	<u>\$ 123,052</u>	<u>\$ 237,448</u>	<u>\$ (361)</u>	<u>\$ 227,985</u>	<u>\$ 618,808</u>	<u>\$ 390,942</u>	<u>\$ 330,780</u>

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Fund Balances - Governmental Funds
Last Ten Fiscal Years
For the Fiscal Year Ended June 30, 2014
Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund:										
Reserved	\$ 672,381	\$ 625,107	\$ 650,457	\$ 775,703	\$ 1,099,868	\$ 1,186,001				
Unreserved	102,738	68,218	206,947	207,437	193,786	163,914				
Restricted							\$ 1,118,667	\$ 1,382,706	\$ 1,147,303	\$ 1,356,523
Assigned							292,043	129,941	68,614	49,320
Unassigned							179,539	211,187	208,139	224,354
Total general fund	<u>\$ 775,119</u>	<u>\$ 693,325</u>	<u>\$ 857,404</u>	<u>\$ 983,140</u>	<u>\$ 1,293,654</u>	<u>\$ 1,349,915</u>	<u>\$ 1,590,249</u>	<u>\$ 1,723,834</u>	<u>\$ 1,424,056</u>	<u>\$ 1,630,197</u>
All other governmental funds:										
Unreserved, reported in:										
Special revenue fund	\$ (351)	\$ (351)	\$ (351)	\$ (351)						
Capital projects fund									\$ 740,022	\$ 7,008
Total all other governmental funds	<u>\$ (351)</u>	<u>\$ (351)</u>	<u>\$ (351)</u>	<u>\$ (351)</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>\$ 740,022</u>	<u>\$ 7,008</u>

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Tax levy	\$ 2,602,961	\$ 2,500,000	\$ 2,602,961	\$ 2,603,000	\$ 3,000,000	\$ 3,120,000	\$ 3,230,000	\$ 3,359,200	\$ 3,292,016	\$ 3,292,016
Tuition charges	16,840	6,650		14,200	12,750	16,900	30,830	7,000	6,890	3,483
Transportation fees	29,970	13,260	29,970			26,897	13,200	250	62	600
Interest earnings	14,304	3,517	14,304	31,393	42,779	33,850	10,545	34,845	37,283	23,511
Miscellaneous	6,728	4,591	9,728	8,735	1,273	6,017	7,348	8,597	3,938	19,495
State sources	1,224,867	1,295,753	1,394,452	1,434,389	1,323,719	934,733	1,178,253	1,315,617	1,232,736	1,213,118
Federal sources	114,713	106,782	114,078	108,258	106,847	271,114	127,134	143,050	93,143	95,246
Total revenue	4,010,383	3,930,553	4,165,493	4,199,975	4,487,368	4,409,511	4,597,310	4,868,559	4,666,068	4,647,469
Expenditures										
Instruction:										
Regular	1,323,479	1,352,500	1,548,948	1,511,187	1,489,200	1,504,926	1,447,868	1,328,293	1,368,160	1,371,383
Special	178,280	198,917	142,254	217,078	209,881	210,520	166,860	155,221	158,012	165,653
Other special instruction	55,794	55,470	58,516	62,432	83,308	139,050	3,935	51,045		
Other instruction							1,552	878	422	1,095
Undistributed:										
Instruction	562,863	614,057	643,759	565,401	595,614	488,660	761,204	795,473	456,836	578,708
Student & instruction related services	233,784	249,865	178,867	212,105	255,870	293,584	251,425	317,505	274,120	315,367
General administration	122,405	132,525	126,235	128,399	124,318	130,919	112,810	118,218	127,322	136,260
School administration	54,133	53,418	54,808	56,511	57,719	59,241	59,241	60,808	59,422	58,715
Central administration	65,705	71,978	72,677	75,560	80,138	85,984	86,226	90,799	94,316	101,450
Administration information technology	1,560	1,743	1,080	1,204	1,797	2,156				
Plant operations & maintenance	291,669	305,420	340,566	362,906	340,704	356,620	289,128	314,600	415,121	355,293
Student transportation	254,325	273,720	281,640	307,123	339,182	331,056	314,203	342,116	299,835	347,725
Unallocated benefits	705,278	822,165	988,930	975,747	758,890	779,860	889,829	832,031	822,150	758,763
Capital outlay	84,227	39,635		116,004	20,282	32,544	109,250	311,987	125,108	969,722
Total expenditures	3,933,502	4,171,413	4,438,280	4,591,657	4,356,903	4,415,120	4,493,531	4,718,974	4,200,824	5,160,134
Excess (deficiency of revenues over (under) expenditures	76,881	(240,860)	(272,787)	(391,682)	130,465	(5,609)	103,779	149,585	465,244	(512,665)
Other financing sources (uses)										
Transfers out - capital projects	3,288									
Transfer in - internal service fund										3,792
Transfers out - food service	(32,000)	(9,400)	(9,000)	(25,000)	(25,000)	(25,000)		(16,000)	(25,000)	(18,000)
Total other financing sources (uses)	(28,712)	(9,400)	(9,000)	(25,000)	(25,000)	(25,000)		(16,000)	(25,000)	(14,208)
Net change in fund balance	\$ 48,169	\$ (250,260)	\$ (281,787)	\$ (416,682)	\$ 105,465	\$ (30,609)	\$ 103,779	\$ 133,585	\$ 440,244	\$ (526,873)

Debt service as a percentage of noncapital expenditures

Source: District records

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30	Miscellaneous	Refund Prior Year	Annual Totals
2005	\$ 6,728		\$ 6,728
2006	5,915	\$ 2,820	8,735
2007	3,973	300	4,273
2008	1,129	970	2,099
2009	338	1,516	1,854
2010	1,192	849	2,041
2011	3,304	16,023	19,327
2012	2,576	1,922	4,498
2013	183	454	637
2014	4,215	15,280	19,495
	<u>\$ 29,553</u>	<u>\$ 40,134</u>	<u>\$ 69,687</u>

Source: District Records

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30	Vacant Land	Residential	Farm Reg.	Q Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utility	Net Valuation Taxable	Estimated Actual (County Equalized Value)	Total Direct School Tax Rate
2005	\$ 2,679,200	\$ 58,728,500	\$ 25,396,200	\$ 4,242,010	\$ 1,527,200	\$111,615,200	0	\$ 204,188,310	\$ 641,378	\$ 204,829,688	\$ 219,935,707	0.000
2006	2,532,500	59,262,800	25,500,800	4,243,810	1,527,200	111,214,100	0	204,281,210	602,977	204,884,187	243,685,089	0.000
2007	2,469,000	59,410,500	25,789,100	4,205,910	1,527,200	111,214,100	0	204,615,810	544,459	205,160,269	246,124,871	0.000
2008	2,479,700	60,678,500	25,347,500	4,181,210	1,527,200	112,994,100	0	207,208,210	689,861	207,898,071	231,109,347	0.000
2009	2,445,400	61,197,000	25,783,200	4,311,000	1,527,100	113,154,200	0	208,417,900	507,414	208,925,314	314,570,493	0.000
2010	2,614,300	61,954,200	25,588,300	4,168,500	1,527,200	113,229,100	0	209,081,600	610,966	209,692,566	265,310,796	0.000
2011	3,198,600	64,264,700	23,401,100	3,907,300	1,527,200	113,498,600	0	209,797,500	423,390	210,220,890	296,419,755	0.000
2012	3,229,600	69,945,000	18,928,500	3,772,300	1,633,600	113,498,600	0	211,007,600	436,054	211,443,654	276,948,769	0.000
2013	3,226,000	70,567,100	18,679,100	3,757,200	1,633,600	113,498,600	0	211,361,600	409,427	211,771,027	264,640,143	0.000
2014	3,023,500	70,949,400	19,112,000	3,749,800	1,633,600	211,966,900	0	310,435,200	247,473	310,682,673	n/a	0.000

Source: Municipal Tax Collector

n/a = Not available at time of completion of CAFR

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Direct and Overlapping Property Tax Rates
 Per \$100 of Assessed Valuation
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
				Township of LAC	Salem County	
2005	0.000	0.000	0.000	0.000	1.496	1.496
2006	0.000	0.000	0.000	0.000	1.136	1.136
2007	0.000	0.000	0.000	0.000	1.072	1.072
2008	0.000	0.000	0.000	0.000	1.127	1.127
2009	0.000	0.000	0.000	0.000	1.033	1.033
2010	0.000	0.000	0.000	0.000	1.336	1.336
2011	0.000	0.000	0.000	0.000	1.116	1.116
2012	0.000	0.000	0.000	0.000	1.268	1.268
2013	0.000	0.000	0.000	0.000	1.207	1.207
2014	0.000	0.000	0.000	0.000	1.376	1.376

Source: Municipal Tax Assessor

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Principal Property Taxpayers
Current and Nine Years Ago
Unaudited

Taxpayer	2014		2005	
	Taxable Assessed Value	% of Total District Net Assessed Valuation	Taxable Assessed Value	% of Total District Net Assessed Valuation
PSE&G	\$ 113,592,800	36.59%	\$ 111,609,400	54.66%
Taxpayer #1	856,300	0.28%	856,300	0.42%
Taxpayer #2	782,500	0.25%		
Taxpayer #3			698,100	0.33%
Taxpayer #4			682,280	0.32%
Wave Maker 4 LLC	644,900	0.21%		
Taxpayer #5			520,300	0.24%
Taxpayer #6			423,500	0.21%
Taxpayer #7	398,800	0.13%	398,800	0.20%
Hancock, Tice & Crane LLC	396,600	0.13%		
Taxpayer #8	392,700	0.13%	392,700	0.19%
Taxpayer #9	368,100	0.12%		
Taxpayer #10	366,400	0.12%		
Taxpayer #11			337,400	0.17%
Taxpayer #12			323,000	0.16%
	<u>\$ 117,799,100</u>	<u>37.95%</u>	<u>\$ 116,241,780</u>	<u>56.90%</u>

Source: Municipal Tax Assessor

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Property Tax Levies and Collections
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	<u>Collected within the Fiscal Year</u>		<u>Collections in Subsequent Year</u>
		<u>Amount</u>	<u>Percent of Levy</u>	
2005	\$ 2,660,401	\$ 2,660,401	100.00%	
2006	2,707,792	2,707,792	100.00%	
2007	3,059,640	3,059,640	100.00%	
2008	3,299,639	3,299,639	100.00%	
2009	3,299,639	3,299,639	100.00%	
2010	3,230,000	3,230,000	100.00%	
2011	3,359,200	3,359,200	100.00%	
2012	3,359,200	3,359,200	100.00%	
2013	3,292,016	3,292,016	100.00%	
2014	3,292,016	3,292,016	100.00%	

Source: District records

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30	Governmental Activities			Bond Anticipation Notes	Business-type Activities Capital Leases	Total District	Percentage of Personal Income
	General Obligation Bonds	Certificate of Participation	Capital Leases				
2005	0	0	0	0	0	0	0.00%
2006	0	0	0	0	0	0	0.00%
2007	0	0	0	0	0	0	0.00%
2008	0	0	0	0	0	0	0.00%
2009	0	0	0	0	0	0	0.00%
2010	0	0	0	0	0	0	0.00%
2011	0	0	0	0	0	0	0.00%
2012	0	0	0	0	0	0	0.00%
2013	0	0	0	0	0	0	0.00%
2014	0	0	0	0	0	0	0.00%

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

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions			
2005	0	0	0	0.00%	0
2006	0	0	0	0.00%	0
2007	0	0	0	0.00%	0
2008	0	0	0	0.00%	0
2009	0	0	0	0.00%	0
2010	0	0	0	0.00%	0
2011	0	0	0	0.00%	0
2012	0	0	0	0.00%	0
2013	0	0	0	0.00%	0
2014	0	0	0	0.00%	0

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

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Direct and Overlapping Governmental Activities Debt
 as of December 31, 2013
 Unaudited

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Governmental Unit			
Debt repaid with property taxes			
Township of Lower Alloways Creek	0	100%	0
Salem County General Obligation Debt (4.96%)	\$ 45,996,464	4.85%	\$ 2,231,995
Subtotal, overlapping debt			2,231,995
Township of Lower Alloways Creek School District			0
Total direct and overlapping debt			<u>\$ 2,231,995</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Salem County Board of Taxation. Debt outstanding provided by each government unit.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Legal Debt Margin Information
 Last Ten Fiscal Years
 Unaudited

	Equalized Valuation Basis	
Year		
2013	\$	299,251,876
2012		262,218,964
2011		273,280,578
	\$	<u>834,751,418</u>
Average equalized valuation of taxable property	\$	278,250,473
Debt limit (3% of average equalized value)		8,347,514
Total net debt applicable to limit		<u>0</u>
Legal debt margin	\$	<u>8,347,514</u>

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 6,967,578	\$ 7,037,954	\$ 7,236,955	\$ 6,896,657	\$ 7,803,869	\$ 7,988,957	\$ 8,676,642	\$ 8,302,877	\$ 8,303,129	\$ 8,347,514
Total net debt applicable to limit	<u>0</u>									
Legal debt margin	<u>\$ 6,967,578</u>	<u>\$ 7,037,954</u>	<u>\$ 7,236,955</u>	<u>\$ 6,896,657</u>	<u>\$ 7,803,869</u>	<u>\$ 7,988,957</u>	<u>\$ 8,676,642</u>	<u>\$ 8,302,877</u>	<u>\$ 8,303,129</u>	<u>\$ 8,347,514</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%

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2005	1,890	\$ 62,940,780	\$ 33,302	2.50%
2006	1,899	64,231,776	33,824	2.60%
2007	1,894	67,250,258	35,507	2.60%
2008	1,881	69,894,198	37,158	3.30%
2009	1,885	73,993,790	39,254	5.80%
2010	1,892	74,049,096	39,138	6.20%
2011	1,767	70,483,863	39,889	5.90%
2012	1,764	72,662,688	41,192	7.90%
2013	1,751	74,154,850	42,350	8.20%
2014	1,741	n/a	n/a	n/a

Source: Data regarding school district population and per capita personal income was provided by the Department of Education.

n/a - Not available at the time of CAFR completion.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Principal Employers
Current and Nine Years Ago
Unaudited

<u>Employer</u>	<u>2014</u>		<u>2005</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>
Public Service Electric & Gas	\$ 1,300	137.86% *		
LAC Township	52	5.51%		
LAC Board of Education	41	4.35%		
	<u>\$ 1,393</u>	<u>147.72%</u>	<u>N/A</u>	<u>0.00%</u>

Source: County of Salem Department of Economic Development.

* Labor force consists of a significant number of employees for PSE&G from other municipalities, therefore, the percentage of employees to the labor force is greater than 100%.

N/A - Not available

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 Full-time Equivalent District Employees by Function/Program
 Last Ten Fiscal Years
 Unaudited

Function/program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Instruction:										
Regular	22.8	22.5	24.4	23.7	24.1	23.5	21.70	19.21	20.76	21.24
Special education	2.0	2.6	2.8	4.1	5.1	5.4	3.52	3.84	3.45	3.37
Support services:										
Student & instruction related services	1.2	1.2	1.2	1.2	1.2	1.2	1.20	1.00	1.10	1.00
General administration	0.5	0.5	1.0	1.0	1.0	1.0	1.00	1.00	1.00	1.00
School administration	0.5	0.5	1.0	1.0	1.0	1.0	1.00	1.00	1.00	1.00
Business administrative services	1.0	1.0	1.0	1.0	0.9	0.8	0.10	0.00	0.00	0.00
Plants operations and maintenance	3.7	3.7	3.7	3.7	3.7	3.7		0.50	0.50	0.50
Pupil transportation	5.3	5.2	5.9	6.3	6.9	4.7	5.10	4.36	5.26	3.56
Food service	3.0	3.0	0.0	0.0	0.0	2.3	2.30	2.30	2.30	2.29
Child care	0.0	0.0	0.0	0.0	0.0	0.9	0.30	0.50	0.36	0.29
Total	<u>40</u>	<u>40</u>	<u>41</u>	<u>42</u>	<u>44</u>	<u>44</u>	<u>36.2</u>	<u>33.7</u>	<u>35.7</u>	<u>34.25</u>

Source: District personnel records

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary				
2005	228	\$ 3,849,275	\$ 16,883	12.65%	24.8	1:9	226.6	215.1	3.60%	94.92%
2006	229	4,131,778	18,043	6.87%	25.1	1:9	233.1	223.3	2.87%	95.80%
2007	238	4,438,280	18,648	3.36%	26.8	1:9	225.5	221.4	-3.26%	98.18%
2008	230	4,475,653	19,459	4.35%	26.8	1:9	232.5	222.9	3.10%	95.87%
2009	230	4,336,621	18,855	-3.11%	27.0	1:8	221.7	209.7	-4.65%	94.59%
2010	223	4,382,576	19,653	4.23%	27.0	1:8	219.3	203.1	-1.08%	92.61%
2011	215	4,384,281	20,392	3.76%	24.7	1:8	199.6	186.2	-8.98%	93.29%
2012	202	4,406,987	21,817	6.99%	22.3	1:9	198.5	189.0	-0.55%	95.21%
2013	201	4,075,716	20,277	-0.56%	22.3	1:9	200.2	191.3	0.86%	95.55%
2014	191	4,190,412	21,939	0.56%	22.3	1:9	193.9	186.1	-3.17%	95.99%

Sources: District records, ASSA

Note: Enrollment based on annual October District count.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 School Building Information
 Last Ten Fiscal Years
 Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Elementary										
Lower Alloways Creek:										
Square feet	54,110	54,110	54,110	54,110	54,110	54,110	54,110	54,110	54,110	54,110
Capacity (students)	425	425	425	425	425	425	425	425	425	425
Enrollment	238	230	230	234	237	220	200	197	201	194

Number of schools at June 30, 2014

Elementary = 1

Source: District office

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
 General Fund
 Schedule of Required Maintenance Expenditures by School Facility
 For the Fiscal Year Ended June 30, 2014
 Unaudited

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES

* School Facilities	Gross Square Footage	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Lower Alloways Creek	54,110	<u>\$ 29,782</u>	<u>\$ 22,255</u>	<u>\$31,019</u>	<u>\$ 46,129</u>	<u>\$ 42,033</u>	<u>\$ 41,754</u>	<u>\$ 47,539</u>	<u>\$ 74,341</u>	<u>\$ 159,012</u>	<u>\$ 73,806</u>	<u>\$ 567,670</u>

* School facilities as defined under EFCA
 (NJAC 6A:26-1.2 and NJAC 6:24-1.3)

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Insurance Schedule
June 30, 2014
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund		
Educational Risk and Insurance Consortium - South		
Property - blanket buildings & contents	\$ 13,930,932	\$ 5,000
Blanket hardware/software	25,000	1,000
School board legal liability	5,000,000	
Automobile liability	5,000,000	None
Workmen's compensation - NJ School Boards Association		
Insurance group		
Bodily injury - by accident	2,000,000	None
Bodily injury - by disease	2,000,000	None
Bodily injury - by employee	2,000,000	None
Pollution liability	25,000,000	10,000
Student accident - Berkley Health and Life	1,000,000	None
Public employees' faithful performance bonds -		
Liberty Mutual Insurance Company		
Employee bond - Shannon N. DuBois-Brody, Business		
Administrator/Board Secretary	185,000	None
Employee bond - Rebecca S. Joyce, Alternate		
Board Secretary	10,000	None

Source: District records

SINGLE AUDIT SECTION

PETRONI & ASSOCIATES LLC

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

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Lower Alloways Creek Township School District
967 Main Street - Canton
Salem, New Jersey 08079

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the Governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lower Alloways Creek Township School District, in the County of Salem, State of New Jersey, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lower Alloways Creek Township School District's basic financial statements, and have issued our report thereon dated October 23, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lower Alloways Creek 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 Office of School Finance, Department of Education, State of New Jersey.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Licensed Public School Accountant #542

October 23, 2014

PETRONI & ASSOCIATES LLC

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REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Lower Alloways Creek Township School District
967 Main Street - Canton
Salem, New Jersey 08079

Report on Compliance for Each Major State Program

We have audited the Lower Alloways Creek Township School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Lower Alloways Creek Township School District's major state programs for the year ended June 30, 2014. The Lower Alloways Creek Township School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Lower Alloways Creek Township School District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, and the *New Jersey State Aid/Grant Compliance Supplement, Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and New Jersey OMB 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 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 state program occurred. An audit includes examining, on a test basis, evidence about the Lower Alloways Creek Township 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 on compliance for each major state program. However, our audit does not provide a legal determination of the Lower Alloways Creek Township School District's compliance.

Opinion on Each Major State Program

In our opinion, the Lower Alloways Creek Township School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Lower Alloways Creek Township School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lower Alloways Creek Township School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, and New Jersey OMB 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 Lower Alloways Creek Township School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

**Report on Schedules of Expenditures of Federal Awards and State Financial Assistance
Required by NJ OMB Circular 04-04**

We have audited the financial statements Lower Alloways Creek Township School District as of and for the year ended June 30, 2014, and have issued our report thereon dated October 23, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by OMB Circular A-133 and NJ OMB Circular 04-04 and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 schedule of expenditure of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Licensed Public School Accountant #542

October 23, 2014

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2013	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2014			Memo Cumulative Total Expenditures
				From	To							(Accounts Receivable)	Deferred Revenue	Due to Grantor	
U.S. Department of Education															
Passed-through State Department of Education:															
Special Revenue Fund:															
Title I - Part A	84.010A	NCLB280014	\$ 14,394	07/1/13	- 06/30/14			\$ 14,394	\$ (14,394)						\$ 14,394
Title I - Part A	84.010A	NCLB280013	15,329	09/1/12	- 08/31/13	\$ (7,583)		7,758	(2,527)			\$ (2,352)			15,329
Title II-A - Teacher & Principal Training	84.367	NCLB280014	3,798	07/1/13	- 06/30/14			3,798	(3,798)						3,798
Title II-A - Teacher & Principal Training	84.367	NCLB280013	3,460	09/1/12	- 08/31/13	(198)		198							3,460
IDEA Part B, Basic Regular	84.027A	IDEA280014	50,639	07/1/13	- 06/30/14			30,012	(50,639)			(20,627)			50,639
IDEA Part B, Basic Regular	84.027A	IDEA280013	53,410	09/1/12	- 08/31/13	(15,510)		15,510							53,410
IDEA Part B, Preschool	84.173	IDEA280014	731	07/1/13	- 06/30/14			731	(731)						731
Rural Education Achievement Program	84.358	S358A131769	23,157	07/1/13	- 09/30/14			23,157	(23,157)						23,157
Total Special Revenue Fund						(23,291)		95,558	(95,246)			(22,979)			164,918
U.S. Department of Agriculture															
Passed-through State Department of Education:															
Enterprise Fund:															
Food Distribution Program	10.550	n/a	5,091	07/1/13	- 06/30/14			5,091	(3,954)			\$ 1,137			5,091
Food Distribution Program	10.550	n/a	4,721	07/1/12	- 06/30/13	1,120			(1,120)						4,721
School Breakfast Program	10.553	n/a	288	07/1/13	- 06/30/14			288	(288)						288
National School Lunch Program	10.555	n/a	23,384	07/1/13	- 06/30/14			21,476	(23,384)			(1,908)			23,384
National School Lunch Program	10.555	n/a	16,615	07/1/12	- 06/30/13	(935)		935							16,615
Total Enterprise Fund						185		27,790	(28,746)			(1,908)	1,137		50,099
Total Federal Financial Awards						\$ (23,106)		\$ 123,348	\$ (123,992)			\$ (24,887)	\$ 1,137		\$ 215,017

The accompanying notes to the schedules of expenditures of awards and financial assistance are an integral part of this schedule.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2014

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2013			Cash Received	Budgetary Expenditures	Adjustment/ Repayment of Prior Year's Balance	Balance at June 30, 2014			Memo	
			From	To	Deferred Revenue (Accts. Receivable)	Due to Grantor	Carryover/ (Walkover) Amount				(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education															
General Fund:															
Transportation Aid	14-495-034-5120-014	\$ 120,883	07/1/13 - 06/30/14					\$ 120,883	\$ (120,883)				\$ 12,030	\$ 120,883	
State Aid Public:															
Equalization Aid	14-495-034-5120-078	421,194	07/1/13 - 06/30/14				421,194	(421,194)					41,917	421,194	
Special Education Aid	14-495-034-5120-089	124,366	07/1/13 - 06/30/14				124,366	(124,366)					12,376	124,366	
Security Aid	14-495-034-5120-084	19,864	07/1/13 - 06/30/14				19,864	(19,864)					1,977	19,864	
Adjustment Aid	14-495-034-5120-085	196,496	07/1/13 - 06/30/14				196,496	(196,496)					19,554	196,496	
Extraordinary Aid	14-100-034-5120-473	60,858	07/1/13 - 06/30/14					(60,858)		\$ (60,858)				60,858	
Extraordinary Aid	13-100-034-5120-473	41,561	07/1/12 - 06/30/13		\$ (41,561)		41,561							41,561	
Nonpublic Transportation Costs	n/a	1,350	07/1/13 - 06/30/14					(1,350)			(1,350)			1,350	
Nonpublic Transportation Costs	n/a	1,738	07/1/12 - 06/30/13		(1,738)		1,738							1,738	
Anti-Bullying Bill of Rights		1,122	07/1/13 - 06/30/14				1,122	(1,122)						1,122	
Reimbursed TPAF Social Security Contributions	14-100-034-5095-002	106,296	07/1/13 - 06/30/14				101,049	(106,296)			(5,247)			106,296	
On-behalf TPAF Postretirement Contribution	14-100-034-5095-001	101,487	07/1/13 - 06/30/14				101,487	(101,487)						101,487	
On-behalf TPAF Pension Contribution	14-100-034-5095-007	61,896	07/1/13 - 06/30/14				61,896	(61,896)						61,896	
Total General Fund					(43,299)		1,191,656	(1,215,812)		(67,455)			87,854	1,138,228	
State Department of Agriculture															
Enterprise Fund:															
National School Lunch Program (State Share)	14-100-010-3360-067	930	07/1/13 - 06/30/14				805	(930)			(125)			930	
National School Lunch Program (State Share)	13-100-010-3360-067	917	07/1/12 - 06/30/13		(106)		106							917	
Total Enterprise Fund					(106)		911	(930)		(125)				1,847	
Total State Financial Assistance					\$ (43,405)		\$ 1,192,567	\$ (1,216,742)		\$ (67,580)			\$ 87,854	\$ 1,140,075	

The accompanying notes to the schedules of expenditures of awards and financial assistance are an integral part of this schedule.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE
JUNE 30, 2014

NOTE 1: GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include Federal and State activity of the Board of Education, Lower Alloways Creek Township School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All Federal and State awards received directly from Federal and State agencies, as well as federal awards and state financial assistance passed through other Government agencies, is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Awards and Financial Assistance are presented on the budgetary 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 Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Circular Letter 04-04. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General Fund and Special Revenue Fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the General Fund and Special Revenue Fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when 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 June state aid payments in the current budget year, which is mandated pursuant to NJSA 18A:22-44-.2. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The Special Revenue Fund also recognizes the June state aid payments in the current budget year, consistent with NJSA 18A:22-44-.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$2,694) for the General Fund and \$0 for the Special Revenue Fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented:

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE
JUNE 30, 2014

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General fund		\$ 1,213,118	\$ 1,213,118
Special revenue fund	\$ 95,246		95,246
Food service fund	28,763	930	29,693
Total financial assistance	<u>\$ 124,009</u>	<u>\$ 1,214,048</u>	<u>\$ 1,338,057</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related Federal and State financial reports.

NOTE 5: FOOD DISTRIBUTION PROGRAM

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. Non-monetary assistance is reported in the schedule at the market value of the commodities received and disbursed. At June 30, 2014, Lower Alloways Creek Township School District has food commodities totaling \$1,137 in inventory.

NOTE 6: OTHER

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2014. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2014.

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

2. Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None

Noncompliance material to basic financial statements noted? _____ Yes X No

Federal awards

N/A

State awards

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

Auditee qualified as low-risk auditee? X Yes _____ No

Internal control over major programs:

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

2. Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 04-04? _____ Yes X No

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section I – Summary of Auditor’s Results

Identification of major programs:

<u>GMIS Numbers</u>	<u>Name of State Program</u>
495-034-5120-014	Transportation Aid
	State Aid Public:
495-034-5120-085	Adjustment Aid
495-034-5120-078	Equalization Aid
495-034-5120-089	Special Education Aid
495-034-5120-084	Security Aid

Section II – Financial Statement Findings

None

**Section III – Federal Awards and State Financial Assistance
Findings and Questioned Costs**

FEDERAL AWARDS

N/A

STATE AWARDS

None

LOWER ALLOWAYS CREEK TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

No matters were reported.