SCHOOL DISTRICT
OF

TOWNSHIP OF LOWER

Lower Township Board of Education
Cape May, New Jersey

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

Comprehensive Annual Financial Report

of the

Township of Lower Board of Education

Cape May, New Jersey

For the Fiscal Year Ended June 30, 2014

Prepared by
Township of Lower Board of Education
Finance Department

LOWER TOWNSHIP SCHOOL DISTRICT

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Introductory Section

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October 29, 2014

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

Dear Board Members:

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

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

1. REPORTING ENTITY AND ITS SERVICES:

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

The District provides a full range of educational services appropriate to grade levels Preschool through 6. These include regular education, academic enrichment programs and Special Education instruction and Child Study Team services. The District completed the 2013-2014 fiscal year with an enrollment of 1,826 students (June 2014). The following details the changes in the student enrollment of the District over the last ten years.

AVERAGE STUDENT ENROLLMENT
AS REPORTED TO THE STATE

Fiscal Year	Average Daily Enrollment	Percent Change
2013-14	1,826	0.82%
2012-13	1,811	-0.93%
2011-12	1,828	-1.08%
2010-11	1,848	-1.96%
2009-10	1,885	1.51%
2008-09	1,857	1.65%
2007-08	1,827	-3.44%
2006-07	1,892	-1.40%
2005-06	1,919	1.00%
2004-05	1,900	-0.42%

2. ECONOMIC CONDITION AND OUTLOOK:

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

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

3. MAJOR INITIATIVES:

During the 2013-14 school year, academic programs were strengthened to promote increased student achievement in the New Jersey Department of Education's chosen curriculum, the Common Core State Standards for **English Language Arts**. Common Core State Standards presently provide our young people a high-quality 21st Century Education in 46 states, District of Columbia and (4) United States territories. The English Language Standards are divided into Reading, Writing, Speaking and Listening, however the Language strands for conceptual clarity and processes of communication are closely connected. Through continued emphasis on consistent grade-level proficiencies, curriculum objectives are clearly identified in the areas of reading, writing and speaking. The literacy objective goal remains to prepare our next generation to be college and/or career-ready by high school graduation. The district continues to invest in both hardback student text and e-texts in major content area subjects to provide students and parents with 24/7 access to instructional materials. As each district prepares for PARCC readiness, increased teaching materials and training, and greater emphasis on student instruction and experiences for students with interactive technology continues to be a priority.

Additional educational resources were provided by the plethora of online reading intervention programs for preschool thru grade 6 students. The list of district-provided online student resources includes: World Book Kids (K–3), World Book Students (4–6), World Book Discover (Focus: science), Encyclopedia Estudiantil Hallazgos (Spanish encyclopedia) and the Early World of Learning (Focus: visual learning modality), BookFlix© (popular children's reading titles in multiple languages) presents hundreds of traditionally favorite stories and characters to be viewed onscreen as colorful visual text with optional auditory support and the capability to track individual student comprehension.

Implementation of the Common Core Standards for **Mathematics** proved challenging for third through sixth grade educators as the new content strands are quite a departure from the existing ENVISION© MATH program which was based upon the New Jersey Core Curriculum Math Standards. Kindergarten through second grade completed Year 2 of implementation. Whole group math lessons utilizing Mimio and SMART technology enhanced student comprehension of math concepts via visually-rich animations graphically introducing each math concept. Continued digital component training increased teacher technology proficiency which in turn provided additional student reinforcement of mathematics.

Assessment of Student Achievement

Preschool and kindergarten instructional staff, having completed training in High/Scope's COR *(Child Observation Record)* method of assessment, provided measurable and meaningful assessment for preschool students while Kindergarten literacy achievement was assessed via the following measures: Fountas & Pinnell Benchmark Assessment, Journeys© Unit & Benchmark Assessments and the Kindergarten Literacy Survey administered three (3) times per year.

HANDWRITING WITHOUT TEARS© (HWT) curriculum was adopted by preschool and kindergarten during 2008-09 SY and now provides curriculum in reading readiness.

According to the district's five-year evaluation cycle, other programs revisited during the 13-14 school year included nursing program, physical education, and the enrichment program

received enhancements. In particular, the district's social studies program introduced new instructional materials for grades 3 through 6 during the 2013-14 SY. The new social studies series incorporates the 2009 NJ CCCS goals and includes many 21st Century Standards.

Staff development activities are implemented on an ongoing basis in accordance with the district's Professional Development Plan, which is closely aligned with the district's five-year plan for the evaluation and development of curriculum. Staff development priorities are identified as a result of the comprehensive review and analysis of numerous data sources including: state curriculum requirements, state assessments, standardized tests, district benchmark/annual assessments, anecdotal records, literacy portfolios, attendance records, discipline records, staff/parent surveys, teacher/administrative input, parent-teacher conferences, school-based planning team meetings, guidance office referrals, intervention and referral services committees, student mobility data and program evaluation reports.

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

Major staff development during the 2013-14 school year focused on continued reinforcement of the domains and frameworks of the teacher evaluation system and successful creation/development of our first year creating individual student growth objectives and linking student achievement to teacher evaluation.

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

The district implemented training on all levels in compliance with the New Jersey Harassment, Intimidation and Bullying Law. All board of education members, administrators, staff, volunteers and students participated in mandatory training in the new law guidelines including behavior expectations, staff and pupil responsibilities, rights and reporting. The district appointed anti-bullying coordinator, four (4) school anti-bullying specialists and four (4) school safety teams all of which participated in intensive training promoting pro-social behaviors. Each school team focused on strengthening practices and creating programs to develop, foster and maintain a positive school climate. In accordance with the regulatory components of the New Jersey Department of Education, individual school safety teams completed the School Self-Assessment for determining grades under the Anti-Bullying Bill of Rights Act and received an exemplary score for HIB programs and compliance.

Entitlement funds from Title I, Title IIA, Title III and the Individuals with Disabilities Education Act, Part B Aid assisted in providing additional specialized educational

opportunities for at-risk students. The American Recovery & Reinvestment Act (ARRA) of 2010 funds for equipment and training continues as SMART© Technology in the upper level classrooms has become the preferred method to introduce new material in the whole classroom instructional setting. I-Respond carts provide opportunities for students to respond individually to a visual prompt, or interact with whiteboard or SMART© screen activities.

The entire district has wireless internet to maximize student and staff access. While classroom teachers provide small group instruction, remaining students engage in individual independent practice via the technology resources including Leapster, Book Flix© (preschool-4th), web-developed classroom websites via Site@School, Brain-Pop (Grades 3 – 6) and Brain-Pop, Jr. (Grades K-2) - (NJPASS skills: grades 1-2). WEB-DRVs (web-digital video recordings) of grade-appropriate educational videos, access to online graphic novels and utilization of additional educational software, such as Journeys, EnVision and World Book resources complimented the 21st Century and Technology Tools available to all students. All instructional staff participated in technology sessions focusing on the ever-growing menu of technology enhancements available.

Lower Township School District's Technology Initiative requires every teacher to develop and complete at least one integrated technology project per academic year. With the plethora of technology initiatives, teachers now create and present interactive lessons geared for the multiple intelligences of the visual, auditory and special intelligence modalities. These advancements in instructional techniques and processes provide students greater opportunities to reach their potential.

4. INTERNAL ACCOUNTING CONTROLS:

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

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

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

5. BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are canceled or are included as reappropriations of fund balance in the subsequent year. Amounts to be reappropriated are reported as reservations of fund balance at June 30, 2014.

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. CASH MANAGEMENT:

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

8. RISK MANAGEMENT:

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

9. OTHER INFORMATION:

a. **Independent Audit** – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart, LLC, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statues, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. This auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit sections of this report.

10. ACKNOWLEDGEMENTS:

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

Respectfully submitted,

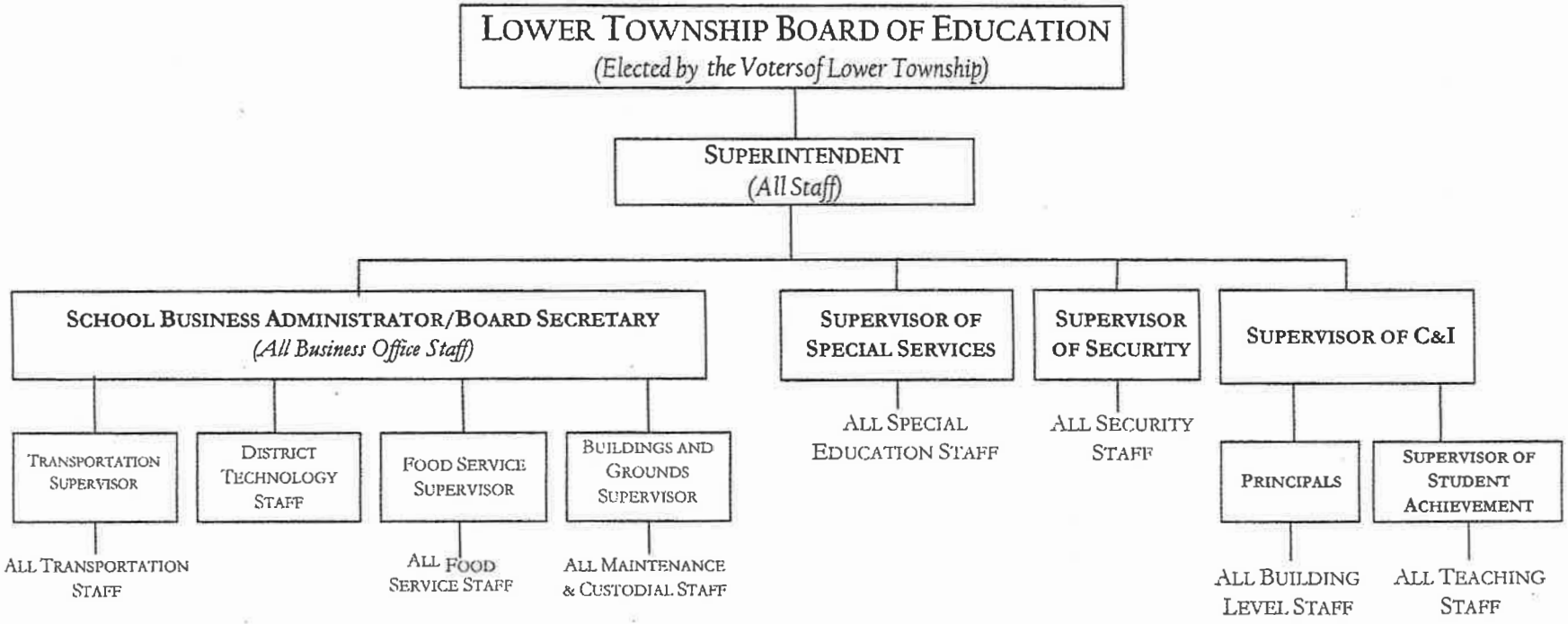
George Drozdowski
Superintendent

Frank Onorato
Business Administrator

Lower Township School District
Cape May, New Jersey

File Code: 1110
ADOPTED:
AUGUST 27, 2013

ORGANIZATIONAL CHART



Visio/Organizational Chart 2013

TOWNSHIP OF LOWER BOARD OF EDUCATION
LOWER TOWNSHIP, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2014

	Term Expires
James Rochford, President	2016
Ralph Bakley, Vice-President	2015
Timothy Shaun Wittington	2015
Joseph Jackson	2014
Patricia Smith	2014
Joseph Thomas	2016
David Robinson	2014
Charles Utsch	2016
Dawn Aftanis	2015

Other Officials

George Drozdowski, Superintendent
Frank Onorato, Board Secretary &
School Business Administrator
Lauren Read, Treasurer
John B. Comegno, Esq., Solicitor

LOWER TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors

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Financial Section

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Township School District, in the County of Cape May, 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 School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Township School District, in the County of Cape May, State of 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lower Township School District's basic financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 29, 2014 on my consideration of the Lower Township School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lower Township School District's internal control over financial reporting and compliance.

INVERSO & STEWART, LLC
Certified Public Accountants

Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
October 29, 2014

INVERSO & STEWART, LLC
Certified Public Accountants

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American Institute of CPAs
New Jersey Society of CPAs

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

INDEPENDENT AUDITOR'S REPORT

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

I 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lower Township School District, in the County of Cape May, 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 the School District's basic financial statements, and have issued my report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

INVERSO & STEWART, LLC
Certified Public Accountants

Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
October 29, 2014

Required Supplementary Information - Part I

Management's Discussion and Analysis

Lower Township School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

As management of the Board of Education of the Township of Lower, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by $9,130,706 *(net position)*.
- Governmental activities have an unrestricted net position deficit of $2,210,538. The accounting treatments in the governmental funds for compensated absences payable, and the last two state aid payments, and the state statute that prohibits school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net position of the School District decreased by $358,307, or a 3.77% decrease from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds decreased by $484,372 resulting in an ending fund balance of $747,304. This decrease is largely due to the results of operations of the General Fund.
- Business-type activities have unrestricted net position of $278,303.
- The School District's long-term obligations decreased by $59,218 which is a decrease in compensated absences.

Overview of the Basic Financial Statements

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

District-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Basic Financial Statements

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

Other Information

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

District-wide Financial Analysis

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2014. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2014.

The assets of the primary government activities exceeded liabilities by $8,843,295 with an unrestricted deficit balance of $2,210,538. The net position of the primary government does not include internal balances.

A net investment of $9,923,902 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's public school students. Net position of $1 has been restricted to provide resources for future capital expansion and renovation projects, $792,246 has been restricted for maintenance projects, deficit restricted balance of $37,193 for Special Revenue Fund, and $374,877 has been restricted for budget appropriation.

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

Lower Township School District
Comparative Summary of Net Position
As of June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		District-Wide	
	2014	2013	2014	2013	2014	2013
Assets:						
Current assets	$ 1,015,208	$ 1,235,948	$ 414,676	$ 427,471	$ 1,429,884	$ 1,663,419
Capital assets	9,923,902	9,820,210	9,108	11,968	9,933,010	9,832,178
Total assets	10,939,110	11,056,158	423,784	439,439	11,362,894	11,495,597
Liabilities:						
Current Liabilities	267,904	4,272	19,854	1,058	287,758	5,330
Noncurrent Liabilities	1,827,911	1,887,129	116,519	114,125	1,944,430	2,001,254
Total liabilities	2,095,815	1,891,401	136,373	115,183	2,232,188	2,006,584
Net position	$ 8,843,295	$ 9,164,757	$ 287,411	$ 324,256	$ 9,130,706	$ 9,489,013
Net position consist of:						
Invested in capital Assets	$ 9,923,902	$ 9,820,210	$ 9,108	$ 11,968	$ 9,933,010	$ 9,832,178
Restricted net position	1,129,931	1,654,263			1,129,931	1,654,263
Unrestricted net position	(2,210,538)	(2,309,716)	278,303	312,288	(1,932,235)	(1,997,428)
Net position	$ 8,843,295	$ 9,164,757	$ 287,411	$ 324,256	$ 9,130,706	$ 9,489,013

Lower Township School District
Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		District-Wide	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues						
Charges for services	$ 72,516	$ 97,018	$ 583,469	$ 635,521	$ 655,985	$ 732,539
Operating grants and Contributions	3,524,208	3,996,950	794,911	774,807	3,524,208	4,771,757
General Revenues:						
Property Taxes	15,251,564	14,952,514			15,251,564	14,952,514
Unrestricted State Aid	10,148,809	9,864,381			10,148,809	9,864,381
Tuition						
Other Revenues	86,495	75,262	100	133	86,595	75,395
Total Revenues	29,083,592	28,986,125	1,378,480	1,410,461	30,462,072	30,396,586
Expenses:						
Governmental Activities:						
Instruction	10,958,033	12,130,560			10,958,033	12,130,560
Tuition	1,049,973	466,502			1,049,973	466,502
Related Services	3,062,601	2,908,876			3,062,601	2,908,876
Administrative Services	1,341,680	1,303,045			1,341,680	1,303,045
Central Services	356,794	356,417			356,794	356,417
Operations and Maintenance	2,306,566	2,310,239			2,306,566	2,310,239
Transportation	1,261,876	1,276,545			1,261,876	1,276,545
Employee Benefits	9,044,216	9,362,514			9,044,216	9,362,514
Interest on long-term Debt						
Other	23,315	22,968			23,315	22,968
Business-Type Activities:						
Food Service Operations			1,108,597	1,171,089	1,108,597	1,171,089
Day Care Program			306,728	280,687	306,728	280,687
Total Expenses	29,405,054	30,137,666	1,415,325	1,451,776	30,820,379	31,589,442
Increase in net position Before transfers	(321,462)	(1,151,541)	(36,845)	(41,315)	(358,307)	(1,192,856)
Transfers						
Changes in net position	(321,462)	(1,151,541)	(36,845)	(41,315)	(358,307)	(1,192,856)
Net position, July 1,	9,164,757	10,316,298	324,256	365,571	9,489,013	10,681,869
Net position, June 30,	$ 8,843,295	$ 9,164,757	$ 287,411	$ 324,256	$ 9,130,706	$ 9,489,013

Governmental Activities

Governmental activities decreased the net position of the School District by $321,462 during the current fiscal year. Key elements of the decrease in net position for governmental activities are as follows:

- Capital additions less depreciation expense increased the net position by $103,692.
- Compensated absences decreased by $59,218.
- Results of operations in the General Fund decreased the net position by $483,420

Business-type Activities

Business-type activities decreased the School District's net position by $36,845. Key elements of the decrease in net position for business-type activities are as follows:

- The Food Service Fund had a net loss of $57,816 and the Day Care Program had a net gain of $20,971.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of $747,304, a decrease of $484,372 in comparison with the prior year. Most of this decrease is due to the General Fund results of operations.

The deficit unreserved fund balance for the School District at the end of the fiscal year includes a combination of an unreserved deficit fund balance for the General Fund of $382,627 and $37,193 in the Special Revenue Fund. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) as restricted cash reserved for future capital outlay expenditures of $1, 2) $183,633 appropriated as a revenue source in the subsequent year's budget, 3) $154,300 reserved for future budget appropriation in accordance with state statute, 4) $36,944 reserved for encumbrances, and 5) $792,246 reserved for maintenance.

The general fund is the chief operating fund of the School District. As discussed earlier, the balance in the unreserved fund balance is due, primarily, to the accounting treatment of the last two state aid payments as discussed in Note 17 of the notes to the basic financial statements, and state statutes that prohibit New Jersey school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was $14,543 or an increase of .06%. The increase to the budget was due to a withdrawal from Maintenance Reserve, Education Jobs Funds and Nonpublic Transportation.

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was $520,856 while total fund balance (budgetary basis) was $1,687,980. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to $28,178,652. Unreserved fund balance (budgetary basis) represents 1.84% of expenditures while total fund balance (budgetary basis) represents 5.99% of that same amount.

Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totaled $9,933,010 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total increase in the District's investment in capital assets for the current fiscal year was $100,832 or a 1.03% increase. The increase is due to acquisitions.

Capital Asset (net of accumulated depreciation)
June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		District-Wide	
	2014	2013	2014	2013	2014	2013
Land	$ 80,045	$ 80,045			$ 80,045	$ 80,045
Construction in Progress						
Buildings and Building Improvements	9,033,164	9,240,286			9,033,164	9,240,286
Equipment	810,693	499,879	$ 9,108	$ 11,968	819,801	511,847
Net position	$ 9,923,902	$ 9,820,210	$ 9,108	$ 11,968	$ 9,933,010	$ 9,832,178

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

Long-term debt – During the fiscal year ended June 30, 2014, the School District had $1,944,430 in compensated absences.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was $95,777,627. The available amount as of June 30, 2014 is $95,777,627.

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

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the School District's budget for the 2014-15 fiscal year.

For 2014-15 fiscal year the School District will be receiving an increase in state aid. The local tax levy in the General Fund increased by $555,031 or a 3.6% increase. Salaries continue to increase contractually; however, the District has managed to control costs. The 2014-15 General Fund Budget is $350,910 greater than the previous year or a 1.34 % increase. The tax rate was .362 in 2013 and slightly increased to .432 in 2014.

For the Future

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

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

Requests for Information

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

Basic Financial Statements

District-Wide Financial Statements

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

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	$ 461,648	$ 330,560	$ 792,208
Receivables, net	551,441	71,080	622,521
Inventory (Note 6)		15,154	15,154
Internal balances	2,118	(2,118)	
Restricted assets:			
Restricted cash and cash equivalents	1		1
Capital assets, net (Note 5)	9,923,902	9,108	9,933,010
Total assets	10,939,110	423,784	11,362,894
LIABILITIES:			
Accounts payable	267,904	19,854	287,758
Unearned revenue			
Noncurrent liabilities (Note 7):			
Due within one year			
Due beyond one year	1,827,911	116,519	1,944,430
Total liabilities	2,095,815	136,373	2,232,188
NET POSITION:			
Net investment in capital assets	9,923,902	9,108	9,933,010
Restricted for:			
Special Revenue	(37,193)		(37,193)
Other purposes	1,167,124		1,167,124
Unrestricted	(2,210,538)	278,303	(1,932,235)
Total net position	$ 8,843,295	$ 287,411	$ 9,130,706

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

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:						
Instruction:						
Regular	$ 9,095,023	$ 39,381	$ 695,545	$ (8,360,097)		$ (8,360,097)
Special education	1,811,033			(1,811,033)		(1,811,033)
Other instruction	51,977			(51,977)		(51,977)
Support Services:						
Tuition	1,049,973		481,319	(568,654)		(568,654)
Student & instruction related services	3,062,601		211,496	(2,851,105)		(2,851,105)
General administrative services	444,672			(444,672)		(444,672)
School administrative services	897,008			(897,008)		(897,008)
Central services	356,794			(356,794)		(356,794)
Plant operations and maintenance	2,306,566			(2,306,566)		(2,306,566)
Pupil transportation	1,261,876	33,135		(1,228,741)		(1,228,741)
Unallocated employee benefits	9,044,216		2,135,848	(6,908,368)		(6,908,368)
Unallocated depreciation and amortization	23,315			(23,315)		(23,315)
Total governmental activities	29,405,054	72,516	3,524,208	(25,808,330)		(25,808,330)
Business-type activities:						
Day care program	306,728	327,699			$ 20,971	20,971
Food service program	1,108,597	255,770	794,911		(57,916)	(57,916)
Total business-type activities	1,415,325	583,469	794,911		(36,945)	(36,945)
Total primary government	$ 30,820,379	$ 655,985	$ 4,319,119	$(25,808,330)	$ (36,945)	$(25,845,275)
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net				15,251,564		15,251,564
Federal and state aid not restricted				10,148,809		10,148,809
Miscellaneous income				86,495	100	86,595
Transfer						
Total general revenues, special items, extraordinary items and transfers				25,486,868	100	25,486,968
Change in Net Position				(321,462)	(36,845)	(358,307)
Net Position -- July 1				9,164,757	324,256	9,489,013
Net Position -- June 30				$ 8,843,295	$ 287,411	$ 9,130,706

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

Fund Financial Statements

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

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	$ 461,648				$ 461,648
Receivables, net	84,788	$ 451,106			535,894
Interfund receivable	522,779				522,779
Restricted cash and cash equivalents	1				1
Total assets	$ 1,069,216	$ 451,106			$ 1,520,322
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	267,904				267,904
Interfund payables	16,815	488,299			505,114
Total liabilities	284,719	488,299			773,018
Fund Balances:					
Restricted for:					
Excess surplus	154,300				154,300
Excess surplus - designated for subsequent year's expenditures	183,633				183,633
Maintenance reserve	792,246				792,246
Capital reserve	1				1
Assigned to:					
Year-end encumbrances	36,944				36,944
Subsequent year's expenditures					
Unassigned	(382,627)	(37,193)			(419,820)
Total fund balances	784,497	(37,193)			747,304
Total liabilities and fund balances	$ 1,069,216	$ 451,106	-	-	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $20,067,458 and the accumulated depreciation is $10,143,556.	9,923,902
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.	(1,827,911)
Net position of governmental activities	$8,843,295

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

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	$ 15,251,564				$ 15,251,564
Tuition charges	39,381				39,381
Transportation	33,135				33,135
Miscellaneous	86,495				86,495
Total revenues-local sources	15,410,575				15,410,575
Local sources		$ 500			500
State sources	12,210,854	370,979			12,581,833
Federal sources	73,803	1,016,881			1,090,684
Total revenues	27,695,232	1,388,360			29,083,592
EXPENDITURES:					
Current expense:					
Regular instruction	8,131,342	696,497			8,827,839
Special education instruction	1,811,033				1,811,033
Other instruction	51,977				51,977
Support services and undistributed costs:					
Tuition	568,654	481,319			1,049,973
Student & instruction related services	2,851,105	211,496			3,062,601
General administrative services	444,672				444,672
School administrative services	850,379				850,379
Central services	356,794				356,794
Plant operations and maintenance	2,626,991				2,626,991
Pupil transportation	1,261,876				1,261,876
Unallocated employee benefits	9,044,216				9,044,216
Capital outlay	179,613				179,613
Total expenditures	28,178,652	1,389,312			29,567,964
Excess (deficiency) of revenues over (under) expenditures	(483,420)	(952)			(484,372)
Other Financing Sources (Uses):					
Transfers in					
Transfers out					
Total other financing sources (uses)					
Net change in fund balance	(483,420)	(952)			(484,372)
Fund balances, July 1	1,267,917	(36,241)			1,231,676
Fund balances, June 30	$ 784,497	$ (37,193)	--	--	$ 747,304

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

LOWER TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
for the Fiscal Year Ended June 30, 2014

Total net change in fund balances - governmental funds (from B-2)		$ (484,372)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current fiscal year.		
Depreciation expense	$ (466,289)	
Capital outlay	569,981	103,692
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		59,218
Change in net position of governmental activities		($321,462)

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities Enterprise Funds	
	Food Service Fund	Day Care Program
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 220,884	$ 109,676
Accounts receivable	62,552	8,528
Interfund receivable		
Inventories	15,154	
Total current assets	298,590	118,204
Noncurrent assets:		
Equipment	286,015	
Less accumulated depreciation	(276,907)	
Total noncurrent assets	9,108	
Total assets	$ 307,698	$ 118,204
LIABILITIES		
Current liabilities:		
Accounts payable		19,854
Unearned revenue		
Interfund payable	2,118	
Total current liabilities	2,118	19,854
Noncurrent liabilities:		
Compensated absences	116,519	
Total noncurrent liabilities	116,519	-
Total liabilities	118,637	19,854
NET POSITION		
Net investment in capital assets	9,108	
Unrestricted	179,953	98,350
Total net position	$ 189,061	$ 98,350

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
for the Fiscal Year Ended June 30, 2014

	Business-type Activities Enterprise Funds	
	Food Service Fund	Day Care Program
Operating revenues:		
Charges for services:		
Daily sales-reimbursable programs	$ 150,727	
Daily sales-non-reimbursable programs	105,043	$ 327,699
Total operating revenue	255,770	327,699
Operating expenses:		
Salaries	608,723	266,320
Employee benefits	30,441	6,812
Supplies and materials	24,684	15,654
Purchased property services	12,428	1,200
Depreciation	2,860	
Cost of sales	424,804	
Other	4,657	16,742
Total operating expenses	1,108,597	306,728
Operating income (loss)	(852,827)	20,971
Nonoperating revenues (expenses):		
State sources:		
State school lunch program	10,140	
Federal sources:		
National school lunch program	430,855	
School breakfast program	288,085	
Snack Program	3,720	
U.S.D.A. commodities	62,111	
Local sources:		
Interest revenue	100	
Total nonoperating revenues (expenses)	795,011	-
Change in net position	(57,816)	20,971
Total net position - July 1	246,877	77,379
Total net position - June 30	$ 189,061	$ 98,350

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
for the Fiscal Year Ended June 30, 2014

	Business-type Activities Enterprise Funds	
	Food Service Fund	Day Care Program
Cash flows from operating activities:		
Receipts from customers	$ 377,683	$ 341,661
Payments to employees	(636,770)	(273,132)
Payments to suppliers	(467,302)	(33,648)
Net cash used for operating activities	(726,389)	34,881
Cash flows from noncapital financing activities:		
State sources	9,874	
Federal sources	763,499	
Net cash provided by non-capital financing activities	773,373	-
Cash flows from capital activities:		
Purchases of fixed assets		
	-	-
Cash flows from investing activities:		
Interest and dividends	100	
Net cash provided by investing activities	100	
Net increase in cash and cash equivalents	47,084	34,881
Balances - July 1	173,800	74,795
Balances - June 30	$ 220,884	$ 109,676
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating income (loss)	$ (852,827)	$ 20,971
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	2,860	
(Increase) decrease in accounts receivable	33,420	(5,135)
(Increase) decrease in inventories	(481)	
Increase (decrease) in interfund payable, net	88,494	
Increase (decrease) in accounts payable	(249)	19,802
Increase (decrease) in unearned revenue		(757)
Increase (decrease) in compensated absences	2,394	
Net cash provided by (used for) operating activities	$ (726,389)	$ 34,881

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Unemployment Compensation Insurance Trust	Agency Funds
ASSETS:		
Cash and cash equivalents	$ 131,802	$ 126,362
Interfund receivable		16,815
Other receivable		1,748
Total assets	131,802	144,925
LIABILITIES:		
Accounts payable	16,571	
Interfund payable	31,231	1,131
Payroll deductions and withholdings		131,453
Due to student groups		12,341
Total liabilities	47,802	$ 144,925
NET POSITION:		
Restricted for:		
Unemployment claims	$ 84,000	

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

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

	Unemployment Compensation Insurance Trust
ADDITIONS:	
Contributions:	
Board contributions	$ 9,249
Employee withholdings	38,978
Total Contributions	48,227
Investment earnings:	
Interest	51
Net investment earnings	51
Total additions	48,278
DEDUCTIONS:	
Unemployment payments	61,025
Total deductions	61,025
Change in net position	(12,747)
Net position - July 1	96,747
Net position - June 30	$ 84,000

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity - The Lower Township School District (District) is a Type II school district located in Cape May County, New Jersey and covers an area of approximately 31 square miles. As a Type II school district, it functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the District is to provide educational services for all of Lower Township's students in grades preschool through 6. Students in grades 7 through 12 attend Lower Cape May Regional. The Lower Township School District has an approximate enrollment at June 30, 2014 of 1,826 students.

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

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

Basis of Presentation

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The School District's enterprise funds are:

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

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

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

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

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

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

Measurement Focus

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of Accounting

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2014 and 2013 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

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

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

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

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2014.

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Recently Issued Accounting Pronouncements - In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement 25", which revises existing standards of financial reporting for most pension plans. This Statement which is effective for periods beginning after June 15, 2013, will not have any effect on the District's financial statements.

In June 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement which is effective for periods beginning after June 15, 2014, will have a significant impact on the District's financial statements.

In January 2013, the GASB issued Statement 69, "Government Combinations and Disposals of Government Operations". This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement which is effective for periods beginning after December 15, 2013, will not have any effect on the District's financial statements.

In April 2013, the GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees" This Statement which is effective for periods beginning after June 15, 2013, will not have any effect on the District's financial statements.

In November 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68". This Statement is required to be applied in conjunction with the provisions of GASB Statement No. 68 and is effective for periods beginning after June 15, 2014. The provisions of this statement will have a significant impact on the District's financial statements.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first $250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School district in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the School District's amount on deposit of $1,633,683 as of June 30, 2014, $250,000 was insured under FDIC and the remaining balance of $1,383,683 was collateralized under GUDPA.

3. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2013 to June 30, 2014 fiscal year is as follows:

Balance – July 1, 2013	$1
Increased by:	
Interest earned	
Balance – June 30, 2014	$1

The June 30, 2014 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

4. RECEIVABLES

Accounts receivables at June 30, 2014 consisted of accounts (fees) and intergovernmental grants. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

Accounts receivable at June 30, 2014 for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Proprietary Funds	Total
State Aid	$ 7,453		$ 839	$ 8,292
Federal Aid		$ 451,106	60,234	511,340
Other	77,335		10,007	87,342
Total Accounts Receivable	$ 84,788	$ 451,106	$ 71,080	$ 606,974

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Disposals	Balance June 30, 2014
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	$ 80,045			$ 80,045
Construction in progress				
Total capital assets, not being Depreciated	80,045			80,045
Capital Assets, being depreciated:				
Building and Building Improvements	17,434,621	$ 132,481		17,567,102
Equipment	2,042,922	437,500	(60,111)	2,420,311
Totals at historical cost	19,477,543	569,981	(60,111)	19,987,413
Less Accumulated Depreciation:				
Building and Building Improvements	(8,194,335)	(339,604)		(8,533,939)
Equipment	(1,543,043)	(126,685)	60,111	(1,609,617)
Totals accumulated depreciation	(9,737,378)	(466,289)	60,111	(10,143,556)
Total Capital Assets, being depreciated, net	9,740,165	103,692	-	9,843,857
Governmental Activities Capital Assets, Net	$ 9,820,210	$ 103,692	$ -	$ 9,923,902
Business-Type Activities:				
Capital Assets, being depreciated:				
Equipment	$ 286,015		$	$ 286,015
Less accumulated depreciation	(274,047)	$ (2,860)		(276,907)
Business-Type Activities Capital Assets, Net	$ 11,968	$ (2,859)	$ -	$ 9,108

Depreciation expense in the amount of $466,289 was charged to governmental functions as follows:

Function	Amount
Instruction	$ 326,402
School Administration	46,629
Plant Operations and Maintenance	69,943
Unallocated	23,315
Total	$ 466,289

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2014 consisted of the following:

	Food Service
Food	$ 12,447
Supplies	2,707
	$ 15,154

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2014, the following changes occurred in long-term obligations:

	Principal Outstanding July 1, 2013	Additions	Reductions	Principal Outstanding June 30, 2014	Amount Due Within One Year
Compensated Absences	$ 1,887,129	$ 223,110	$ 282,328	$ 1,827,911	$ -
Total Governmental Activity	$ 1,887,129	$ 223,110	$ 282,328	$ 1,827,911	$ -

Business – Type Activities:	Principal Outstanding July 1, 2013	Additions	Reductions	Principal Outstanding June 30, 2014	Amount Due Within One Year
Compensated Absences	$ 114,125	$ 6,560	$ 4,166	$ 116,519	$ -

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

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

Compensated Absences

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

8. OPERATING LEASES

At June 30, 2014, the School District had an operating lease agreement in effect for the following:

Copiers

Total operating lease payments made during the year ended June 30, 2014 and 2013, were $43,632 and $41,905 respectively. Future minimum lease payments are as follows:

Year Ended	Amount
June 30, 2015	$ 36,943
June 30, 2016	16,798
June 30, 2017	14,290
Total future minimum lease payments	$ 68,031

9. PENSION PLANS

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

Teachers' Pension and Annuity Fund (TPAF)

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114, 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over the several preceding fiscal years.

Public Employees' Retirement System (PERS)

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, 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. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008.

Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS)

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

Fiscal Year	Normal Contribution	Accrued Liability	Non-Contr. Group Life Insurance	Total Liability	Delayed Enrollments	Delayed Appropriation	Paid by District
2014	$ 80,470	$ 353,794	$ 7,385	$ 441,649			$ 441,649
2013	125,251	299,479	25,279	450,009			450,009
2012	153,121	306,242	29,267	488,630	$ 9,130	$ 29,714	527,474

Defined Contribution Retirement Program (DCRP)

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

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

There were no School District employees enrolled in the DCRP for the fiscal years ended June 30, 2014, 2013 and 2012.

10. POST-RETIREMENT BENEFITS

The School District contributes to the New Jersey State Health Benefits Program (SHBP), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established to provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

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 receiving 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 benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

10. POST-RETIREMENT BENEFITS (Continued)

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

The State establishes the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contribution to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the year ended June 30, 2014 was $827,019 which equaled the required contributions. The State's contribution to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2014, the School District has recognized as revenues and expenditures $504,395 of on-behalf payments made by the State of New Jersey for normal retirement costs related to TPAF and $804,434 for employer's share of social security contributions for TPAF members, as calculated on their base salaries.

12. RISK MANAGEMENT

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

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

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

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

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

Fiscal Year	District Contributions	Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2013-2014	$ 9,249	$ 38,978	$ 51	$ 61,025	$ 84,000
2012-2013	34,529	21,512	59	23,478	96,747
2011-2012		48,860	146	25,468	64,125
2010-2011		49,385	304	88,179	40,587
2009-2010	30,000	47,660	678	45,623	79,077

13. DEFERRED COMPENSATION

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

14. COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2014, the liability for compensated absences in the governmental activities and proprietary fund types was $1,827,911 and $116,519, respectively.

15. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2014. The following interfund balances were recorded on the various balance sheets as of June 30, 2014:

Fund	Interfund Receivable	Interfund Payable
General	$ 522,779	$ 16,815
Special Revenue		488,299
Proprietary		2,118
Fiduciary	16,815	32,362
	$ 539,594	$ 539,594

16. CONTINGENCIES

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

At June 30, 2014, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District.

17. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of $382,627 in the General Fund and $37,193 in the Special Revenue Fund as of June 30, 2014 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of $382,627 in the General Fund and $37,193 in the Special Revenue Fund is equal to or less than the June state aid payments.

18. DEFICIT UNRESTRICTED NET POSITION

As of June 30, 2014, a deficit of $2,210,538 existed in the Unrestricted Net Position of the Governmental Activities. A reconciliation of Unreserved Fund Balance reported on Exhibit B-1 to Unrestricted Net Position reported on Exhibited A-1 as follows:

Balances June 30, 2014		
Fund Balance (Deficit)		
(Exclusive of Capital Projects and Debt Service Funds):		
Fund Balance – Unassigned	$	(382,627)
Liabilities:		
Compensated Absences		(1,827,911)
Unrestricted Net Position (Deficit)	$	(2,210,538)

19. FUND BALANCES

RESTRICTED

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

General Fund:

Excess Surplus – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund, fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2014 is $154,300 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, $183,633 of excess fund balance generated during the 2012-2013 fiscal year has been restricted and designated for utilization in the 2014-2015 budget.

Capital Reserve – As of June 30, 2014, the balance in the capital reserve account is $1.

Maintenance Reserve Account – As of June 30, 2014, the balance in the maintenance reserve account is $792,246. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

ASSIGNED

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

General Fund:

Other Purposes – At June 30, 2014 the School District has $36,944 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

UNASSIGNED

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

General Fund – As of June 30, 2014, the fund balance of the general fund was a deficit of $382,627, thus resulting in the fund balance classification of unassigned. The deficit is a result of the delay in the recording of the payment of state aid until the following fiscal year (See Note 17).

Special Revenue Fund – As of June 30, 2014, the fund balance of the special revenue fund was a deficit of $37,193, thus resulting in the fund balance classification of unassigned. The deficit is a result of the delay in the recording of the payment of state aid until the following fiscal year (See Note 17).

Required Supplementary Information - Part II

Budgetary Comparison Schedules

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	$ 15,251,564	$ -	$ 15,251,564	$ 15,251,564	
Tuition				39,381	$ 39,381
Transportation				33,135	33,135
Unresticted miscellaneous revenue	149,369		149,369	86,495	(62,874)
Total local sources	15,400,933		15,400,933	15,410,575	9,642
State sources:					
School choice aid	696,717		696,717	696,717	
Special education aid	888,970		888,970	888,970	
Equalization aid	5,202,298		5,202,298	5,202,298	
Security aid	446,178		446,178	446,178	
Adjustment aid	2,030,412		2,030,412	2,030,412	
Transportation aid	764,271		764,271	764,271	
Anti-Bullying Aid				1,314	1,314
Additional Non Public Transportation Aid		7,453	7,453	7,453	
On-behalf TPAF pension contributions (non-budgeted)				504,395	504,395
On-behalf TPAF Medical (non-budgeted)				827,019	827,019
Reimbursed TPAF social security contributions (non-budgeted)				804,434	804,434
Total state sources	10,028,846	7,453	10,036,299	12,173,461	2,137,162
Federal sources:					
Special Education Medicaid Initiative (SEMI)	47,745		47,745	73,803	26,058
Education Jobs Fund					
Total federal sources	47,745		47,745	73,803	26,058
TOTAL REVENUES	25,477,524	7,453	25,484,977	27,657,839	2,172,862
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Preschool	228,091	(93,100)	134,991	133,773	1,218
Kindergarten	960,973	(107,800)	853,173	852,721	452
Grades 1-5	5,109,483	(115,253)	4,994,230	4,992,983	1,247
Grades 6-8	899,457	(4,630)	894,827	894,748	79
Total Instruction	7,198,004	(320,783)	6,877,221	6,874,225	2,996
Regular Programs - Home Instruction:					
Salaries of teachers	3,500	10,877	14,377	13,307	1,070
Other purchased services	250		250		250
General Supplies					
Total Home Instruction	3,750	10,877	14,627	13,307	1,320

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	$ 807,041	$ (86,277)	$ 720,764	$ 718,947	$ 1,817
Purchased technical services	11,000	750	11,750	11,746	4
Other purchased services	98,926	(21,850)	77,076	76,088	988
General supplies	330,000	21,840	351,840	344,544	7,296
Textbooks	114,000	(30,200)	83,800	82,605	1,195
Other objects	21,500	(11,500)	10,000	9,880	120
Total Undistributed Instruction	1,382,467	(127,237)	1,255,230	1,243,810	11,420
Total - Regular Programs - Instruction	8,584,221	(437,143)	8,147,078	8,131,342	15,736
Special Educ Instruction: Learning/Lang. Disabilities					
Salaries of teachers	484,295	(42,555)	441,740	441,723	17
Other salaries for instruction	166,881	(34,420)	132,461	130,598	1,863
General Supplies	6,000	(4,000)	2,000	1,891	109
Total Learning/Lang. Disabilities	657,176	(80,975)	576,201	574,212	1,989
Special Educ Instruction: Res. Room/Res. Center					
Salaries of teachers	1,170,119	(27)	1,170,092	1,163,329	6,763
General supplies	6,000		6,000	3,295	2,705
Total Resource Room/Resource Center	1,176,119	(27)	1,176,092	1,166,624	9,468
Special Educ Instruction: Pre-K Disabilities Part-time					
Salaries of teachers	108,565	(43,600)	64,965	61,592	3,373
General supplies	1,976	(1,900)	76		76
Total Pre-K Disabilities Part-time	110,541	(45,500)	65,041	61,592	3,449
Special Educ Instruction: Home Instruction					
Salaries of teachers	14,000	(5,220)	8,780	8,605	175
Total Home Instruction	14,000	(5,220)	8,780	8,605	175
Total Special Education - Instruction	1,957,836	(131,722)	1,826,114	1,811,033	15,081
Before/after school programs - Instruction					
Salaries of teachers	16,000	9,111	25,111	24,610	501
Total Before/after school - Instruction	16,000	9,111	25,111	24,610	501
Bilingual Education - Instruction					
Salaries of teachers	93,723	(62,600)	31,123	27,367	3,756
General supplies	6,788	(6,788)			
Total Bilingual Education - Instruction	100,511	(69,388)	31,123	27,367	3,756
Undistributed Expenditures - Instruction					
Tuition to other LEA's w/in state/regular		20,945	20,945	20,887	58
Tuition to CSSD & reg. day schools	396,651	138,247	534,898	534,897	1
Tuition to priv. sch. for the handicapped in state	44,768	(31,859)	12,909	12,870	39
Total Undistributed Expenditures - Instruction	441,419	127,333	568,752	568,654	98

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Attendance & Social Work					
Salaries	$ 29,228	$ 5	$ 29,233	$ 28,904	$ 329
Purchased professional and technical services	10,000	(1,000)	9,000	9,000	
Supplies and materials	165	(5)	160	97	63
Other objects					
Total Undistributed Expenditures - Attendance & Soc.	39,393	(1,000)	38,393	38,001	392
Undistributed Expenditures - Health Services					
Salaries	417,119	2,500	419,619	418,323	1,296
Purchased professional and technical services	24,000	(1,846)	22,154	22,152	2
Other purchased services (400-500)	260		260		260
Supplies and materials	16,000	(5,550)	10,450	10,450	
Total Undistributed Expenditures - Health Svcs.	457,379	(4,896)	452,483	450,925	1,558
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	364,000	(35,500)	328,500	325,579	2,921
Supplies and materials	1,000		1,000	949	51
Total Undst. Expend. - Speech, OT, PT & Related Services	365,000	(35,500)	329,500	326,528	2,972
Undist. Expend. - Guidance					
Salaries of other professional staff	352,767	(2,000)	350,767	346,776	3,991
Supplies and materials	500		500	274	226
Other objects	200		200		200
Total Undst. Expend. - Guidance	353,467	(2,000)	351,467	347,050	4,417
Undist. Expend. - Child Study Teams					
Salaries of other professional staff	655,216	(115,500)	539,716	531,627	8,089
Salaries of secretarial and clerical assistants	127,033	(8,420)	118,613	118,254	359
Purchased professional - educ services	235,000	66,371	301,371	301,288	83
Other purchased professional - tech services	28,000	(10,450)	17,550	17,550	
Misc. purchased services (400-500)	5,760	(2,100)	3,660	3,420	240
Supplies and materials	15,000	(6,000)	9,000	8,492	508
Other objects	1,200	(1,000)	200	150	50
Total Undst. Expend. - Child Study Teams	1,067,209	(77,099)	990,110	980,781	9,329
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	49,000	2,650	51,650	50,620	1,030
Salaries of other professional staff	10,816	26,550	37,366	36,610	756
Salaries of Secr and Clerical Assist.	38,973	800	39,773	38,973	800
Other purchased professional and tech services	1,000	(1,000)			
Other purchased services (400-500)	500	(500)			
Supplies and materials	1,000		1,000	534	466
Other objects	250	1,100	1,350	1,298	52
Total Undst. Expend. - Improvement of Instr. Services	101,539	29,600	131,139	128,035	3,104
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	436,762	(46,090)	390,672	390,233	439
Other purchased services (400-500)	800	(800)			
Supplies and materials	35,000	(6,000)	29,000	28,581	419
Other objects	3,700	(3,700)			
Total Undst. Expend. - Educ. Media Serv./Sch. Library	476,262	(56,590)	419,672	418,814	858

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Instructional Staff Training Services					
Salaries of supervisor of instruction	$ 49,000	$ 6,000	$ 55,000	$ 53,654	$ 1,346
Salaries of other professional staff	10,816	20,835	31,651	31,000	651
Salaries of secretarial and clerical assistants	63,401	(4,415)	58,986	58,985	1
Other salaries	2,500	3,010	5,510	5,400	110
Purchased professional - educ services	6,000	(6,000)			
Other purchased services	5,000	(3,000)	2,000	1,778	222
Supplies and materials	5,000	(4,700)	300	278	22
Other objects	15,000	(5,100)	9,900	9,876	24
Total Undst. Expend. - Instructional Staff Training Svcs.	156,717	6,630	163,347	160,971	2,376
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	232,367	(1,439)	230,928	230,595	333
Legal services	31,731	537	32,268	32,268	
Audit fees	22,836	(986)	21,850	20,650	1,200
Other purchased professional services	9,500	41,032	50,532	48,050	2,482
Communications / telephone	52,863	(24,840)	28,023	28,023	
Other purchased services	64,585	450	65,035	65,034	1
General supplies	10,150	(9,423)	727	727	
BOE in-house training/meeting supplies	3,000	(1,766)	1,234	1,233	1
Miscellaneous expenditures	5,000	(3,805)	1,195	1,194	1
BOE membership dues and fees	15,400	1,500	16,900	16,898	2
Total Undst. Expend. - Supp. Serv. General Admin.	447,432	1,260	448,692	444,672	4,020
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	503,327	(34,840)	468,487	468,484	3
Salaries of secretarial and clerical assistants	396,853	(44,267)	352,586	352,517	69
Purchased professional and technical services	1,000	(1,000)			
Other purchased services (400-500)	13,500	(9,835)	3,665	3,663	2
Supplies and materials	15,400	1,385	16,785	16,785	
Other objects	10,000	(1,069)	8,931	8,930	1
Total Undst. Expend. - Supp. Serv. School Admin.	940,080	(89,626)	850,454	850,379	75
Undist. Expend. - Central Services					
Salaries	342,678	(22,560)	320,118	318,379	1,739
Purchased professional services	18,000	5,421	23,421	23,419	2
Miscellaneous purchased services	9,683	(5,012)	4,671	4,670	1
Supplies and materials	9,000	(1,686)	7,314	7,314	
Miscellaneous expenditures	4,000	(988)	3,012	3,012	
Total Undst. Expend. - Central Services	383,361	(24,825)	358,536	356,794	1,742
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	307,547	(68,936)	238,611	238,605	6
Cleaning, Repair and Maintenance Services	166,151	51,911	218,062	217,359	703
Supplies and materials	124,500	59,392	183,892	166,603	17,289
Other objects	1,000	(500)	500	495	5
Total Undst. Expend. - Required Maint. Sch. Facilities	599,198	41,867	641,065	623,062	18,003

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	$ 787,734	$ 52,130	$ 839,864	$ 837,208	$ 2,656
Salaries of Non-Instructional Aides	79,488	(15,000)	64,488	63,209	1,279
Purchased professional & tech. services	19,939	(7,800)	12,139	7,823	4,316
Cleaning, repair and maintenance services	1,000	(1,000)			
Other purchased property services	60,000	(15,371)	44,629	44,612	17
Insurance	131,428	(8,225)	123,203	123,200	3
Miscellaneous purchased services	11,500	4,035	15,535	15,433	102
General supplies	104,000	(180)	103,820	103,131	689
Energy (electricity)	379,759	(31,611)	348,148	348,109	39
Energy (natural gas)	115,432	(400)	115,032	114,985	47
Other objects	2,000	(2,000)			
Total Undst. Expend. - Custodial Services	1,692,280	(25,422)	1,666,858	1,657,710	9,148
Undist. Expend. - Care & Upkeep of Grounds					
Salaries	12,000	225	12,225	12,000	225
Cleaning, repair and maintenance services	10,150	(10,150)			
General supplies	18,236	(7,900)	10,336	10,272	64
Total Undst. Expend. - Care & Upkeep of Grounds	40,386	(17,825)	22,561	22,272	289
Undist. Expend. - Security					
Salaries	169,013	44,170	213,183	213,177	6
Purchased Professional & technical services	95,000	(20,100)	74,900	74,724	176
Cleaning, repair and maintenance services	1,000	(690)	310	309	1
General supplies	2,000	33,740	35,740	35,737	3
Total Undst. Expend. - Security	267,013	57,120	324,133	323,947	186
Total Undst. Expend. - Oper. & Maint. of Plant Services	2,598,877	55,740	2,654,617	2,626,991	27,626
Undist. Expend. - Student Transportation Services					
Salaries of non-instructional aides	238,502	(238,502)			
Salaries for pupil trans. (bet home & sch) - regular	631,416	(67,300)	564,116	561,368	2,748
Salaries for pupil trans. (bet home & sch) - special		238,097	238,097	233,426	4,671
Salaries for pupil trans. (other than bet home & sch)	19,000	(12,600)	6,400	6,252	148
Rental payments - school buses		2,065	2,065	2,064	1
Contr. serv. - (Sp. Ed Stds) - Joint Agreements	56,000	(655)	55,345	55,344	1
Contr. serv. - Aide in lieu Pymts - Charter Schools	19,000	12,127	31,127	31,127	
Contr. serv. - Aide in lieu Pymts - Nonpublic Schools	38,000	5,353	43,353	35,844	7,509
Miscellaneous purchased services - transportation	30,140	14,465	44,605	44,564	41
General Supplies	100,000	700	100,700	100,681	19
Transportation supplies	190,000	(1,752)	188,248	188,236	12
Other objects	1,700	1,300	3,000	2,970	30
Total Undst. Expend. - Student Transportation Services	1,323,758	(46,702)	1,277,056	1,261,876	15,180
Unallocated Benefits - Employee Benefits					
Social security contributions	454,371	(8,155)	446,216	446,206	10
Other retirement contributions - PERS	607,406	(165,750)	441,656	441,649	7
Unemployment compensation	40,000	(5,740)	34,260	80	34,180
Workers' compensation	169,710	(6,440)	163,270	163,268	2
Health benefits	4,486,796	471,461	4,958,257	4,951,214	7,043
Tuition reimbursement	50,000	(11,215)	38,785	38,784	1
Other employee benefits	377,058	490,109	867,167	867,167	
Total Unallocated Benefits - Employee Benefits	6,185,341	764,270	6,949,611	6,908,368	41,243

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

(CONTINUED TO NEXT PAGE)

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

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
On-behalf TPAF pension (non-budgeted)				$ 504,395	$ (504,395)
On-behalf TPAF medical (non-budgeted)				827,019	(827,019)
Reimbursed TPAF social security contributions (non-budgeted)				804,434	(804,434)
Total Undistributed Expenditures - TPAF				2,135,848	(2,135,848)
Total Undistributed Expenditures	$ 15,337,234	$ 646,595	$ 15,983,829	18,004,687	(2,020,858)
Total General Current Expense	25,995,802	17,453	26,013,255	27,999,039	(1,985,784)
CAPITAL OUTLAY:					
Equipment:					
Undist. Exp - req. maint - school facilities		8,550	8,550	2,249	6,301
Undist. Exp - custodial services		7,300	7,300	7,248	52
School Buses - Regular	190,000	(25,850)	164,150	163,770	380
Total Equipment	190,000	(10,000)	180,000	173,267	6,733
Facilities Acquisition and Construction Services:					
Undist. Exp - support services - students - regular					
Undist. Exp - req. maint - school facilities					
Assessment on SDA Funding	6,346		6,346	6,346	
Total Facilities Acquisition and Construction Services	6,346		6,346	6,346	
Total Capital Outlay	196,346	(10,000)	186,346	179,613	6,733
Total Expenditures	26,192,148	7,453	26,199,601	28,178,652	(1,979,051)
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(714,624)		(714,624)	(520,813)	193,811
Other Financing Sources (Uses):					
Operating transfer in - Capital Projects Fund					
Total Other Financing Sources					
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(714,624)		(714,624)	(520,813)	193,811
Fund Balance, July 1	2,208,793		2,208,793	2,208,793	
Fund Balance, June 30	$ 1,494,169	$ -	$ 1,494,169	$ 1,687,980	$ 193,811

Recapitulation of Fund Balance:	
Restricted Fund Balance:	
Reserved Excess Surplus - Designated for Subsequent Years Expenditures	$ 183,633
Reserve for Excess Surplus	154,300
Maintenance Reserve	792,246
Capital Reserve	1
Assigned Fund Balance	
Year-end Encumbrances	36,944
Designated for Subsequent Years Expenditures	
Unassigned Fund Balance	520,856
	1,687,980
Reconciliation on Governmental Fund Statements (GAAP):	
Less: State Aid Payment not Recognized on GAAP Basis	(903,483)
Fund Balance per Government Fund (GAAP)	$ 784,497

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

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

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
REVENUES:					
Local sources	$ 500	$ -	$ 500	$ 500	$ -
State sources	372,959		372,959	371,931	1,028
Federal sources	1,023,597		1,023,597	1,023,597	
Total revenues	1,397,056		1,397,056	1,396,028	1,028
EXPENDITURES:					
Instruction:					
Salaries of teachers	696,155		696,155	695,215	940
Tuition	481,319		481,319	481,319	
General supplies	7,998		7,998	7,998	
Total instruction	1,185,472		1,185,472	1,184,532	940
Support services:					
Salaries of program director	66,602		66,602	66,602	
Personal services - employee benefits	141,982		141,982	141,894	88
Purchased prof. and educational services	3,000		3,000	3,000	
Total support services	211,584		211,584	211,496	88
Facilities acquisition and construction services:					
Instructional equipment					
Non-instructional equipment					
Total facilities acq. and const. services					
Transfer to charter schools					
Total expenditures	1,397,056		1,397,056	1,396,028	1,028
Total outflows	1,397,056		1,397,056	1,396,028	1,028
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)					

Lower Township School District
Notes to Required Supplementary Information
Budgetary Comparison

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	$ 27,657,839	1,396,028
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		(6,716)
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	940,876	36,241
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(903,483)	(37,193)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	$ 27,695,232	$ 1,388,360
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	$ 28,178,652	1,396,028
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(6,716)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 28,178,652	$ 1,389,312

Other Supplementary Information

Special Revenue Fund
Detail Statements

LOWER TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2014

				Individuals with Disabilities Act		E.S.E.A. as amended by No Child Left Behind (N.C.L.B.)				
	Cape Ed Fund	Preschool Program Aid	Race to the Top	IDEA - Part B Basic Current Yr.	IDEA - Part B Preschool Current Yr.	Title I Current Yr.	Title I Prior Year	Title II - Part A Current Yr.	Title III Current Yr.	Totals
REVENUES:										
Local sources	$ 500									$ 500
State sources		$ 371,931								371,931
Federal sources			$ 11,155	$ 455,692	$ 25,627	$ 413,414	$ 1,041	$ 106,630	$ 10,038	1,023,597
Total Revenues	500	371,931	11,155	455,692	25,627	413,414	1,041	106,630	10,038	1,396,028
EXPENDITURES:										
Instruction:										
Salaries of teachers		267,520	7,590			326,613		85,448	8,044	695,215
General supplies	500					6,457	1,041			7,998
Tuition				455,692	25,627					481,319
Total instruction	500	267,520	7,590	455,692	25,627	333,070	1,041	85,448	8,044	1,184,532
Support services:										
Salaries of program director		66,602								66,602
Personal services-employee benefits		37,809	565			80,344		21,182	1,994	141,894
Purchased prof. and educational services			3,000							3,000
Total support services		104,411	3,565			80,344		21,182	1,994	211,496
Facilities acquisition and const. serv.:										
Instructional equipment										
Non-instructional equipment										
Total facilities acquisition and const. serv.:										
Total Expenditures	500	371,931	11,155	455,692	25,627	413,414	1,041	106,630	10,038	1,396,028
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)										

LOWER TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Statement of Preschool Education Aid
Budgetary Basis
for the Fiscal Year Ended June 30, 2014

School: District Wide Total

	Budgeted	Actual	Variance
EXPENDITURES:			
Instruction:			
Salaries of teachers	$ 267,520	$ 267,520	
General supplies			
Total instruction	267,520	267,520	--
Support Services:			
Salaries of program directors	66,602	66,602	
Employee beneifts	37,809	37,809	
Total support services	104,411	104,411	--
Facilities acquisition and const. serv.:			
Instructional equipment			
Total facilities acquisition and const. serv.	--	--	--
Total expenditures	$ 371,931	$ 371,931	--

CALCULATION OF BUDGET AND CARRYOVER

Total Revised 2013-2014 Preschool Education Aid Allocation	$ 371,931
Add: Actual Preschool Carryover (June 30, 2013)	
Total Preschool Education Aid Funds Available for 2013-2014	371,931
Less: 2013-2014 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	371,931
Available & Unbudgeted Preschool Education Funds as of June 30, 2014	--
Add: June 30, 2014 Unexpended Preschool Education Aid	
2013-2014 Preschool Education Aid Carryover	--
2013-2014 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2014-2015	--

Proprietary Funds
Detail Statements

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Net Position
as of June 30, 2014

	Food Service	Day Care Program	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 220,884	$ 109,676	$ 330,560
Accounts receivable:			
State	839		839
Federal	60,234		60,234
Other	1,479	8,528	10,007
Inventories	15,154		15,154
Total current assets	298,590	118,204	416,794
Fixed assets:			
Equipment	286,015		286,015
Less accumulated depreciation	(276,907)		(276,907)
Total fixed assets	9,108		9,108
Total assets	$ 307,698	$ 118,204	$ 425,902
LIABILITIES:			
Current liabilities:			
Accounts payable		$ 19,854	$ 19,854
Interfund payable	$ 2,118		2,118
Unearned revenue			
Total current liabilities	2,118	19,854	21,972
Noncurrent liabilities:			
Compensated Absences	116,519		116,519
Total Noncurrent Liabilities	116,519		116,519
Total Liabilities	118,637	19,854	138,491
NET POSITION:			
Net investment in capital assets	9,108		9,108
Unrestricted	179,953	98,350	278,303
Total net position	$ 189,061	$ 98,350	$ 287,411

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
for the Fiscal Year ended June 30, 2014

	Food Service	Day Care Program	Total
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs:			
School lunch program	$ 150,727		$ 150,727
Total-daily sales-reimbursable programs	150,727		150,727
Daily sales non-reimbursable programs:			
Adult and AlaCarte meals	89,681		89,681
Registration Fees		$ 327,699	327,699
Miscellaneous	2,434		2,434
Special Functions	12,928		12,928
Total operating revenue	255,770	327,699	583,469
OPERATING EXPENSES:			
Salaries	608,723	266,320	875,043
Employee benefits	30,441	6,812	37,253
Supplies and materials	24,684	15,654	40,338
Depreciation	2,860		2,860
Cost of sales	424,804		424,804
Purchased property services	12,428	1,200	13,628
Other	4,657	16,742	21,399
Total operating expenses	1,108,597	306,728	1,415,325
Operating income (loss)	(852,827)	20,971	(831,856)
Non-operating revenues:			
State sources:			
State school lunch program	10,140		10,140
Federal sources:			
National school lunch program	430,855		430,855
School breakfast program	288,085		288,085
Snack Program	3,720		3,720
U.S.D.A. commodities	62,111		62,111
Operating transfer in			
Interest revenue	100		100
Total non-operating revenues	795,011		795,011
Change in net position	(57,816)	20,971	(36,845)
Total net position - July 1	246,877	77,379	324,256
Total net position - June 30	$ 189,061	$ 98,350	$ 287,411

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Year ended June 30, 2014

	Food Service	Day Care Program	Total
Cash flows from operating activities:			
Cash receipts from customers	$ 377,683	$ 341,661	$ 719,344
Cash payments to employees for services	(636,770)	(273,132)	(909,902)
Cash payments to suppliers for goods and services	(467,302)	(33,648)	(500,950)
Net cash used by operating activities	(726,389)	34,881	(691,508)
Cash flows from noncapital financing activities:			
Board subsidies			
Cash received from state and federal reimbursements	773,373		773,373
Net cash provided by noncapital financing activities	773,373		773,373
Cash flows from investing activities:			
Interest on investments	100		100
Net cash provided by investing activities	100		100
Net increase (decrease) in cash and cash equivalents	47,084	34,881	81,965
Cash and cash equivalents, July 1	173,800	74,795	248,595
Cash and cash equivalents, June 30	$ 220,884	$ 109,676	$ 330,560
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (852,827)	$ 20,971	$ (831,856)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	2,860		2,860
Change in assets and liabilities:			
(Increase)/decrease in accounts receivable	33,420	(5,135)	28,285
(Increase)/decrease in inventory	(481)		(481)
(Increase)/decrease in interfund receivable	88,494		88,494
Increase/(decrease) in accounts payable	(249)	19,802	19,553
Increase/(decrease) in unearned revenue		(757)	(757)
Increase/(decrease) in compensated absences	2,394		2,394
Net cash used by operating activities	$ (726,389)	$ 34,881	$ (691,508)

Fiduciary Funds
Detail Statements

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2014

	Agency Funds		Unemployment Compensation Insurance Trust	Total
	Student Activity	Payroll		
ASSETS:				
Cash and cash equivalents	$ 12,341	$ 114,021	$ 131,802	$ 258,164
Interfund receivable		16,815		16,815
Other receivable		1,748		1,748
TOTAL ASSETS	$ 12,341	$ 132,584	$ 131,802	$ 276,727
LIABILITIES:				
Accounts payable			$ 16,571	$ 16,571
Interfund payable		$ 1,131	31,231	32,362
Payroll deductions and withholdings		131,453		131,453
Due to student groups	$ 12,341			12,341
Total liabilities	12,341	132,584	47,802	192,727
NET POSITION:				
Restricted for:				
Unemployment claims			84,000	84,000
Total net position	$ -	$ -	$ 84,000	$ 84,000

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
Statement of Change in Fiduciary Net Position
for the Fiscal Year ended June 30, 2014

	Unemployment Compensation Insurance Trust Fund
REVENUES:	
Local sources:	
Board contributions	$ 9,249
Other contributions	38,978
Interest on Investments	51
Total Revenues	48,278
EXPENDITURES:	
Current Expense:	
Undistributed expenditures:	
Unemployment payments	61,025
Total Expenditures	61,025
Change in net position	(12,747)
Total net position - July 1	96,747
Total net position - June 30	$ 84,000

LOWER 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	Accounts Payable June 30, 2014	Balance June 30, 2014
Elementary Schools - All	$ 6,041	$ 8,939	$ 2,639		$ 12,341
Total	$ 6,041	$ 8,939	$ 2,639	-	$ 12,341

LOWER 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	$ 1,587	$ 19,037,734	$ 18,925,300	$ 114,021
Other receivable		1,748		1,748
Interfund receivable	2,083	16,815	2,083	16,815
Total assets	$ 3,670	$ 19,056,297	$ 18,927,383	$ 132,584
LIABILITIES:				
Payroll deductions and withholdings	$ 2,670	$ 8,182,705	$ 8,053,922	$ 131,453
Interfund payable	1,000	131		1,131
Net payroll		10,873,461	10,873,461	
Total liabilities	$ 3,670	$ 19,056,297	$ 18,927,383	$ 132,584

Statistical Section

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

Exhibit J-1

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net Investment in capital assets	$ 9,821,537	$ 10,024,958	$ 10,136,099	$ 10,255,861	$ 10,586,124	$ 10,714,210	$ 10,541,268	$ 10,203,897	$ 9,820,210	$ 9,923,902
Restricted for:		-	-	-	-	-	-	-	-	
Capital projects	1	1	1	1	1	61,193	88,871	1	-	
Special revenue	(80,053)	(82,562)	(82,562)	(101,812)	(34,033)	(34,765)	(39,560)	(34,366)	(36,241)	(37,193)
Debt service	(73,538)	(9,863)	(4,164)	(168)	(2,938)	-			-	
Other purposes	2,036,696	2,199,342	2,645,302	2,704,163	3,561,030	2,417,242	2,329,231	2,478,305	1,690,504	1,167,124
Unrestricted	(855,991)	(847,139)	(781,005)	(1,513,921)	(2,083,868)	(2,218,265)	(2,532,940)	(2,331,539)	(2,309,716)	(2,210,538)
Total governmental activities net position	$ 10,848,652	$ 11,284,737	$ 11,913,671	$ 11,344,124	$ 12,026,316	$ 10,939,615	$ 10,386,870	$ 10,316,298	$ 9,164,757	$ 8,843,295
Business-type activities:										
Net Investment in capital assets	$ 39,981	$ 44,389	$ 36,220	$ 31,094	$ 25,968	$ 21,531	$ 18,034	$ 15,000	$ 11,968	$ 9,108
Unrestricted	(39,009)	91,315	122,457	117,976	257,527	404,132	325,987	350,571	312,288	278,303
Total business-type activities net position	$ 972	$ 135,704	$ 158,677	$ 149,070	$ 283,495	$ 425,663	$ 344,021	$ 365,571	$ 324,256	$ 287,411
District-wide:										
Net Investment in capital assets	$ 9,861,518	$ 10,069,347	$ 10,172,319	$ 10,286,955	$ 10,612,092	$ 10,735,741	$ 10,559,302	$ 10,218,897	$ 9,832,178	$ 9,933,010
Restricted:										
Capital projects	1	1	1	1	1	61,193	88,871	1	-	-
Special revenue	(80,053)	(82,562)	(82,562)	(101,812)	(34,033)	(34,765)	(39,560)	(34,366)	(36,241)	(37,193)
Debt service	(73,538)	(9,863)	(4,164)	(168)	(2,938)	-	-	-	-	-
Other purposes	2,036,696	2,199,342	2,645,302	2,704,163	3,561,030	2,417,242	2,329,231	2,478,305	1,690,504	1,167,124
Unrestricted	(895,000)	(755,824)	(658,548)	(1,395,945)	(1,826,341)	(1,814,133)	(2,206,953)	(1,980,968)	(1,997,428)	(1,932,235)
Total district net position	$ 10,849,624	$ 11,420,441	$ 12,072,348	$ 11,493,194	$ 12,309,811	$ 11,365,278	$ 10,730,891	$ 10,681,869	$ 9,489,013	$ 9,130,706

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental activities:										
Instruction:										
Regular	$ 10,694,139	$ 9,098,943	$ 9,098,158	$ 9,822,955	$ 9,085,370	$ 9,514,262	$ 9,743,580	$ 9,592,665	$ 8,876,911	$ 9,095,023
Special education	2,750,400	2,396,143	2,473,287	2,615,030	2,520,758	2,642,703	2,507,108	2,552,724	3,157,611	1,811,033
Other instruction	13,222	10,512	10,512	10,512	2,226	91,224	84,826	93,767	96,038	51,977
Support Services:										
Tuition	147,586	255,684	337,307	247,578	472,665	449,787	331,532	508,575	466,502	1,049,973
Student & instruction related services	3,777,740	3,053,827	2,777,703	2,942,790	2,911,069	3,071,712	2,779,070	2,737,645	2,908,876	3,062,601
School administrative services	897,529	668,873	726,108	794,739	848,452	883,487	879,408	922,528	932,592	444,672
General and business administrative services	959,448	770,082	796,065	779,555	807,776	808,646	595,880	630,621	726,870	1,253,802
Plant operations and maintenance	3,177,338	2,995,420	2,649,551	3,037,863	2,735,170	3,644,913	2,181,749	2,464,083	2,310,239	2,306,566
Pupil transportation	1,309,747	1,145,572	1,208,360	1,258,081	1,166,298	1,195,005	1,153,759	1,299,670	1,276,545	1,261,876
Unallocated employee benefits		5,149,668	6,641,039	7,028,477	6,123,656	6,726,801	7,222,560	7,666,662	9,362,514	9,044,216
Interest on long-term debt	213,147	120,992	129,131	105,601	67,956	33,353				
Unallocated depreciation	24,245	24,729	24,302	24,651	21,728	23,122	23,465	2,309	22,968	23,315
Total governmental activities expenses	23,964,541	25,690,445	26,871,523	28,667,832	26,763,124	29,085,015	27,502,937	28,471,249	30,137,666	29,405,054
Business-type activities:										
After-school program	256,430	272,258	327,852	333,869	352,947	336,113	314,208	285,435	280,687	306,728
Food service	1,052,391	1,069,776	1,133,185	1,154,226	1,138,221	1,154,673	1,132,556	1,119,007	1,171,089	1,108,597
		-	-	-						
Total business-type activities expense	1,308,821	1,342,034	1,461,037	1,488,095	1,491,168	1,490,786	1,446,764	1,404,442	1,451,776	1,415,325
Total district expenses	$ 25,273,362	$ 27,032,479	$ 28,332,560	$ 30,155,927	$ 28,254,292	$ 30,575,801	$ 28,949,701	$ 29,875,691	$ 31,589,442	$ 30,820,379
Program Revenues:										
Governmental activities:										
Charges for services:										
Instruction (tuition)		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 97,018	$ 72,516
Operating grants and contributions	$ 4,038,689	3,088,266	5,117,331	5,489,695	3,234,644	3,873,067	3,025,112	3,340,003	3,996,950	3,524,208
Total governmental activities program revenues	4,038,689	3,088,266	5,117,331	5,489,695	3,234,644	3,873,067	3,025,112	3,340,003	4,093,968	3,596,724

(Continued)

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services:										
After-school program	$ 269,033	$ 290,973	$ 340,307	$ 296,648	$ 367,080	$ 322,827	$ 303,179	$ 321,536	$ 309,628	$ 327,699
Food service	396,464	387,563	394,241	394,997	408,825	406,152	363,675	355,887	325,893	255,770
Operating grants and contributions	429,262	514,973	538,406	584,316	678,235	732,403	697,275	748,186	774,807	794,911
Capital grants and contributions										
Total business type activities program revenues	1,094,759	1,193,509	1,272,954	1,275,961	1,454,140	1,461,382	1,364,129	1,425,609	1,410,328	1,378,380
Total district program revenues	$ 5,133,448	$ 4,281,775	$ 6,390,285	$ 6,765,656	$ 4,688,784	$ 5,334,449	$ 4,389,241	$ 4,765,612	$ 5,504,296	$ 4,975,104
Net (Expense)/Revenue:										
Governmental activities	$ (19,925,852)	$ (22,602,179)	$ (21,754,192)	$ (23,178,137)	$ (23,528,480)	$ (25,211,948)	$ (24,477,825)	$ (25,131,246)	$ (26,043,698)	$ (25,808,330)
Business-type activities	(214,062)	(148,525)	(188,083)	(212,134)	(37,028)	(29,404)	(82,635)	21,167	(41,448)	(36,945)
Total district-wide net expense	$ (20,139,914)	$ (22,750,704)	$ (21,942,275)	$ (23,390,271)	$ (23,565,508)	$ (25,241,352)	$ (24,560,460)	$ (25,110,079)	$ (26,085,146)	$ (25,845,275)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	$ 11,631,420	$ 12,907,390	$ 13,606,146	$ 13,364,508	$ 13,899,088	$ 13,899,088	$ 14,371,889	$ 14,659,327	$ 14,952,514	$ 15,251,564
Taxes levied for debt service	473,074	494,484	471,558	474,410	470,775	472,801				
Unrestricted grants and contributions	7,953,699	9,568,438	8,133,435	8,628,209	9,883,607	9,777,601	9,435,089	10,199,023	9,864,381	10,148,809
Tuition		124,821	87,688	39,737	26,299	37,015	35,869	19,971		
Investment earnings	65,606	146,934	183,368	127,189	67,208	25,595				
Miscellaneous income	157,134	75,340	109,136	174,864	33,397	83,147	82,233	182,353	75,262	86,495
Loss on Disposal of Capital Assets										
Transfers	(232,000)	(279,143)	(208,205)	(200,327)	(169,702)	(170,000)				
Total governmental activities	20,048,933	23,038,264	22,383,126	22,608,590	24,210,672	24,125,247	23,925,080	25,060,674	24,892,157	25,486,868
Business-type activities:										
Investment earnings	362	4,114	2,851	2,200	1,751	1,572	993	383	133	100
Miscellaneous income	6,183									
Loss on Disposal of Capital Assets										
Transfers	232,000	279,143	208,205	200,327	169,702	170,000				
Total business-type activities	238,545	283,257	211,056	202,527	171,453	171,572	993	383	133	100
Total district-wide	$ 20,287,478	$ 23,321,521	$ 22,594,182	$ 22,811,117	$ 24,382,125	$ 24,296,819	$ 23,926,073	$ 25,061,057	$ 24,892,290	$ 25,486,968
Change in Net Position:										
Governmental activities	$ 123,081	$ 436,085	$ 628,934	$ (569,547)	$ 682,192	$ (1,086,701)	$ (552,745)	$ (70,572)	$ (1,151,541)	$ (321,462)
Business-type activities	24,483	134,732	22,973	(9,607)	134,425	142,168	(81,642)	21,550	(41,315)	(36,845)
Total district-wide	$ 147,564	$ 570,817	$ 651,907	$ (579,154)	$ 816,617	$ (944,533)	$ (634,387)	$ (49,022)	$ (1,192,856)	$ (358,307)

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

Exhibit J-3

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Reserved for:										
Encumbrances	$ 499,735	$ 42,780	$ 167,854	$ 30,194	$ 6,592	$ 23,368	$ 6,187	$ 7,239	$ 7,090	$ 36,944
Maintenance reserve	400,000	700,000	1,000,000	1,292,246	1,292,246	1,292,246	1,292,246	1,292,246	1,092,246	792,246
Capital reserve	1	1	1	1	1	1	1	1	1	1
Excess surplus	482,941	973,621	503,827	681,254	514,138	323,150	507,648	407,534	183,633	154,300
Excess surplus - designated for subsequent years expenditures	439,432	482,941	973,621	503,827	681,254	514,138	323,150	507,648	407,534	183,633
Unreserved - designated for subsequent years expenditures				196,642	1,066,800	200,000	200,000	263,638		
Unreserved	250,659	45,893	64,212	59,565	(470,872)	(476,683)	(371,239)	(386,982)	(422,587)	(382,627)
Total general fund	$ 2,072,768	$ 2,245,236	$ 2,709,515	$ 2,763,729	$ 3,090,159	$ 1,876,220	$ 1,957,993	$ 2,091,324	$ 1,267,917	$ 784,497
All Other Governmental Funds										
Reserved:										
Encumbrances										
Unreserved, reported in:										
Special revenue fund	$ (80,053)	$ (82,562)	$ (82,562)	$ (101,812)	$ (34,033)	$ (34,765)	$ (39,560)	$ (34,366)	$ (36,241)	$ (37,193)
Capital projects fund						125,532	88,870			
Debt service fund	(19,455)	1,340	1,738	1,832	94	-	-	-	-	-
Total all other governmental funds	$ (99,508)	$ (81,222)	$ (80,824)	$ (99,980)	$ (33,939)	$ 90,767	$ 49,310	$ (34,366)	$ (36,241)	$ (37,193)

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

Exhibit J-4

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Tax levy	$ 12,104,494	$ 13,401,874	$ 14,077,704	$ 13,838,918	$ 14,369,863	$ 14,371,889	$ 14,371,889	$ 14,659,327	$ 14,952,514	$ 15,251,564
Tuition charges	62,398	124,821	87,688	39,737	26,299	37,015	35,869	19,971	52,286	39,381
Transportation charges									44,732	33,135
Interest earnings	65,606	146,934	183,368	127,189	67,208	25,595				
Miscellaneous	96,704	81,340	110,132	176,339	35,397	89,144	82,233	183,853	75,761	86,995
State sources	10,799,221	11,496,486	12,171,222	13,082,136	12,092,683	12,799,561	11,397,813	12,085,558	12,762,644	12,581,833
Federal sources	1,191,199	1,154,218	1,078,548	1,034,293	1,023,568	1,356,310	1,062,388	1,451,967	1,098,188	1,090,684
Total revenue	24,319,622	26,405,673	27,708,662	28,298,612	27,615,018	28,679,514	26,950,192	28,400,676	28,986,125	29,083,592
Expenditures										
Instruction										
Regular Instruction	8,232,672	8,751,768	8,805,744	8,749,568	8,741,665	9,319,145	8,994,949	9,487,685	8,612,786	8,827,839
Special education instruction	2,186,748	2,396,143	2,473,287	2,615,030	2,520,758	2,642,703	2,507,108	2,552,724	3,157,611	1,811,033
Other special instruction	10,512	10,512	10,512	10,512	2,226	91,224	84,826	93,767	96,038	51,977
Other instruction		-	-							
Support Services:										
Tuition	147,586	255,684	337,307	247,578	472,665	449,787	331,532	508,575	466,502	1,049,973
Student & instruction related services	3,003,551	3,053,827	2,777,703	2,942,790	2,911,069	3,071,712	2,779,070	2,737,645	2,908,876	3,062,601
School administrative services	675,042	619,415	677,504	745,437	807,776	837,244	832,478	876,511	886,656	850,379
General and business admin.services	762,863	770,082	796,065	779,555	804,996	808,646	595,880	630,621	726,870	801,466
Plant operations and maintenance	2,698,718	2,937,838	2,595,257	2,606,225	2,631,538	2,542,554	2,334,858	2,313,328	2,264,255	2,626,991
Pupil transportation	1,041,335	1,145,572	1,208,360	1,258,081	1,166,298	1,195,005	1,153,759	1,299,670	1,276,545	1,261,876
Other support services	4,696,391	5,149,668	6,641,039	7,028,477	6,123,656	6,726,801	7,222,560	7,666,662	9,362,514	9,044,216
Capital outlay	232,271	151,394	23,571	386,373	179,371	1,222,540	72,856	148,285	52,754	179,613
Debt service:										
Principal	500,000	530,000	555,000	590,000	620,000	655,000				
Interest and other charges	191,647	163,873	134,431	103,601	70,827	36,386				
Total expenditures	24,379,336	25,935,776	27,035,780	28,063,227	27,052,845	29,598,747	26,909,876	28,315,473	29,811,407	29,567,964
Excess (Deficiency) of revenues over (under) expenditures	(59,714)	469,897	672,882	235,385	562,173	(919,233)	40,316	85,203	(825,282)	(484,372)
Other Financing sources (uses)										
Cancelled SDA Grant	-	-	-	-	-	-	-	(35,548)	-	-
Loss on sale of securities	-	-	-	-	-	-	-	-	-	-
Transfers in		-	-	-	-	766,800				
Transfers out	(232,000)	(279,143)	(208,205)	(200,327)	(169,702)	(936,800)				
Total other financing sources (uses)	(232,000)	(279,143)	(208,205)	(200,327)	(169,702)	(170,000)	-	(35,548)	-	-
Net change in fund balances	$ (291,714)	$ 190,754	$ 464,677	$ 35,058	$ 392,471	$ (1,089,233)	$ 40,316	$ 49,655	$ (825,282)	$ (484,372)
Debt service as a percentage of noncapital expenditures	2.86%	2.69%	2.55%	2.51%	2.57%	2.44%	0.00%	0.00%	0.00%	0.00%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

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

Exhibit J-5

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Refunds of Prior Years Expenditures	Refunds	Rentals	Transportation	Sale of Used Equipment	Miscellaneous	Total
2005	$ 65,285	$ 62,398		$ 38,334	$ 23,960			$ 32,331	$ 222,308
2006	146,934	124,821		41,957	26,360			6,116	346,188
2007	183,368	87,688		79,523	28,200			1,015	379,794
2008	127,189	39,737		140,529	30,160			4,081	341,696
2009	67,208	26,299		290	32,260			847	126,904
2010	25,595	37,015		47,897	33,500			1,750	145,757
2011	8,338	35,869		2,400	69,600			1,895	118,102
2012	4,584	19,971	$ 91,851	16,287	69,600			31	202,324
2013	1,571	44,732	-	-	71,000	$ 52,286		3,191	172,780
2014	1,046	39,381		80,691		33,135		4,758	159,011
	$ 631,118	$ 517,911	$ 91,851	$ 447,908	$ 384,640	$ 85,421	$ -	$ 56,015	$ 2,214,864

Source: District records

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

Exhibit J-6

Township of Lower

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2005	$ 30,765,500	$ 1,320,048,900	$ 3,564,400	$ 946,700	$ 131,287,900	$ 1,124,800	$ 6,059,200	$ 1,493,797,400	$ 3,535,783	$ 1,497,333,183	$ 110,162,100	$ 0.852	$ 2,913,105,728
2006	29,777,500	1,347,706,100	3,489,700	899,200	130,801,500		6,059,200	1,518,733,200	2,738,571	1,521,471,771	114,453,300	0.905	3,530,553,715
2007	139,128,300	4,221,414,400	10,553,100	1,188,000	310,577,500		13,262,500	4,696,123,800	6,437,653	4,702,561,453	324,196,400	0.297	4,114,474,564
2008	133,431,600	4,217,537,900	9,472,800	1,092,000	309,843,800		13,262,500	4,684,640,600	6,343,694	4,690,984,294	325,244,700	0.301	4,419,878,070
2009	135,540,800	4,236,864,100	5,612,600	951,900	309,691,200		14,165,900	4,702,826,500	6,790,522	4,709,617,022	319,776,100	0.306	4,503,993,506
2010	98,832,700	3,693,867,300	6,757,300	967,900	275,537,400		13,375,400	4,089,338,000	6,782,972	4,096,120,972	261,510,700	0.351	4,418,591,951
2011	91,427,900	3,694,390,400	6,219,800	942,300	278,275,900		13,375,400	4,084,631,700	5,957,340	4,090,589,040	268,718,900	0.355	4,227,524,473
2012	87,921,400	3,705,980,700	4,460,700	911,900	276,929,100		13,161,400	4,089,365,200	6,102,592	4,095,467,792	268,066,300	0.362	4,034,131,771
2013	86,948,300	3,684,519,500	5,236,800	953,300	275,766,100		13,161,400	4,066,585,400	5,339,934	4,071,925,334	270,144,600	0.371	3,773,894,430
2014	70,784,000	3,247,623,400	4,914,400	953,300	258,806,900		11,332,200	3,594,414,200	4,337,206	3,598,751,406	232,262,300	0.432	3,725,002,834

Source: Municipal Tax Assessor

Note:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per $100

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

Exhibit J-7

Fiscal Year Ended June 30,	Lower Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Township of Lower	Regional School	Cape May County	
2005	$ 0.791	$ 0.061	$ 0.852	$ 0.799	$ 0.599	$ 0.480	$ 2.730
2006	0.874	0.031	0.905	0.844	0.642	0.489	2.880
2007	0.287	0.010	0.297	0.324	0.229	0.170	1.020
2008	0.291	0.010	0.301	0.349	0.230	0.181	1.061
2009	0.296	0.010	0.306	0.366	0.247	0.193	1.112
2010	0.351	-	0.351	0.433	0.285	0.230	1.299
2011	0.355	-	0.355	0.443	0.277	0.231	1.306
2012	0.362	-	0.362	0.443	0.273	0.229	1.307
2013	0.371	-	0.371	0.473	0.291	0.227	1.362
2014	0.432	-	0.432	0.536	0.335	0.260	1.563

Source: Municipal Tax Collector

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

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

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

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

Exhibit J-8

	2013-2014			2004-2005	
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Jenlo Corp. & Harlo Inc.	$ 10,600,000	0.29%	Diamond Beach Resort, LLC	$ 6,570,000	0.45%
Achristavest Pier 6600, LLC	10,000,000	0.28%	Bayshore May	5,500,000	0.37%
Sun Lake Laurie RV Resort, LLC	8,800,000	0.24%	Masciarella Family Partnership	5,100,000	0.35%
Shaw Limited partnership	8,540,000	0.24%	North Cape Convalescent Center	4,927,000	0.34%
Bayshore Mall	8,500,000	0.24%	Victoria Health Corp.	4,700,000	0.32%
Seashore Campsites Inc	7,500,000	0.21%	Bell Atlantic	4,245,714	0.29%
Harbortown Resort Marina Inc	6,852,000	0.19%	Ponderlodge	3,644,500	0.25%
Baechcomber Campground Inc	6,200,000	0.17%	Snows/Doxsee, Inc.	3,591,000	0.24%
Channels Apartments	6,000,000	0.17%	Harbortown Resort Marina, Inc.	3,435,300	0.23%
Cape Island Associates	6,000,000	0.17%	Shaw Limited Partnership	3,229,400	0.22%
Total	$ 78,992,000	2.19%		$ 44,942,914	3.06%

Source: Municipal Tax Assessor

Lower Township School District
Property Tax Levies and Collections,
Last Ten Fiscal Years

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy[a]		Collections in Subsequent Years
		Amount	Percentage of Levy	
2005	$ 12,429,809	$ 12,429,809	100.00%	-
2006	12,429,809	12,429,809	100.00%	-
2007	12,753,184	12,753,184	100.00%	-
2008	13,739,789	13,739,789	100.00%	-
2009	13,958,311	13,958,311	100.00%	-
2010	14,104,390	14,104,390	100.00%	-
2011	14,371,889	14,371,889	100.00%	-
2012	14,659,327	14,659,327	100.00%	-
2013	14,952,514	14,952,514	100.00%	-
2014	15,251,564	15,251,564	100.00%	-

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

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

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

Exhibit J-10

	Governmental Activities				Business-Type Activities			
Fiscal Year Ended June 30,	General Obligation Bonds	Unfunded Pension Liability	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Percentage of Personal Income [a]	Per Capita [b]
2005			$ 3,042,702	$ -	$ -	$ 3,042,702	0.34%	143
2006			2,475,581	-	-	2,475,581	0.27%	119
2007			1,876,327	-	-	1,876,327	0.20%	92
2008			1,275,000	-	-	1,275,000	0.13%	63
2009			655,000	-	-	655,000	0.07%	32
2010			-	-	-	-	c	c
2011			-	-	-	-	c	c
2012			-	-	-	-	c	c
2013			-	-	-	-	c	c
2014			-	-	-	-	c	c

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

a Based on Per Capita Income for Cape May County

b Based on School District Population as of July 1,

c Not available

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

Exhibit J-11

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

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

Lower Township School District
Ratios of Overlapping Governmental Activities Debt
As of December 31, 2013

Exhibit J-12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Township of Lower	$ 16,954,616	100.000%	$ 16,954,616
Cape May County General Obligation Debt	176,957,999	7.997%	14,151,331
Lower Cape May Regional School District Debt	6,500,000	54.000%	3,509,645
Subtotal, overlapping debt			34,615,592
Lower Township School District Direct Debt			
Total direct and overlapping debt			$ 34,615,592

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

Debt outstanding data provided by each governmental unit.

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2014

	Equalized valuation basis	
	2013	$ 3,703,292,414
	2012	3,778,402,661
	2011	4,011,620,212
	[A]	$ 11,493,315,287
Average equalized valuation of taxable property	**[A/3]**	$ 3,831,105,096
Debt limit (2.5% of average equalized valuation)	**[B]**	95,777,627 a
Net bonded school debt	**[C]**	-
Legal debt margin	**[B-C]**	$ 95,777,627

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	$ 70,013,070	$ 86,048,330	$ 86,462,457	$ 99,504,432	$ 107,897,776	$ 109,877,137	$ 108,231,283	$ 104,439,224	$ 100,034,146	$ 95,777,627
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	$ 70,013,070	$ 86,048,330	$ 86,462,457	$ 99,504,432	$ 107,897,776	$ 109,877,137	$ 108,231,283	$ 104,439,224	$ 100,034,146	$ 95,777,627
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

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

Exhibit J-14

Year	Population [a]	Personal Income (thousands of dollars) [b]	Per Capita Personal Income [c]	Unemployment Rate [d]
2005	21,216	$ 885,280,032	$ 41,727	7.90%
2006	20,731	902,461,892	43,532	8.40%
2007	20,329	928,506,746	45,674	8.00%
2008	20,369	965,449,862	47,398	9.90%
2009	20,239	967,383,722	47,798	13.90%
2010	22,862	1,110,818,856	48,588	14.50%
2011	22,707	1,151,131,365	50,695	15.20%
2012	22,571	1,179,921,596	52,276	16.30%
2013	22,451	e	e	11.90%
2014	e	e	e	e

Source:

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

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

Exhibit J-16

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Instruction										
Regular	116	116	116	112	112	112	112	112	114	114
Special education	26	26	26	30	30	30	29	29	25	25
Other special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Nonpublic school programs	1	1	1	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services:										
Student & instruction related services	37	37	37	38	38	38	38	38	36	36
School administrative services	12	12	12	12	12	12	12	12	8	9
General and business administrative services	3	3	7	2	2	2	2	2	2	2
Plant operations and maintenance	20	20	16	26	26	25	22	22	24	22
Pupil transportation	20	20	20	20	20	20	20	20	17	18
Business and other support services	4	4	4	4	4	4	4	4	4	4
Special Schools	-	-	-	-	-	-	-	-	-	
Food Service	16	16	16	14	14	13	14	14	11	11
Child Care	2	2	2	2	2	2	2	2	2	2
Total	257	257	257	260	260	258	255	255	243	243

Source: District Personnel Records

Lower Township School District
Operating Statistics,
Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures [a]	Cost Per Pupil	Percentage Change	Teaching Staff [b]	Pupil/ Teacher Ratio Elementary	Average Daily Enrollment (ADE) [c]	Average Daily Attendance (ADA) [c]	% Change in Average Daily Enrollment	Student Attendance Percentage
2005	1,882	$ 23,455,418	$ 12,463	6.60%	142	1:13	1,900	1,789	-0.42%	94.16%
2006	1,934	25,090,509	12,973	4.09%	142	1:14	1,919	1,801	0.67%	93.85%
2007	1,905	26,322,778	13,818	6.51%	142	1:14	1,892	1,779	-1.40%	94.03%
2008	1,837	26,983,253	14,689	6.30%	142	1:13	1,827	1,732	-3.43%	94.80%
2009	1,874	26,182,647	13,972	4.88%	142	1:13	1,857	1,763	1.64%	94.94%
2010	1,897	27,684,821	14,594	4.88%	142	1:13	1,885	1,763	1.51%	93.53%
2011	1,834	26,837,020	14,633	0.26%	141	1:13	1,848	1,731	-1.96%	93.67%
2012	1,841	28,167,188	15,300	4.55%	141	1:13	1,828	1,720	-1.08%	94.09%
2013	1,804	29,758,653	16,496	7.82%	139	1:13	1,811	1,702	-1.08%	93.98%
2014	1,822	29,388,351	16,130	-2.22%	139	1:13	1,826	1,722	0.82%	94.30%

Sources: District records

Note: Enrollment based on annual October district count.

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

Lower Township School District
School Building Information
Last Ten Fiscal Years

Exhibit J-18

District Building	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Elementary										
Charles W Sandman Consolidated (1929)										
Square Feet	61,711	61,711	61,711	61,711	61,711	61,711	61,711	61,711	61,711	61,711
Capacity (students)	581	581	581	581	581	581	581	581	581	581
Enrollment	560	559	492	480	505	517	500	475	479	474
Maud Abrams (1966)										
Square Feet	58,639	58,639	58,639	58,639	58,639	58,639	58,639	58,639	58,639	58,639
Capacity (students)	593	593	593	593	593	593	593	593	593	593
Enrollment	470	479	486	488	477	467	485	476	436	448
David C Douglass Veterans Memorial (1979)										
Square Feet	39,303	39,303	39,303	39,303	39,303	39,303	39,303	39,303	39,303	39,303
Capacity (students)	395	395	395	395	395	395	395	395	395	395
Enrollment	382	392	421	425	417	442	427	426	456	447
Carl T Mitnick (1989)										
Square Feet	67,481	67,481	67,481	67,481	67,481	67,481	67,481	67,481	67,481	67,481
Capacity (students)	527	527	527	527	527	527	527	527	527	527
Enrollment	470	504	489	444	458	459	436	451	440	456
Other										
Central Administration (1938)										
Square Feet	3,469	3,469	3,469	3,469	3,469	3,469	3,469	3,469	3,469	3,469
Maintenance (1930)										
Square Feet	3,848	3,848	3,848	3,848	3,848	3,848	3,848	3,848	3,848	3,848
Transportation(1999)										
Square Feet	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880
Curriculum Trailer (1995)										
Square Feet	938	938	938	938	938					
Special Programs Trailer (1986)										
Square Feet	684	684	684	684	684					

Number of Schools at June 30, 2013
- Elementary = 4
- Middle School = 0
- Senior High School = 0
- Other = 3

Source: District Facilities Office

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

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

Exhibit J-19

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

* School Facilities	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Sandman Consolidated School	$ 140,485	$ 294,797	$ 113,129	$ 111,112	$ 106,353	$ 115,268	$ 133,919	$ 140,626	$ 142,682	$ 168,227	$ 1,466,598
Maud Abrams School	199,172	209,298	97,525	106,997	102,414	110,998	128,959	135,418	137,397	161,996	1,390,174
Carl T. Mitnick School	194,178	89,495	62,416	69,959	66,963	72,576	148,799	156,251	158,535	186,919	1,206,091
Memorial School	123,985	79,765	117,029	123,457	118,170	128,075	84,319	88,543	89,837	105,920	1,059,100
Other Facilities		65,574									65,574
Total School Facilities	$ 657,820	$ 738,929	$ 390,099	$ 411,525	$ 393,900	$ 426,917	$ 495,996	$ 520,838	$ 528,451	$ 623,062	$ 5,187,537

Lower Township School District
Insurance Schedule
June 30, 2014

Exhibit J-20

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

(1) Atlantic & Cape May Counties Joint Insurance Fund
(2) RLI Insurance Company

Source: District records

Single Audit Section

INVERSO & STEWART, LLC
Certified Public Accountants

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

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133 AND STATE OF NEW JERSEY OMB CIRCULAR 04-04

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

I have audited Lower Township School District (School District), in the County of Cape May, State of New Jersey's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement,* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major federal and state programs for the fiscal year ended June 30, 2014. The School District's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the School District's major federal and state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and* State of New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Those standards, OMB Circular A-133 and State of New Jersey OMB's Circular 04-04 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In my opinion, the Lower Township School District, in the County of Cape May, State of New Jersey complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Lower 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 my audit of compliance, I considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state programs and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Lower Township's School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the New Jersey OMB's Circular 04-04. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and Expenditures of State Financial Assistance Required by New Jersey OMB's Circular 04-04

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lower Township School District, in the County of Cape May, State of New Jersey as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. I have issued my report thereon dated October 29, 2014, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related 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 my opinion, the schedule of expenditure of federal awards and the schedules of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

INVERSO & STEWART, LLC
Certified Public Accountants

Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
October 29, 2014

LOWER 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	June 30, 2013 Accounts Receivable	June 30, 2013 Deferred Revenue	June 30, 2013 Due to Grantor at	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2014 Accounts Receivable	June 30, 2014 Deferred Revenue	June 30, 2014 Due to Grantor at
U.S. Department of Education														
General Fund:														
Education Jobs Fund	84.410A	N/A	$ 900	7/1/11 - 9/30/12	$ (900)				$ 900					
Medical Assistance Program	93.778	N/A	73,803	7/1/13 - 6/30/14					73,803	$ (73,803)				
Total General Fund					(900)				74,703	(73,803)				
U.S. Department of Education														
Special Revenue Fund:														
No Child Left Behind(N.C.L.B.)														
Title I	84.010A	NCLB-2840-14	413,414	7/1/13 - 6/30/14					80,259	(413,414)		$ (333,155)		
Title I	84.010A	NCLB-2840-13	446,186	9/1/12 - 8/31/13	(224,804)				225,845	(1,041)				
Title II - Part A	84.367A	NCLB-2840-14	106,630	7/1/13 - 6/30/14					21,230	(106,630)		(85,400)		
Title II - Part A	84.367A	NCLB-2840-13	108,293	9/1/12 - 8/31/13	(54,412)				54,412					
Title III	84.365A	NCLB-2840-14	10,038	7/1/13 - 6/30/14						(10,038)		(10,038)		
Title III	84.365A	NCLB-2840-13	16,977	9/1/12 - 8/31/13	(9,259)				9,259					
Individuals With Disabilities Act (I.D.E.A.)														
Part B - Basic	84.027	FT-2840-14	455,692	7/1/13 - 6/30/14					455,692	(455,692)				
Part B - Basic	84.027	FT-2840-13	414,591	9/1/12 - 8/31/13	(165,836)				165,836					
Part B - Preschool	84.173	PS-2840-14	25,627	7/1/13 - 6/30/14					25,627	(25,627)				
Part B - Preschool	84.173	PS-2840-13	25,762	9/1/12 - 8/31/13	(10,305)				10,305					
Race to the Top	84.413A	RTT3-2840-13	30,257	9/1/11 - 11/30/15	(18,074)					(11,155)		(29,229)		
Total Special Revenue Fund					(482,690)				1,048,465	(1,023,597)		(457,822)		
U.S. Department of Agriculture														
Enterprise Fund:														
Food Distribution Program	10.550	N/A	62,111	9/1/13 - 6/30/14					62,111	(62,111)				
National School Lunch Program	10.555	N/A	430,855	9/1/13 - 6/30/14					395,225	(430,855)		(35,630)		
National School Lunch Program	10.555	N/A	412,487	9/1/12 - 6/30/13	(23,146)				23,146					
School Breakfast Program	10.553	N/A	288,085	9/1/13 - 6/30/14					263,630	(288,085)		(24,455)		
School Breakfast Program	10.553	N/A	281,611	9/1/12 - 6/30/13	(15,757)				15,757					
After School Snack Program	10.554	N/A	3,720	9/1/13 - 6/30/14					3,571	(3,720)		(149)		
After School Snack Program	10.554	N/A	1,505	9/1/12 - 6/30/13	(59)				59					
Total Enterprise Fund					(38,962)				763,499	(784,771)		(60,234)		
Total Federal Awards					$ (522,552)	$ -	$ -	$ -	$ 1,886,667	$ (1,882,171)	$ -	$ (518,056)	$ -	$ -

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

Exhibit K-4
Schedule B

LOWER 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 Award Amount	Grant Period	June 30, 2013 Accounts Receivable	June 30, 2013 Deferred Revenue	June 30, 2013 Due to Grantor at	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Years' Balances	June 30, 2014 Accounts Receivable	June 30, 2014 Deferred Revenue	June 30, 2014 Due to Grantor at
State Department of Education														
General Fund:														
Equalization Aid	14-495-034-5120-079	$ 5,202,298	7/1/13 - 6/30/14					$ 4,733,631	$ (5,202,298)			$ (468,667)		
Equalization Aid	13-495-034-5120-078	5,077,338	7/1/12 - 6/30/13	$ (480,411)				480,411						
School Choice Aid	14-495-034-5120-068	696,717	7/1/13 - 6/30/14					633,951	(696,717)			(62,766)		
School Choice Aid	13-495-034-5120-068	605,989	7/1/12 - 6/30/13	(57,338)				57,338						
Transportation Aid	14-495-034-5120-014	764,271	7/1/13 - 6/30/14					695,419	(764,271)			(68,852)		
Transportation Aid	13-495-034-5120-014	768,525	7/1/12 - 6/30/13	(72,717)				72,717						
Special Education Categorical Aid	14-495-034-5120-089	888,970	7/1/13 - 6/30/14					808,884	(888,970)			(80,086)		
Special Education Categorical Aid	13-495-034-5120-089	873,263	7/1/12 - 6/30/13	(82,627)				82,627						
Security Aid	14-495-034-5120-084	446,178	7/1/13 - 6/30/14					405,983	(446,178)			(40,195)		
Security Aid	13-495-034-5120-084	438,482	7/1/12 - 6/30/13	(41,489)				41,489						
Adjustment Aid	14-495-034-5120-085	2,030,412	7/1/13 - 6/30/14					1,847,495	(2,030,412)			(182,917)		
Adjustment Aid	13-495-034-5120-085	2,180,270	7/1/12 - 6/30/13	(206,294)				206,294						
Non Public Transportation Aid	14-04103190	7,453	7/1/13 - 6/30/14						(7,453)			(7,453)		
Non Public Transportation Aid	13-04103190	7,324	7/1/12 - 6/30/13	(7,324)				7,324						
Anti-Bullying Aid	N/A	1,314	7/1/13 - 6/30/14					1,314	(1,314)					
On Behalf TPAF Pension	14-495-034-5095-006	504,395	7/1/13 - 6/30/14					504,395	(504,395)					
On Behalf TPAF Medical	14-495-034-5095-001	827,019	7/1/13 - 6/30/14					827,019	(827,019)					
Reimbursed TPAF Social Security Contributions	14-495-035-5095-002	804,434	7/1/13 - 6/30/14					804,434	(804,434)					
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	863,631	7/1/12 - 6/30/13	(43,354)				43,354						
Total General Fund				(991,554)				12,254,079	(12,173,461)			(910,936)		
Special Revenue Fund:														
Preschool Education Aid	14-495-034-5120-086	371,931	7/1/13 - 6/30/14					334,738	(371,931)			(37,193)		
Preschool Education Aid	13-495-034-5120-086	362,408	7/1/12 - 6/30/13	(36,241)				36,241						
Total Special Revenue Fund				(36,241)				370,979	(371,931)			(37,193)		
State Department of Agriculture														
Enterprise Fund:														
State School Lunch Program	14-100-010-3350-023	10,140	7/1/13 - 6/30/14					9,301	(10,140)			(839)		
State School Lunch Program	13-100-010-3350-023	10,167	7/1/12 - 6/30/13	(573)				573						
Total Enterprise Fund				(573)				9,874	(10,140)			(839)		
Total State Financial Assistance				$ (1,028,368)	$ -	$ -	$ -	$ 12,634,932	$ (12,555,532)	$ -	$ -	$ (948,968)	$ -	$ -

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

Lower Township School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2014

1. GENERAL

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

2. BASIS OF ACCOUNTING

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

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is $37,393 for the general fund and ($7,668) for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

	Federal	State	Total
General Fund	$ 73,803	$ 12,210,854	$ 12,284,657
Special Revenue Fund	1,016,881	370,979	1,387,860
Food Service Fund	784,771	10,140	794,911
Total Awards & Financial Assistance	$ 1,875,455	$ 12,591,973	$ 14,467,428

Lower Township School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2014
(Continued)

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the School District for the year ended June 30, 2014. TPAF Social Security Contributions represents the amount reimbursed by the State for the School District's share of social security contributions for TPAF members for the year ended June 30, 2014.

6. MAJOR PROGRAMS

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

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

Section I --Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weaknesses identified? ____ yes X no

2) Significant deficiencies identified that are not considered to be a material weakness? ____ yes X none reported

Noncompliance material to basic financial statements noted? ____ yes X no

Federal Awards

Internal Control over major programs:

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

2) Significant deficiencies identified that are not considered to be a material weakness? ____ yes X none reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	Title I
10.555	National School Lunch Program
10.553	School Breakfast Program
10.554	After School Snack Program

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

Auditee qualified as low-risk auditee? X yes ____ no

LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section 1 -- Summary of Auditor's Results (Cont'd)

State Awards Section

Dollar threshold used to distinguish between type A and type B programs: $376,666

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 weakness? ____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04? ____ yes X no

Identification of major programs:

GMIS Number(s)	Name of State Program
14-495-034-5120-078	Equalization Aid
14-495-034-5120-068	School Choice Aid
14-495-034-5120-089	Special Education Categorical Aid
14-495-034-5120-014	Transportation Aid
14-495-034-5120-084	Security Aid
14-495-034-5120-085	Adjustment Aid
14-495-034-5095-002	Reimbursed TPAF Social Security Contributions
14-495-034-5120-086	Preschool Education Aid
14-100-010-3350-023	School Lunch Program

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

Section 2 -- Schedule of Financial Statement Findings

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

No findings identified.

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

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal and State programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

FEDERAL AWARDS:

No findings and/or questioned costs identified.

STATE AWARDS:

No findings and/or questioned costs identified.

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

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

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

There were no prior year audit findings.