

**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, 2016**

**Comprehensive Annual
Financial Report**

of the

**Township of Lower
Board of Education**

Cape May, New Jersey

For the Fiscal Year Ended June 30, 2016

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

LOWER TOWNSHIP SCHOOL DISTRICT

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Introductory Section

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Carl T. Mitnick School
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Fax: (609) 898-9481

October 21, 2016

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 Lower Township School District for the fiscal year ended June 30, 2016 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 Title 2 U.S. Code of federal regulations, cost principles, and audit requirements for federal awards (uniform guidance); and State of New Jersey Circular OMB15-08. 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 2015-2016 fiscal year with an enrollment of 1,725 students (June 2016). 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>
2015-16	1,725	-3.52%
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%

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 2015-2016 school year major initiatives included implementation of the Units of Study in Narrative, Opinion, and Information Writing in grades 1 and 2. Job embedded professional development was provided to support teachers in grades 3-6 in their second year of implementation of the Units of Study. As part of the 3 year technology plan all 1st and 2nd grade classrooms were equipped with interactive whiteboards to promote the integration of technology in the classroom. The district continued to increase device capacity with the purchase of three additional chromebook carts. Grade 6 prepared for the roll-out of the NJ Student Learning Standards in Science for the 2016-2017 school year. The district invested in behavioral intervention training for all teachers in grades preschool-2.

Our new Science Technology Engineering and Mathematics (STEM) program in grades 3-6 was designed using the Project Lead the Way (PLTW) curriculum. STEM teachers attended PLTW Launch training in Baltimore, Maryland. PLTW is a rigorous STEM curriculum that prepares students to be successful in engineering programs and biomedical sciences. It is an engaging, hands-on program that encourages the development of problem-solving skills, critical thinking, and innovative reasoning. We purchased the coordinating grade-level STEM kits, and iPads to equip each STEM classroom.

All curriculum was updated to align with the 2014 Career Ready Practices and Technology standards.

In year 2 of the PARCC assessment students were provided with the opportunity to practice language arts and mathematics sample problems in preparation for the spring administration.

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.

4. INTERNAL ACCOUNTING CONTROLS (CONTINUED):

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, 2016.

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.

7. CASH MANAGEMENT (CONTINUED):

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.

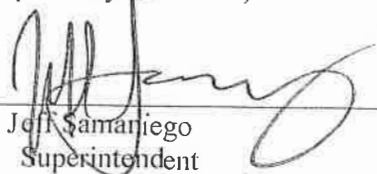
9. OTHER INFORMATION:

- 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 Title 2 U.S, Code of Federal Regulations, cost principles, and audit requirements for federal awards (uniform guidance); and State of New Jersey Circular OMB15-08. 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,

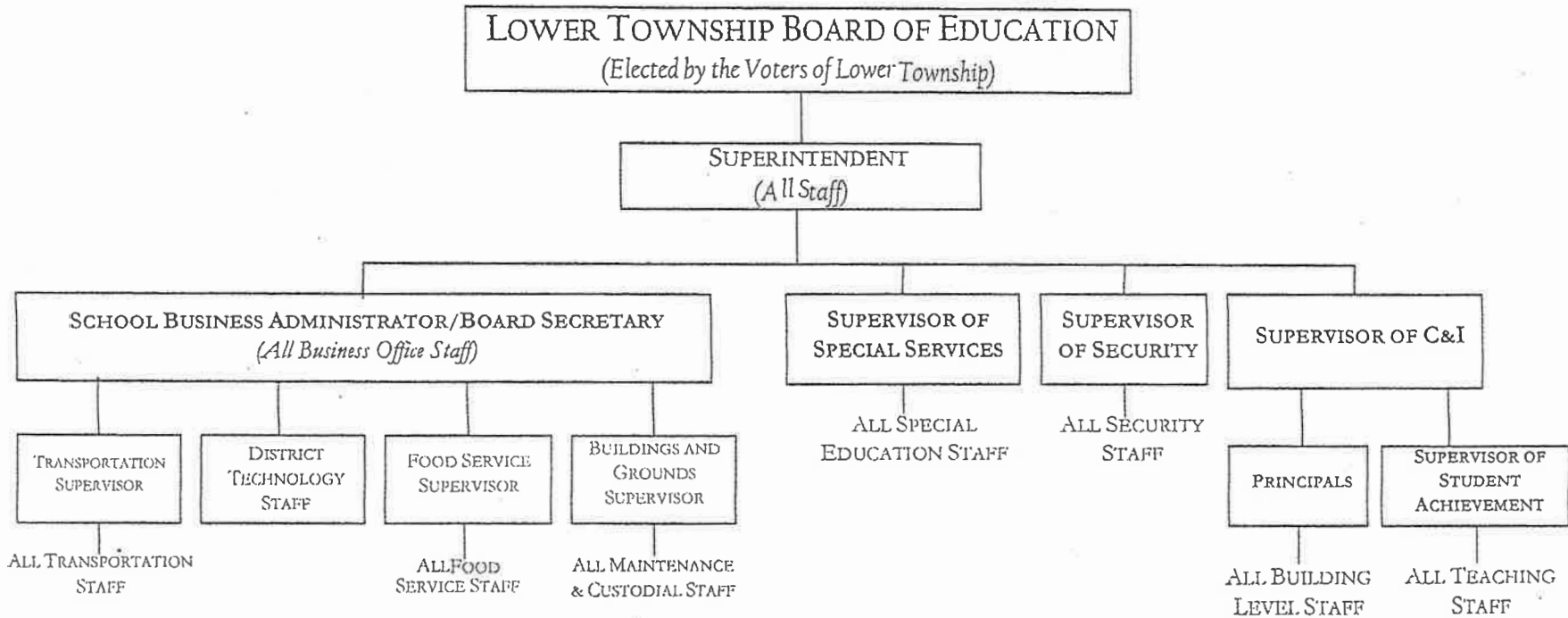


Jeff Samaniego
Superintendent



Frank Onorato
Business Administrator

ORGANIZATIONAL CHART



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

**ROSTER OF OFFICIALS
JUNE 30, 2016**

	<u>Term Expires</u>
Dr. James Rochford, President	2016
Ralph E. Bakley Sr., Vice-President	2018
Monica M. DiVito	2018
Patricia Smith	2017
Joseph Thomas	2016
Charles P. Utsch	2016
Jonathan M. Vile	2017
Gary Douglass	2017
Timothy Shaun Wittington	2018

Other Officials

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

**LOWER TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors**

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Financial Section

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Township School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2016, 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, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension 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 Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Treasury Circular OMB 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 October 21, 2016 on my consideration of the Lower Township School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lower Township School District's internal control over financial reporting and compliance.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
October 21, 2016

INVERSO & STEWART, LLC
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 American Institute of CPAs
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
 AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
 WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
 of the Board of Education
 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, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued my report thereon dated October 21, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

INVERSO & STEWART, LLC

Certified Public Accountants



Robert P. Inverso

Certified Public Accountant

Public School Accountant

Marlton, New Jersey

October 21, 2016

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, 2016**

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, 2016. 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 \$1,316,910 (*net position*).
- Governmental activities have an unrestricted net position deficit of \$13,335,362. 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 \$156,290, or a 10.61% increase from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds increased by \$5,458,768 resulting in an ending fund balance of \$6,526,417. This increase is largely due to the results of operations of the General Fund and the proceeds of serial bonds.
- Business-type activities have unrestricted net position of \$265,169.
- The School District's long-term obligations increased by \$\$6,076,127 which is an increase in serial bonds payable and pension liability and a reduction in compensated absences and capital leases.

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 2017. 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 2017.

The liabilities of the primary government activities exceeded assets by \$1,587,645 with an unrestricted deficit balance of \$13,335,362. The net position of the primary government does not include internal balances.

A net investment of \$4,859,924 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's public school students. Net position of \$4,807,566 has been restricted to provide resources for future capital expansion and renovation projects, \$1,299,000 has been restricted for maintenance projects, \$340 has been reserved for future debt service, deficit restricted balance of \$37,611 for Special Revenue Fund, and \$818,498 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, 2016 and 2015**

	Governmental Activities		Business-Type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current assets	\$ 6,541,825	\$ 1,082,435	\$ 662,135	\$ 387,426	\$ 7,203,960	\$ 1,469,861
Capital assets	10,040,648	10,066,781	5,566	7,056	10,046,214	10,073,837
Total assets	16,582,473	11,149,216	667,701	394,482	17,250,174	11,543,698
Deferred Outflows of Resources	2,013,842	819,860			2,013,842	819,860
LIABILITIES						
Current liabilities	265,654	33,770	292,524	10,275	558,178	44,045
Noncurrent liabilities	18,820,218	12,946,936	104,442	102,020	18,924,660	13,048,956
Total liabilities	19,085,872	12,980,706	396,966	112,295	19,482,838	13,093,001
Deferred Inflows of Resources	1,098,088	743,757			1,098,088	743,757
Net Position	<u>\$ (1,587,645)</u>	<u>\$ (1,755,387)</u>	<u>\$ 270,735</u>	<u>\$ 282,187</u>	<u>\$ (1,316,910)</u>	<u>\$ (1,473,200)</u>
Net Position Consists of:						
Net investment in						
Capital Assets	\$ 4,859,924	\$ 9,988,073	\$ 5,566	\$ 7,056	\$ 4,865,490	\$ 9,995,129
Restricted Assets	6,887,793	1,468,212			6,887,793	1,468,212
Unrestricted Assets	(13,335,362)	(13,211,672)	265,169	275,131	(13,070,193)	(12,936,541)
Net Position	<u>\$ (1,587,645)</u>	<u>\$ (1,755,387)</u>	<u>\$ 270,735</u>	<u>\$ 282,187</u>	<u>\$ (1,316,910)</u>	<u>\$ (1,473,200)</u>

Lower Township School District
Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
Revenues:						
Charges for services	\$ -	\$ -	\$ 6,504,674	\$ 657,010	\$ 6,504,674	\$ 657,010
Operating Grants and contributions	4,175,177	3,891,899	775,868	787,875	4,951,045	4,679,774
Property taxes	16,317,286	15,806,595			16,317,286	15,806,595
State aid - unrestricted	10,307,539	10,276,148			10,307,539	10,276,148
Other revenues	128,328	65,329	80	100	128,408	65,429
Total Revenues	30,928,330	30,039,971	7,280,622	1,444,985	38,208,952	31,484,956
Expenses:						
Governmental Activities:						
Instruction	12,235,117	11,507,620			12,235,117	11,507,620
Tuition	897,749	1,154,510			897,749	1,154,510
Related Services	3,025,692	2,976,379			3,025,692	2,976,379
Administrative Services	1,369,297	1,313,166			1,369,297	1,313,166
Central Services	347,613	340,427			347,613	340,427
Operations and Maintenance	2,633,408	2,410,716			2,633,408	2,410,716
Transportation	1,189,906	1,191,733			1,189,906	1,191,733
Employee benefits	9,002,976	8,956,103			9,002,976	8,956,103
Interest on debt	28,417				28,417	
Other	30,413	27,234			30,413	27,234
Business-Type Activities:						
Food Service			1,045,665	1,111,891	1,045,665	1,111,891
Day Care Program			371,862	338,318	371,862	338,318
Internal Service			5,874,547		5,874,547	
Total Expenses	30,760,588	29,877,888	7,292,074	1,450,209	38,052,662	31,328,097
Increase (Decrease) in Net Position before transfers	167,742	162,083	(11,452)	(5,224)	156,290	156,859
Adjustment to fixed assets Transfers						
Change in Net Position	167,742	162,083	(11,452)	(5,224)	156,290	156,859
Net Position, July 1	(1,755,387)	(1,917,470)	282,187	287,411	(1,473,200)	(1,630,059)
Net Position, June 30	\$ (1,587,645)	\$ (1,755,387)	\$ 270,735	\$ 282,187	\$ (1,316,910)	\$ (1,473,200)

Governmental Activities

Governmental activities increased the net position of the School District by \$167,742 during the current fiscal year. Key elements of the increase in net position for governmental activities are as follows:

- Capital additions less depreciation expense decreased the net position by \$26,133.
- Compensated absences decreased by \$15,874.
- Results of operations in the General Fund increased the net position by \$651,281.
- Net pension liability increased by \$989,985

Business-type Activities

Business-type activities decreased the School District's net position by \$11,452. Key elements of the decrease in net position for business-type activities are as follows:

- The Food Service Fund had a net loss of \$28,375 and the Day Care Program had a net gain of \$16,923.

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 \$6,526,417, an increase of \$5,458,768 in comparison with the prior year. Most of this increase is due to the Capital Projects 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 \$361,376 and \$37,611 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 \$4,807,565 2) \$203,052 appropriated as a revenue source in the subsequent year's budget, 3) \$604,902 reserved for future budget appropriation in accordance with state statute, 4) \$10,544 reserved for encumbrances, 5) \$1,299,000 reserved for maintenance and 6) \$340 reserved for future debt service requirements.

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 \$561,320 while total fund balance (budgetary basis) was \$2,678,819. 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 \$28,830,118. Unreserved fund balance (budgetary basis) represents 1.95% of expenditures while total fund balance (budgetary basis) represents 9.29 % 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, 2016, totaled \$10,046,214 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was \$27,623 or a 0.27% decrease. The decrease is due to acquisitions less current year depreciation.

**Capital Asset (net of accumulated depreciation)
June 30, 2016 and 2015**

	Governmental Activities		Business-Typel Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
Land	\$ 80,045	\$ 80,045	\$ -	\$ -	\$ 80,045	\$ 80,045
Const. in Progress					-	-
Building and Building Improvements	8,658,231	8,937,877			8,658,231	8,937,877
Equipment	1,302,372	1,048,859	5,566	7,056	1,307,938	1,055,915
Net Assets	<u>\$ 10,040,648</u>	<u>\$ 10,066,781</u>	<u>\$ 5,566</u>	<u>\$ 7,056</u>	<u>\$ 10,046,214</u>	<u>\$ 10,073,837</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, 2016, the School District had \$5,121,000 in serial bonds payable, \$2,008,896 in compensated absences, \$59,724 in capital leases payable, and \$11,852,427 in net pension liability.

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 \$87,877,105. The available amount as of June 30, 2016 is \$82,756,105.

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 2016-17 fiscal year.

For 2016-17 fiscal year the School District is anticipating a slight increase in state aid. The local tax levy in the General Fund increased by \$326,345 or a 2.00% increase. Salaries continue to increase contractually; however, the District has managed to control costs. The 2016-17 General Fund Budget is \$234,458 greater than the previous year or a 0.87 % increase. The tax rate was .446 in 2015 and slightly increased to .458 in 2016.

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

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, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 6,042,697	\$ 317,831	\$ 6,360,528
Receivables, net	497,009	49,880	546,889
Inventory (Note 6)		17,706	17,706
Internal balances	2,118	(2,118)	
Restricted assets:			
Restricted cash and cash equivalents	1	278,836	278,837
Capital assets, net (Note 5)	10,040,648	5,566	10,046,214
Total assets	<u>16,582,473</u>	<u>667,701</u>	<u>17,250,174</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	2,013,842		2,013,842
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	<u>18,596,315</u>	<u>667,701</u>	<u>19,264,016</u>
LIABILITIES:			
Accounts payable	15,373	278,836	294,209
Unearned revenue	35	13,688	13,723
Accrued interest	28,417		28,417
Noncurrent liabilities:			
Due within one year	221,829		221,829
Due beyond one year	18,820,218	104,442	18,924,660
Total liabilities	<u>19,085,872</u>	<u>396,966</u>	<u>19,482,838</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	1,098,088		1,098,088
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:	<u>20,183,960</u>	<u>396,966</u>	<u>20,580,926</u>
NET POSITION:			
Net investment in capital assets	4,859,924	5,566	4,865,490
Restricted for:			
Capital Projects	4,807,566		4,807,566
Special Revenue	(37,611)		(37,611)
Other purposes	2,117,838		2,117,838
Unrestricted	(13,335,362)	265,169	(13,070,193)
Total net position	<u>\$ (1,587,645)</u>	<u>\$ 270,735</u>	<u>\$ (1,316,910)</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, 2016

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	\$ 9,924,274	\$ -	\$ 634,296	\$ (9,289,978)	\$ -	\$ (9,289,978)
Special education	2,254,597		534,905	(1,719,692)		(1,719,692)
Other instruction	56,246			(56,246)		(56,246)
Support Services:						
Tuition	897,749			(897,749)		(897,749)
Student & instruction related services	3,025,692		277,390	(2,748,302)		(2,748,302)
General administrative services	473,846			(473,846)		(473,846)
School administrative services	895,451			(895,451)		(895,451)
Central services	347,613			(347,613)		(347,613)
Plant operations and maintenance	2,633,408			(2,633,408)		(2,633,408)
Pupil transportation	1,189,906			(1,189,906)		(1,189,906)
Interest on long term debt	28,417			(28,417)		(28,417)
Unallocated employee benefits	9,002,976		2,728,586	(6,274,390)		(6,274,390)
Unallocated depreciation and amortization	30,413			(30,413)		(30,413)
Total governmental activities	<u>30,760,588</u>	<u>-</u>	<u>4,175,177</u>	<u>(26,585,411)</u>		<u>(26,585,411)</u>
Business-type activities:						
Day care program	371,862	388,785			16,923	16,923
Food service program	1,045,665	241,342	775,868		(28,455)	(28,455)
Internal service fund	5,874,547	5,874,547			-	-
Total business-type activities	<u>7,292,074</u>	<u>6,504,674</u>	<u>775,868</u>	<u>-</u>	<u>(11,532)</u>	<u>(11,532)</u>
Total primary government	<u>\$ 38,052,662</u>	<u>\$ 6,504,674</u>	<u>\$ 4,951,045</u>	<u>\$ (26,585,411)</u>	<u>\$ (11,532)</u>	<u>\$ (26,596,943)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net				16,317,286		16,317,286
Federal and state aid not restricted				10,307,539		10,307,539
Tuition				34,062		34,062
Miscellaneous income				94,266	80	94,346
Transfer						
Total general revenues, special items, extraordinary items and transfers				<u>26,753,153</u>	<u>80</u>	<u>26,753,233</u>
Change in Net Position				<u>167,742</u>	<u>(11,452)</u>	<u>156,290</u>
Net Position – July 1,				<u>(1,755,387)</u>	<u>282,187</u>	<u>(1,473,200)</u>
Net Position – June 30				<u>\$ (1,587,645)</u>	<u>\$ 270,735</u>	<u>\$ (1,316,910)</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, 2016

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 1,234,792	\$ -	\$ 4,807,905	\$ -	\$ 6,042,697
Receivables, net	108,376	334,215			442,591
Interfund receivable	427,903			340	428,243
Restricted cash and cash equivalents	1				1
Total assets	\$ 1,771,072	\$ 334,215	\$ 4,807,905	\$ 340	\$ 6,913,532
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	14,949	424			15,373
Unearned revenue		35			35
Interfund payables		371,367	340		371,707
Total liabilities	14,949	371,826	340		387,115
Fund Balances:					
Restricted for:					
Excess surplus	604,902				604,902
Excess surplus - designated for subsequent year's expenditures	164,441				164,441
Maintenance reserve	1,299,000				1,299,000
Capital reserve	1				1
Assigned to:					
Year-end encumbrances	10,544		4,261,640		4,272,184
Designated for subsequent year's expenditures	38,611				38,611
Unassigned	(361,376)	(37,611)	545,925	340	147,278
Total fund balances	1,756,123	(37,611)	4,807,565	340	6,526,417
Total liabilities and fund balances	\$ 1,771,072	\$ 334,215	\$ 4,807,905	\$ 340	

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 \$21,144,160 and the accumulated depreciation is \$11,103,512. 10,040,648

Accrued interest on debt is not due and payable in the current period and therefore is not reported as a liability in the funds. (28,417)

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	2,013,842	
Net Pension Liability	(11,852,427)	
Deferred Inflows of resources from Pensions	(1,098,088)	(10,936,673)

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.

Compensated Absences	(2,008,896)	
Capital Leases	(59,724)	
General Obligation Bonds	(5,121,000)	(7,189,620)

Net position of governmental activities \$ (1,587,645)

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 16,317,286	\$ -	\$ -	\$ -	\$ 16,317,286
Tuition charges	34,062				34,062
Miscellaneous	93,926		340		94,266
Total revenues-local sources	16,445,274	-	340	-	16,445,614
Local sources		425			425
State sources	12,931,355	375,692			13,307,047
Federal sources	104,770	1,070,474			1,175,244
Total revenues	29,481,399	1,446,591	340	-	30,928,330
EXPENDITURES:					
Current expense:					
Regular instruction	8,879,662	634,714			9,514,376
Special education instruction	1,719,692	534,905			2,254,597
Other instruction	56,246				56,246
Support services and undistributed costs					
Tuition	897,749				897,749
Student & instruction related services	2,748,302	277,390			3,025,692
General administrative services	473,846				473,846
School administrative services	834,626				834,626
Central services	347,613				347,613
Plant operations and maintenance	2,663,832				2,663,832
Pupil transportation	1,189,906				1,189,906
Unallocated employee benefits	8,852,642				8,852,642
Capital outlay	166,002		313,435		479,437
Total expenditures	28,830,118	1,447,009	313,435	-	30,590,562
Excess (deficiency) of revenues over (under) expenditures	651,281	(418)	(313,095)	-	337,768
Other Financing Sources (Uses):					
Proceeds of Serial Bonds			5,121,000		5,121,000
Transfers in				340	340
Transfers out			(340)		(340)
Total other financing sources (uses)	-	-	5,120,660	340	5,121,000
Net change in fund balance	651,281	(418)	4,807,565	340	5,458,768
Fund balances, July 1	1,104,842	(37,193)			1,067,649
Fund balances, June 30	\$ 1,756,123	\$ (37,611)	\$ 4,807,565	\$ 340	\$ 6,526,417

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, 2016

Total net change in fund balances - governmental funds (from B-2)		\$ 5,458,768
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
<p style="margin-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	\$ (608,247)	
Capital outlay	<u>582,114</u>	(26,133)
<p>The issuance of bonds increases long-term liabilities, however has no effect on fund balance.</p>		
		(5,121,000)
<p>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.</p>		
		18,984
<p>In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition to the reconciliation.</p>		
		(28,417)
<p>Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities.</p>		
		(150,334)
<p>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 (+).</p>		
		<u>15,874</u>
Change in net position of governmental activities		<u>\$ 167,742</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, 2016

	Business-type Activities			Total
	Enterprise Funds		Internal Service Fund	
	Food Service Fund	Day Care Program	Self-Insured Health and Prescription Fund	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 145,067	\$ 172,764	\$ -	\$ 317,831
Accounts receivable	47,842	2,038		49,880
Inventories	17,706			17,706
Restricted cash and cash equivalents			278,836	278,836
Total current assets	<u>210,615</u>	<u>174,802</u>	<u>278,836</u>	<u>664,253</u>
Noncurrent assets:				
Equipment	280,292			280,292
Less accumulated depreciation	<u>(274,726)</u>			<u>(274,726)</u>
Total noncurrent assets	<u>5,566</u>			<u>5,566</u>
Total assets	<u>\$ 216,181</u>	<u>\$ 174,802</u>	<u>\$ 278,836</u>	<u>\$ 669,819</u>
LIABILITIES				
Current liabilities:				
Unearned revenue	11,224	2,464		13,688
Accounts payable			278,836	278,836
Interfund payable	<u>2,118</u>			<u>2,118</u>
Total current liabilities	<u>13,342</u>	<u>2,464</u>	<u>278,836</u>	<u>294,642</u>
Noncurrent liabilities:				
Compensated absences	<u>104,442</u>			<u>104,442</u>
Total noncurrent liabilities	<u>104,442</u>	<u>-</u>	<u>-</u>	<u>104,442</u>
Total liabilities	<u>117,784</u>		<u>278,836</u>	<u>399,084</u>
NET POSITION				
Net investment in capital assets	5,566			5,566
Unrestricted	<u>92,831</u>	<u>172,338</u>		<u>265,169</u>
Total net position	<u>\$ 98,397</u>	<u>\$ 172,338</u>	<u>\$ -</u>	<u>\$ 270,735</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, 2016

	Business-type Activities			Total
	Enterprise Funds		Internal Service Fund	
	Food Service Fund	Day Care Program	Self-Insured Health and Prescription Fund	
Operating revenues:				
Charges for services:				
Daily sales-reimbursable programs	\$ 148,586	\$ -	\$ -	\$ 148,586
Daily sales-non-reimbursable programs	92,756	388,785	5,874,548	6,356,089
Total operating revenue	241,342	388,785	5,874,548	6,504,675
Operating expenses:				
Salaries	390,891	312,679		703,570
Employee benefits	209,970	31,023	5,874,548	6,115,541
Supplies and materials	25,411	12,786		38,197
Purchased property services				-
Depreciation	1,489			1,489
Cost of sales - reimbursable programs	247,839			247,839
Cost of sales - non-reimbursable programs	151,901			151,901
Other	18,164	15,374		33,538
Total operating expenses	1,045,665	371,862	5,874,548	7,292,075
Operating income (loss)	(804,323)	16,923	-	(787,400)
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	9,068			9,068
Federal sources:				
National school lunch program	402,164			402,164
School breakfast program	278,880			278,880
Snack Program	2,437			2,437
U.S.D.A. commodities	83,319			83,319
Local sources:				
Interest revenue	80			80
Total nonoperating revenues (expenses)	775,948	-	-	775,948
Change in net position	(28,375)	16,923		(11,452)
Total net position - July 1	126,772	155,415		282,187
Total net position - June 30	\$ 98,397	\$ 172,338	\$ -	\$ 270,735

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, 2016

	Business-type Activities			Total
	Enterprise Funds		Internal Service Fund	
	Food Service Fund	Day Care Program	Self-Insured Health and Prescription Fund	
Cash flows from operating activities:				
Receipts from customers	\$ 259,363	\$ 381,816	\$ 5,874,547	\$ 6,515,726
Payments to employees	(388,469)	(312,679)		(701,148)
Payments to suppliers	(655,130)	(59,182)		(714,312)
Payment for medical claims			(5,595,711)	(5,595,711)
Net cash used for operating activities	<u>(784,236)</u>	<u>9,955</u>	<u>278,836</u>	<u>(495,445)</u>
Cash flows from noncapital financing activities:				
State sources	9,308			9,308
Federal sources	781,484			781,484
Net cash provided by non-capital financing activities	<u>790,792</u>	<u>-</u>	<u>-</u>	<u>790,792</u>
Cash flows from capital activities:				
Purchases of fixed assets	-	-	-	-
Cash flows from investing activities:				
Interest and dividends	80			80
Net cash provided by investing activities	<u>80</u>	<u>-</u>	<u>-</u>	<u>80</u>
Net increase in cash and cash equivalents	6,636	9,955	278,836	295,427
Balances - July 1	<u>138,431</u>	<u>162,809</u>		<u>301,240</u>
Balances - June 30	<u>\$ 145,067</u>	<u>\$ 172,764</u>	<u>\$ 278,836</u>	<u>\$ 596,667</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (804,323)	\$ 16,923	\$ -	\$ (787,400)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,489			1,489
(Increase) decrease in accounts receivable	6,797	843		7,640
(Increase) decrease in inventories	(1,845)			(1,845)
Increase (decrease) in accounts payable			278,836	278,836
Increase (decrease) in unearned revenue	11,224	(7,811)		3,413
Increase (decrease) in compensated absences	2,422			2,422
Net cash provided by (used for) operating activities	<u>\$ (784,236)</u>	<u>\$ 9,955</u>	<u>\$ 278,836</u>	<u>\$ (495,445)</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, 2016

	Unemployment Compensation Insurance Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 142,039	\$ 37,037
Other receivable		
	<u> </u>	<u> </u>
Total assets	<u>142,039</u>	<u>37,037</u>
LIABILITIES:		
Accounts payable	16,655	
Interfund payable	31,231	23,187
Due to student groups		13,850
	<u> </u>	<u> </u>
Total liabilities	<u>47,886</u>	<u>\$ 37,037</u>
NET POSITION:		
Restricted for:		
Unemployment claims	<u>\$ 94,153</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, 2016

	Unemployment Compensation Insurance Trust
ADDITIONS:	
Contributions:	
Board contributions	\$ 33,175
Employee withholdings	53,030
Total Contributions	86,205
Investment earnings:	
Interest	53
Net investment earnings	53
Total additions	86,258
DEDUCTIONS:	
Unemployment payments	71,985
Total deductions	71,985
Change in net position	14,273
Net position - July 1	79,880
Net position - June 30	\$ 94,153

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, 2016

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, 2016 of 1,725 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, 2016**

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, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

The School District's enterprise funds are:

Enterprise Funds:

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.

Internal Service Fund – The internal service fund has been established to account for financing of employee's self-insured health insurance and prescription plan.

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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of Accounting

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

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

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

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

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

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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued) - 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, 2016 and 2015 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

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

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

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

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

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, 2016**

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, 2016**

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, 2016.

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, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Recently Issued Accounting Pronouncements – In June 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.

In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In March 2016, the GASB issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. Furthermore, this Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. Also, this Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School district in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the School District's amount on deposit of \$7,835,445 as of June 30, 2016, \$250,000 was insured under FDIC and the remaining balance of \$7,585,445 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

3. CAPITAL RESERVE ACCOUNT (Continued)

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Balance – July 1, 2015	\$1
Increased by:	
Interest earned	_____
Balance – June 30, 2016	\$1

The June 30, 2016 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

4. RECEIVABLES

Accounts receivables at June 30, 2016 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, 2016 for the School District’s individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Proprietary Fund	Total
Intergovernmental				
State	\$ 39,289	\$ -	\$ 565	\$ 39,854
Federal	38,215	334,215	44,014	416,444
Other	30,872	_____	3,263	34,135
Total	\$ 108,376	\$ 334,215	\$ 47,842	\$ 490,433

Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance June 30, 2016</u>
Governmental Activities:				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 80,045	\$ -	\$ -	\$ 80,045
Construction in Progress				
Total Capital Assets not being Depreciated	80,045			80,045
<i>Capital Assets, being depreciated</i>				
Building and Improvements	17,818,412	\$ 66,796		17,885,208
Equipment	2,841,409	515,318	177,820	3,178,907
Total Historical Cost	<u>20,659,821</u>	<u>582,114</u>	<u>177,820</u>	<u>21,064,115</u>
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(8,880,535)	(346,442)		(9,226,977)
Equipment	(1,792,550)	(261,805)	(177,820)	(1,876,535)
Total Accumulated Depreciation	<u>(10,673,085)</u>	<u>(608,247)</u>	<u>(177,820)</u>	<u>(11,103,512)</u>
Total Capital Assets, being depreciated, net	<u>9,986,736</u>	<u>(26,133)</u>	<u>-</u>	<u>9,960,603</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,066,781</u>	<u>\$ (26,133)</u>	<u>\$ -</u>	<u>\$ 10,040,648</u>
 Business-Type Activities:				
Equipment	\$ 280,292	\$ -	\$ -	\$ 280,292
Less - Accumulated Depreciation	<u>(273,236)</u>	<u>(1,490)</u>		<u>(274,726)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 7,056</u>	<u>\$ (1,490)</u>	<u>\$ -</u>	<u>\$ 5,566</u>

Depreciation expense in the amount of \$608,247 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Instruction	\$ 425,772
School Administration	60,825
Plant operations & maintenance	91,237
Unallocated	30,413
	<u>608,247</u>
Total depreciation expense	<u>\$ 608,247</u>

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2016 consisted of the following:

Food	\$ 14,011
Supplies	<u>3,695</u>
	<u>\$ 17,706</u>

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2016, the following changes occurred in long-term obligations:

	Principal Outstanding June 30, 2015	Additions	Reductions	Principal Outstanding June 30, 2016	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 2,024,770	\$ 233,405	\$ 249,279	\$ 2,008,896	\$ 202,390
Capital Lease Payable	78,708		18,984	59,724	19,439
Serial Bonds Payable		5,121,000		5,121,000	-
Net Pension Liability	<u>10,862,442</u>	<u>989,985</u>		<u>11,852,427</u>	
	<u>\$ 12,965,920</u>	<u>\$ 6,344,390</u>	<u>\$ 268,263</u>	<u>\$ 19,042,047</u>	<u>\$ 221,829</u>
 Business-Type Activities:					
Compensated Absences	<u>\$ 102,020</u>	<u>\$ 2,422</u>		<u>\$ 104,442</u>	
	<u>\$ 102,020</u>	<u>\$ 2,422</u>	<u>\$ -</u>	<u>\$ 104,442</u>	<u>\$ -</u>

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

Serial Bonds dated April 6, 2016 in the amount of \$5,121,000 due in annual installments through April 1, 2036, bearing interest rate of 2.00% to 3.00%.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

7. LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2016, principal and interest due on bonds outstanding is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 120,373	\$ 120,373
2018	160,000	127,080	287,080
2019	160,000	123,880	283,880
2020	160,000	120,680	280,680
2021	200,000	117,480	317,480
2022-2026	1,275,000	518,900	1,793,900
2027-2031	1,580,000	369,500	1,949,500
2032-2036	1,586,000	141,900	1,727,900
	<u>\$ 5,121,000</u>	<u>\$ 1,639,793</u>	<u>\$ 6,760,793</u>

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>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 19,439	\$ 1,430	\$ 20,869
2018	19,904	965	20,869
2019	20,381	488	20,869
	<u>\$ 59,724</u>	<u>\$ 2,883</u>	<u>\$ 62,607</u>

Compensated Absences

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

8. OPERATING LEASES

At June 30, 2016, the School District had an operating lease agreement in effect for copiers.

Total operating lease payments made during the year ended June 30, 2016 and 2015, were \$51,956 and \$52,257 respectively. Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 74,498
2018	70,665
2019	42,610
2020	<u>37,790</u>
	<u>\$ 225,563</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.

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.

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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

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

For the year ended June 30, 2016, the District recognized pension expense of \$4,479,098 and revenue of \$4,479,098 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.

	06/30/15	06/30/14
Collective deferred outflows of resources	\$ 7,521,378,257	\$ 2,306,623,861
Collective deferred inflows of resources	554,399,005	1,763,205,593
Collective net pension liability (Non-Employer – State of New Jersey)	63,577,864,440	53,446,745,367
State's portion of the net pension liability that was associated with the district	73,356,882	63,725,118
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	.1160631742%	.1192310551%

Actuarial assumptions – The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. 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%

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, 2014 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

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

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	05.00%	0.53%
Government Bonds	01.75%	1.39%
Credit Bonds	13.50%	2.72%
Mortgages	02.10%	2.54%
Inflation-Indexed Bonds	01.50%	1.47%
High Yield Bonds	02.00%	4.57%
Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	06.40%	8.46%
Private Real Estate Property	04.25%	3.97%
Timber	01.00%	4.09%
Farmland	01.00%	4.61%
Private Equity	09.25%	9.15%
Commodities	01.00%	3.58%
Hedge Funds – MultiStrategy	04.00%	4.59%
Hedge Funds – Equity Hedge	04.00%	5.68%
Hedge Funds - Distressed	04.00%	4.30%
	100.00%	

Discount rate. The discount rate used to measure the State's total pension liability was 4.13% as of June 30, 2015. 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 3.80% as of June 30, 2015, 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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 Contributions</u>	<u>Adjustment</u>	<u>Accrued Liability</u>	<u>Non Contributory Life</u>	<u>Total Liability Paid by District</u>
2016	\$ 76,849	\$ -	\$ 354,016	\$ 23,069	\$ 453,934
2015	79,624	-	368,324	30,339	478,287
2014	80,470	-	353,794	7,385	441,649

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, 2016, the District recognized pension expense of \$584,195. At June 30, 2016, the District reported a liability of \$11,852,427 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	\$ 282,757	\$ -
Changes of assumptions	1,272,856	
Net Difference between projected and actual earnings on pension plan investments		190,564
Changes in proportion		907,524
District contributions subsequent to the measurement date	458,229	
Total	\$ 2,013,842	\$1,098,088

\$458,229 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, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net liability in the year ended June 30, 2016.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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 Outflows of Resources
2016	\$ 12,297
2017	12,297
2018	12,297
2019	198,236
2020	222,398
Total	\$ 457,525

Additional Information

Collective balances at June 30, 2015 and 2014 are as follows:

	6/30/2015	6/30/2014
Collective deferred outflows of resources	\$ 3,578,755,666	\$ 952,194,675
Collective deferred inflows of resources	\$ 993,410,455	\$ 1,479,224,662
Collective net pension liability	\$ 22,447,996,119	\$ 18,722,735,003
District's Proportion	.0527994891%	.0580173906%

Actuarial assumptions – The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation rate: 3.04%
- 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) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	05.00%	01.04%
U.S. Treasuries	01.75%	01.64%
Investment Grade Credit	10.00%	01.79%
Mortgages	02.10%	01.62%
High Yield Bonds	02.00%	04.03%
Inflation Indexed Bonds	01.50%	03.25%
Broad US Equities	27.25%	08.52%
Developed Foreign Equities	12.00%	06.88%
Emerging Market Equities	06.40%	10.00%
Private Equity	09.25%	12.41%
Hedge Funds/Absolute Ret	12.00%	04.72%
Real Estate (Property)	02.00%	06.83%
Commodities	01.00%	05.32%
Global Debt ex US	03.50%	-0.40%
REIT	04.25%	5.12%
	<u>100.00%</u>	

Discount rate. The discount rate used to measure the State's total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.8% as of June 30, 2015, 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, 2015, calculated using the discount rate of 4.90%, 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 (3.90%) or 1 percentage point higher (5.90%) than the current rate:

	<u>1% Decrease (3.90%)</u>	<u>Current Discount Rate (4.90%)</u>	<u>1% Increase (5.90%)</u>
District's proportionate share of the net pension liability	\$ 14,731,117	\$ 11,852,427	\$ 9,438,954

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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.

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.

The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

Fiscal Year	Total Liability	Paid by School District
2016	\$ 14,196	\$ 14,196
2015	-	-
2014	-	-

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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 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.

Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

10. POST-RETIREMENT BENEFITS (Continued)

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

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, 2016 was \$1,025,785 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.

The School Employees Health Benefits Program (SEHBP) 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 Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website.

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2016, the School District has recognized as revenues and expenditures \$861,479 of on-behalf payments made by the State of New Jersey for normal retirement costs related to TPAF and \$841,322 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, 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. The District is self-insured for employee health and prescription coverage.

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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

12. RISK MANAGEMENT (Continued)

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>Amount Reimbursed</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 33,175	\$ 53,030	\$ 53	\$ 71,985	\$ 94,153
2015	40,000	54,487	44	98,651	79,880
2014	9,249	38,978	51	61,025	84,000
2013	34,529	21,512	59	23,478	96,747
2012	-	48,860	146	25,468	64,125

13. DEFERRED COMPENSATION

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

14. COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2016, the liability for compensated absences in the governmental activities and proprietary fund types was \$2,008,896 and \$104,442, respectively.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

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, 2017. The following interfund balances were recorded on the various balance sheets as of June 30, 2016:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 427,903	\$ -
Special Revenue		371,367
Capital Projects		340
Debt Service Fund	340	
Proprietary Fund		2,118
Fiduciary Fund		54,418
	<u> </u>	<u> </u>
Total	<u>\$ 428,243</u>	<u>\$ 428,243</u>

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, 2016, 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 \$361,376 in the General Fund and \$37,611 in the Special Revenue Fund as of June 30, 2016 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$361,376 in the General Fund and \$37,611 in the Special Revenue Fund is equal to or less than the June state aid payments.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

18. DEFICIT UNRESTRICTED NET POSITION

As of June 30, 2016, a deficit of \$13,335,362 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, 2016:	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance - Unassigned	\$ (361,376)
Liabilities:	
Accrued Interest Payable	(28,417)
Net Pension Differences	(10,936,673)
Compensated Absences	<u>(2,008,896)</u>
Unrestricted Net Position (Deficit)	<u>\$ (13,335,362)</u>

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, 2016 is \$604,902 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$164,441 of excess fund balance generated during the 2014-2015 fiscal year has been restricted and designated for utilization in the 2016-2017 budget.

Capital Reserve – As of June 30, 2016, the balance in the capital reserve account is \$1.

Maintenance Reserve Account – As of June 30, 2016, the balance in the maintenance reserve account is \$1,299,000. Of this amount \$200,000 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2017. 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, 2016**

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:

Designated for Subsequent Year's Expenditures – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2016, \$38,611 of general fund balance.

Other Purposes – At June 30, 2016 the School District has \$10,544 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

Capital Projects Fund:

Other Purposes – At June 30, 2016 the School District has \$4,261,640 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, 2016, the fund balance of the general fund was a deficit of \$361,376, 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, 2016, the fund balance of the special revenue fund was a deficit of \$37,611, 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).

Capital Projects – As of June 30, 2016, \$545,925 of capital fund balance was unassigned.

Debt Service – As of June 30, 2016, \$340 of debt service fund balance was unassigned.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 16,317,286	\$ -	\$ 16,317,286	\$ 16,317,286	\$ -
Tuition		62,131	62,131	34,062	(28,069)
Unrestricted miscellaneous revenue	103,131	(62,131)	41,000	93,926	52,926
Total local sources	16,420,417	-	16,420,417	16,445,274	24,857
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	-
Extraordinary Aid				37,723	37,723
Additional Non Public Transportation Aid				1,566	1,566
On-behalf TPAF pension contributions (non-budgeted)				861,479	861,479
On-behalf TPAF Medical (non-budgeted)				1,025,785	1,025,785
Reimbursed TPAF social security contributions (non-budgeted)				841,322	841,322
Total state sources	10,161,297	-	10,161,297	12,929,172	2,767,875
Federal sources:					
Special Education Medicaid Initiative (SEMI)	30,477	-	30,477	104,770	74,293
Total federal sources	30,477	-	30,477	104,770	74,293
TOTAL REVENUES	26,612,191	-	26,612,191	29,479,216	2,867,025
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers		-			-
Preschool	206,251	-	206,251	151,602	54,649
Kindergarten	907,512	(50,050)	857,462	819,680	37,782
Grades 1-5	5,349,621	64,880	5,414,501	5,410,427	4,074
Grades 6-8	1,011,042	(133,160)	877,882	850,751	27,131
Total Instruction	7,474,426	(118,330)	7,356,096	7,232,460	123,636
Regular Programs - Home Instruction:					
Salaries of teachers	3,500	-	3,500		3,500
Other purchased services	250	-	250		250
Total Home Instruction	3,750	-	3,750	-	3,750
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	925,867	(119,000)	806,867	806,867	-
Purchased professional educ. services		1,500	1,500	1,208	292
Purchased technical services	11,000	60,000	71,000	70,941	59
Other purchased services	110,800	(1,665)	109,135	106,916	2,219
General supplies	476,684	114,465	591,149	587,468	3,681
Textbooks	100,000	(33,700)	66,300	64,452	1,848
Other objects	15,000	(5,600)	9,400	9,350	50
Total Undistributed Instruction	1,639,351	16,000	1,655,351	1,647,202	8,149
Total - Regular Programs - Instruction	9,117,527	(102,330)	9,015,197	8,879,662	135,535

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, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Educ Instruction: Learning/Lang. Disabilities					
Salaries of teachers	\$ 430,477	\$ (24,978)	\$ 405,499	\$ 403,476	\$ 2,023
Other salaries for instruction	169,529	(19,522)	150,007	150,007	-
General Supplies	6,000	(500)	5,500	4,973	527
Total Learning/Lang. Disabilities	<u>606,006</u>	<u>(45,000)</u>	<u>561,006</u>	<u>558,456</u>	<u>2,550</u>
Special Educ Instruction: Res. Room/Res. Center					
Salaries of teachers	1,084,458	-	1,084,458	1,081,816	2,642
General supplies	6,000	-	6,000	3,708	2,292
Total Resource Room/Resource Center	<u>1,090,458</u>	<u>-</u>	<u>1,090,458</u>	<u>1,085,524</u>	<u>4,934</u>
Special Educ Instruction: Pre-K Disabilities Part-time					
Salaries of teachers	117,730	(45,000)	72,730	68,114	4,616
Total Pre-K Disabilities Part-time	<u>117,730</u>	<u>(45,000)</u>	<u>72,730</u>	<u>68,114</u>	<u>4,616</u>
Special Educ Instruction: Home Instruction					
Salaries of teachers	14,000	(2,500)	11,500	7,598	3,902
Total Home Instruction	<u>14,000</u>	<u>(2,500)</u>	<u>11,500</u>	<u>7,598</u>	<u>3,902</u>
Total Special Education - Instruction	<u>1,828,194</u>	<u>(92,500)</u>	<u>1,735,694</u>	<u>1,719,692</u>	<u>16,002</u>
Before/after school programs - Instruction					
Salaries of teachers	22,306	24,880	47,186	47,185	1
Total Before/after school - Instruction	<u>22,306</u>	<u>24,880</u>	<u>47,186</u>	<u>47,185</u>	<u>1</u>
Bilingual Education - Instruction					
Salaries of teachers	31,600	(21,000)	10,600	8,860	1,740
General supplies	6,788	(4,100)	2,688	201	2,487
Total Bilingual Education - Instruction	<u>38,388</u>	<u>(25,100)</u>	<u>13,288</u>	<u>9,061</u>	<u>4,227</u>
Undistributed Expenditures - Instruction					
Tuition to other LEA's w/in state/regular	80,000	114,700	194,700	186,056	8,644
Tuition to CSSD & reg. day schools	450,000	245,200	695,200	647,503	47,697
Tuition to priv. sch. for the handicapped in state	81,500	-	81,500	64,190	17,310
Total Undistributed Expenditures - Instruction	<u>611,500</u>	<u>359,900</u>	<u>971,400</u>	<u>897,749</u>	<u>73,651</u>
Undistributed Expenditures - Attendance & Social Work					
Salaries	29,266	150	29,416	29,366	50
Purchased professional and technical services	10,000	(300)	9,700	9,500	200
Supplies and materials	165	750	915	763	152
Total Undistributed Expenditures - Attendance & Soc	<u>39,431</u>	<u>600</u>	<u>40,031</u>	<u>39,629</u>	<u>402</u>
Undistributed Expenditures - Health Services					
Salaries	442,043	(16,706)	425,337	408,460	16,877
Purchased professional and technical services	24,000	-	24,000	22,152	1,848
Other purchased services (400-500)	260	2,000	2,260	1,687	573
Supplies and materials	16,000	(2,600)	13,400	12,494	906
Total Undistributed Expenditures - Health Svcs	<u>482,303</u>	<u>(17,306)</u>	<u>464,997</u>	<u>444,793</u>	<u>20,204</u>

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, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	\$ 375,819	\$ 13,330	\$ 389,149	\$ 389,148	\$ 1
Purchased professional - educ services	1,700	(1,700)			-
Supplies and materials	1,000	1,700	2,700	2,551	149
Total Undst. Expend. - Speech, OT, PT & Related Services	378,519	13,330	391,849	391,699	150
Undist. Expend. - Guidance					
Salaries of other professional staff	335,307	(1,200)	334,107	328,404	5,703
Supplies and materials	500	1,200	1,700	1,600	100
Other objects	200	-	200	200	200
Total Undst. Expend. - Guidance	336,007	-	336,007	330,004	6,003
Undist. Expend. - Child Study Teams					
Salaries of other professional staff	590,831	(148,544)	442,287	442,286	1
Salaries of secretarial and clerical assistants	130,971	23,020	153,991	153,990	1
Purchased professional - educ services	275,000	(30,000)	245,000	187,521	57,479
Other purchased professional - tech services	28,000	65,000	93,000	61,763	31,237
Other purchased services (400-500)	2,760	(2,760)			
Misc. purchased services (400-500)	3,000	5,260	8,260	4,427	3,833
Supplies and materials	15,000	(2,500)	12,500	10,464	2,036
Other objects	1,200	-	1,200	1,200	1,200
Total Undst. Expend. - Child Study Teams	1,046,762	(90,524)	956,238	860,451	95,787
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	102,500	-	102,500	101,701	799
Salaries of Secr and Clerical Assist	33,000	-	33,000	21,111	11,889
Other purchased services (400-500)	500	-	500		500
Supplies and materials	1,000	-	1,000	59	941
Other objects	1,000	-	1,000		1,000
Total Undst. Expend. - Improvement of Instr. Services	138,000	-	138,000	122,871	15,129
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	417,138	(80,000)	337,138	325,667	11,471
Other purchased services (400-500)		800	800		800
Supplies and materials	35,800	(800)	35,000	31,947	3,053
Other objects	3,700	-	3,700		3,700
Total Undst. Expend. - Educ. Media Serv./Sch. Library	456,638	(80,000)	376,638	357,614	19,024
Undist. Expend. - Instructional Staff Training Services					
Salaries of supervisor of instruction	102,500	3,500	106,000	105,816	184
Salaries of other professional staff	20,000	(7,275)	12,725		12,725
Salaries of secretarial and clerical assistants	57,266	6,154	63,420	63,418	2
Other salaries		7,275	7,275	7,275	-
Purchased professional - educ services	6,000	1,000	7,000	6,917	83
Other purchased services	5,000	(1,380)	3,620	3,409	211
Supplies and materials	18,048	(9,274)	8,774	1,388	7,386
Other objects	15,000	-	15,000	13,018	1,982
Total Undst. Expend. - Instructional Staff Training Svcs	223,814	-	223,814	201,241	22,573

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, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	\$ 238,830	\$ (13,436)	\$ 225,394	\$ 225,394	\$ -
Legal services	31,731	39,801	71,532	71,529	3
Audit fees	24,090	(1,390)	22,700	22,700	-
Other purchased professional services	15,000	8,684	23,684	21,631	2,053
Communications / telephone	42,800	(23,857)	18,943	18,942	1
Other purchased services	80,585	6,880	87,465	87,463	2
General supplies	10,128	(5,806)	4,322	4,322	-
BOE in-house training/meeting supplies	3,000	(1,447)	1,553	1,552	1
Miscellaneous expenditures	5,000	365	5,365	5,365	-
BOE membership dues and fees	15,000	(51)	14,949	14,948	1
Total Undst. Expend. - Supp. Serv. General Admin.	466,164	9,743	475,907	473,846	2,061
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	413,751	14,344	428,095	428,095	-
Salaries of secretarial and clerical assistants	389,008	(3,757)	385,251	385,250	1
Purchased professional and technical services	1,000	(750)	250	250	-
Other purchased services (400-500)	13,000	(7,131)	5,869	5,868	1
Supplies and materials	15,000	(6,112)	8,888	8,880	8
Other objects	10,000	(3,716)	6,284	6,283	1
Total Undst. Expend. - Supp. Serv. School Admin.	841,759	(7,122)	834,637	834,626	11
Undist. Expend. - Central Services					
Salaries	305,794	307	306,101	306,100	1
Purchased professional services	25,000	1,394	26,394	25,658	736
Miscellaneous purchased services	8,000	(177)	7,823	7,650	173
Supplies and materials	9,016	(3,500)	5,516	5,516	-
Miscellaneous expenditures	4,000	(645)	3,355	2,689	666
Total Undst. Expend. - Central Services	351,810	(2,621)	349,189	347,613	1,576
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	311,344	(50,900)	260,444	260,444	-
Cleaning, Repair and Maintenance Services	204,960	66,600	271,560	264,806	6,754
Supplies and materials	164,009	(47,600)	116,409	114,484	1,925
Other objects	1,000	-	1,000	509	491
Total Undst. Expend. - Required Maint. Sch. Facilities	681,313	(31,900)	649,413	640,243	9,170
Undist. Expend. - Custodial Services					
Salaries	762,172	80,050	842,222	842,220	2
Salaries of Non-Instructional Aides	82,699	51,400	134,099	134,077	22
Purchased professional & tech. services	13,929	2,500	16,429	11,939	4,490
Cleaning, repair and maintenance services	1,000	-	1,000	142	858
Rental of land & buildings other than lease	-	1,000	1,000	675	325
Other purchased property services	60,000	-	60,000	53,673	6,327
Insurance	141,600	(5,000)	136,600	135,328	1,272
Travel	-	500	500	-	500
Miscellaneous purchased services	16,500	9,500	26,000	23,311	2,689
General supplies	105,000	27,000	132,000	121,788	10,212
Energy (electricity)	300,000	28,000	328,000	323,519	4,481
Energy (natural gas)	116,000	(23,000)	93,000	66,204	26,796
Other objects	2,000	-	2,000	-	2,000
Total Undst. Expend. - Custodial Services	1,600,900	171,950	1,772,850	1,712,876	59,974

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, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Care & Upkeep of Grounds					
Salaries	\$ 12,000	\$ (8,850)	\$ 3,150	\$ 3,150	\$ -
Purchased professional & tech. services	7,000	(6,000)	1,000	1,000	-
Cleaning, repair and maintenance services	3,150	(2,000)	1,150	1,150	-
General supplies	15,000	(4,000)	11,000	10,959	41
Total Undst. Expend. - Care & Upkeep of Grounds	37,150	(20,850)	16,300	16,259	41
Undist. Expend. - Security					
Salaries	267,779	10,714	278,493	278,492	1
Cleaning, repair and maintenance services	1,000	230	1,230	997	233
Other Objects		475	475	449	26
General supplies	17,500	(2,975)	14,525	14,516	9
Total Undst. Expend. - Security	286,279	8,444	294,723	294,454	269
Total Undst. Expend. - Oper. & Maint. of Plant Services	2,605,642	127,644	2,733,286	2,663,832	69,454
Undist. Expend. - Student Transportation Services					
Salaries for pupil trans. (bet home & sch) - regular	611,122	(14,905)	596,217	574,702	21,515
Salaries for pupil trans. (bet home & sch) - special	249,034	(50,319)	198,715	183,233	15,482
Salaries for pupil trans. (other than bet home & sch)	19,000	(15,000)	4,000	3,682	318
Rental payments - school buses		5,000	5,000	2,057	2,943
Contr. serv. - (Sp. Ed Stds) - Joint Agreements	85,000	45,550	130,550	130,462	88
Contr. serv. - Aide in lieu Pymts - Charter Schools	30,000	19,510	49,510	49,509	1
Contr. serv. - Aide in lieu Pymts - Nonpublic Schools	38,000	-	38,000	35,981	2,019
Miscellaneous purchased services - transportation	50,000	(5,550)	44,450	29,677	14,773
General Supplies	147,843	(15,510)	132,333	111,577	20,756
Transportation supplies	200,000	(77,000)	123,000	68,367	54,633
Other objects	3,000	-	3,000	659	2,341
Total Undst. Expend. - Student Transportation Services	1,432,999	(108,224)	1,324,775	1,189,906	134,869
Unallocated Benefits - Employee Benefits					
Social security contributions	475,000	(4,700)	470,300	411,418	58,882
Other retirement contributions - PERS	543,299	(87,999)	455,300	454,937	363
Other retirement contributions - Regular		15,000	15,000	14,196	804
Unemployment compensation	40,000	(6,825)	33,175	33,175	-
Workers' compensation	172,700	6,825	179,525	178,523	1,002
Health benefits	5,065,000	(169,000)	4,896,000	4,576,626	319,374
Tuition reimbursement	35,000	-	35,000	33,567	1,433
Other employee benefits	225,000	(34,865)	190,135	190,050	85
Sick payment to retired/terminated employees		231,564	231,564	231,564	-
Total Unallocated Benefits - Employee Benefits	6,555,999	(50,000)	6,505,999	6,124,056	381,943
On-behalf TPAF pension (non-budgeted)	-	-	-	861,479	(861,479)
On-behalf TPAF medical (non-budgeted)				1,025,785	(1,025,785)
Reimbursed TPAF social security contributions (non-budgeted)				841,322	(841,322)
Total Undistributed Expenditures - TPAF	-	-	-	2,728,586	(2,728,586)
Total Undistributed Expenditures	15,967,347	155,420	16,122,767	18,008,516	(1,885,749)
Total General Current Expense	26,973,762	(39,630)	26,934,132	28,664,116	(1,729,984)

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, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Grades 1-5	\$ 7,176	\$ -	\$ 7,176	\$ 7,176	\$ -
Undist. Exp - req. maint - school facilities	10,000	33,810	43,810	40,437	3,373
Undist. Exp - security		8,850	8,850	8,836	14
School Buses - Regular	110,000	(3,030)	106,970	103,207	3,763
Total Equipment	<u>127,176</u>	<u>39,630</u>	<u>166,806</u>	<u>159,656</u>	<u>7,150</u>
Facilities Acquisition and Construction Services:					
Assessment on SDA Funding	6,346		6,346	6,346	
Total Facilities Acquisition and Construction Services	<u>6,346</u>		<u>6,346</u>	<u>6,346</u>	
Total Capital Outlay	<u>133,522</u>	<u>39,630</u>	<u>173,152</u>	<u>166,002</u>	<u>7,150</u>
Total Expenditures	<u>27,107,284</u>		<u>27,107,284</u>	<u>28,830,118</u>	<u>(1,722,834)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>(495,093)</u>		<u>(495,093)</u>	649,098	1,144,191
Other Financing Sources (Uses):					
Operating transfer in					
Total Other Financing Sources					
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	<u>(495,093)</u>		<u>(495,093)</u>	649,098	1,144,191
Fund Balance, July 1	<u>2,029,721</u>		<u>2,029,721</u>	<u>2,029,721</u>	
Fund Balance, June 30	<u>\$ 1,534,628</u>	<u>\$ -</u>	<u>\$ 1,534,628</u>	<u>\$ 2,678,819</u>	<u>\$ 1,144,191</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Years Expenditures				\$ 164,441	
Reserve for Excess Surplus				604,902	
Maintenance Reserve				1,299,000	
Capital Reserve				1	
Assigned Fund Balance					
Year-end Encumbrances				10,544	
Designated for Subsequent Years Expenditures				38,611	
Unassigned Fund Balance				<u>561,320</u>	
				2,678,819	
Reconciliation on Governmental Fund Statements (GAAP):					
Less: State Aid Payment not Recognized on GAAP Basis				<u>(922,696)</u>	
Fund Balance per Government Fund (GAAP)				<u>\$ 1,756,123</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
Special Revenue Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
REVENUES:					
Local sources	\$ 460	\$ -	\$ 460	\$ 425	\$ 35
State sources	376,110		376,110	376,110	-
Federal sources	885,312	196,106	1,081,418	1,077,618	3,800
Total revenues	1,261,882	196,106	1,457,988	1,454,153	3,835
EXPENDITURES:					
Instruction:					
Salaries of teachers	697,003	(68,283)	628,720	628,720	-
Tuition	441,600	93,305	534,905	534,905	-
General supplies	460	15,595	16,055	13,138	2,917
Total instruction	1,139,063	40,617	1,179,680	1,176,763	2,917
Support services:					
Salaries of program director	69,292	5,610	74,902	74,902	-
Personal services - employee benefits	53,527	148,129	201,656	200,738	918
Purchased prof. and educational services		1,750	1,750	1,750	-
Total support services	122,819	155,489	278,308	277,390	918
Facilities acquisition and construction services:					
Instructional equipment					
Non-instructional equipment					
Total facilities acq. and const. services					
Transfer to charter schools					
Total expenditures	1,261,882	196,106	1,457,988	1,454,153	3,835
Total outflows	1,261,882	196,106	1,457,988	1,454,153	3,835
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	\$ 29,479,216	\$ 1,454,153
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, 2015		1,303
Fiscal Year Ended June 30, 2016		(8,447)
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	924,879	37,193
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(922,696)	(37,611)
	<u>\$ 29,481,399</u>	<u>\$ 1,446,591</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	28,830,118	1,545,153
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, 2015		1,303
Fiscal Year Ended June 30, 2016		(8,447)
	<u>\$ 28,830,118</u>	<u>\$ 1,538,009</u>

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 Three Fiscal Years

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0527994891%	0.0580173906%	0.0586145948%
District's proportionate share of the net pension liability (asset)	\$ 11,852,427	\$ 10,862,442	\$ 11,202,414
District's covered-employee payroll	3,423,955	3,510,447	3,482,586
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	346.16%	309.43%	321.67%
Plan fiduciary net position as a percentage of the total pension liability	38.21%	42.74%	42.74%

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

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

	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 458,229	\$ 453,934	\$ 478,287
Contributions in relation to the contractually required contributions	(458,229)	(453,934)	(478,287)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	3,423,955	3,510,447	3,482,586
Contributions as a percentage of covered-employee payroll	13.38%	12.93%	13.73%

This schedule does not contain ten years of information as GASB 68 was implemented during the 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 Three Fiscal Years

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.1160631742%	0.1192310551%	0.1192314717%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 73,356,882</u>	<u>\$ 63,725,118</u>	<u>\$ 60,258,648</u>
Total	<u><u>\$ 73,356,882</u></u>	<u><u>\$ 63,725,118</u></u>	<u><u>\$ 60,258,648</u></u>
District's covered-employee payroll	11,359,918	11,300,558	11,210,871
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.64%

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

Lower Township School District
Notes to Required Supplementary Information
Pension Schedules
For the Fiscal Year Ended June 30, 2016

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

Changes of benefit term: 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.

1. Public Employees' Retirement System (PERS)

Changes of benefit term: 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) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

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, 2016

	Cape Ed Fund	Preschool Program Aid	Individuals with Disabilities Act		No Child Left Behind (N. C. L. B.)		Totals
			IDEA - Part B Basic	IDEA - Part B Preschool	Title I	Title II - Part A	
			Current Yr.	Current Yr.	Current Yr.	Current Yr.	
REVENUES:							
Local sources	\$ 425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 425
State sources		376,110					376,110
Federal sources			508,592	26,313	435,485	107,228	1,077,618
Total Revenues	425	376,110	508,592	26,313	435,485	107,228	1,454,153
EXPENDITURES:							
Instruction:							
Salaries of teachers		253,291			290,328	85,101	628,720
General supplies	425				12,713		13,138
Tuition			508,592	26,313			534,905
Total instruction	425	253,291	508,592	26,313	303,041	85,101	1,176,763
Support services:							
Salaries of program director		69,292			5,610		74,902
Personal services-employee benefits		53,527			125,084	22,127	200,738
Purchased prof. and educational services					1,750		1,750
Total support services		122,819			132,444	22,127	277,390
Facilities acquisition and const. serv:							
Instructional equipment							
Non-instructional equipment							
Total facilities acquisition and const. serv.:							
Total Expenditures	425	376,110	508,592	26,313	435,485	107,228	1,454,153
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, 2016

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>53,527</u>	<u>53,527</u>	
Total support services	<u>122,819</u>	<u>122,819</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>\$ 376,110</u>	<u>\$ 376,110</u>	<u>\$ -</u>

CALCULATION OF BUDGET AND CARRYOVER

Total Revised 2015-2016 Preschool Education Aid Allocation	\$ 376,110
Add: Actual Preschool Carryover (June 30, 2015)	<u>-</u>
Total Preschool Education Aid Funds Available for 2015-2016	376,110
Less: 2015-2016 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	<u>376,110</u>
Available & Unbudgeted Preschool Education Funds as of June 30, 2016	<u>-</u>
Add: June 30, 2016 Unexpended Preschool Education Aid	<u>-</u>
2015-2016 Preschool Education Aid Carryover	<u>-</u>
2015-2016 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2016-2017	<u>\$ -</u>

Capital Projects Fund
Detail Statements

**LOWER TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Summary Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year ended June 30, 2016**

Revenues and Other Financing Sources:

Proceeds of Serial Bonds	\$ 5,121,000
Interest earned on investments	340
	<hr/>
Total revenues and other financing sources	<u>5,121,340</u>

Expenditures and Other Financing (Uses):

Purchased professional services	\$ 313,435
Construction services	-
Equipment	
Other Objects	
Transfer to Debt Service Fund	<hr/> 340
Total expenditures and other financing (uses)	<u>313,775</u>

Excess (deficiency) or revenues over (under) expenditures	4,807,565
Fund Balance - July 1, 2015	<hr/>
Fund Balance - June 30, 2016	<u>\$ 4,807,565</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Statement of Project Revenues, Expenditures, Project Balance,
and Project Status - Budgetary Basis
Various Improvements and Renovations to the District's Facilities
From Inception and for the Fiscal Year ended June 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Costs
Revenues and Other Financing Sources:				
Bond proceeds	\$ -	\$ 5,121,000	\$ 5,121,000	\$ 5,121,000
Total revenues	-	5,121,000	5,121,000	5,121,000
Expenditures and Other Financing Uses:				
Purchased professional services	\$ -	\$ 313,435	\$ 313,435	\$ 313,435
Construction services	-	-	-	-
Equipment	-	-	-	-
Other Objects	-	-	-	-
	-	313,435	313,435	313,435
Excess (deficiency) or revenues over (under) expenditures	\$ -	\$ 4,807,565	\$ 4,807,565	\$ 4,807,565
Additional project information:				
Bond Authorization Date	01/26/16			
Bonds Authorized	\$ 5,121,000			
Bonds Issued	\$ 5,121,000			
Original Authorized Cost	\$ 5,121,000			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 5,121,000			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completion	10.00%			
Original target completion date	08/26/16			
Revised target completion date	10/31/16			

LOWER TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
 Summary Statement of Project Expenditures
 Year Ended June 30, 2016

<u>Issue/Project Title</u>	<u>Date Authorized</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Cancelled</u>	<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>		
Various Improvements to School Facilities	1/26/2016	\$ 5,121,000	\$ -	\$ 313,435	\$ -	\$ 4,807,565
		<u>\$ 5,121,000</u>	<u>\$ -</u>	<u>\$ 313,435</u>	<u>\$ -</u>	<u>\$ 4,807,565</u>

**Proprietary Funds
Detail Statements**

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Net Position
as of June 30, 2016

	Food Service	Day Care Program	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 145,067	\$ 172,764	\$ 317,831
Accounts receivable:			
State	565		565
Federal	44,014		44,014
Other	3,263	2,038	5,301
Inventories	17,706		17,706
Total current assets	<u>210,615</u>	<u>174,802</u>	<u>385,417</u>
Fixed assets:			
Equipment	280,292		280,292
Less accumulated depreciation	<u>(274,726)</u>		<u>(274,726)</u>
Total fixed assets	<u>5,566</u>		<u>5,566</u>
Total assets	<u>\$ 216,181</u>	<u>\$ 174,802</u>	<u>\$ 390,983</u>
LIABILITIES:			
Current liabilities:			
Interfund payable	\$ 2,118	\$ -	\$ 2,118
Unearned revenue	<u>11,224</u>	<u>2,464</u>	<u>13,688</u>
Total current liabilities	<u>13,342</u>	<u>2,464</u>	<u>15,806</u>
Noncurrent liabilities:			
Compensated Absences	<u>104,442</u>		<u>104,442</u>
Total Noncurrent Liabilities	<u>104,442</u>		<u>104,442</u>
Total Liabilities	<u>117,784</u>	<u>2,464</u>	<u>120,248</u>
NET POSITION:			
Net investment in capital assets	5,566		5,566
Unrestricted	<u>92,831</u>	<u>172,338</u>	<u>265,169</u>
Total net position	<u>\$ 98,397</u>	<u>\$ 172,338</u>	<u>\$ 270,735</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
for the Fiscal Year ended June 30, 2016

	<u>Food Service</u>	<u>Day Care Program</u>	<u>Total</u>
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs:			
School lunch program	\$ 148,586	\$ -	\$ 148,586
Total-daily sales-reimbursable programs	148,586		148,586
Daily sales non-reimbursable programs:			
Adult and AlaCarte meals	38,153		38,153
Registration Fees		388,785	388,785
Miscellaneous	4,137		4,137
Special Functions	50,466		50,466
Total operating revenue	<u>241,342</u>	<u>388,785</u>	<u>630,127</u>
OPERATING EXPENSES:			
Salaries	390,891	312,679	703,570
Employee benefits	209,970	31,023	240,993
Supplies and materials	25,411	12,786	38,197
Depreciation	1,489		1,489
Cost of sales - reimbursable programs	247,839		247,839
Cost of sales - non-reimbursable programs	151,901		151,901
Purchased property services			-
Other	18,164	15,374	33,538
Total operating expenses	<u>1,045,665</u>	<u>371,862</u>	<u>1,417,527</u>
Operating income (loss)	<u>(804,323)</u>	<u>16,923</u>	<u>(787,400)</u>
Non-operating revenues:			
State sources:			
State school lunch program	9,068		9,068
Federal sources:			
National school lunch program	402,164		402,164
School breakfast program	278,880		278,880
Snack Program	2,437		2,437
U.S.D.A. commodities	83,319		83,319
Operating transfer in			
Interest revenue	80		80
Total non-operating revenues	<u>775,948</u>		<u>775,948</u>
Change in net position	(28,375)	16,923	(11,452)
Total net position - July 1	<u>126,772</u>	<u>155,415</u>	<u>282,187</u>
Total net position - June 30	<u>\$ 98,397</u>	<u>\$ 172,338</u>	<u>\$ 270,735</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Year ended June 30, 2016

	Food Service	Day Care Program	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 259,363	\$ 381,816	\$ 641,179
Cash payments to employees for services	(388,469)	(312,679)	(701,148)
Cash payments to suppliers for goods and services	(655,130)	(59,182)	(714,312)
Net cash used by operating activities	(784,236)	9,955	(774,281)
Cash flows from noncapital financing activities:			
Cash received from state and federal reimbursements	790,792		790,792
Net cash provided by noncapital financing activities	790,792		790,792
Cash flows from investing activities:			
Interest on investments	80		80
Net cash provided by investing activities	80		80
Net increase (decrease) in cash and cash equivalents	6,636	9,955	16,591
Cash and cash equivalents, July 1	138,431	162,809	301,240
Cash and cash equivalents, June 30	\$ 145,067	\$ 172,764	\$ 317,831
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (804,323)	\$ 16,923	\$ (787,400)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	1,489		1,489
Change in assets and liabilities:			
(Increase)/decrease in accounts receivable	6,797	843	7,640
(Increase)/decrease in inventory	(1,845)		(1,845)
(Increase)/decrease in interfund receivable			-
Increase/(decrease) in accounts payable			-
Increase/(decrease) in unearned revenue	11,224	(7,811)	3,413
Increase/(decrease) in compensated absences	2,422		2,422
Net cash used by operating activities	\$ (784,236)	\$ 9,955	\$ (774,281)

LOWER TOWNSHIP SCHOOL DISTRICT
Internal Service Fund
Self-Insured Health and Prescription Plan
Statement of Net Position
as of June 30, 2016

	Internal Service Fund
ASSETS:	
Current assets:	
Restricted cash and cash equivalents	\$ 278,836
	278,836
Total current assets	278,836
 Total assets	\$ 278,836
 LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 278,836
Interfund payable	
Total current liabilities	278,836
 Net Position:	
Unrestricted	-
 Total Net Position	\$ -

LOWER TOWNSHIP SCHOOL DISTRICT
Internal Service Fund
Self-Insured Health and Prescription Plan
 Comparative Statement of Revenues, Expenses and Changes in Net Position
 for the Fiscal Year ended June 30, 2016

	<u>Internal Service Fund</u>
OPERATING REVENUES:	
Local sources:	
Contributions	<u>\$ 5,874,548</u>
Total operating revenue	<u>5,874,548</u>
 OPERATING EXPENSES:	
Employee Benefits	<u>5,874,548</u>
Total operating expenses	<u>5,874,548</u>
Operating income (loss)	<u> </u>
 Net income (loss)	
Net Position - July 1	<u> </u>
Net Position - June 30	<u><u>\$ -</u></u>

LOWER TOWNSHIP SCHOOL DISTRICT
Internal Service Fund
Self-Insured Health and Prescription Plan
Statement of Cash Flows
for the Fiscal Year ended June 30, 2016

	Internal Service Fund
Cash flows from operating activities:	
Cash receipts from customers	\$ 5,874,547
Cash payments for medical claims	<u>(5,595,711)</u>
Net cash used by operating activities	<u>278,836</u>
Net increase (decrease) in cash and cash equivalents	278,836
Cash and cash equivalents, July 1	<u> </u>
Cash and cash equivalents, June 30	<u><u>\$ 278,836</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ -
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Change in assets and liabilities:	
Increase(decrease) in accounts payable	<u>278,836</u>
Net cash used by operating activities	<u><u>\$ 278,836</u></u>

Fiduciary Funds
Detail Statements

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2016

	<u>Agency Funds</u>		<u>Unemployment Compensation Insurance Trust</u>	<u>Total</u>
	<u>Student Activity</u>	<u>Payroll</u>		
ASSETS:				
Cash and cash equivalents	\$ 13,850	\$ 23,187	\$ 142,039	\$ 179,076
TOTAL ASSETS	<u>\$ 13,850</u>	<u>\$ 23,187</u>	<u>\$ 142,039</u>	<u>\$ 179,076</u>
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 16,655	\$ 16,655
Interfund payable		23,187	31,231	54,418
Due to student groups	13,850			13,850
Total liabilities	<u>13,850</u>	<u>23,187</u>	<u>47,886</u>	<u>84,923</u>
NET POSITION:				
Restricted for:				
Unemployment claims			94,153	94,153
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,153</u>	<u>\$ 94,153</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
Statement of Change in Fiduciary Net Position
for the Fiscal Year ended June 30, 2016

	Unemployment Compensation Insurance Trust Fund
REVENUES:	
Local sources:	
Board contributions	\$ 33,175
Employee contributions	53,030
Interest on Investments	53
	86,258
Total Revenues	86,258
EXPENDITURES:	
Current Expense:	
Undistributed expenditures:	
Unemployment payments	71,985
	71,985
Total Expenditures	71,985
Change in net position	14,273
Total net position - July 1	79,880
Total net position - June 30	\$ 94,153

LOWER TOWNSHIP SCHOOL DISTRICT
Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u> <u>June 30, 2016</u>	<u>Balance</u> <u>June 30, 2016</u>
Elementary Schools - All	\$ 14,438	\$ 6,710	\$ 7,298	\$ -	\$ 13,850
Total	<u>\$ 14,438</u>	<u>\$ 6,710</u>	<u>\$ 7,298</u>	<u>\$ -</u>	<u>\$ 13,850</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
ASSETS:				
Cash and cash equivalents	\$ -	\$ 18,838,552	\$ 18,815,365	\$ 23,187
Other receivable	270		270	
Total assets	<u>\$ 270</u>	<u>\$ 18,838,552</u>	<u>\$ 18,815,635</u>	<u>\$ 23,187</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ -	\$ 8,204,925	\$ 8,204,925	\$ -
Cash overdraft	270		270	
Interfund payable		23,187		23,187
Net payroll		10,610,440	10,610,440	
Total liabilities	<u>\$ 270</u>	<u>\$ 18,838,552</u>	<u>\$ 18,815,635</u>	<u>\$ 23,187</u>

Long-Term Debt Schedules

LOWER TOWNSHIP SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Serial Bonds
 June 30, 2016

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
			Date	Amount					
School Bonds	04/20/16	\$5,121,000	04/01/18	\$ 160,000	2.00%	\$ -	\$ 5,121,000	\$ -	\$ 5,121,000
			04/01/19	160,000	2.00%				
			04/01/20	160,000	2.00%				
			04/01/21	200,000	2.00%				
			04/01/22	225,000	2.00%				
			04/01/23	250,000	2.00%				
			04/01/24	250,000	2.00%				
			04/01/25	275,000	2.00%				
			04/01/26	275,000	2.00%				
			04/01/27	300,000	2.00%				
			04/01/28	320,000	2.00%				
			04/01/29	320,000	2.75%				
			04/01/30	320,000	3.00%				
			04/01/31	320,000	3.00%				
			04/01/32	320,000	3.00%				
			04/01/33	320,000	3.00%				
			04/01/34	320,000	3.00%				
			04/01/35	320,000	3.00%				
			04/01/36	306,000	3.00%				
						\$ -	\$ 5,121,000	\$ -	\$ 5,121,000

LOWER TOWNSHIP SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Capital Leases
June 30, 2016

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding June 30, 2015	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2016
White Boards	2.395%	\$ 99,577	\$ 78,708	\$ -	\$ 18,984	\$ 59,724
Total			\$ 78,708	\$ -	\$ 18,984	\$ 59,724

**LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous					
Total revenues - local sources					
State sources:					
Debt service aid type II					
Total revenues - state sources					
Total Revenues					
EXPENDITURES:					
Regular debt service:					
Interest					
Redemption of principal					
Total Expenditures					
Excess (Deficiency) of revenues over (under) expenditures					
Other Financing Sources (Uses):					
Operating transfer in				340	340
Total other financing sources (uses)				340	340
Net change in fund balance				340	340
Fund Balances, July 1					
Fund Balances, June 30	-	-	-	\$ 340	\$ 340
Recapitulation of Excess (Deficiency) or revenues over (under) expenditures					
Budgeted Fund Balance	-	-	-	-	-

Statistical Section

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

Exhibit J-1

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net Investment in capital assets	\$ 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	\$ 4,859,924
Restricted for:										
Capital projects	1	1	1	61,193	88,871	1	-	-	-	4,807,566
Special revenue	(82,562)	(101,812)	(34,033)	(34,765)	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)	(37,611)
Debt service	(4,164)	(168)	(2,938)	-	-	-	-	-	-	-
Other purposes	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	2,117,838
Unrestricted	(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)	(13,335,362)
Total governmental activities net position	\$ 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)	\$ (1,587,645)
Business-type activities:										
Net Investment in capital assets	\$ 36,220	\$ 31,094	\$ 25,968	\$ 21,531	\$ 18,034	\$ 15,000	\$ 11,968	\$ 9,108	\$ 7,056	\$ 5,566
Unrestricted	122,457	117,976	257,527	404,132	325,997	350,571	312,288	278,303	275,131	265,169
Total business-type activities net position	\$ 158,677	\$ 149,070	\$ 283,495	\$ 425,663	\$ 344,021	\$ 365,571	\$ 324,256	\$ 287,411	\$ 282,187	\$ 270,735
District-wide:										
Net Investment in capital assets	\$ 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	\$ 4,865,490
Restricted:										
Capital projects	1	1	1	61,193	88,871	1	-	-	-	4,807,566
Special revenue	(82,562)	(101,812)	(34,033)	(34,765)	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)	(37,611)
Debt service	(4,164)	(168)	(2,938)	-	-	-	-	-	-	-
Other purposes	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	2,117,838
Unrestricted	(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)	(13,070,193)
Total district net position	\$ 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)	\$ (1,316,910)

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 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	\$ 9,924,274
Special education	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	2,254,597
Other instruction	10,512	10,512	2,226	91,224	84,826	93,767	96,038	51,977	65,696	56,246
Support Services:										
Tuition	337,307	247,578	472,665	449,787	331,532	508,575	466,502	1,049,973	1,154,510	897,749
Student & instruction related services	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	3,025,692
School administrative services	726,108	794,739	848,452	883,487	879,408	922,528	932,592	897,008	882,873	895,451
General and business administrative services	796,065	779,555	807,776	808,646	595,880	630,621	726,870	801,466	770,720	821,459
Plant operations and maintenance	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	2,633,408
Pupil transportation	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	1,189,906
Unallocated employee benefits	6,641,039	7,028,477	6,123,656	6,726,801	7,222,560	7,686,662	9,362,514	9,044,216	8,956,103	9,002,976
Interest on long-term debt	129,131	105,601	67,956	33,353	-	-	-	-	-	28,417
Unallocated depreciation	24,302	24,651	21,728	23,122	23,465	2,309	22,968	23,315	27,234	30,413
Total governmental activities expenses	<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>	<u>30,760,588</u>
Business-type activities:										
After-school program	327,852	333,869	352,947	336,113	314,208	285,435	280,687	306,728	338,318	371,862
Food service	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	1,045,665
Internal service fund	-	-	-	-	-	-	-	-	-	5,874,547
Total business-type activities expense	<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>	<u>7,292,074</u>
Total district expenses	<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>	<u>\$ 38,052,662</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,018	\$ 72,516	\$ 58,912	\$ -
Operating grants and contributions	5,117,331	5,489,695	3,234,644	3,873,067	3,025,112	3,340,003	3,996,950	3,524,208	3,891,899	4,175,177
Total governmental activities program revenues	<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>	<u>4,175,177</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services:										
After-school program	\$ 340,307	\$ 296,648	\$ 367,080	\$ 322,827	\$ 303,179	\$ 321,536	\$ 309,628	\$ 327,699	\$ 395,383	\$ 388,765
Food service	394,241	394,997	408,825	406,152	363,675	355,887	325,893	255,770	261,627	241,342
Internal service fund										5,874,547
Operating grants and contributions	538,406	584,316	678,235	732,403	697,275	748,186	774,807	794,911	787,875	775,868
Capital grants and contributions										
Total business type activities program revenues	<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>	<u>7,280,542</u>
Total district program revenues	<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>	<u>\$ 11,455,719</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (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)	\$ (26,585,411)
Business-type activities	(188,083)	(212,134)	(37,028)	(29,404)	(82,635)	21,167	(41,448)	(36,945)	(5,324)	(11,532)
Total district-wide net expense	<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>	<u>\$ (26,596,943)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 13,606,146	\$ 13,364,508	\$ 13,899,088	\$ 13,899,088	\$ 14,371,889	\$ 14,659,327	\$ 14,952,514	\$ 15,251,564	\$ 15,806,595	\$ 16,317,286
Taxes levied for debt service	471,558	474,410	470,775	472,801						
Unrestricted grants and contributions	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	10,307,539
Tuition	87,688	39,737	26,299	37,015	35,869	19,971				34,062
Investment earnings	183,368	127,189	67,208	25,595						
Miscellaneous income	109,136	174,864	33,397	83,147	82,233	182,353	75,262	86,495	6,417	94,266
Loss on Disposal of Capital Assets										
Transfers	(208,205)	(200,327)	(169,702)	(170,000)						
Total governmental activities	<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>	<u>26,753,153</u>
Business-type activities:										
Investment earnings	2,851	2,200	1,751	1,572	993	383	133	100	100	80
Miscellaneous income										
Loss on Disposal of Capital Assets										
Transfers	208,205	200,327	169,702	170,000						
Total business-type activities	<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>	<u>80</u>
Total district-wide	<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>	<u>\$ 26,753,233</u>
Change in Net Position:										
Governmental activities	\$ 628,934	\$ (569,547)	\$ 682,192	\$ (1,086,701)	\$ (552,745)	\$ (70,572)	\$ (1,151,541)	\$ (321,462)	\$ 162,083	\$ 167,742
Business-type activities	22,973	(9,607)	134,425	142,168	(81,642)	21,550	(41,315)	(36,845)	(5,224)	(11,452)
Total district-wide	<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>	<u>\$ 156,290</u>

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

Exhibit J-3

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved for:										
Encumbrances	\$ 167,854	\$ 30,194	\$ 6,592	\$ 23,368	\$ 6,187	\$ 7,239	\$ 7,090	\$ 36,944	\$ 140,792	\$ 10,544
Maintenance reserve	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	1,299,000
Capital reserve	1	1	1	1	1	1	1	1	1	1
Excess surplus	503,827	681,254	514,138	323,150	507,648	407,534	183,633	154,300	164,441	604,902
Excess surplus - designated for subsequent years expenditures	973,621	503,827	681,254	514,138	323,150	507,648	407,534	183,633	154,300	164,441
Unreserved - designated for subsequent years expenditures		196,642	1,066,800	200,000	200,000	263,638			53,625	38,611
Unreserved	64,212	59,565	(470,872)	(476,683)	(371,239)	(386,982)	(422,587)	(382,627)	(400,563)	(361,376)
Total general fund	\$ 2,709,515	\$ 2,763,729	\$ 3,090,159	\$ 1,876,220	\$ 1,957,993	\$ 2,091,324	\$ 1,267,917	\$ 784,497	\$ 1,104,842	\$ 1,756,123
All Other Governmental Funds										
Reserved:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,261,640
Unreserved, reported in:										
Special revenue fund	(82,562)	(101,812)	(34,033)	(34,765)	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)	(37,611)
Capital projects fund				125,532	88,870					545,925
Debt service fund	1,738	1,832	94	-	-	-	-	-	-	340
Total all other governmental funds	\$ (80,824)	\$ (99,980)	\$ (33,939)	\$ 90,767	\$ 49,310	\$ (34,366)	\$ (36,241)	\$ (37,193)	\$ (37,193)	\$ 4,770,294

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

Exhibit J-4

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	\$ 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	\$ 16,317,286
Tuition charges	87,688	39,737	26,299	37,015	35,869	19,971	52,286	39,381	58,912	34,062
Transportation charges							44,732	33,135		
Interest earnings	183,368	127,189	67,208	25,595				86,995	7,399	94,691
Miscellaneous	110,132	176,339	35,397	89,144	82,233	183,853	75,761			
State sources	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	13,307,047
Federal sources	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	1,175,244
Total revenue	<u>27,708,662</u>	<u>28,298,612</u>	<u>27,615,018</u>	<u>28,679,514</u>	<u>26,950,192</u>	<u>28,400,676</u>	<u>28,986,125</u>	<u>29,083,592</u>	<u>30,039,971</u>	<u>30,928,330</u>
Expenditures										
Instruction										
Regular Instruction	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	9,514,376
Special education instruction	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	2,254,597
Other special instruction	10,512	10,512	2,226	91,224	84,826	93,767	96,038	51,977	65,696	56,246
Other instruction	-	-	-	-	-	-	-	-	-	-
Support Services:										
Tuition	337,307	247,578	472,665	449,787	331,532	508,575	466,502	1,049,973	1,154,510	897,749
Student & instruction related services	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	3,025,692
School administrative services	677,504	745,437	807,776	837,244	832,478	876,511	886,656	850,379	828,405	834,626
General and business admin. services	796,065	779,555	804,996	808,646	595,880	630,621	726,870	801,466	770,720	821,459
Plant operations and maintenance	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	2,663,832
Pupil transportation	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	1,189,906
Other support services	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	8,852,642
Capital outlay	23,571	386,373	179,371	1,222,540	72,856	148,285	52,754	179,613	323,862	479,437
Debt service:										
Principal	555,000	590,000	620,000	655,000						
Interest and other charges	134,431	103,601	70,827	36,386						
Total expenditures	<u>27,035,780</u>	<u>28,063,227</u>	<u>27,052,845</u>	<u>29,598,747</u>	<u>26,909,876</u>	<u>28,315,473</u>	<u>29,811,407</u>	<u>29,567,964</u>	<u>29,819,203</u>	<u>30,590,562</u>
Excess (Deficiency) of revenues over (under) expenditures	672,882	235,385	562,173	(919,233)	40,316	85,203	(825,282)	(484,372)	220,768	337,768
Other Financing sources (uses)										
Cancelled SDA Grant	-	-	-	-	-	(35,548)	-	-	-	-
Proceeds of Borrowing	-	-	-	-	-	-	-	-	99,577	5,121,000
Transfers in	-	-	-	766,800	-	-	-	-	-	340
Transfers out	(208,205)	(200,327)	(169,702)	(936,800)	-	-	-	-	-	(340)
Total other financing sources (uses)	<u>(208,205)</u>	<u>(200,327)</u>	<u>(169,702)</u>	<u>(170,000)</u>	<u>-</u>	<u>(35,548)</u>	<u>-</u>	<u>-</u>	<u>99,577</u>	<u>5,121,000</u>
Net change in fund balances	<u>\$ 464,677</u>	<u>\$ 35,058</u>	<u>\$ 392,471</u>	<u>\$ (1,089,233)</u>	<u>\$ 40,316</u>	<u>\$ 49,655</u>	<u>\$ (825,282)</u>	<u>\$ (484,372)</u>	<u>\$ 320,345</u>	<u>\$ 5,458,768</u>
Debt service as a percentage of noncapital expenditures	2.55%	2.51%	2.57%	2.44%	0.00%	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

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<u>Fiscal Year Ending June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Refunds of Prior Years Expenditures</u>	<u>Refunds</u>	<u>Rentals</u>	<u>Transportation</u>	<u>Sale of Used Equipment</u>	<u>Miscellaneous</u>	<u>Total</u>
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
2016	1,763	34,062	83,654	540				7,969	127,988
	<u>\$ 422,198</u>	<u>\$ 423,666</u>	<u>\$ 177,611</u>	<u>\$ 368,157</u>	<u>\$ 334,320</u>	<u>\$ 85,421</u>	<u>\$ 2,775</u>	<u>\$ 25,537</u>	<u>\$ 1,839,685</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
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
2016	68,016,300	3,261,711,400	5,052,600	577,600	263,588,800		11,432,200	3,610,378,900	4,212,178	3,614,591,078	232,698,600	0.458	3,781,566,024

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	
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
2016	0.456	0.002	0.458	0.556	0.389	0.270	1.673

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	2016		Taxpayer	2007	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Harbortown Resort Marina	\$ 14,292,900	0.40%	Achristavest, LLC	\$ 12,600,000	0.83%
Jenlo Corp	11,700,000	0.32%	Bayshore May	5,500,000	0.36%
FC-Gen Real Estate, LLC	10,500,000	0.29%	Victoria Health Corp.	4,537,500	0.30%
Achristavest Pier 6600, LLC	10,367,000	0.29%	North Cape Convalescent Center	3,900,000	0.26%
Shaw Limited partnership	10,101,400	0.28%	Ponderlodge	3,644,500	0.24%
Sun Lake Laurie RV Resort, LLC	8,800,000	0.24%	Snows/Doxsee, Inc.	3,591,000	0.24%
Bayshore Mall, LLC	8,512,700	0.24%	Harbortown Resort Marina, Inc.	3,435,300	0.23%
Seashore Campsites, Inc.	8,500,000	0.24%	Shaw Limited Partnership	3,229,400	0.21%
Beachcomber Campground, Inc	6,436,200	0.18%	Channels Apartments	3,100,000	0.20%
Cape Island Associates	6,021,400	0.17%	Cold Spring Fish & Supply Co., Inc	2,762,500	0.18%
Total	\$ 95,231,600	2.63%		\$ 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	
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%	-
2016	16,317,286	16,317,286	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		
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	3.56
2016	5,121,000		59,724	-	-	5,180,724	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		
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%	-
2016	5,121,000	-	5,121,000	0.14%	-

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, 2015**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Township of Lower	\$ 19,582,190	100.000%	\$ 19,582,190
Cape May County General Obligation Debt	181,705,600	7.876%	14,311,133
Lower Cape May Regional School District Debt	4,695,000	54.180%	<u>2,543,733</u>
Subtotal, overlapping debt			36,437,056
Lower Township School District Direct Debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 36,437,056</u></u>

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis	
	2013	\$ 3,703,292,414
	2014	3,698,337,895
	2015	3,758,142,246
	[A]	<u>\$ 11,159,772,555</u>
Average equalized valuation of taxable property	[A/3]	\$ 3,719,924,185
Debt limit (2.5% of average equalized valuation)	[B]	92,998,105 ^a
Net bonded school debt	[C]	5,121,000
Legal debt margin	[B-C]	<u>\$ 87,877,105</u>

Fiscal Year

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 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	\$ 87,877,105
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	5,121,000
Legal debt margin	<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>	<u>\$ 82,756,105</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%	5.83%

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
2007	20,329	\$ 840,929,414	\$ 41,366	8.00%
2008	20,369	876,396,594	43,026	9.90%
2009	20,239	890,860,063	44,017	13.90%
2010	22,855	1,027,675,075	44,965	14.50%
2011	22,647	1,078,246,317	47,611	15.20%
2012	22,572	1,112,957,604	49,307	16.30%
2013	22,421	1,114,682,436	49,716	11.90%
2014	22,248	1,152,713,376	51,812	12.60%
2015	22,125	e	e	11.10%
2016	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>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>	<u>2016</u>
Instruction										
Regular	116	112	112	112	112	112	114	114	114	114
Special education	26	30	30	30	29	29	25	25	25	25
Other special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Nonpublic school programs	1	-	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services:										
Student & instruction related services	37	38	38	38	38	38	36	36	36	36
School administrative services	12	12	12	12	12	12	8	9	9	9
General and business administrative services	7	2	2	2	2	2	2	2	2	2
Plant operations and maintenance	16	26	26	25	22	22	24	22	22	22
Pupil transportation	20	20	20	20	20	20	17	18	18	18
Business and other support services	4	4	4	4	4	4	4	4	4	4
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	16	14	14	13	14	14	11	11	11	11
Child Care	2	2	2	2	2	2	2	2	2	2
Total	257	260	260	258	255	255	243	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				
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%
2016	1,732	30,111,125	17,385	6.45%	139	1:13	1,725	1,640	-3.52%	95.07%

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	492	480	505	517	500	475	479	474	443	455
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	486	488	477	467	485	476	436	448	439	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	421	425	417	442	427	426	456	447	424	387
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	489	444	458	459	436	451	440	456	482	444
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, 2016										
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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
* School Facilities											
Sandman Consolidated School	\$ 113,129	\$ 111,112	\$ 106,353	\$ 115,268	\$ 133,919	\$ 140,626	\$ 142,682	\$ 168,227	\$ 176,157	\$ 172,866	\$ 1,380,339
Maud Abrams School	97,525	106,997	102,414	110,998	128,959	135,418	137,397	161,996	169,633	166,463	1,317,800
Carl T. Mitnick School	62,416	69,959	66,963	72,576	148,799	156,251	158,535	186,919	195,731	192,073	1,310,222
Memorial School	117,029	123,457	118,170	128,075	84,319	88,543	89,837	105,920	110,914	108,841	1,075,105
Total School Facilities	<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>\$ 640,243</u>	<u>\$ 5,083,466</u>

**Lower Township School District
Insurance Schedule
June 30, 2016**

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	20,000,000	250,000	500
Workers' compensation	Statutory	250,000	
Educator's legal liability	20,000,000	250,000	500
Employee benefits liability	20,000,000	250,000	
Public Employee Dishonesty	500,000		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

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 American Institute of CPAs
 New Jersey Society of CPAs

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
 REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
 ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
 UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
 ASSISTANCE AS REQUIRED BY NEW JERSEY TREASURY CIRCULAR OMB 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 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, 2016. 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 federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey Treasury Circular OMB 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey Treasury Circular OMB 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, 2016.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported under State of New Jersey OMB Circular 15-08 and 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 findings no: 2016-001. My opinion on the major state programs is not modified with respect to these matters.

The 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 compliance and, accordingly, I express no opinion on the response.

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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey Treasury Circular OMB 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 Lower Township School District's internal control over compliance.

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

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.

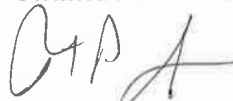
The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the New Jersey Treasury Circular OMB 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 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 fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. I issued my report thereon dated October 21, 2016, which contained unmodified opinions on those financial statements. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey Treasury Circular OMB 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 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 schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended for the information of the Board of Education, the New Jersey Department of Education, and Federal awarding agencies.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
October 21, 2016

LOWER TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2015			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2016		
						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	1605NJ5MAP	N/A	\$ 104,770	7/1/14 - 6/30/15	\$ -	\$ -	\$ -	\$ -	\$ 66,555	\$ (104,770)	\$ -	\$ (38,215)	\$ -	\$ -
Total General Fund										66,555	(104,770)		(38,215)		
U.S. Department of Education															
Special Revenue Fund:															
No Child Left Behind (N.C.L.B.)															
Title I	84.010A	S010A150030	NCLB-2840-16	439,285	7/1/15 - 6/30/16					148,037	(435,485)		(287,448)		
Title I	84.010A	S010A150030	NCLB-2840-15	403,009	7/1/14 - 6/30/15	(204,094)				204,094					
Title II - Part A	84.367A	S367A150029	NCLB-2840-16	107,228	7/1/15 - 6/30/16					52,014	(107,228)		(55,214)		
Title II - Part A	84.367A	S367A150029	NCLB-2840-15	107,395	7/1/14 - 6/30/15	(58,771)				58,771					
Title III	84.365A	S365A150030	NCLB-2840-15	11,512	7/1/14 - 6/30/15	(6,357)				6,357					
Title III	84.365A	S365A150030	NCLB-2840-14	10,038	7/1/13 - 6/30/14	(100)				100					
Individuals With Disabilities Act (I.D.E.A.)															
Part B - Basic	84.027	H027A150100	IDEA-2840-16	508,592	7/1/15 - 6/30/16					508,592	(508,592)				
Part B - Preschool	84.173	H173A150114	IDEA-2840-16	26,313	7/1/15 - 6/30/16					26,313	(26,313)				
Total Special Revenue Fund						(269,322)	-	-	-	1,004,278	(1,077,618)	-	(342,662)		
U.S. Department of Agriculture															
Enterprise Fund:															
Food Distribution Program	10.565	161161NJ304N1099	N/A	83,319	7/1/15 - 6/30/16					83,319	(83,319)				
National School Lunch Program	10.555	161161NJ304N1099	N/A	402,164	7/1/15 - 6/30/16					376,829	(402,164)		(25,335)		
National School Lunch Program	10.555	161161NJ304N1099	N/A	409,156	7/1/14 - 6/30/15	(34,558)				34,558					
School Breakfast Program	10.553	161161NJ304N1099	N/A	278,880	7/1/15 - 6/30/16					260,315	(278,880)		(18,565)		
School Breakfast Program	10.553	161161NJ304N1099	N/A	290,094	7/1/14 - 6/30/15	(23,775)				23,775					
After School Snack Program	10.555	161161NJ304N1099	N/A	2,437	7/1/15 - 6/30/16					2,323	(2,437)		(114)		
After School Snack Program	10.555	161161NJ304N1099	N/A	2,936	7/1/14 - 6/30/15	(365)				365					
Total Enterprise Fund						(58,698)				781,484	(766,800)		(44,014)		
Total Federal Awards						\$ (328,020)	\$ -	\$ -	\$ -	\$ 1,852,317	\$ (1,949,188)	\$ -	\$ (424,891)	\$ -	

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, 2016

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2015			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Years' Balances	June 30, 2016		
				Accounts Receivable	Deferred Revenue	Due to Grantor at						Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education														
General Fund:														
Equalization Aid	16-495-034-5120-078	\$ 5,202,298	7/1/15 - 6/30/16	\$ -	\$ -	\$ -	\$ -	\$ 4,729,904	\$ (5,202,298)	\$ -	\$ -	\$ (472,394)	\$ -	\$ -
Equalization Aid	15-495-034-5120-078	5,202,298	7/1/14 - 6/30/15	(473,512)				473,512						
School Choice Aid	16-495-034-5120-068	796,248	7/1/15 - 6/30/16					723,945	(796,248)			(72,303)		
School Choice Aid	15-495-034-5120-068	796,248	7/1/14 - 6/30/15	(72,474)				72,474						
Transportation Aid	16-495-034-5120-014	764,271	7/1/15 - 6/30/16					694,871	(764,271)			(69,400)		
Transportation Aid	15-495-034-5120-014	764,271	7/1/14 - 6/30/15	(69,564)				69,564						
Special Education Categorical Aid	16-495-034-5120-089	888,970	7/1/15 - 6/30/16					808,247	(888,970)			(80,723)		
Special Education Categorical Aid	15-495-034-5120-089	888,970	7/1/14 - 6/30/15	(80,914)				80,914						
Security Aid	16-495-034-5120-084	446,178	7/1/15 - 6/30/16					405,663	(446,178)			(40,515)		
Security Aid	15-495-034-5120-084	446,178	7/1/14 - 6/30/15	(40,611)				40,611						
Adjustment Aid	16-495-034-5120-085	2,030,412	7/1/15 - 6/30/16					1,846,041	(2,030,412)			(184,371)		
Adjustment Aid	15-495-034-5120-085	2,030,412	7/1/14 - 6/30/15	(184,808)				184,808						
PARCC Readiness Aid	16-495-034-5120-098	16,460	7/1/15 - 6/30/16					14,965	(16,460)			(1,495)		
PARCC Readiness Aid	15-495-034-5120-098	16,460	7/1/14 - 6/30/15	(1,498)				1,498						
Per Pupil Growth Aid	16-495-034-5120-097	16,460	7/1/15 - 6/30/16					14,965	(16,460)			(1,495)		
Per Pupil Growth Aid	15-495-034-5120-097	16,460	7/1/14 - 6/30/15	(1,498)				1,498						
Non Public Transportation Aid	16-04103190	1,566	7/1/15 - 6/30/16						(1,566)			(1,566)		
Non Public Transportation Aid	15-04103190	7,761	7/1/14 - 6/30/15	(7,761)				7,761						
Extraordinary Aid	16-495-034-5120-044	37,723	7/1/15 - 6/30/16						(37,723)			(37,723)		
On Behalf TPAF Pension	16-495-034-5094-002	861,479	7/1/15 - 6/30/16					861,479	(861,479)					
On Behalf TPAF Medical	16-495-034-5094-001	1,025,785	7/1/15 - 6/30/16					1,025,785	(1,025,785)					
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	841,322	7/1/15 - 6/30/16					841,322	(841,322)					
Total General Fund				(932,640)				12,899,827	(12,929,172)			(961,985)		
Special Revenue Fund:														
Preschool Education Aid	16-495-034-5120-086	376,110	7/1/15 - 6/30/16					338,499	(376,110)			(37,611)		
Preschool Education Aid	15-495-034-5120-086	371,931	7/1/14 - 6/30/15	(37,193)				37,193						
Total Special Revenue Fund				(37,193)				375,692	(376,110)			(37,611)		
State Department of Agriculture														
Enterprise Fund:														
State School Lunch Program	16-100-010-3350-023	9,068	7/1/15 - 6/30/16					8,503	(9,068)			(565)		
State School Lunch Program	15-100-010-3350-023	9,435	7/1/14 - 6/30/15	(804)				804						
Total Enterprise Fund				(804)				9,307	(9,068)			(565)		
Total State Financial Assistance				\$ (970,537)	\$ -	\$ -	\$ -	\$ 13,284,826	\$ (13,314,350)	\$ -	\$ -	\$ (1,000,161)	\$ -	\$ -
Less: State Financial Assistance Not Subject to Major Program Determination:														
On-Behalf TPAF Contribution - Pension (Non-Budgeted)												(861,479)		
On-Behalf TPAF Contribution - Post Retirement Medical (Non-Budgeted)												(1,025,785)		
Total State Financial Assistance Subject to Major Program Determination												\$ (11,427,086)		

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, 2016**

I. 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 Title 2 U.S. Code of Federal Regulations Part 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; 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 \$2,183 for the general fund and (\$7,562) 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	\$ 104,770	\$ 12,931,355	\$ 13,036,125
Special Revenue Fund	1,070,474	375,692	1,446,166
Food Service Fund	<u>766,800</u>	<u>9,068</u>	<u>775,868</u>
Total Awards & Financial Assistance	<u>\$ 1,942,044</u>	<u>\$ 13,316,115</u>	<u>\$ 15,258,159</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, 2016
(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, 2016. 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, 2016.

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 TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Section I --Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weaknesses identified? yes X no
- 2) Significant deficiencies identified that are not considered to be a material weakness? yes X none reported

Noncompliance material to basic financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

- 1) Material weakness(es) identified? yes X no
- 2) Significant deficiencies identified that are not considered to be a material weakness? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555</u>	<u>16161NJ304N1099</u>	<u>National School Lunch Program</u>
<u>10.555</u>	<u>16161NJ304N1099</u>	<u>After School Snack Program</u>
<u>10.553</u>	<u>16161NJ304N1099</u>	<u>School Breakfast Program</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

LOWER TOWNSHIP TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

State Awards Section

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

Internal Control over major programs:

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

2) Significant deficiencies identified that are not considered to be material 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 NJOMB Circular Letter 15-08 as applicable? yes X no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>16-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>16-495-034-5120-068</u>	<u>School Choice Aid</u>
<u>16-495-034-5120-014</u>	<u>Transportation Aid</u>
<u>16-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>16-495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>16-495-034-5094-003</u>	<u>Reimbursed TPAF Social Security Contributions</u>
<u>16-100-010-3350-023</u>	<u>School Lunch Program</u>

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.

No findings identified.

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* and NJOMB Circular Letter 15-08, as applicable.

FEDERAL AWARDS:

No findings and/or questioned costs identified.

STATE AWARDS:

Finding #2016-001

Information on the State Program:

Equalization Aid; GMIS No. 16-495-034-5120-078

Criteria or specific requirement:

The District is required to complete the Application for State School Aid (ASSA) in accordance with the instructions provided by the State Department of Education.

Condition:

The student counts for on roll, resident low income and resident LEP not low income did not agree to supporting documents.

Questioned Costs:

None

Context:

My test of the ASSA disclosed an overstatement of one student in the on-roll count, an understatement of fourteen students in the resident low income count and an overstatement of one student in the resident LEP not low income count when compared to the District's supporting documents.

Effect:

The reported differences may have an impact on the District's State Aid allocation.

Cause:

Oversight

Recommendation:

That care is exercised in preparing the Application for State School Aid.

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
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT**

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 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and NJOMB's Circular 14-04 and/or 15-08, as applicable.

FINANCIAL STATEMENT FINDINGS

Finding #2015-001

The Day Care Program receipts were not deposited promptly.

Current Status

The finding has been corrected.

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

There were no prior year audit findings.