

**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, 2015**

**Comprehensive Annual
Financial Report**

of the

**Township of Lower
Board of Education**

Cape May, New Jersey

For the Fiscal Year Ended June 30, 2015

**Prepared by
Township of Lower Board of Education
Finance Department**

LOWER TOWNSHIP SCHOOL DISTRICT

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Introductory Section

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November 27, 2015

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, 2015 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 2014-2015 fiscal year with an enrollment of 1,788 students (June 2015). The following details the changes in the student enrollment of the District over the last ten years.

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

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2014-15	1,788	-2.08%
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%

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 2014-15 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. 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. A new writing program for grades 3-6, The Units of Study in Narrative, Opinion and Information writing, a workshop curriculum, was implemented to support greater independence and fluency through intensive writing opportunities. The program fosters high-level thinking, including regular chances to synthesize, analyze, and critique. Students develop and refine strategies for writing not only in Language Arts but across the curriculum. 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), BrainPop, BrainPop Jr., Think Central, Personal Math Trainer, 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 Go Math! Program for kindergarten through grade six provides a rigorous program aligned to the Common Core State Standards for **Mathematics**. The program provides response to intervention and enrichment materials to meet the needs of all of the students in our district. The online components enhance instructional practices, and provide students with individualized, and differentiated experience. 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. The *Get Set for School: Math* program was

implemented in our preschool program to provide students with foundational mathematical number sense to ensure a smooth transition as they enter into our kindergarten program.

Assessment of Student Achievement

Preschool students are assessed using a checklist, and the Early Screening Inventory. 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. Students are also assessed using GOMath pre-requisite skills inventory and benchmark assessments for mathematics.

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

According to the district's five-year evaluation cycle, other curriculum revisited during the 14-15 school year included comprehensive health and physical education, writing and revised math.

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, webEx conferences, out-of-district workshops/conferences, college courses (tuition reimbursement) and the NJEA Convention.

Major staff development during the 2014-15 school year focused on implementation of the new GOMath and Units of Study in Writing programs, and utilizing interactive technology to enhance current curriculum.

- Staff members participated in numerous workshops/seminars/courses. Professional development is provided by consultants and district staff members. These in-service 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 in-service 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 at Carl T. Mitnick School.

4. INTERNAL ACCOUNTING CONTROLS:

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

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

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

5. BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are canceled or are included as reappropriations of fund balance in the subsequent year. Amounts to be reappropriated are reported as reservations of fund balance at June 30, 2015.

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. CASH MANAGEMENT:

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

8. RISK MANAGEMENT:

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

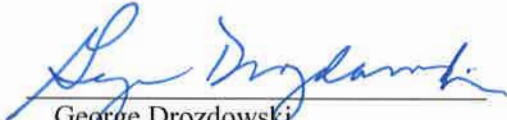
9. OTHER INFORMATION:

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

10. ACKNOWLEDGEMENTS:

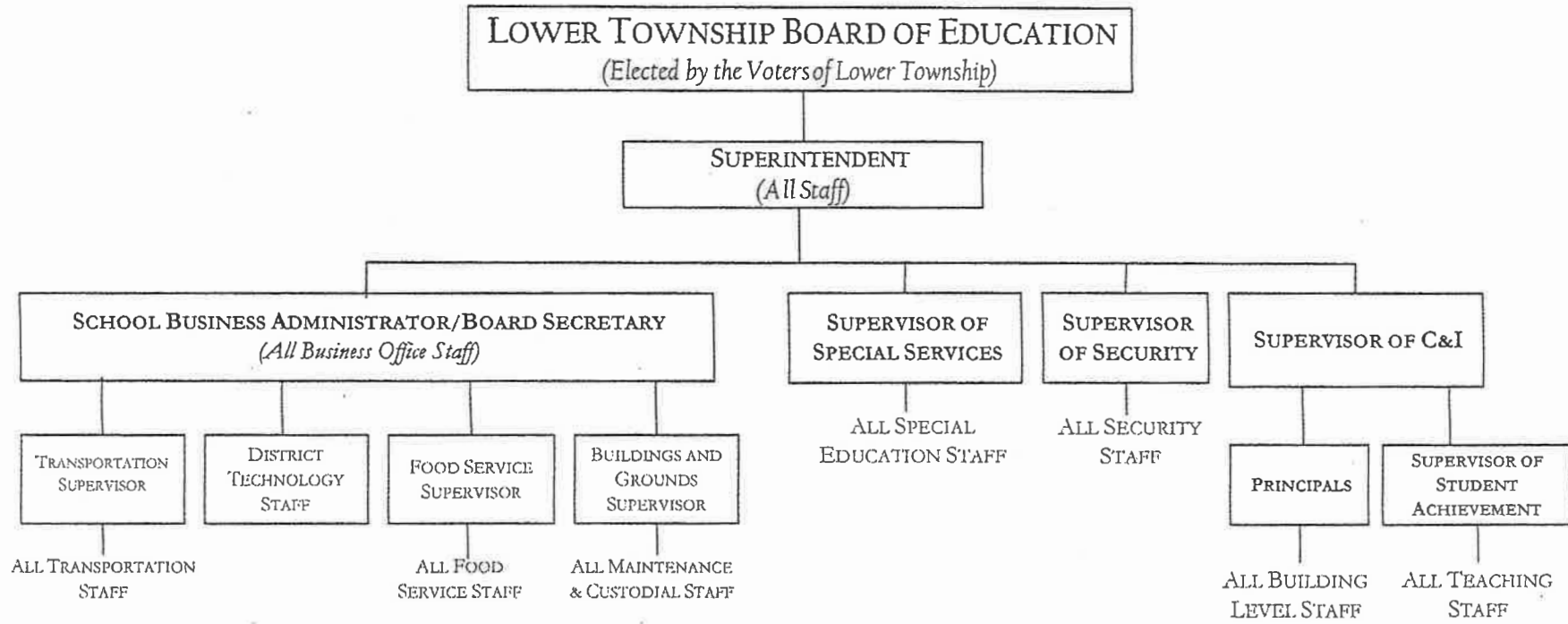
We would like to express our appreciation to the members of the Township of Lower School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.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

Respectfully submitted,


George Drozdowski
Superintendent


Frank Onorato
Business Administrator

ORGANIZATIONAL CHART



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

**ROSTER OF OFFICIALS
JUNE 30, 2015**

	<u>Term Expires</u>
James Rochford, President	2016
Ralph Bakley, Vice-President	2015
Timothy Shaun Wittington	2015
Patricia Smith	2017
Joseph Thomas	2016
Charles Utsch	2016
Jon Vile	2017
Gary Douglass	2017

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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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, during the fiscal year ended June 30, 2015, the School District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. My opinion is not modified with respect to this matter.

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 and/or 15-08, as applicable, 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 November 27, 2015 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
November 27, 2015

INVERSO & STEWART, LLC
Certified Public Accountants

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 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, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued my report thereon dated November 27, 2015.

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 an instance of noncompliance or other matters that is 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 which is described in the accompanying *Schedule of Findings and Questioned Costs and Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* as finding no: 2015-001.

The Lower Township School District's Response to Findings

The Lower Township School District's response to the finding identified in my audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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
November 27, 2015

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, 2015**

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, 2015. 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 liabilities of the School District exceeded its assets at the close of the most recent fiscal year by \$1,473,200 (*net position*).
- Governmental activities have an unrestricted net position deficit of \$13,211,672. 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 increased by \$156,859, or a 9.62% increase from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds increased by \$320,345 resulting in an ending fund balance of \$1,067,649. This increase is largely due to the results of operations of the General Fund.
- Business-type activities have unrestricted net position of \$275,131.
- The School District's long-term obligations increased by \$275,567 which is an increase in compensated absences and a new capital lease.

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 2015. 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 2015.

The liabilities of the primary government activities exceeded assets by \$1,755,387 with an unrestricted deficit balance of \$13,211,672. The net position of the primary government does not include internal balances.

A net investment of \$9,988,073 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, \$992,246 has been restricted for maintenance projects, deficit restricted balance of \$37,193 for Special Revenue Fund, and \$513,158 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, 2015 and 2014**

	Governmental Activities		Business-Type Activities		District-Wide	
	2015	2014	2015	2014	2015	2014
Assets:						
Current assets	\$ 1,082,435	\$ 1,015,208	\$ 387,426	\$ 414,676	\$ 1,469,861	\$ 1,429,884
Capital assets	<u>10,066,781</u>	<u>9,923,902</u>	<u>7,056</u>	<u>9,108</u>	<u>10,073,837</u>	<u>9,933,010</u>
Total assets	<u>11,149,216</u>	<u>10,939,110</u>	<u>394,482</u>	<u>423,784</u>	<u>11,543,698</u>	<u>11,362,894</u>
Deferred Outflows of Resources	<u>819,860</u>				<u>819,860</u>	
Liabilities:						
Current Liabilities	33,770	267,904	10,275	19,854	44,045	287,758
Noncurrent Liabilities	<u>12,946,936</u>	<u>1,827,911</u>	<u>102,020</u>	<u>116,519</u>	<u>13,048,956</u>	<u>1,944,430</u>
Total liabilities	<u>12,980,706</u>	<u>2,095,815</u>	<u>112,295</u>	<u>136,373</u>	<u>13,093,001</u>	<u>2,232,188</u>
Deferred Inflows of Resources	<u>743,757</u>				<u>743,757</u>	
Net position	<u>\$ (1,755,387)</u>	<u>\$ 8,843,295</u>	<u>\$ 282,187</u>	<u>\$ 287,411</u>	<u>\$ (1,473,200)</u>	<u>\$ 9,130,706</u>
Net position consist of:						
Invested in capital						
Assets	\$ 9,988,073	\$ 9,923,902	\$ 7,056	\$ 9,108	\$ 9,995,129	\$ 9,933,010
Restricted net position	1,468,212	1,129,931			1,468,212	1,129,931
Unrestricted net position	<u>(13,211,672)</u>	<u>(2,210,538)</u>	<u>275,131</u>	<u>278,303</u>	<u>(12,936,541)</u>	<u>(1,932,235)</u>
Net position	<u>\$ (1,755,387)</u>	<u>\$ 8,843,295</u>	<u>\$ 282,187</u>	<u>\$ 287,411</u>	<u>\$ (1,473,200)</u>	<u>\$ 9,130,706</u>

Lower Township School District
Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		District-Wide	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues						
Charges for services	\$ -	\$ 72,516	\$ 657,010	\$ 583,469	\$ 657,010	\$ 655,985
Operating grants and Contributions	3,891,899	3,524,208	787,875	794,911	4,679,774	3,524,208
General Revenues:						
Property Taxes	15,806,595	15,251,564			15,806,595	15,251,564
Unrestricted State Aid	10,276,148	10,148,809			10,276,148	10,148,809
Tuition	58,912				58,912	
Other Revenues	6,417	86,495	100	100	6,517	86,595
Total Revenues	30,039,971	29,083,592	1,444,985	1,378,480	31,484,956	30,462,072
Expenses:						
Governmental Activities:						
Instruction	11,507,620	10,958,033			11,507,620	10,958,033
Tuition	1,154,510	1,049,973			1,154,510	1,049,973
Related Services	2,976,379	3,062,601			2,976,379	3,062,601
Administrative Services	1,313,166	1,341,680			1,313,166	1,341,680
Central Services	340,427	356,794			340,427	356,794
Operations and Maintenance	2,410,716	2,306,566			2,410,716	2,306,566
Transportation	1,191,733	1,261,876			1,191,733	1,261,876
Employee Benefits	8,956,103	9,044,216			8,956,103	9,044,216
Interest on long-term Debt						
Other	27,234	23,315			27,234	23,315
Business-Type Activities:						
Food Service Operations			1,111,891	1,108,597	1,111,891	1,108,597
Day Care Program			338,318	306,728	338,318	306,728
Total Expenses	29,877,888	29,405,054	1,450,209	1,415,325	31,328,097	30,820,379
Increase in net position						
Before transfers	162,083	(321,462)	(5,224)	(36,845)	156,859	(358,307)
Transfers						
Changes in net position	162,083	(321,462)	(5,224)	(36,845)	156,859	(358,307)
Net position, July 1, as restated	(1,917,470)	9,164,757	287,411	324,256	(1,630,059)	9,489,013
Net position, June 30,	\$ (1,755,387)	\$ 8,843,295	\$ 282,187	\$ 287,411	\$ (1,473,200)	\$ 9,130,706

Governmental Activities

Governmental activities increased the net position of the School District by \$162,083 during the current fiscal year. Key elements of the increase in net position for governmental activities are as follows:

- Capital additions less depreciation expense increased the net position by \$142,879.
- Compensated absences increased by \$196,859.
- Results of operations in the General Fund increased the net position by \$320,345.
- Capital leases increased by \$78,708.

Business-type Activities

Business-type activities decreased the School District's net position by \$5,224. Key elements of the decrease in net position for business-type activities are as follows:

- The Food Service Fund had a net loss of \$62,289 and the Day Care Program had a net gain of \$57,065.

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 \$1,067,649, an increase of \$320,345 in comparison with the prior year. Most of this increase is due to the General Fund results of operations.

The deficit unreserved fund balance for the School District at the end of the fiscal year includes a combination of an unreserved deficit fund balance for the General Fund of \$400,563 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) \$154,300 appropriated as a revenue source in the subsequent year's budget, 3) \$164,441 reserved for future budget appropriation in accordance with state statute, 4) \$140,792 reserved for encumbrances, 5) \$992,246 reserved for maintenance and 6) \$53,625 ARRA/SEMI revenue reserved for future budget appropriation.

The general fund is the chief operating fund of the School District. As discussed earlier, the balance in the unreserved fund balance is due, primarily, to the accounting treatment of the last two state aid payments 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

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was \$524,316 while total fund balance (budgetary basis) was \$2,029,721. 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 \$28,398,403. Unreserved fund balance (budgetary basis) represents 1.85% of expenditures while total fund balance (budgetary basis) represents 7.15% 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, 2015, totaled \$10,073,837 (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 \$140,827 or a 1.41% increase. The increase is due to acquisitions less current year depreciation.

Capital Asset (net of accumulated depreciation) June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		District-Wide	
	2015	2014	2015	2014	2015	2014
Land	\$ 80,045	\$ 80,045	\$ -	\$ -	\$ 80,045	\$ 80,045
Construction in Progress						
Buildings and Building Improvements	8,937,877	9,033,164			8,937,877	9,033,164
Equipment	1,048,859	810,693	7,056	9,108	1,055,915	819,801
Net position	<u>\$ 10,066,781</u>	<u>\$ 9,923,902</u>	<u>\$ 7,056</u>	<u>\$ 9,108</u>	<u>\$ 10,073,837</u>	<u>\$ 9,933,010</u>

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

Long-term debt – During the fiscal year ended June 30, 2015, the School District had \$2,126,790 in compensated absences and \$78,708 in capital leases payable.

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 \$93,166,941. The available amount as of June 30, 2015 is \$93,166,941.

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 2015-16 fiscal year.

For 2015-16 fiscal year the School District is not anticipating an increase in state aid. The local tax levy in the General Fund increased by \$510,691 or a 3.23% increase. Salaries continue to increase contractually; however, the District has managed to control costs. The 2015-16 General Fund Budget is \$484,161 greater than the previous year or a 1.84 % increase. The tax rate was .432 in 2014 and slightly increased to .446 in 2015.

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, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 749,125	\$ 301,240	\$ 1,050,365
Receivables, net	331,191	72,444	403,635
Inventory (Note 6)		15,860	15,860
Internal balances	2,118	(2,118)	
Restricted assets:			
Restricted cash and cash equivalents	1		1
Capital assets, net (Note 5)	<u>10,066,781</u>	<u>7,056</u>	<u>10,073,837</u>
Total assets	<u>11,149,216</u>	<u>394,482</u>	<u>11,543,698</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	<u>819,860</u>		<u>819,860</u>
LIABILITIES:			
Accounts payable	14,786		14,786
Unearned revenue		10,275	10,275
Noncurrent liabilities:			
Due within one year	18,984		18,984
Due beyond one year	2,084,494	102,020	2,186,514
Net pension liability	<u>10,862,442</u>		<u>10,862,442</u>
Total liabilities	<u>12,980,706</u>	<u>112,295</u>	<u>13,093,001</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	<u>743,757</u>		<u>743,757</u>
NET POSITION:			
Net investment in capital assets	9,988,073	7,056	9,995,129
Restricted for:			
Special Revenue	(37,193)		(37,193)
Other purposes	1,505,405		1,505,405
Unrestricted	<u>(13,211,672)</u>	<u>275,131</u>	<u>(12,936,541)</u>
Total net position	<u>\$ (1,755,387)</u>	<u>\$ 282,187</u>	<u>\$ (1,473,200)</u>

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 9,803,439	\$ -	\$ 674,268	\$ (9,129,171)	\$ -	\$ (9,129,171)
Special education	1,638,485			(1,638,485)		(1,638,485)
Other instruction	65,696			(65,696)		(65,696)
Support Services:						
Tuition	1,154,510		519,530	(634,980)		(634,980)
Student & instruction related services	2,976,379		69,292	(2,907,087)		(2,907,087)
General administrative services	430,293			(430,293)		(430,293)
School administrative services	882,873			(882,873)		(882,873)
Central services	340,427			(340,427)		(340,427)
Plant operations and maintenance	2,410,716			(2,410,716)		(2,410,716)
Pupil transportation	1,191,733			(1,191,733)		(1,191,733)
Unallocated employee benefits	8,956,103		2,628,809	(6,327,294)		(6,327,294)
Unallocated depreciation and amortization	27,234			(27,234)		(27,234)
Total governmental activities	<u>29,877,888</u>		<u>3,891,899</u>	<u>(25,985,989)</u>		<u>(25,985,989)</u>
Business-type activities:						
Day care program	338,318	395,383			57,065	57,065
Food service program	1,111,891	261,627	787,875		(62,389)	(62,389)
Total business-type activities	<u>1,450,209</u>	<u>657,010</u>	<u>787,875</u>		<u>(5,324)</u>	<u>(5,324)</u>
Total primary government	<u>\$ 31,328,097</u>	<u>\$ 657,010</u>	<u>\$ 4,679,774</u>	<u>\$(25,985,989)</u>	<u>\$ (5,324)</u>	<u>\$(25,991,313)</u>
General revenues:						
Taxes:						
				15,806,595		15,806,595
				10,276,148		10,276,148
				58,912		58,912
				6,417	100	6,517
				26,148,072	100	26,148,172
				162,083	(5,224)	156,859
				(1,917,470)	287,411	(1,630,059)
				<u>\$ (1,755,387)</u>	<u>\$ 282,187</u>	<u>\$ (1,473,200)</u>

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, 2015

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 749,125	\$ -	\$ -	\$ -	\$ 749,125
Receivables, net	31,940	268,019			299,959
Interfund receivable	338,562				338,562
Restricted cash and cash equivalents	1				1
Total assets	\$ 1,119,628	\$ 268,019	\$ -	\$ -	\$ 1,387,647
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	14,786				14,786
Interfund payables		305,212			305,212
Total liabilities	14,786	305,212			319,998
Fund Balances:					
Restricted for:					
Excess surplus	164,441				164,441
Excess surplus - designated for subsequent year's expenditures	154,300				154,300
Maintenance reserve	992,246				992,246
Capital reserve	1				1
Assigned to:					
Year-end encumbrances	140,792				140,792
ARRA/SEMI - Designated for subsequent year's expenditures	53,625				53,625
Unassigned	(400,563)	(37,193)			(437,756)
Total fund balances	1,104,842	(37,193)			1,067,649
Total liabilities and fund balances	\$ 1,119,628	\$ 268,019	\$ -	\$ -	

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 \$20,739,866 and the accumulated depreciation is \$10,673,085. 10,066,781

The District's proportionate share of net pension assets and liabilities as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Deferred Outflows of resources from Pensions	819,860	
Net Pension Liability	(10,862,442)	
Deferred Inflows of resources from Pensions	(743,757)	(10,786,339)

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. (2,103,478)

Net position of governmental activities \$ (1,755,387)

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, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 15,806,595	\$ -	\$ -	\$ -	\$ 15,806,595
Tuition charges	58,912				58,912
Miscellaneous	6,417				6,417
Total revenues-local sources	15,871,924				15,871,924
Local sources		982			982
State sources	12,618,761	371,931			12,990,692
Federal sources	128,486	1,047,887			1,176,373
Total revenues	28,619,171	1,420,800			30,039,971
EXPENDITURES:					
Current expense:					
Regular instruction	8,551,035	674,268			9,225,303
Special education instruction	1,638,485				1,638,485
Other instruction	65,696				65,696
Support services and undistributed costs:					
Tuition	634,980	519,530			1,154,510
Student & instruction related services	2,907,087	69,292			2,976,379
General administrative services	430,293				430,293
School administrative services	828,405				828,405
Central services	340,427				340,427
Plant operations and maintenance	2,713,581				2,713,581
Pupil transportation	1,191,733				1,191,733
Unallocated employee benefits	8,772,819	157,710			8,930,529
Capital outlay	323,862				323,862
Total expenditures	28,398,403	1,420,800			29,819,203
Excess (deficiency) of revenues over (under) expenditures	220,768				220,768
Other Financing Sources (Uses):					
Proceeds of Capital Lease	99,577				99,577
Transfers in					
Transfers out					
Total other financing sources (uses)	99,577				99,577
Net change in fund balance	320,345				320,345
Fund balances, July 1	784,497	(37,193)			747,304
Fund balances, June 30	\$ 1,104,842	\$ (37,193)	\$ -	\$ -	\$ 1,067,649

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, 2015

Total net change in fund balances - governmental funds (from B-2)		\$ 320,345
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p style="padding-left: 40px;">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.</p>		
Depreciation expense	\$ (554,680)	
Capital outlay	<u>697,559</u>	142,879
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.		20,869
The proceeds of a capital lease is an other financing source of revenue in the governmental funds but is not reported in the statement of activities.		(99,577)
Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities.		(25,574)
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 (+).		<u>(196,859)</u>
Change in net position of governmental activities		<u><u>\$162,083</u></u>

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, 2015

	Business-type Activities Enterprise Funds	
	<u>Food Service Fund</u>	<u>Day Care Program</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 138,431	\$ 162,809
Accounts receivable	69,563	2,881
Inventories	15,860	
Total current assets	<u>223,854</u>	<u>165,690</u>
Noncurrent assets:		
Equipment	280,292	
Less accumulated depreciation	<u>(273,236)</u>	
Total noncurrent assets	<u>7,056</u>	
Total assets	<u>\$ 230,910</u>	<u>\$ 165,690</u>
LIABILITIES		
Current liabilities:		
Unearned revenue	-	10,275
Interfund payable	2,118	
Total current liabilities	<u>2,118</u>	<u>10,275</u>
Noncurrent liabilities:		
Compensated absences	<u>102,020</u>	
Total noncurrent liabilities	<u>102,020</u>	<u>-</u>
Total liabilities	<u>104,138</u>	
NET POSITION		
Net investment in capital assets	7,056	
Unrestricted	<u>119,716</u>	<u>155,415</u>
Total net position	<u>\$ 126,772</u>	<u>\$ 155,415</u>

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
for the Fiscal Year Ended June 30, 2015

	Business-type Activities Enterprise Funds	
	Food Service Fund	Day Care Program
Operating revenues:		
Charges for services:		
Daily sales-reimbursable programs	\$ 140,411	\$ -
Daily sales-non-reimbursable programs	121,216	395,383
Total operating revenue	261,627	395,383
Operating expenses:		
Salaries	408,094	281,422
Employee benefits	228,439	21,438
Supplies and materials	32,317	29,995
Purchased property services	10,909	
Depreciation	2,053	
Cost of sales	426,812	
Other	3,267	5,463
Total operating expenses	1,111,891	338,318
Operating income (loss)	(850,264)	57,065
Nonoperating revenues (expenses):		
State sources:		
State school lunch program	9,435	
Federal sources:		
National school lunch program	409,156	
School breakfast program	290,094	
Snack Program	2,936	
U.S.D.A. commodities	76,254	
Local sources:		
Interest revenue	100	
Total nonoperating revenues (expenses)	787,975	-
Change in net position	(62,289)	57,065
Total net position - July 1	189,061	98,350
Total net position - June 30	\$ 126,772	\$ 155,415

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, 2015

	Business-type Activities	
	Food Service Fund	Day Care Program
Cash flows from operating activities:		
Receipts from customers	\$ 253,047	\$ 391,492
Payments to employees	(651,033)	(302,860)
Payments to suppliers	(474,012)	(35,499)
Net cash used for operating activities	<u>(871,998)</u>	<u>53,133</u>
Cash flows from noncapital financing activities:		
State sources	9,469	
Federal sources	779,976	
Net cash provided by non-capital financing activities	<u>789,445</u>	<u>-</u>
Cash flows from capital activities:		
Purchases of fixed assets	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest and dividends	100	
Net cash provided by investing activities	<u>100</u>	
Net increase in cash and cash equivalents	(82,453)	53,133
Balances - July 1	<u>220,884</u>	<u>109,676</u>
Balances - June 30	<u>\$ 138,431</u>	<u>\$ 162,809</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (850,264)	\$ 57,065
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	2,053	
(Increase) decrease in accounts receivable	(8,581)	5,647
(Increase) decrease in inventories	(707)	
Increase (decrease) in interfund payable, net		
Increase (decrease) in accounts payable		(19,854)
Increase (decrease) in unearned revenue		10,275
Increase (decrease) in compensated absences	<u>(14,499)</u>	
Net cash provided by (used for) operating activities	<u>\$ (871,998)</u>	<u>\$ 53,133</u>

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, 2015

	Unemployment Compensation Insurance Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 135,028	\$ 14,168
Other receivable		270
	<u> </u>	<u> </u>
Total assets	<u>135,028</u>	<u>14,438</u>
LIABILITIES:		
Accounts payable	23,916	
Interfund payable	31,232	
Due to student groups		14,438
	<u> </u>	<u> </u>
Total liabilities	<u>55,148</u>	<u>\$ 14,438</u>
NET POSITION:		
Restricted for:		
Unemployment claims	<u>\$ 79,880</u>	

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

	Unemployment Compensation Insurance Trust
ADDITIONS:	
Contributions:	
Board contributions	\$ 40,000
Employee withholdings	54,487
Total Contributions	94,487
Investment earnings:	
Interest	44
Net investment earnings	44
Total additions	94,531
DEDUCTIONS:	
Unemployment payments	98,651
Total deductions	98,651
Change in net position	(4,120)
Net position - July 1	84,000
Net position - June 30	\$ 79,880

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

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, 2015 of 1,788 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

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.

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

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

The School District's enterprise funds are:

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

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

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

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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

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

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

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

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

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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2015 and 2014 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015.

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

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

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

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

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

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

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

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

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

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

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

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

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

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

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2015.

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

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

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

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

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

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

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

Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 February 2015, the GASB issued Statement 72, Fair Value Measurement and Application. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This Statement is effective for financial statements for periods beginning after June 15, 2015 and will not have any effect on the District's financial reporting.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. This Statement is effective for financial statements for periods beginning after June 15, 2016 and will not have any effect on the District's financial reporting.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria. This Statement is effective for financial statements for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In June, 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for financial statements for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - In June 2016, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement is effective for financial statements for periods beginning after June 15, 2015 and will not have any effect on the District's financial reporting.

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 \$1,748,722 as of June 30, 2015, \$250,000 was insured under FDIC and the remaining balance of \$1,498,722 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, 2014 to June 30, 2015 fiscal year is as follows:

Balance – July 1, 2014	\$1
Increased by:	
Interest earned	_____
Balance – June 30, 2015	\$1

The June 30, 2015 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

4. RECEIVABLES

Accounts receivables at June 30, 2015 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, 2015 for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Funds</u>	<u>Total</u>
State Aid	\$ 7,761	\$ -	\$ 804	\$ 8,565
Federal Aid		268,019	58,698	326,717
Other	25,063		12,942	38,005
Total Accounts Receivable	<u>\$ 32,824</u>	<u>\$ 268,019</u>	<u>\$ 72,444</u>	<u>\$ 373,287</u>

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2015</u>
Governmental Activities:				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 80,045	\$ -	\$ -	\$ 80,045
Construction in progress				
Total capital assets, not being Depreciated	<u>80,045</u>			<u>80,045</u>
<i>Capital Assets, being depreciated:</i>				
Building and Building Improvements	17,567,102	251,310		17,818,412
Equipment	2,420,311	446,249	25,151	2,841,409
Totals at historical cost	<u>19,987,413</u>	<u>697,559</u>	<u>25,151</u>	<u>20,659,821</u>
<i>Less Accumulated Depreciation:</i>				
Building and Building Improvements	(8,533,939)	(346,596)		(8,880,535)
Equipment	(1,609,617)	(208,084)	(25,151)	(1,792,550)
Totals accumulated depreciation	<u>(10,143,556)</u>	<u>(554,680)</u>	<u>(25,151)</u>	<u>(10,673,085)</u>
Total Capital Assets, being depreciated, net	<u>9,843,857</u>	<u>142,879</u>		<u>9,986,736</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,923,902</u>	<u>\$ 142,879</u>	<u>\$ -</u>	<u>\$ 10,066,781</u>
Business-Type Activities:				
<i>Capital Assets, being depreciated:</i>				
Equipment	\$ 286,015	\$ -	\$ 5,723	\$ 280,292
Less accumulated depreciation	(276,906)	(2,053)	(5,723)	(273,236)
Business-Type Activities Capital Assets, Net	<u>\$ 9,109</u>	<u>\$ (2,053)</u>	<u>\$ -</u>	<u>\$ 7,056</u>

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

5. CAPITAL ASSETS (Continued)

Depreciation expense in the amount of \$544,680 was charged to governmental functions as follows:

Function	Amount
Instruction	\$ 381,277
School Administration	54,468
Plant Operations and Maintenance	81,702
Unallocated	27,233
Total	\$ 544,680

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2015 consisted of the following:

	Food Service
Food	\$ 12,958
Supplies	2,902
	\$ 15,860

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2015, the following changes occurred in long-term obligations:

	<u>Principal Outstanding July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2015</u>	<u>Amount Due Within One Year</u>
Compensated Absences	\$ 1,827,911	\$ 196,859	\$ -	\$ 2,024,770	-
Capital Lease Payable		99,577	20,869	78,708	18,984
Total Governmental Activity	\$ 1,827,911	\$ 296,436	\$ 20,869	\$ 2,103,478	\$ 18,984

<u>Business – Type Activities:</u>	<u>Principal Outstanding July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2015</u>	<u>Amount Due Within One Year</u>
Compensated Absences	\$ 116,519	\$ -	\$ 14,499	\$ 102,020	\$

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

7. LONG-TERM OBLIGATIONS (Continued)

Capital Leases – At June 30, the District is leasing White Boards totaling \$104,346 under capital leases. The following is a schedule of the future minimum lease payments under this capital lease agreement:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 18,984	\$ 1,885	\$ 20,869
2017	19,439	1,430	20,869
2018	19,904	965	20,869
2019	20,381	488	20,869
	<u>\$ 78,708</u>	<u>\$ 4,768</u>	<u>\$ 83,476</u>

Compensated Absences

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

8. OPERATING LEASES

At June 30, 2015, the School District had an operating lease agreement in effect for copiers.

Total operating lease payments made during the year ended June 30, 2015 and 2014, were \$52,257 and \$43,632 respectively. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2016	\$ 45,208
June 30, 2017	29,246
June 30, 2018	25,413
June 30, 2019	4,106
Total future minimum lease payments	<u>\$ 103,973</u>

9. PENSION PLANS

Description of Plans – Substantially all of the School District's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

9. PENSION PLANS (Continued)

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

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 P.L. 2007 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, 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 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.

Teachers Pensions and Annuity Fund (TPAF)

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

For the year ended June 30, 2015, the District recognized pension expense of \$3,429,010 and revenue of \$3,429,010 for support provided by the State. Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	06/30/14	06/30/13
Collective deferred outflows of resources	\$ 2,306,623,861	\$ -
Collective deferred inflows of resources	1,763,205,593	-
Collective net pension liability (Non-Employer -- State of New Jersey)	53,446,745,367	50,539,213,484
State's portion of the net pension liability that was associated with the district	63,725,118	60,258,648
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	.1192310551%	.1192314717%

Actuarial assumptions – The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation: 2.5%
- Salary Increases: Varies based on experience
- Investment Rate of Return: 7.90%

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

9. PENSION PLANS (Continued)

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

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	06.00%	0.50%
Core Fixed Income	00.00%	2.19%
Core Bonds	01.00%	1.38%
Short-Term Bonds	00.00%	1.00%
Intermediate Term Bonds	11.20%	2.60%
Long-Term Bonds	00.00%	3.23%
Mortgages	02.50%	2.84%
High Yield Bonds	05.50%	4.15%
Non US Fixed Income	00.00%	1.41%
Inflation Indexed Bonds	02.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	00.00%	5.62%
Mid Cap US Equities	00.00%	6.39%
Small Cap US Equities	00.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	06.50%	8.90%
Private Equity	08.25%	9.15%
Hedge Funds/Absolute Ret	12.25%	3.85%
Real Estate (Property)	03.20%	4.43%
Real Estate (REITS)	00.00%	5.58%
Commodities	02.50%	3.60%
Long Credit Bonds	00.00%	3.74%

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

9. PENSION PLANS (Continued)

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

Discount rate. The discount rate used to measure the State's total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Since the District has no proportionate share of the net pension liability, because of the special funding situation, the district would not be sensitive to any changes in the discount rate.

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

Public Employees' Retirement System (PERS)

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, 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 and increases each subsequent July 1. 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.

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:

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Contr. Group Life Insurance</u>	<u>Total Liability</u>	<u>Delayed Enrollments</u>	<u>Delayed Appropriation</u>	<u>Paid by District</u>
2015	\$ 79,624	\$ 368,324	\$ 30,339	\$ 478,287			\$ 478,287
2014	80,470	353,794	7,385	441,649			441,649
2013	125,251	299,479	25,279	450,009			450,009

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

9. PENSION PLANS (Continued)

Public Employees Retirement System (PERS) (Continued)

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

For the year ended June 30, 2015, the District recognized pension expense of \$540,743. At June 30, 2015, the District reported a liability of \$10,862,442 for its proportionate share of the PERS net pension liability and deferred outflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	341,573	
Net difference between projected and actual earnings on pension plan investments		647,343
Changes in proportion and differences between District contributions and proportionate share of contributions		96,414
District contributions subsequent to the measurement Date	478,287	
Total	\$ 819,860	\$ 743,757

\$478,287 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net liability in the year ended June 30, 2015.

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

For the year ended:	Net Deferred Inflow of Resources:
2016	\$ 80,437
2017	80,437
2018	80,437
2019	80,437
2020	80,436
Total	\$ 402,184

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Additional Information

Collective balances at June 30, 2014 and 2013 are as follows:

	6/30/2014	6/30/2013
Collective deferred outflows of resources	\$ 952,194,675	\$ (1)
Collective deferred inflows of resources	\$ 1,479,224,662	\$ (1)
Collective net pension liability	\$ 18,722,735,003	\$ 19,111,986,911
District's Proportion	.0580173906%	.058145948%

(1) – Information not available.

Actuarial assumptions – The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation rate: 3.01%
- Salary Increases:
 - 2012-2021: 2.15-4.40% based on age
 - Thereafter: 3.15-5.40% based on age
- Investment Rate of Return: 7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

9. PENSION PLANS (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	06.00%	00.80%
Core Bonds	01.00%	02.49%
Intermediate Term Bonds	11.20%	02.26%
Mortgages	02.50%	02.17%
High Yield Bonds	05.50%	04.82%
Inflation Indexed Bonds	02.50%	03.51%
Broad US Equities	25.90%	08.22%
Developed Foreign Equities	12.70%	08.12%
Emerging Market Equities	06.50%	09.91%
Private Equity	08.25%	13.02%
Hedge Funds/Absolute Ret	12.25%	04.92%
Real Estate (Property)	03.20%	05.80%
Commodities	02.50%	05.35%

Discount rate. The discount rate used to measure the State's total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability measured as of June 30, 2014, calculated using the discount rate of 5/39%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.39%) or 1 percentage point higher (6.39%) than the current rate:

	<u>1% Decrease (4.39%)</u>	<u>Current Discount Rate (5.39%)</u>	<u>1% Increase (6.39%)</u>
District's proportionate share of the net pension liability	\$ 13,665,322	\$ 10,862,442	\$ 8,508,736

Pension Plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

9. PENSION PLANS (Continued)

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, 2015, 2014 and 2013.

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, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

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, 2015 was \$996,125 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2015, the School District has recognized as revenues and expenditures \$627,480 of on-behalf payments made by the State of New Jersey for normal retirement costs related to TPAF and \$847,494 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:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014-2015	\$ 40,000	\$ 54,487	\$ 44	\$ 98,651	\$ 79,880
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

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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

14. COMPENSATED ABSENCES (Continued)

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, 2015, the liability for compensated absences in the governmental activities and proprietary fund types was \$2,024,770 and \$102,020, 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, 2015. The following interfund balances were recorded on the various balance sheets as of June 30, 2015:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 338,562	\$ -
Special Revenue		305,212
Proprietary		2,118
Fiduciary		31,232
	\$ 338,562	\$ 338,562

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, 2015, 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 \$400,563 in the General Fund and \$37,193 in the Special Revenue Fund as of June 30, 2015 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

17. DEFICIT UNASSIGNED FUND BALANCE (Continued)

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 \$400,563 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, 2015, a deficit of \$13,211,672 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, 2015	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance – Unassigned	\$ (400,563)
Liabilities:	
Net Pension Differences	(10,786,339)
Compensated Absences	(2,024,770)
	<hr/>
Unrestricted Net Position (Deficit)	\$ (13,211,672)
	<hr/>

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, 2015 is \$164,441 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$154,300 of excess fund balance generated during the 2013-2014 fiscal year has been restricted and designated for utilization in the 2015-2016 budget.

Capital Reserve – As of June 30, 2015, the balance in the capital reserve account is \$1.

Maintenance Reserve Account – As of June 30, 2015, the balance in the maintenance reserve account is \$992,246. 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).

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

19. FUND BALANCES (Continued)

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:

ARRA/SEMI - Designated for Subsequent Year's Expenditures – The School District has \$53,625 of general fund balance at June 30, 2015, which is ARRA/SEMI Revenue designated for use in subsequent years' budget.

Other Purposes – At June 30, 2015 the School District has \$140,792 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, 2015, the fund balance of the general fund was a deficit of \$400,563, 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, 2015, 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).

20. RESTATEMENT OF BEGINNING BALANCES

Net position on the government-wide Statement of Activities as of July 1, 2014, has been restated for implementation of GASB-68.

The government-wide and fund financial statements were restated as follows:

	Government -wide Statements
	Governmental Activities
Net Position as of June 30, 2014, as previously reported	\$ 8,843,295
Prior Period Adjustment - Implementation GASB 68:	-
Net Pension Liability	(11,202,414)
Deferred Outflows - District's Contribution made during fiscal year 2014	441,649
Net Position as Restated, July 1, 2014	\$ (1,917,470)

Required Supplementary Information - Part II

Budgetary Comparison Schedules

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 15,806,595	\$ -	\$ 15,806,595	\$ 15,806,595	\$ -
Tuition				58,912	58,912
Unrestricted miscellaneous revenue	41,000		41,000	6,417	(34,583)
Total local sources	15,847,595		15,847,595	15,871,924	24,329
State sources:					
School choice aid	796,248		796,248	796,248	
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	
PARCC Readiness Aid	16,460		16,460	16,460	
Per Pupil Growth Aid	16,460		16,460	16,460	
Additional Non Public Transportation Aid				7,761	7,761
On-behalf TPAF pension contributions (non-budgeted)				627,480	627,480
On-behalf TPAF Medical (non-budgeted)				996,125	996,125
Reimbursed TPAF social security contributions (non-budgeted)				847,494	847,494
Total state sources	10,161,297		10,161,297	12,640,157	2,478,860
Federal sources:					
Special Education Medicaid Initiative (SEMI)	50,533		50,533	74,861	24,328
Special Education Medicaid Initiative (ARRA/SEMI)				53,625	53,625
Total federal sources	50,533		50,533	128,486	77,953
TOTAL REVENUES	26,059,425		26,059,425	28,640,567	2,581,142
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Preschool	204,524	(50,196)	154,328	131,278	23,050
Kindergarten	908,374	(99,586)	808,788	798,373	10,415
Grades 1-5	5,259,056	154,745	5,413,801	5,409,577	4,224
Grades 6-8	965,040	(129,999)	835,041	819,074	15,967
Total Instruction	7,336,994	(125,036)	7,211,958	7,158,302	53,656
Regular Programs - Home Instruction:					
Salaries of teachers	3,500	(3,200)	300		300
Other purchased services	250		250		250
Total Home Instruction	3,750	(3,200)	550		550

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, 2015

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	\$ 823,182	\$ 33,129	\$ 856,311	\$ 856,311	\$ -
Purchased technical services	11,000	(2,200)	8,800	8,730	70
Other purchased services	98,926	(11,440)	87,486	84,088	3,398
General supplies	387,058	46,676	433,734	321,496	112,238
Textbooks	114,000		114,000	114,000	
Other objects	21,500	(13,036)	8,464	8,108	356
Total Undistributed Instruction	<u>1,455,666</u>	<u>53,129</u>	<u>1,508,795</u>	<u>1,392,733</u>	<u>116,062</u>
Total - Regular Programs - Instruction	<u>8,796,410</u>	<u>(75,107)</u>	<u>8,721,303</u>	<u>8,551,035</u>	<u>170,268</u>
Special Educ Instruction: Learning/Lang. Disabilities					
Salaries of teachers	445,388	(8,997)	436,391	400,571	35,820
Other salaries for instruction	170,219	(44,150)	126,069	87,795	38,274
General Supplies	6,000		6,000	6,000	
Total Learning/Lang. Disabilities	<u>621,607</u>	<u>(53,147)</u>	<u>568,460</u>	<u>494,366</u>	<u>74,094</u>
Special Educ Instruction: Res. Room/Res. Center					
Salaries of teachers	1,058,299	(4,582)	1,053,717	1,051,066	2,651
General supplies	6,000		6,000	3,999	2,001
Total Resource Room/Resource Center	<u>1,064,299</u>	<u>(4,582)</u>	<u>1,059,717</u>	<u>1,055,065</u>	<u>4,652</u>
Special Educ Instruction: Pre-K Disabilities Part-time					
Salaries of teachers	110,737	1	110,738	64,989	45,749
General supplies	1,976		1,976	1,976	1,976
Total Pre-K Disabilities Part-time	<u>112,713</u>	<u>1</u>	<u>112,714</u>	<u>64,989</u>	<u>47,725</u>
Special Educ Instruction: Home Instruction					
Salaries of teachers	14,000	10,075	24,075	24,065	10
Total Home Instruction	<u>14,000</u>	<u>10,075</u>	<u>24,075</u>	<u>24,065</u>	<u>10</u>
Total Special Education - Instruction	<u>1,812,619</u>	<u>(47,653)</u>	<u>1,764,966</u>	<u>1,638,485</u>	<u>126,481</u>
Before/after school programs - Instruction					
Salaries of teachers	16,000	18,665	34,665	34,663	2
Total Before/after school - Instruction	<u>16,000</u>	<u>18,665</u>	<u>34,665</u>	<u>34,663</u>	<u>2</u>
Bilingual Education - Instruction					
Salaries of teachers	28,918	2,012	30,930	30,929	1
General supplies	6,788		6,788	104	6,684
Total Bilingual Education - Instruction	<u>35,706</u>	<u>2,012</u>	<u>37,718</u>	<u>31,033</u>	<u>6,685</u>
Undistributed Expenditures - Instruction					
Tuition to other LEA's w/in state/regular	11,500	112,510	124,010	123,962	48
Tuition to CSSD & reg. day schools	410,544	53,495	464,039	464,038	1
Tuition to priv. sch. for the handicapped in state	133,178	(86,005)	47,173	46,980	193
Total Undistributed Expenditures - Instruction	<u>555,222</u>	<u>80,000</u>	<u>635,222</u>	<u>634,980</u>	<u>242</u>

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

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2015

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Attendance & Social Work					
Salaries	\$ 29,812	\$ 325	\$ 30,137	\$ 29,048	\$ 1,089
Purchased professional and technical services	10,000	-	10,000	9,500	500
Supplies and materials	165		165	71	94
Total Undistributed Expenditures - Attendance & Soc.	39,977	325	40,302	38,619	1,683
Undistributed Expenditures - Health Services					
Salaries	425,461	(20,007)	405,454	393,492	11,962
Purchased professional and technical services	24,000		24,000	22,152	1,848
Other purchased services (400-500)	260		260		260
Supplies and materials	16,000	10,000	26,000	16,847	9,153
Total Undistributed Expenditures - Health Svcs.	465,721	(10,007)	455,714	432,491	23,223
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	371,280	13,714	384,994	384,990	4
Purchased professional - educ services	1,700	(300)	1,400		1,400
Supplies and materials	1,000	300	1,300	1,087	213
Total Undst. Expend. - Speech, OT, PT & Related Services	373,980	13,714	387,694	386,077	1,617
Undist. Expend. - Guidance					
Salaries of other professional staff	361,862	3,349	365,211	353,290	11,921
Supplies and materials	500		500	497	3
Other objects	200		200	52	148
Total Undst. Expend. - Guidance	362,562	3,349	365,911	353,839	12,072
Undist. Expend. - Child Study Teams					
Salaries of other professional staff	631,181	(175,506)	455,675	448,893	6,782
Salaries of secretarial and clerical assistants	129,574	350	129,924	129,455	469
Purchased professional - educ services	225,000	20,000	245,000	244,347	653
Other purchased professional - tech services	28,000	45,705	73,705	65,900	7,805
Misc. purchased services (400-500)	5,760	(55)	5,705	3,009	2,696
Supplies and materials	15,000	(2,760)	12,240	9,241	2,999
Other objects	1,200		1,200		1,200
Total Undst. Expend. - Child Study Teams	1,035,715	(112,266)	923,449	900,845	22,604
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	89,750	1,015	90,765	90,350	415
Salaries of other professional staff		735	735		735
Salaries of Secr and Clerical Assist.	27,396	780	28,176	28,176	
Other purchased professional and tech services	1,000	(570)	430		430
Other purchased services (400-500)	500		500		500
Supplies and materials	1,000		1,000	870	130
Other objects	250	570	820	820	
Total Undst. Expend. - Improvement of Instr. Services	119,896	2,530	122,426	120,216	2,210
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	457,398	(50,407)	406,991	395,333	11,658
Other purchased services (400-500)	800		800		800
Supplies and materials	35,000	41,800	76,800	71,519	5,281
Other objects	3,700	(3,700)			
Total Undst. Expend. - Educ. Media Serv./Sch. Library	496,898	(12,307)	484,591	466,852	17,739

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, 2015

(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	\$ 89,750	\$ 11,147	\$ 100,897	\$ 100,896	\$ 1
Salaries of other professional staff	20,000	(19,370)	630		630
Salaries of secretarial and clerical assistants	52,312	30,366	82,678	82,678	-
Other salaries	2,500	1,108	3,608	3,600	8
Purchased professional - educ services	10,000	(2,300)	7,700	4,475	3,225
Other purchased services	5,000		5,000	1,724	3,276
Supplies and materials	18,000	(10,100)	7,900	2,311	5,589
Other objects	15,000		15,000	12,464	2,536
Total Undst. Expend. - Instructional Staff Training Svcs.	212,562	10,851	223,413	208,148	15,265
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	233,914	333	234,247	232,285	1,962
Legal services	31,731		31,731	30,810	921
Audit fees	22,943		22,943	22,300	643
Other purchased professional services	11,981	5,105	17,086	15,630	1,456
Communications / telephone	42,709		42,709	34,072	8,637
Other purchased services	75,585	(4,605)	70,980	68,385	2,595
General supplies	10,150		10,150	6,807	3,343
BOE in-house training/meeting supplies	3,000		3,000	1,464	1,536
Miscellaneous expenditures	5,000		5,000	3,842	1,158
BOE membership dues and fees	15,400	(500)	14,900	14,698	202
Total Undst. Expend. - Supp. Serv. General Admin.	452,413	333	452,746	430,293	22,453
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	469,236		469,236	457,396	11,840
Salaries of secretarial and clerical assistants	380,286	68	380,354	349,876	30,478
Purchased professional and technical services	1,000		1,000	250	750
Other purchased services (400-500)	13,500		13,500	4,410	9,090
Supplies and materials	15,400		15,400	8,284	7,116
Other objects	10,000		10,000	8,189	1,811
Total Undst. Expend. - Supp. Serv. School Admin.	889,422	68	889,490	828,405	61,085
Undist. Expend. - Central Services					
Salaries	303,433	1,739	305,172	299,407	5,765
Purchased professional services	25,000		25,000	24,352	648
Miscellaneous purchased services	9,683		9,683	5,934	3,749
Supplies and materials	9,000		9,000	8,318	682
Miscellaneous expenditures	4,000		4,000	2,416	1,584
Total Undst. Expend. - Central Services	351,116	1,739	352,855	340,427	12,428
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	307,694	(65,420)	242,274	240,247	2,027
Cleaning, Repair and Maintenance Services	166,450	(86,575)	79,875	69,711	10,164
Supplies and materials	141,470	211,700	353,170	342,477	10,693
Other objects	1,000		1,000		1,000
Total Undst. Expend. - Required Maint. Sch. Facilities	616,614	59,705	676,319	652,435	23,884

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

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2015

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	\$ 720,260	\$ 132,923	\$ 853,183	\$ 849,165	\$ 4,018
Salaries of Non-Instructional Aides	81,078	20,965	102,043	100,101	1,942
Purchased professional & tech. services	17,313	(6,705)	10,608	5,601	5,007
Cleaning, repair and maintenance services	1,000	(692)	308		308
Other purchased property services	60,000	(15,445)	44,555	44,554	1
Insurance	131,428	(1,795)	129,633	129,384	249
Travel		500	500		500
Miscellaneous purchased services	11,500	6,928	18,428	17,148	1,280
General supplies	104,000	12,000	116,000	114,934	1,066
Energy (electricity)	300,000	14,309	314,309	314,247	62
Energy (natural gas)	115,432	7,100	122,532	121,840	692
Other objects	2,000	(2,000)			
Total Undst. Expend. - Custodial Services	1,544,011	168,088	1,712,099	1,696,974	15,125
Undist. Expend. - Care & Upkeep of Grounds					
Salaries	12,000	215	12,215	12,215	
Cleaning, repair and maintenance services	10,150		10,150	10,150	
General supplies	18,236	(4,000)	14,236	14,164	72
Total Undst. Expend. - Care & Upkeep of Grounds	40,386	(3,785)	36,601	36,529	72
Undist. Expend. - Security					
Salaries	233,593	40,004	273,597	241,155	32,442
Purchased Professional & technical services	95,000	(19,700)	75,300	75,241	59
Cleaning, repair and maintenance services	1,000		1,000	122	878
Other Objects		100	100	100	
General supplies	2,000	9,900	11,900	11,025	875
Total Undst. Expend. - Security	331,593	30,304	361,897	327,643	34,254
Total Undst. Expend. - Oper. & Maint. of Plant Services	2,532,604	254,312	2,786,916	2,713,581	73,335
Undist. Expend. - Student Transportation Services					
Salaries for pupil trans. (bet home & sch) - regular	644,044	(80,270)	563,774	551,205	12,569
Salaries for pupil trans. (bet home & sch) - special	243,272	(57,330)	185,942	177,298	8,644
Salaries for pupil trans. (other than bet home & sch)	19,000	130	19,130	7,378	11,752
Rental payments - school buses		2,064	2,064	1,892	172
Contr. serv. - (Sp. Ed Stds) - Joint Agreements	56,000	58,500	114,500	98,747	15,753
Contr. serv. - Aide in lieu Pymts - Charter Schools	19,000	22,861	41,861	40,886	975
Contr. serv. - Aide in lieu Pymts - Nonpublic Schools	38,000	75	38,075	38,074	1
Miscellaneous purchased services - transportation	30,140	23,500	53,640	44,959	8,681
General Supplies	100,000	55,000	155,000	109,743	45,257
Transportation supplies	225,000	(97,000)	128,000	120,205	7,795
Other objects	1,700		1,700	1,346	354
Total Undst. Expend. - Student Transportation Services	1,376,156	(72,470)	1,303,686	1,191,733	111,953
Unallocated Benefits - Employee Benefits					
Social security contributions	463,458	(33,998)	429,460	406,524	22,936
Other retirement contributions - PERS	507,406	(29,000)	478,406	478,287	119
Unemployment compensation	40,000		40,000	40,000	
Workers' compensation	169,710	1,730	171,440	171,378	62
Health benefits	4,823,373	10,800	4,834,173	4,829,072	5,101
Tuition reimbursement	50,000	(10,730)	39,270	33,077	6,193
Other employee benefits	377,058	(9,000)	368,058	343,382	24,676
Total Unallocated Benefits - Employee Benefits	6,431,005	(70,198)	6,360,807	6,301,720	59,087

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, 2015

C-1

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
On-behalf TPAF pension (non-budgeted)	\$ -	\$ -	\$ -	\$ 627,480	\$ (627,480)
On-behalf TPAF medical (non-budgeted)				996,125	(996,125)
Reimbursed TPAF social security contributions (non-budgeted)				847,494	(847,494)
Total Undistributed Expenditures - TPAF				2,471,099	(2,471,099)
Total Undistributed Expenditures	15,695,249	89,973	15,785,222	17,819,325	(2,034,103)
Total General Current Expense	26,355,984	(12,110)	26,343,874	28,074,541	(1,730,667)
CAPITAL OUTLAY:					
Equipment:					
Grades 1-5		10,000	10,000		10,000
Undist. Exp - req. maint - school facilities	12,000	(12,000)			
Undist. Exp - support services - students - regular		2,110	2,110	2,107	3
Undist. Exp - req. maint - school facilities	5,672	5,775	11,447	9,921	1,526
School Buses - Regular	200,000	6,225	206,225	205,911	314
Total Equipment	217,672	12,110	229,782	217,939	11,843
Facilities Acquisition and Construction Services:					
Assessment on SDA Funding	6,346		6,346	6,346	
Total Facilities Acquisition and Construction Services	6,346		6,346	6,346	
Assets acquired under capital leases (non-budgeted):					
Equipment					
Undistributed expenditures - instruction				99,577	(99,577)
Total assets acquired under capital leases				99,577	(99,577)
Total Capital Outlay	224,018	12,110	236,128	323,862	(87,734)
Total Expenditures	26,580,002		26,580,002	28,398,403	(1,818,401)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures:	(520,577)		(520,577)	242,164	762,741
Other Financing Sources (Uses):					
Operating transfer in					
Proceeds of Capital Lease				99,577	99,577
Total Other Financing Sources				99,577	99,577
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):					
	(520,577)		(520,577)	341,741	862,318
Fund Balance, July 1	1,687,980		1,687,980	1,687,980	
Fund Balance, June 30	\$ 1,167,403	\$ -	\$ 1,167,403	\$ 2,029,721	\$ 862,318
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Years Expenditures				\$ 154,300	
Reserve for Excess Surplus					
Maintenance Reserve				164,441	
Capital Reserve				992,246	
Assigned Fund Balance				1	
Year-end Encumbrances				140,792	
ARRA/SEMI - Designated for Subsequent Years Expenditures				53,625	
Unassigned Fund Balance				524,316	
				2,029,721	
Reconciliation on Governmental Fund Statements (GAAP):					
Less: State Aid Payment not Recognized on GAAP Basis				(924,879)	
Fund Balance per Government Fund (GAAP)				\$ 1,104,842	

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, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
REVENUES:					
Local sources	\$ -	\$ 982	\$ 982	\$ 982	\$ -
State sources	371,931		371,931	371,931	
Federal sources	859,689	182,785	1,042,474	1,042,474	
Total revenues	<u>1,231,620</u>	<u>183,767</u>	<u>1,415,387</u>	<u>1,415,387</u>	
EXPENDITURES:					
Instruction:					
Salaries of teachers	629,375	20,424	649,799	649,799	
Tuition	409,121	110,409	519,530	519,530	
General supplies	3,662	15,394	19,056	19,056	
Total instruction	<u>1,042,158</u>	<u>146,227</u>	<u>1,188,385</u>	<u>1,188,385</u>	
Support services:					
Salaries of program director	69,292		69,292	69,292	
Personal services - employee benefits	120,170	37,540	157,710	157,710	
Purchased prof. and educational services					
Total support services	<u>189,462</u>	<u>37,540</u>	<u>227,002</u>	<u>227,002</u>	
Facilities acquisition and construction services:					
Instructional equipment					
Non-instructional equipment					
Total facilities acq. and const. services					
Transfer to charter schools					
Total expenditures	<u>1,231,620</u>	<u>183,767</u>	<u>1,415,387</u>	<u>1,415,387</u>	
Total outflows	<u>1,231,620</u>	<u>183,767</u>	<u>1,415,387</u>	<u>1,415,387</u>	
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)					

Lower Township School District
Notes to Required Supplementary Information
Budgetary Comparison

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 28,640,567	\$ 1,415,387
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Fiscal Year Ended June 30, 2014		6,716
Fiscal Year Ended June 30, 2015		(1,303)
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	903,483	37,193
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(924,879)	(37,193)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 28,619,171	\$ 1,420,800
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	28,398,403	1,415,387
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.		
Fiscal Year Ended June 30, 2014		6,716
Fiscal Year Ended June 30, 2015		(1,303)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 28,398,403	\$ 1,420,800

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

LOWER TOWNSHIP SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees Retirement System
Last Fiscal Year

	June 30, 2015
District's proportionate share of the net pension liability (asset)	0.0580173906%
District's proportionate share of the net pension liability (asset)	\$ 10,862,442
District's covered-employee payroll	3,510,447
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	309.43%
Plan fiduciary net position as a percentage of the total pension liability	42.74%

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

**LOWER TOWNSHIP SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Contributions
Public Employees Retirement System
Last Fiscal Year**

	June 30, 2014
Contractually required contribution	\$ 478,287
Contributions in relation to the contractually required contributions	<u>(478,287)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	3,510,447
Contributions as a percentage of covered-employee payroll	13.62%

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

LOWER TOWNSHIP SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Teachers' Pension and Annuity Fund
Last Fiscal Year

	June 30, 2015
District's proportion of the net pension liability (asset)	0.1182919999%
District's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 63,725,118
Total	\$ 63,725,118
District's covered-employee payroll	11,300,558
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	33.64%

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

Lower Township School District
Notes to Required Supplementary Information
Pension Schedules
For the Fiscal Year Ended June 30, 2015

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

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

Changes of assumptions: Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

2. Public Employees' Retirement System (PERS)

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

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

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, 2015

	Nuscis Cape Ed Fund	Jackson Cape Ed Fund	Preschool Program Aid	Race to the Top	Individuals with Disabilities Act		E.S.E.A. as amended by No Child Left Behind (N.C.L.B.)			Totals
					IDEA - Part B Basic Current Yr.	IDEA - Part B Preschool Current Yr.	Title I Current Yr.	Title II - Part A Current Yr.	Title III Current Yr.	
REVENUES:										
Local sources	\$ 500	\$ 482	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 982
State sources			371,931							371,931
Federal sources				1,028	493,705	25,825	403,009	107,395	11,512	1,042,474
Total Revenues	500	482	371,931	1,028	493,705	25,825	403,009	107,395	11,512	1,415,387
EXPENDITURES:										
Instruction:										
Salaries of teachers			253,291	1,028			301,110	85,234	9,136	649,799
General supplies	500	482			493,705	25,825	18,074			19,056
Tuition										519,530
Total instruction	500	482	253,291	1,028	493,705	25,825	319,184	85,234	9,136	1,188,385
Support services:										
Salaries of program director			69,292							69,292
Personal services-employee benefits			49,348				83,825	22,161	2,376	157,710
Purchased prof. and educational services										
Total support services			118,640				83,825	22,161	2,376	227,002
Facilities acquisition and const. serv.:										
Instructional equipment										
Non-instructional equipment										
Total facilities acquisition and const. serv.:										
Total Expenditures	500	482	371,931	1,028	493,705	25,825	403,009	107,395	11,512	1,415,387
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, 2015

School: District Wide Total

EXPENDITURES:	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Instruction:			
Salaries of teachers	\$ 253,291	\$ 253,291	\$ -
General supplies			
Total instruction	<u>253,291</u>	<u>253,291</u>	<u>-</u>
Support Services:			
Salaries of program directors	69,292	69,292	
Employee benefits	<u>49,348</u>	<u>49,348</u>	
Total support services	<u>118,640</u>	<u>118,640</u>	<u>-</u>
Facilities acquisition and const. serv.:			
Instructional equipment			
Total facilities acquisition and const. serv.	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 371,931</u>	<u>\$ 371,931</u>	<u>\$ -</u>

CALCULATION OF BUDGET AND CARRYOVER

Total Revised 2014-2015 Preschool Education Aid Allocation	\$ 371,931
Add: Actual Preschool Carryover (June 30, 2014)	<u>-</u>
Total Preschool Education Aid Funds Available for 2014-2015	371,931
Less: 2014-2015 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	<u>371,931</u>
Available & Unbudgeted Preschool Education Funds as of June 30, 2015	<u>-</u>
Add: June 30, 2015 Unexpended Preschool Education Aid	<u>-</u>
2014-2015 Preschool Education Aid Carryover	<u>-</u>
2014-2015 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2015-2016	<u>\$ -</u>

Proprietary Funds
Detail Statements

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Net Position
as of June 30, 2015

	<u>Food Service</u>	<u>Day Care Program</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 138,431	\$ 162,809	\$ 301,240
Accounts receivable:			
State	804		804
Federal	58,698		58,698
Other	10,061	2,881	12,942
Inventories	<u>15,860</u>		<u>15,860</u>
Total current assets	<u>223,854</u>	<u>165,690</u>	<u>389,544</u>
Fixed assets:			
Equipment	280,292		280,292
Less accumulated depreciation	<u>(273,236)</u>		<u>(273,236)</u>
Total fixed assets	<u>7,056</u>		<u>7,056</u>
Total assets	<u>\$ 230,910</u>	<u>\$ 165,690</u>	<u>\$ 396,600</u>
LIABILITIES:			
Current liabilities:			
Interfund payable	\$ 2,118	\$ -	\$ 2,118
Unearned revenue		<u>10,275</u>	<u>10,275</u>
Total current liabilities	<u>2,118</u>	<u>10,275</u>	<u>12,393</u>
Noncurrent liabilities:			
Compensated Absences	<u>102,020</u>		<u>102,020</u>
Total Noncurrent Liabilities	<u>102,020</u>		<u>102,020</u>
Total Liabilities	<u>104,138</u>	<u>10,275</u>	<u>114,413</u>
NET POSITION:			
Net investment in capital assets	7,056		7,056
Unrestricted	<u>119,716</u>	<u>155,415</u>	<u>275,131</u>
Total net position	<u>\$ 126,772</u>	<u>\$ 155,415</u>	<u>\$ 282,187</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
for the Fiscal Year ended June 30, 2015

	<u>Food Service</u>	<u>Day Care Program</u>	<u>Total</u>
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs:			
School lunch program	\$ 140,411	\$ -	\$ 140,411
Total-daily sales-reimbursable programs	140,411		140,411
Daily sales non-reimbursable programs:			
Adult and AlaCarte meals	112,341		112,341
Registration Fees		395,383	395,383
Miscellaneous	2,593		2,593
Special Functions	6,282		6,282
Total operating revenue	<u>261,627</u>	<u>395,383</u>	<u>657,010</u>
OPERATING EXPENSES:			
Salaries	408,094	281,422	689,516
Employee benefits	228,439	21,438	249,877
Supplies and materials	32,317	29,995	62,312
Depreciation	2,053		2,053
Cost of sales	426,812		426,812
Purchased property services	10,909		10,909
Other	3,267	5,463	8,730
Total operating expenses	<u>1,111,891</u>	<u>338,318</u>	<u>1,450,209</u>
Operating income (loss)	<u>(850,264)</u>	<u>57,065</u>	<u>(793,199)</u>
Non-operating revenues:			
State sources:			
State school lunch program	9,435		9,435
Federal sources:			
National school lunch program	409,156		409,156
School breakfast program	290,094		290,094
Snack Program	2,936		2,936
U.S.D.A. commodities	76,254		76,254
Operating transfer in			
Interest revenue	100		100
Total non-operating revenues	<u>787,975</u>		<u>787,975</u>
Change in net position	(62,289)	57,065	(5,224)
Total net position - July 1	<u>189,061</u>	<u>98,350</u>	<u>287,411</u>
Total net position - June 30	<u>\$ 126,772</u>	<u>\$ 155,415</u>	<u>\$ 282,187</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Year ended June 30, 2015

	Food Service	Day Care Program	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 253,047	\$ 391,492	\$ 644,539
Cash payments to employees for services	(651,033)	(302,860)	(953,893)
Cash payments to suppliers for goods and services	(474,012)	(35,499)	(509,511)
Net cash used by operating activities	(871,998)	53,133	(818,865)
Cash flows from noncapital financing activities:			
Cash received from state and federal reimbursements	789,445		789,445
Net cash provided by noncapital financing activities	789,445		789,445
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	(82,453)	53,133	(29,320)
Cash and cash equivalents, July 1	220,884	109,676	330,560
Cash and cash equivalents, June 30	\$ 138,431	\$ 162,809	\$ 301,240
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (850,264)	\$ 57,065	\$ (793,199)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	2,053		2,053
Change in assets and liabilities:			
(Increase)/decrease in accounts receivable	(8,581)	5,647	(2,934)
(Increase)/decrease in inventory	(707)		(707)
(Increase)/decrease in interfund receivable			-
Increase/(decrease) in accounts payable		(19,854)	(19,854)
Increase/(decrease) in unearned revenue		10,275	10,275
Increase/(decrease) in compensated absences	(14,499)		(14,499)
Net cash used by operating activities	\$ (871,998)	\$ 53,133	\$ (818,865)

Fiduciary Funds
Detail Statements

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2015

	<u>Agency Funds</u>		Unemployment Compensation Insurance Trust	<u>Total</u>
	<u>Student Activity</u>	<u>Payroll</u>		
ASSETS:				
Cash and cash equivalents	\$ 14,438	\$ -	\$ 135,028	\$ 149,466
Other receivable		270		270
TOTAL ASSETS	<u>\$ 14,438</u>	<u>\$ 270</u>	<u>\$ 135,028</u>	<u>\$ 149,736</u>
LIABILITIES:				
Cash overdraft	\$ -	\$ 270	\$ -	\$ 270
Accounts payable			23,916	23,916
Interfund payable			31,232	31,232
Due to student groups	14,438			14,438
Total liabilities	<u>14,438</u>	<u>270</u>	<u>55,148</u>	<u>69,856</u>
NET POSITION:				
Restricted for:				
Unemployment claims			79,880	79,880
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,880</u>	<u>\$ 79,880</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
 Statement of Change in Fiduciary Net Position
 for the Fiscal Year ended June 30, 2015

	<u>Unemployment Compensation Insurance Trust Fund</u>
REVENUES:	
Local sources:	
Board contributions	\$ 40,000
Other contributions	54,487
Interest on Investments	<u>44</u>
Total Revenues	<u>94,531</u>
 EXPENDITURES:	
Current Expense:	
Undistributed expenditures:	
Unemployment payments	<u>98,651</u>
Total Expenditures	<u>98,651</u>
Change in net position	(4,120)
Total net position - July 1	<u>84,000</u>
Total net position - June 30	<u><u>\$ 79,880</u></u>

LOWER TOWNSHIP SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2015

	<u>Balance July 1, 2014</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable June 30, 2015</u>	<u>Balance June 30, 2015</u>
Elementary Schools - All	\$ 12,341	\$ 8,805	\$ 6,708	\$ -	\$ 14,438
Total	<u>\$ 12,341</u>	<u>\$ 8,805</u>	<u>\$ 6,708</u>	<u>\$ -</u>	<u>\$ 14,438</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
ASSETS:				
Cash and cash equivalents	\$ 114,021	\$ 18,794,765	\$ 18,908,786	\$ -
Other receivable	1,748	270	1,748	270
Interfund receivable	16,815		16,815	-
Total assets	\$ 132,584	\$ 18,795,035	\$ 18,927,349	\$ 270
LIABILITIES:				
Payroll deductions and withholdings	\$ 131,453	\$ 7,883,070	\$ 8,014,523	\$ -
Cash overdraft		270		270
Interfund payable	1,131	1,709	2,840	-
Net payroll		10,909,986	10,909,986	
Total liabilities	\$ 132,584	\$ 18,795,035	\$ 18,927,349	\$ 270

Long-Term Debt Schedules

LOWER TOWNSHIP SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Capital Leases
 June 30, 2015

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding June 30, 2014	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2015
White Boards	2.395%	\$ 99,577	\$ -	\$ 99,577	\$ 20,869	\$ 78,708
Total			<u>\$ -</u>	<u>\$ 99,577</u>	<u>\$ 20,869</u>	<u>\$ 78,708</u>

Statistical Section

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

Exhibit J-1

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net Investment in capital assets	\$ 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	\$ 9,988,073
Restricted for:										
Capital projects	1	1	1	1	61,193	88,871	1	-	-	-
Special revenue	(82,562)	(82,562)	(101,812)	(34,033)	(34,765)	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)
Debt service	(9,863)	(4,164)	(168)	(2,938)	-	-	-	-	-	-
Other purposes	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	1,505,405
Unrestricted	(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)	(13,211,672)
Total governmental activities net position	\$ 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	\$ (1,755,387)
Business-type activities:										
Net Investment in capital assets	\$ 44,389	\$ 36,220	\$ 31,094	\$ 25,968	\$ 21,531	\$ 18,034	\$ 15,000	\$ 11,968	\$ 9,108	\$ 7,056
Unrestricted	91,315	122,457	117,976	257,527	404,132	325,987	350,571	312,288	278,303	275,131
Total business-type activities net position	\$ 135,704	\$ 158,677	\$ 149,070	\$ 283,495	\$ 425,663	\$ 344,021	\$ 365,571	\$ 324,256	\$ 287,411	\$ 282,187
District-wide:										
Net Investment in capital assets	\$ 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	\$ 9,995,129
Restricted:										
Capital projects	1	1	1	1	61,193	88,871	1	-	-	-
Special revenue	(82,562)	(82,562)	(101,812)	(34,033)	(34,765)	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)
Debt service	(9,863)	(4,164)	(168)	(2,938)	-	-	-	-	-	-
Other purposes	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	1,505,405
Unrestricted	(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)	(12,936,541)
Total district net position	\$ 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	\$ (1,473,200)

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 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	\$ 9,803,439
Special education	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	1,638,485
Other instruction	10,512	10,512	10,512	2,226	91,224	84,826	93,767	96,038	51,977	65,696
Support Services:										
Tuition	255,684	337,307	247,578	472,665	449,787	331,532	508,575	466,502	1,049,973	1,154,510
Student & instruction related services	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	2,976,379
School administrative services	668,873	726,108	794,739	848,452	883,487	879,408	922,528	932,592	897,008	882,873
General and business administrative services	770,082	796,065	779,555	807,776	808,646	595,880	630,621	726,870	801,466	770,720
Plant operations and maintenance	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	2,410,716
Pupil transportation	1,145,572	1,208,380	1,258,081	1,166,298	1,195,005	1,153,759	1,299,670	1,276,545	1,261,876	1,191,733
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	8,956,103
Interest on long-term debt	120,992	129,131	105,601	67,956	33,353					
Unallocated depreciation	24,729	24,302	24,651	21,728	23,122	23,465	2,309	22,968	23,315	27,234
Total governmental activities expenses	<u>25,690,445</u>	<u>26,871,523</u>	<u>28,667,832</u>	<u>26,763,124</u>	<u>29,085,015</u>	<u>27,502,937</u>	<u>28,471,249</u>	<u>30,137,666</u>	<u>29,405,054</u>	<u>29,877,888</u>
Business-type activities:										
After-school program	272,258	327,852	333,869	352,947	336,113	314,208	285,435	280,687	306,728	338,318
Food service	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	1,111,891
Total business-type activities expense	<u>1,342,034</u>	<u>1,461,037</u>	<u>1,488,095</u>	<u>1,491,168</u>	<u>1,490,786</u>	<u>1,446,764</u>	<u>1,404,442</u>	<u>1,451,776</u>	<u>1,415,325</u>	<u>1,450,209</u>
Total district expenses	<u>\$ 27,032,479</u>	<u>\$ 28,332,560</u>	<u>\$ 30,155,927</u>	<u>\$ 28,254,292</u>	<u>\$ 30,575,801</u>	<u>\$ 28,949,701</u>	<u>\$ 29,875,691</u>	<u>\$ 31,589,442</u>	<u>\$ 30,820,379</u>	<u>\$ 31,328,097</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ 3,088,266	\$ 5,117,331	\$ 5,489,695	\$ 3,234,644	\$ 3,873,067	\$ 3,025,112	\$ 3,340,003	\$ 97,018	\$ 72,516	\$ 58,912
Operating grants and contributions								3,996,950	3,524,208	3,891,899
Total governmental activities program revenues	<u>3,088,266</u>	<u>5,117,331</u>	<u>5,489,695</u>	<u>3,234,644</u>	<u>3,873,067</u>	<u>3,025,112</u>	<u>3,340,003</u>	<u>4,093,968</u>	<u>3,596,724</u>	<u>3,950,811</u>

(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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Charges for services:										
After-school program	\$ 290,973	\$ 340,307	\$ 296,648	\$ 367,080	\$ 322,827	\$ 303,179	\$ 321,536	\$ 309,628	\$ 327,699	\$ 395,383
Food service	387,563	394,241	394,997	408,825	406,152	363,675	355,887	325,893	255,770	261,627
Operating grants and contributions	514,973	538,406	584,316	678,235	732,403	697,275	748,186	774,807	794,911	787,875
Capital grants and contributions										
Total business type activities program revenues	<u>1,193,509</u>	<u>1,272,954</u>	<u>1,275,961</u>	<u>1,454,140</u>	<u>1,461,382</u>	<u>1,364,129</u>	<u>1,425,609</u>	<u>1,410,328</u>	<u>1,378,380</u>	<u>1,444,885</u>
Total district program revenues	<u>\$ 4,281,775</u>	<u>\$ 6,390,285</u>	<u>\$ 6,765,656</u>	<u>\$ 4,688,784</u>	<u>\$ 5,334,449</u>	<u>\$ 4,389,241</u>	<u>\$ 4,765,612</u>	<u>\$ 5,504,296</u>	<u>\$ 4,975,104</u>	<u>\$ 5,395,696</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (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)	\$ (25,927,077)
Business-type activities	(148,525)	(188,083)	(212,134)	(37,028)	(29,404)	(82,635)	21,167	(41,448)	(36,945)	(5,324)
Total district-wide net expense	<u>\$ (22,750,704)</u>	<u>\$ (21,942,275)</u>	<u>\$ (23,390,271)</u>	<u>\$ (23,565,508)</u>	<u>\$ (25,241,352)</u>	<u>\$ (24,560,460)</u>	<u>\$ (25,110,079)</u>	<u>\$ (26,085,146)</u>	<u>\$ (25,845,275)</u>	<u>\$ (25,932,401)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 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	\$ 15,906,595
Taxes levied for debt service	494,484	471,558	474,410	470,775	472,801					
Unrestricted grants and contributions	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	10,276,148
Tuition	124,821	87,688	39,737	26,299	37,015	35,869	19,971			
Investment earnings	146,934	183,368	127,189	67,208	25,595					
Miscellaneous income	75,340	109,136	174,864	33,397	83,147	82,233	182,353	75,262	86,495	6,417
Loss on Disposal of Capital Assets										
Transfers	(279,143)	(208,205)	(200,327)	(169,702)	(170,000)					
Total governmental activities	<u>23,038,264</u>	<u>22,383,126</u>	<u>22,608,590</u>	<u>24,210,672</u>	<u>24,125,247</u>	<u>23,925,080</u>	<u>25,060,674</u>	<u>24,892,157</u>	<u>25,486,868</u>	<u>26,089,160</u>
Business-type activities:										
Investment earnings	4,114	2,851	2,200	1,751	1,572	993	383	133	100	100
Miscellaneous income										
Loss on Disposal of Capital Assets										
Transfers	279,143	208,205	200,327	169,702	170,000					
Total business-type activities	<u>283,257</u>	<u>211,056</u>	<u>202,527</u>	<u>171,453</u>	<u>171,572</u>	<u>993</u>	<u>383</u>	<u>133</u>	<u>100</u>	<u>100</u>
Total district-wide	<u>\$ 23,321,521</u>	<u>\$ 22,594,182</u>	<u>\$ 22,811,117</u>	<u>\$ 24,382,125</u>	<u>\$ 24,296,819</u>	<u>\$ 23,926,073</u>	<u>\$ 25,061,057</u>	<u>\$ 24,892,290</u>	<u>\$ 25,486,968</u>	<u>\$ 26,089,260</u>
Change in Net Position:										
Governmental activities	\$ 436,085	\$ 628,934	\$ (569,547)	\$ 682,192	\$ (1,086,701)	\$ (552,745)	\$ (70,572)	\$ (1,151,541)	\$ (321,462)	\$ 162,083
Business-type activities	134,732	22,973	(9,607)	134,425	142,168	(81,642)	21,550	(41,315)	(36,845)	(5,224)
Total district-wide	<u>\$ 570,817</u>	<u>\$ 651,907</u>	<u>\$ (579,154)</u>	<u>\$ 816,617</u>	<u>\$ (944,533)</u>	<u>\$ (634,387)</u>	<u>\$ (49,022)</u>	<u>\$ (1,192,856)</u>	<u>\$ (358,307)</u>	<u>\$ 156,859</u>

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

Exhibit J-3

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved for:										
Encumbrances	\$ 42,780	\$ 167,854	\$ 30,194	\$ 6,592	\$ 23,368	\$ 6,187	\$ 7,239	\$ 7,090	\$ 36,944	\$ 140,792
Maintenance reserve	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	992,246
Capital reserve	1	1	1	1	1	1	1	1	1	1
Excess surplus	973,621	503,827	681,254	514,138	323,150	507,648	407,534	183,633	154,300	164,441
Excess surplus - designated for subsequent years expenditures	482,941	973,621	503,827	681,254	514,138	323,150	507,648	407,534	183,633	154,300
Unreserved - designated for subsequent years expenditures			196,642	1,066,800	200,000	200,000	263,638			53,625
Unreserved	45,893	64,212	59,565	(470,872)	(476,683)	(371,239)	(386,982)	(422,587)	(382,627)	(400,563)
Total general fund	<u>\$ 2,245,236</u>	<u>\$ 2,709,515</u>	<u>\$ 2,763,729</u>	<u>\$ 3,090,159</u>	<u>\$ 1,876,220</u>	<u>\$ 1,957,993</u>	<u>\$ 2,091,324</u>	<u>\$ 1,267,917</u>	<u>\$ 784,497</u>	<u>\$ 1,104,842</u>
All Other Governmental Funds										
Reserved:										
Encumbrances										
Unreserved, reported in:										
Special revenue fund	\$ (82,562)	\$ (82,562)	\$ (101,812)	\$ (34,033)	\$ (34,765)	\$ (39,560)	\$ (34,366)	\$ (36,241)	\$ (37,193)	\$ (37,193)
Capital projects fund					125,532	88,870				
Debt service fund	1,340	1,738	1,832	94						
Total all other governmental funds	<u>\$ (81,222)</u>	<u>\$ (80,824)</u>	<u>\$ (99,980)</u>	<u>\$ (33,939)</u>	<u>\$ 90,767</u>	<u>\$ 49,310</u>	<u>\$ (34,366)</u>	<u>\$ (36,241)</u>	<u>\$ (37,193)</u>	<u>\$ (37,193)</u>

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

Exhibit J-4

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Tax levy	\$ 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	\$ 15,806,595
Tuition charges	124,821	87,688	39,737	26,299	37,015	35,869	19,971	52,286	39,381	58,912
Transportation charges								44,732	33,135	
Interest earnings	146,934	183,368	127,189	67,208	25,595					
Miscellaneous	81,340	110,132	176,339	35,397	89,144	82,233	183,853	75,761	86,995	7,399
State sources	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	12,990,692
Federal sources	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	1,176,373
Total revenue	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	30,039,971
Expenditures										
Instruction										
Regular Instruction	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	9,225,303
Special education instruction	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	1,638,485
Other special instruction	10,512	10,512	10,512	2,226	91,224	84,826	93,767	96,038	51,977	65,696
Other instruction	-	-	-	-	-	-	-	-	-	-
Support Services:										
Tuition	255,684	337,307	247,578	472,665	449,787	331,532	508,575	466,502	1,049,973	1,154,510
Student & instruction related services	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	2,976,379
School administrative services	619,415	677,504	745,437	807,776	837,244	832,478	876,511	886,656	850,379	828,405
General and business admin. services	770,082	796,065	779,555	804,996	808,646	595,880	630,621	726,870	801,466	770,720
Plant operations and maintenance	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	2,713,581
Pupil transportation	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	1,191,733
Other support services	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	8,930,529
Capital outlay	151,394	23,571	386,373	179,371	1,222,540	72,856	148,285	52,754	179,613	323,862
Debt service:										
Principal	530,000	555,000	590,000	620,000	655,000					
Interest and other charges	163,873	134,431	103,601	70,827	36,386					
Total expenditures	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	29,819,203
Excess (Deficiency) of revenues over (under) expenditures	469,897	672,882	235,385	562,173	(919,233)	40,316	85,203	(825,282)	(484,372)	220,768
Other Financing sources (uses)										
Cancelled SDA Grant	-	-	-	-	-	-	(35,548)	-	-	-
Proceeds of Borrowing	-	-	-	-	-	-	-	-	-	99,577
Transfers in	-	-	-	-	766,800	-	-	-	-	-
Transfers out	(279,143)	(208,205)	(200,327)	(169,702)	(936,800)	-	-	-	-	-
Total other financing sources (uses)	(279,143)	(208,205)	(200,327)	(169,702)	(170,000)	-	(35,548)	-	-	99,577
Net change in fund balances	\$ 190,754	\$ 464,677	\$ 35,058	\$ 392,471	\$ (1,089,233)	\$ 40,316	\$ 49,655	\$ (825,282)	\$ (484,372)	\$ 320,345
Debt service as a percentage of noncapital expenditures	2.69%	2.55%	2.51%	2.57%	2.44%	0.00%	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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Refunds of</u> <u>Prior Years</u> <u>Expenditures</u>	<u>Refunds</u>	<u>Rentals</u>	<u>Transportation</u>	<u>Sale of Used</u> <u>Equipment</u>	<u>Miscellaneous</u>	<u>Total</u>
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
2015	1,536	58,912	2,106				2,775		65,329
	<u>\$ 567,369</u>	<u>\$ 514,425</u>	<u>\$ 93,957</u>	<u>\$ 409,574</u>	<u>\$ 360,680</u>	<u>\$ 85,421</u>	<u>\$ 2,775</u>	<u>\$ 23,684</u>	<u>\$ 2,057,885</u>

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
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
2015	70,254,400	3,254,393,300	4,914,400	927,600	259,130,000		11,432,200	3,601,051,900	4,347,721	3,605,399,621	234,835,200	0.446	3,719,358,459
										3,605,399,621			

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	
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
2015	0.446	-	0.446	0.556	0.353	0.263	1.618

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

Taxpayer	2015	
	Taxable Assessed Value	% of Total District Net Assessed Value
Harbortown Resort Marina	\$ 15,318,900	0.42%
Achristavest Pier 6600, LLC	10,375,000	0.29%
Shaw Limited partnership	10,101,400	0.28%
Diamond Beach West	10,026,900	0.28%
Sun Lake Laurie RV Resort, LLC	8,800,000	0.24%
Bayshore Mall, LLC	8,512,700	0.24%
Sun Seashore RV, LLC	7,500,000	0.21%
Jenlo Corp. & Harlo Inc.	6,500,000	0.18%
Baechcomber Campground Inc	6,436,200	0.18%
<i>Cape Island Associates</i>	6,021,400	0.17%
Total	\$ 89,592,500	2.48%

Taxpayer	2006	
	Taxable Assessed Value	% of Total District Net Assessed Value
Achristavest, LLC	\$ 12,600,000	0.83%
Bayshore May	5,500,000	0.36%
Victoria Health Corp.	4,537,500	0.30%
North Cape Convalescent Center	3,900,000	0.26%
Ponderlodge	3,644,500	0.24%
Snows/Doxsee, Inc.	3,591,000	0.24%
Harbortown Resort Marina, Inc.	3,435,300	0.23%
Shaw Limited Partnership	3,229,400	0.21%
Channels Apartments	3,100,000	0.20%
Cold Spring Fish & Supply Co., Inc	2,762,500	0.18%
Total	\$ 46,300,200	3.04%

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	
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%	-
2015	15,806,595	15,806,595	100.00%	-

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

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^b
	General Obligation Bonds	Unfunded Pension Liability	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
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			-	-	-	-	-	-
2011			-	-	-	-	-	-
2012			-	-	-	-	-	-
2013			-	-	-	-	-	-
2014			-	-	-	-	-	-
2015			78,708	-	-	78,708	c	c

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

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

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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%	-
2015	-	-	-	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, 2014**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Township of Lower	\$ 15,779,865	100.000%	\$ 15,779,865
Cape May County General Obligation Debt	176,957,999	7.949%	14,066,391
Lower Cape May Regional School District Debt	5,625,000	54.000%	<u>3,031,987</u>
Subtotal, overlapping debt			32,878,243
Lower Township School District Direct Debt			<u> </u>
Total direct and overlapping debt			<u>\$ 32,878,243</u>

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2014

	Equalized valuation basis	
	2014	\$ 3,698,337,895
	2013	3,703,292,414
	2012	<u>3,778,402,661</u>
	[A]	<u>\$ 11,180,032,970</u>
Average equalized valuation of taxable property	[A/3]	\$ 3,726,677,657
Debt limit (2.5% of average equalized valuation)	[B]	93,166,941 a
Net bonded school debt	[C]	<u>-</u>
Legal debt margin	[B-C]	<u>\$ 93,166,941</u>

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 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	\$ 93,166,941
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 86,048,330</u>	<u>\$ 86,462,457</u>	<u>\$ 99,504,432</u>	<u>\$ 107,897,776</u>	<u>\$ 109,877,137</u>	<u>\$ 108,231,283</u>	<u>\$ 104,439,224</u>	<u>\$ 100,034,146</u>	<u>\$ 95,777,627</u>	<u>\$ 93,166,941</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

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

Exhibit J-14

Year	Population ^a	Personal Income (thousands of dollars) ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2006	20,731	\$ 905,281,308	\$ 43,668	8.40%
2007	20,329	931,149,516	45,804	8.00%
2008	20,369	967,894,142	47,518	9.90%
2009	20,239	970,682,679	47,961	13.90%
2010	22,888	1,115,309,352	48,729	14.50%
2011	22,682	1,154,695,256	50,908	15.20%
2012	22,601	1,199,435,070	53,070	16.30%
2013	22,434	1,209,910,488	53,932	11.90%
2014	22,262	e	e	12.60%
2015	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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction										
Regular	116	116	112	112	112	112	112	114	114	114
Special education	26	26	30	30	30	29	29	25	25	25
Other special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Nonpublic school programs	1	1	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services:										
Student & instruction related services	37	37	38	38	38	38	38	36	36	36
School administrative services	12	12	12	12	12	12	12	8	9	9
General and business administrative services	3	7	2	2	2	2	2	2	2	2
Plant operations and maintenance	20	16	26	26	25	22	22	24	22	22
Pupil transportation	20	20	20	20	20	20	20	17	18	18
Business and other support services	4	4	4	4	4	4	4	4	4	4
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	16	16	14	14	13	14	14	11	11	11
Child Care	2	2	2	2	2	2	2	2	2	2
Total	257	257	260	260	258	255	255	243	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		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
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%
2015	1,806	29,495,341	16,332	1.25%	139	1:13		1,788	1,699	-2.08%	95.02%

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
District Building										
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	559	492	480	505	517	500	475	479	474	443
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	479	486	488	477	467	485	476	436	448	439
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	392	421	425	417	442	427	426	456	447	424
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	504	489	444	458	459	436	451	440	456	482
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	938	938	938	938	938
Special Programs Trailer (1986)										
Square Feet	684	684	684	684	684	684	684	684	684	684
Number of Schools at June 30, 2015										
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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
* School Facilities											
Sandman Consolidated School	\$ 294,797	\$ 113,129	\$ 111,112	\$ 106,353	\$ 115,268	\$ 133,919	\$ 140,626	\$ 142,682	\$ 168,227	\$ 176,157	\$ 1,502,270
Maud Abrams School	209,298	97,525	106,997	102,414	110,998	128,959	135,418	137,397	161,996	169,633	1,360,635
Carl T. Mitnick School	89,495	62,416	69,959	66,963	72,576	148,799	156,251	158,535	186,919	195,731	1,207,644
Memorial School	79,765	117,029	123,457	118,170	128,075	84,319	88,543	89,837	105,920	110,914	1,046,029
Other Facilities	65,574										65,574
Total School Facilities	<u>\$ 738,929</u>	<u>\$ 390,099</u>	<u>\$ 411,525</u>	<u>\$ 393,900</u>	<u>\$ 426,917</u>	<u>\$ 495,996</u>	<u>\$ 520,838</u>	<u>\$ 528,451</u>	<u>\$ 623,062</u>	<u>\$ 652,435</u>	<u>\$ 5,182,152</u>

Lower Township School District
 Insurance Schedule
 June 30, 2015

Exhibit J-20

	<u>Coverage</u>	<u>Self-insured Retention</u>	<u>Deductible</u>
School Package Policy (1)			
Building and Contents (All Locations)			
Limits of liability per occurrence	\$ 150,000,000	\$ 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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 Marlton, New Jersey 08053
 (856) 983-2244
 Fax (856) 983-6674
 E-Mail: Iscpas@concentric.net

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

**REPORT ON 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 AND/OR 15-08**

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, 2015. 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 and/or 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and State of New Jersey Circular OMB's 04-04 and/or 15-08 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, 2015.

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 and/or 15-08, 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 Cape May's School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the New Jersey OMB's Circular 04-04 and/or 15-08. 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 04-04 and/or 15-08

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, 2015, 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 November 27, 2015, 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/or 15-08 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
November 27, 2015

LOWER TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2015

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2014			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2015		
					Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
U.S. Department of Education														
General Fund:														
Medical Assistance Program	93.778	N/A	\$ 74,861	7/1/14 - 6/30/15	\$ -	\$ -	\$ -	\$ -	\$ 74,861	\$ (74,861)	\$ -	\$ -	\$ -	\$ -
Medical Assistance Program - ARRA	93.778	N/A	53,625	7/1/14 - 6/30/15					53,625	(53,625)				
Total General Fund									128,486	(128,486)				
U.S. Department of Education														
Special Revenue Fund:														
No Child Left Behind(N.C.L.B.)														
Title I	84.010A	NCLB-2840-15	403,009	7/1/14 - 6/30/15					198,915	(403,009)		(204,094)		
Title I	84.010A	NCLB-2840-14	413,414	7/1/13 - 6/30/14	(333,155)				333,155					
Title II - Part A	84.367A	NCLB-2840-15	107,395	7/1/14 - 6/30/15					48,624	(107,395)		(58,771)		
Title II - Part A	84.367A	NCLB-2840-14	106,630	7/1/13 - 6/30/14	(65,400)				85,400					
Title III	84.365A	NCLB-2840-15	11,512	7/1/14 - 6/30/15					5,155	(11,512)		(6,357)		
Title III	84.365A	NCLB-2840-14	10,038	7/1/13 - 6/30/14	(10,038)				9,938			(100)		
Individuals With Disabilities Act (I.D.E.A.)														
Part B - Basic	84.027	IDEA-2840-15	493,705	7/1/14 - 6/30/15					493,705	(493,705)				
Part B - Preschool	84.173	IDEA-2840-15	25,825	7/1/14 - 6/30/15					25,825	(25,825)				
Race to the Top	84.413A	RTT3-2840-13	30,257	9/1/11 - 11/30/15	(29,229)				30,257	(1,028)				
Total Special Revenue Fund									1,230,974	(1,042,474)		(269,322)		
U.S. Department of Agriculture														
Enterprise Fund:														
Food Distribution Program	10.565	N/A	76,254	9/1/14 - 6/30/15					76,254	(76,254)				
National School Lunch Program	10.555	N/A	409,156	9/1/14 - 6/30/15					374,598	(409,156)		(34,558)		
National School Lunch Program	10.555	N/A	430,855	9/1/13 - 6/30/14	(35,630)				35,630					
School Breakfast Program	10.553	N/A	290,094	9/1/14 - 6/30/15					266,319	(290,094)		(23,775)		
School Breakfast Program	10.553	N/A	288,085	9/1/13 - 6/30/14	(24,455)				24,455					
After School Snack Program	10.554	N/A	2,936	9/1/14 - 6/30/15					2,571	(2,936)		(365)		
After School Snack Program	10.554	N/A	3,720	9/1/13 - 6/30/14	(149)				149					
Total Enterprise Fund									779,976	(778,440)		(58,698)		
Total Federal Awards					\$ (518,056)	\$ -	\$ -	\$ -	\$ 2,139,436	\$ (1,949,400)	\$ -	\$ (328,020)	\$ -	\$ -

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

LOWER TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2015

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2014			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Years' Balances	June 30, 2015		
				Accounts Receivable	Deferred Revenue	Due to Grantor at						Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education														
General Fund:														
Equalization Aid	15-495-034-5120-078	\$ 5,202,298	7/1/14 - 6/30/15	\$ -	\$ -	\$ -	\$ -	\$ 4,728,786	\$ (5,202,298)	\$ -	\$ -	\$ (473,512)	\$ -	\$ -
Equalization Aid	14-495-034-5120-078	5,202,298	7/1/13 - 6/30/14	(468,667)				468,667						
School Choice Aid	15-495-034-5120-068	796,248	7/1/14 - 6/30/15					723,774	(796,248)			(72,474)		
School Choice Aid	14-495-034-5120-068	696,717	7/1/13 - 6/30/14	(62,766)				62,766						
Transportation Aid	15-495-034-5120-014	764,271	7/1/14 - 6/30/15					694,707	(764,271)			(69,564)		
Transportation Aid	14-495-034-5120-014	764,271	7/1/13 - 6/30/14	(68,852)				68,852						
Special Education Categorical Aid	15-495-034-5120-089	888,970	7/1/14 - 6/30/15					808,056	(888,970)			(80,914)		
Special Education Categorical Aid	14-495-034-5120-089	888,970	7/1/13 - 6/30/14	(80,086)				80,086						
Security Aid	15-495-034-5120-084	446,178	7/1/14 - 6/30/15					405,567	(446,178)			(40,611)		
Security Aid	14-495-034-5120-084	446,178	7/1/13 - 6/30/14	(40,195)				40,195						
Adjustment Aid	15-495-034-5120-085	2,030,412	7/1/14 - 6/30/15					1,845,604	(2,030,412)			(184,808)		
Adjustment Aid	14-495-034-5120-085	2,030,412	7/1/13 - 6/30/14	(182,917)				182,917						
PARCC Readiness Aid	15-495-034-5120-098	16,460	7/1/14 - 6/30/15					14,962	(16,460)			(1,498)		
Per Pupil Growth Aid	15-495-034-5120-097	16,460	7/1/14 - 6/30/15					14,962	(16,460)			(1,498)		
Non Public Transportation Aid	15-04103190	7,761	7/1/14 - 6/30/15					7,453	(7,761)			(7,761)		
Non Public Transportation Aid	14-04103190	7,453	7/1/13 - 6/30/14	(7,453)				7,453						
On Behalf TPAF Pension	15-495-034-5094-006	627,480	7/1/14 - 6/30/15					627,480						
On Behalf TPAF Medical	15-495-034-5094-001	996,125	7/1/14 - 6/30/15					996,125	(996,125)					
Reimbursed TPAF Social Security Contributions	15-495-034-5094-003	847,494	7/1/14 - 6/30/15					847,494	(847,494)					
Total General Fund				(910,936)				12,618,453	(12,640,157)			(932,640)		
Special Revenue Fund:														
Preschool Education Aid	15-495-034-5120-086	371,931	7/1/14 - 6/30/15					334,738	(371,931)			(37,193)		
Preschool Education Aid	14-495-034-5120-086	371,931	7/1/13 - 6/30/14	(37,193)				37,193						
Total Special Revenue Fund				(37,193)				371,931	(371,931)			(37,193)		
State Department of Agriculture														
Enterprise Fund:														
State School Lunch Program	15-100-010-3350-023	9,435	7/1/14 - 6/30/15					8,631	(9,435)			(804)		
State School Lunch Program	14-100-010-3350-023	10,140	7/1/13 - 6/30/14	(839)				839						
Total Enterprise Fund				(839)				9,470	(9,435)			(804)		
Total State Financial Assistance				\$ (948,968)	\$ -	\$ -	\$ -	\$ 12,999,854	\$ (13,021,523)	\$ -	\$ -	\$ (970,637)	\$ -	\$ -

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, 2015**

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 (\$21,396) for the general fund and \$5,413 for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 128,486	\$ 12,618,761	\$ 12,747,247
Special Revenue Fund	1,047,887	371,931	1,419,818
Food Service Fund	<u>778,440</u>	<u>9,435</u>	<u>787,875</u>
Total Awards & Financial Assistance	<u>\$ 1,954,813</u>	<u>\$ 13,000,127</u>	<u>\$ 14,954,940</u>

**Lower Township School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2015
(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, 2015. 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, 2015.

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, 2015**

Section 1 -- Summary of Auditor's Results (Continued)

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$390,646

Auditee qualified as low-risk auditee? X yes no

Internal Control over major programs:

 Material weaknesses identified? yes X no

 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 N.J. OMB Circular 04-04 and/or 15-08? yes X no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>15-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>15-495-034-5120-068</u>	<u>School Choice Aid</u>
<u>15-495-034-5120-014</u>	<u>Transportation Aid</u>
<u>15-495-034-5120-089</u>	<u>Special Education Aid</u>
<u>15-495-034-5120-084</u>	<u>Security Aid</u>
<u>15-495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>15-495-035-5094-003</u>	<u>TPAF Social Security Contributions</u>
<u>15-100-010-3350-023</u>	<u>National School Lunch Program (State Share)</u>

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Section 2 -- Schedule of Financial Statement Findings

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

Finding #2015-001

Criteria or specific requirement:

N.J.A.C. 6A:23-16.12 and good internal control require the prompt deposit of cash receipts.

Condition:

The Day Care Program receipts were not deposited promptly.

Context:

The Day Care Program receipts testing disclosed a number of receipts that were not deposited promptly.

Effect:

The District did not comply with N.J.A.C. 6A:23-16-12.

Cause:

Oversight

Recommendation:

That all Day Care Program receipts be deposited promptly.

View of Responsible Officials and Planned Corrective Action:

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04 and/or 15-08, as applicable

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, 2015**

This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 and NJOMB's Circular 04-04 and/or 15-08, as applicable.

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.