

**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, 2017**

**Comprehensive Annual
Financial Report**

of the

**Township of Lower
Board of Education**

Cape May, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by
Township of Lower Board of Education
Finance Department

LOWER TOWNSHIP SCHOOL DISTRICT

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Introductory Section

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Cape May, NJ 08204
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Fax: (609) 884-9412

LOWER TOWNSHIP ELEMENTARY SCHOOL DISTRICT
905 SEASHORE ROAD
CAPE MAY, NEW JERSEY 08204

Memorial School
2600 Bayshore Road
Villas, NJ 08251
Telephone: (609) 884-9430
Fax: (609) 886-0515

Maud Abrams School
714 Townbank Road
Cape May, NJ 08204
Telephone: (609) 884-9420
Fax: (609) 884-9421

TELEPHONE: (609) 884-9400
FAX: (609) 884-1821

Carl T. Mitnick School
905 Seashore Road
Cape May, NJ 08204
Telephone: (609) 884-9470
Fax: (609) 884-9481

October 27, 2017

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, 2017 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 2016-2017 fiscal year with an enrollment of 1,666 students (June 2017). 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>
2016-17	1,666	-3.42%
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%

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 purchased 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 INTIATIVES

During the 2016-2017 school year, major initiatives included:

- Implementation of grade 6 New Jersey Student Learning Standards- Science aligned Discovery Education curriculum.
- Grades K-5 prepared for the roll-out of the New Jersey Student Learning Standards- Science for the 2017-2018 school year. Grade level committees researched and chose a program.
- Universal Design for Learning professional development was facilitated to ensure that all students have access to grade level curriculum.
- The district invested in a behavioral intervention training for teachers in preschool-grade 2.
- Guided reading training was provided for all teachers in grades 1 and 2.
- The district purchased subscriptions to Moby Max, an online suite of educational resources for Maud Abrams and Sandman school.
- Grades 1 and 2 began a morning tutoring program for reading and math at the Mitnick School. Grades 3 and 4 implemented an after school reading and math tutoring program at the Maud Abrams School. Title III funds were allocated to implement a before and after school tutoring program for English Language Learners.
- All teachers working with English Language Learners attended a “Co-Teaching Model” workshop.
- All Kindergarten classrooms were equipped with interactive whiteboards. Chromebook device capacity increased at Mitnick, Maud and Sandman. iPads were purchased for each classroom in grades 1 and 2.

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, 2017.

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.

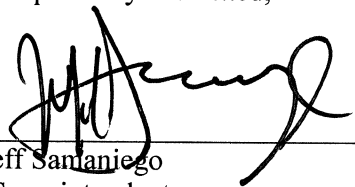
9. OTHER INFORMATION:

- 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.

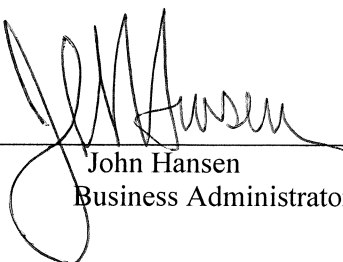
10. ACKNOWLEDGEMENTS:

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,



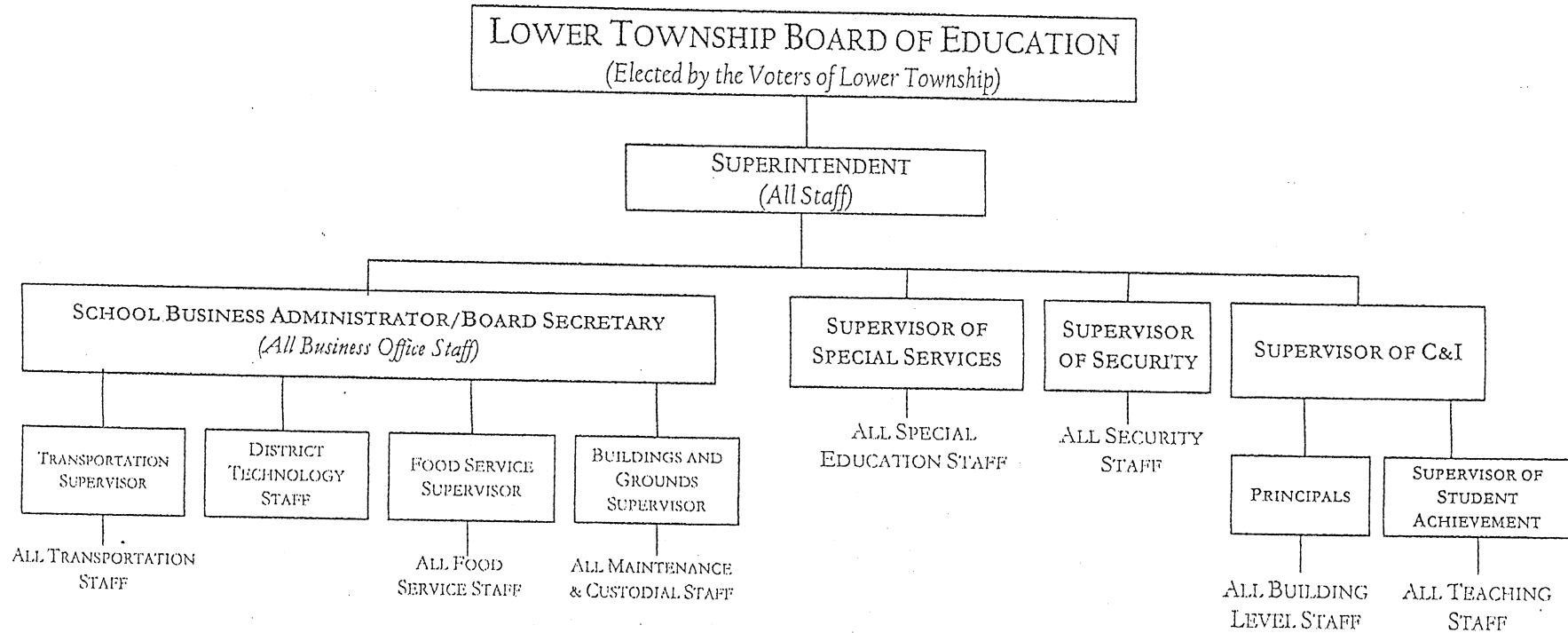
Jeff Sananajego
Superintendent



John Hansen
Business Administrator



ORGANIZATIONAL CHART



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

**ROSTER OF OFFICIALS
JUNE 30, 2017**

	<u>Term Expires</u>
Gary Douglass, President	2017
Patricia Smith, Vice-President	2017
Monica M. DiVito	2018
Stephen Lewis	2017
Joseph McKenna	2019
Joseph Thomas	2019
Charles P. Utsch	2019
Jonathan M. Vile	2017
Timothy Shaun Wittington	2018

Other Officials

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

**LOWER TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Inverso & Stewart, LLC
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Marlton, NJ 08053

Architect

Garrison Architects
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Bellmawr, NJ 08031

Attorney

John B. Comegno
Comegno Law Group
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Official Depository

Sturdy Savings Bank
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Financial Section

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

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, 2017, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal 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, schedule of the School District's proportionate share of the net pension liability, and schedule of the School District's contributions, 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 introductory section, combining statements and related major fund supporting statements and schedules, statistical section, and schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by the Office of School Finance, Department of Education, State of New Jersey and are not a required part of the basic financial statements. The accompanying schedules of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are also presented for purposes of additional analysis and are not a required part of the 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 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 accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections listed in the table of contents 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 24, 2017 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, 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 No. CS001095

Marlton, New Jersey
October 24, 2017

INVERSO & STEWART, LLC
 Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial statement 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 fiscal year ended June 30, 2017, 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 24, 2017.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 from 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, and federal and state awarding agencies and pass-through entities, 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 No. CS001095

Marlton, New Jersey
October 24, 2017

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, 2017**

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, 2017. 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 \$6,562,861 (*net position*).
- Governmental activities have an unrestricted net position deficit of \$14,733,308. The accounting treatments in the governmental funds for compensated absences payable, net pension liability, and the last two state aid payments, and the state statute that prohibits school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net position of the School District decreased by \$5,245,951, or a 398.35% decrease from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds decreased by \$3,925,791 resulting in an ending fund balance of \$2,600,626. This decrease is largely due to the results of operations of the General Fund and the Capital Projects Fund.
- Business-type activities have unrestricted net position of \$288,455.
- The School District's long-term obligations increased by \$3,588,779 which is an increase in pension liability and compensated absences and a reduction in 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 2018. 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 2018.

The liabilities of the primary government activities exceeded assets by \$6,855,393 with an unrestricted deficit balance of \$14,733,308. The net position of the primary government does not include internal balances.

A net investment of \$4,927,155 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's public school students. Net position of \$168,438 has been restricted to provide resources for future capital expansion and renovation projects, \$1,156,000 has been restricted for maintenance projects, \$10,017 has been reserved for future debt service, deficit unrestricted balance of \$33,014 for Special Revenue Fund, and \$1,649,319 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, 2017 and 2016**

	Governmental Activities		Business-Type Activities		District-Wide	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current assets	\$ 2,980,423	\$ 6,541,825	\$ 1,239,248	\$ 662,135	\$ 4,219,671	\$ 7,203,960
Capital assets	10,088,440	10,040,648	4,077	5,566	10,092,517	10,046,214
Total assets	<u>13,068,863</u>	<u>16,582,473</u>	<u>1,243,325</u>	<u>667,701</u>	<u>14,312,188</u>	<u>17,250,174</u>
Deferred Outflows of Resources	<u>4,499,751</u>	<u>2,013,842</u>			<u>4,499,751</u>	<u>2,013,842</u>
LIABILITIES						
Current liabilities	1,262,153	265,654	900,267	292,524	2,162,420	558,178
Noncurrent liabilities	<u>22,248,911</u>	<u>18,820,218</u>	<u>50,526</u>	<u>104,442</u>	<u>22,299,437</u>	<u>18,924,660</u>
Total liabilities	<u>23,511,064</u>	<u>19,085,872</u>	<u>950,793</u>	<u>396,966</u>	<u>24,461,857</u>	<u>19,482,838</u>
Deferred Inflows of Resources	<u>912,943</u>	<u>1,098,088</u>			<u>912,943</u>	<u>1,098,088</u>
Net Position	<u>\$ (6,855,393)</u>	<u>\$ (1,587,645)</u>	<u>\$ 292,532</u>	<u>\$ 270,735</u>	<u>\$ (6,562,861)</u>	<u>\$ (1,316,910)</u>
Net Position Consists of:						
Net investment in						
Capital Assets	\$ 4,927,155	\$ 4,859,924	\$ 4,077	\$ 5,566	\$ 4,931,232	\$ 4,865,490
Restricted Assets	2,950,760	6,887,793			2,950,760	6,887,793
Unrestricted Assets	<u>(14,733,308)</u>	<u>(13,335,362)</u>	<u>288,455</u>	<u>265,169</u>	<u>(14,444,853)</u>	<u>(13,070,193)</u>
Net Position	<u>\$ (6,855,393)</u>	<u>\$ (1,587,645)</u>	<u>\$ 292,532</u>	<u>\$ 270,735</u>	<u>\$ (6,562,861)</u>	<u>\$ (1,316,910)</u>

Lower Township School District
Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		District-Wide	
	2017	2016	2017	2016	2017	2016
Revenues:						
Charges for services	\$ -	\$ -	\$ 7,244,381	\$ 6,504,674	\$ 7,244,381	\$ 6,504,674
Operating Grants and contributions	4,422,074	4,175,177	761,743	775,868	5,183,817	4,951,045
Property taxes	16,772,745	16,317,286			16,772,745	16,317,286
State aid - unrestricted	10,366,506	10,307,539			10,366,506	10,307,539
Other revenues	29,363	128,328	205	80	29,568	128,408
Total Revenues	31,590,688	30,928,330	8,006,329	7,280,622	39,597,017	38,208,952
Expenses:						
Governmental Activities:						
Instruction	12,128,686	12,235,117			12,128,686	12,235,117
Tuition	922,182	897,749			922,182	897,749
Related Services	3,063,764	3,025,692			3,063,764	3,025,692
Administrative Services	1,236,437	1,369,297			1,236,437	1,369,297
Central Services	354,176	347,613			354,176	347,613
Operations and Maintenance	6,947,278	2,633,408			6,947,278	2,633,408
Transportation	1,198,539	1,189,906			1,198,539	1,189,906
Employee benefits	10,848,731	9,002,976			10,848,731	9,002,976
Interest on debt	123,726	28,417			123,726	
Other	34,917	30,413			34,917	30,413
Business-Type Activities:						
Food Service			1,006,919	1,045,665	1,006,919	1,045,665
Day Care Program			395,856	371,862	395,856	371,862
Internal Service			6,581,757	5,874,547	6,581,757	
Total Expenses	36,858,436	30,760,588	7,984,532	7,292,074	44,842,968	32,149,698
Increase (Decrease) in Net Position before transfers	(5,267,748)	167,742	21,797	(11,452)	(5,245,951)	156,290
Adjustment to fixed assets						
Transfers						
Change in Net Position	(5,267,748)	167,742	21,797	(11,452)	(5,245,951)	156,290
Net Position, July 1	(1,587,645)	(1,755,387)	270,735	282,187	(1,316,910)	(1,473,200)
Net Position, June 30	\$ (6,855,393)	\$ (1,587,645)	\$ 292,532	\$ 270,735	\$ (6,562,861)	\$ (1,316,910)

Governmental Activities

Governmental activities decreased the net position of the School District by \$5,267,748 during the current fiscal year. Key elements of the decrease in net position for governmental activities are as follows:

- Capital additions less depreciation expense increased the net position by \$47,792.
- Compensated absences increased by \$184,140.
- Results of operations in the Capital Fund decreased the net position by \$4,639,128.
- Net pension liability increased by \$1,221,695

Business-type Activities

Business-type activities increased the School District's net position by \$21,797. Key elements of the increase in net position for business-type activities are as follows:

- The Food Service Fund had a net gain of \$4,743 and the Day Care Program had a net gain of \$17,054.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$2,600,626, a decrease of \$3,925,791 in comparison with the prior year. Most of this decrease 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 \$350,134 and \$33,014 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 \$139,640 2) \$619,725 appropriated as a revenue source in the subsequent year's budget, 3) \$575,089 reserved for future budget appropriation in accordance with state statute, 4) \$483,303 reserved for encumbrances, 5) \$1,156,000 reserved for maintenance and 6) \$10,017 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 \$572,848 while total fund balance (budgetary basis) was \$3,377,828. 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 \$29,456,086. Unreserved fund balance (budgetary basis) represents 1.94% of expenditures while total fund balance (budgetary basis) represents 11.47% 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, 2017, totaled \$10,092,517 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total increase in the District's investment in capital assets for the current fiscal year was \$46,303 or a 0.46% increase. The increase is due to acquisitions less current year depreciation.

**Capital Asset (net of accumulated depreciation)
June 30, 2017 and 2016**

	Governmental Activities		Business-Typel Activities		District-Wide	
	2017	2016	2017	2016	2017	2016
Land	\$ 80,045	\$ 80,045	\$ -	\$ -	\$ 80,045	\$ 80,045
Const. in Progress					-	-
Building and Building Improvements	8,621,939	8,658,231			8,621,939	8,658,231
Equipment	1,386,456	1,302,372	4,077	5,566	1,390,533	1,307,938
Net Assets	<u>\$ 10,088,440</u>	<u>\$ 10,040,648</u>	<u>\$ 4,077</u>	<u>\$ 5,566</u>	<u>\$ 10,092,517</u>	<u>\$ 10,046,214</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, 2017, the School District had \$5,121,000 in serial bonds payable, \$2,193,036 in compensated absences, \$40,285 in capital leases payable, and \$15,276,505 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 \$93,615,145. The available amount as of June 30, 2017 is \$88,494,145.

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 2017-18 fiscal year.

For 2017-18 fiscal year the School District is anticipating no change in state aid. The local tax levy in the General Fund increased by \$168,707 or a 1.01% increase. Salaries continue to increase contractually; however, the District has managed to control costs. The 2017-18 General Fund Budget is \$532,340 greater than the previous year or a 1.95% increase. The tax rate was .458 in 2016 and slightly increased to .466 in 2017.

For the Future

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

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

Requests for Information

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

Basic Financial Statements

District-Wide Financial Statements

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 1,651,985	\$ 1,094,587	\$ 2,746,572
Receivables, net	254,254	45,676	299,930
Inventory (Note 6)		17,168	17,168
Internal balances	(81,817)	81,817	
Restricted assets:			
Restricted cash and cash equivalents	1,156,001		1,156,001
Capital assets, net (Note 5)	10,088,440	4,077	10,092,517
Total assets	<u>13,068,863</u>	<u>1,243,325</u>	<u>14,312,188</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	<u>4,499,751</u>		<u>4,499,751</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	<u>17,568,614</u>	<u>1,243,325</u>	<u>18,811,939</u>
LIABILITIES:			
Accounts payable			
Related to pensions	468,671		468,671
Other	379,762	454,579	834,341
Unearned revenue	35	10,707	10,742
Accrued interest	31,770		31,770
Other liabilities		403,009	403,009
Noncurrent liabilities:			
Due within one year	381,915	31,972	413,887
Due beyond one year	22,248,911	50,526	22,299,437
Total liabilities	<u>23,511,064</u>	<u>950,793</u>	<u>24,461,857</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	<u>912,943</u>		<u>912,943</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:	<u>24,424,007</u>	<u>950,793</u>	<u>25,374,800</u>
NET POSITION:			
Net investment in capital assets	4,927,155	4,077	4,931,232
Restricted for:			
Capital Projects	168,438		168,438
Special Revenue	(33,014)		(33,014)
Other purposes	2,815,336		2,815,336
Unrestricted	<u>(14,733,308)</u>	<u>288,455</u>	<u>(14,444,853)</u>
Total net position	<u>\$ (6,855,393)</u>	<u>\$ 292,532</u>	<u>\$ (6,562,861)</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, 2017

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	\$ 9,841,467	\$ -	\$ 547,534	\$ (9,293,933)	\$ -	\$ (9,293,933)
Special education	2,127,188		505,780	(1,621,408)		(1,621,408)
Other instruction	160,031			(160,031)		(160,031)
Support Services:						
Tuition	922,182			(922,182)		(922,182)
Student & instruction related services	3,063,764		138,651	(2,925,113)		(2,925,113)
General administrative services	482,392			(482,392)		(482,392)
School administrative services	754,045			(754,045)		(754,045)
Central services	354,176			(354,176)		(354,176)
Plant operations and maintenance	6,947,278			(6,947,278)		(6,947,278)
Pupil transportation	1,198,539			(1,198,539)		(1,198,539)
Interest on long term debt	123,726			(123,726)		(123,726)
Unallocated employee benefits	10,848,731		3,230,109	(7,618,622)		(7,618,622)
Unallocated depreciation and amortization	34,917			(34,917)		(34,917)
Total governmental activities	<u>36,858,436</u>	<u>-</u>	<u>4,422,074</u>	<u>(32,436,362)</u>		<u>(32,436,362)</u>
Business-type activities:						
Day care program	395,856	412,910			17,054	17,054
Food service program	1,006,919	249,714	761,743		4,538	4,538
Internal service fund	6,581,757	6,581,757			-	-
Total business-type activities	<u>7,984,532</u>	<u>7,244,381</u>	<u>761,743</u>	<u>-</u>	<u>21,592</u>	<u>21,592</u>
Total primary government	<u>\$ 44,842,968</u>	<u>\$ 7,244,381</u>	<u>\$ 5,183,817</u>	<u>\$(32,436,362)</u>	<u>\$ 21,592</u>	<u>\$(32,414,770)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net				16,643,631		16,643,631
Property taxes, levied for debt service, net				129,114		129,114
Federal and state aid not restricted				10,366,506		10,366,506
Tuition				15,593		15,593
Miscellaneous income				13,770	205	13,975
Transfer						
Total general revenues, special items, extraordinary items and transfers				<u>27,168,614</u>	<u>205</u>	<u>27,168,819</u>
Change in Net Position				(5,267,748)	21,797	(5,245,951)
Net Position -- July 1,				(1,587,645)	270,735	(1,316,910)
Net Position -- June 30				<u>\$ (6,855,393)</u>	<u>\$ 292,532</u>	<u>\$ (6,562,861)</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, 2017

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 1,473,191	\$ -	\$ 168,452	\$ 10,342	\$ 1,651,985
Receivables, net	119,097	103,573			222,670
Interfund receivable	459,290	289,037		15	748,342
Restricted cash and cash equivalents	1,156,001				1,156,001
Total assets	<u>\$ 3,207,579</u>	<u>\$ 392,610</u>	<u>\$ 168,452</u>	<u>\$ 10,357</u>	<u>\$ 3,778,998</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	379,762				379,762
Unearned revenue		35			35
Interfund payables	372,971	425,589	15		798,575
Total liabilities	<u>752,733</u>	<u>425,624</u>	<u>15</u>		<u>1,178,372</u>
Fund Balances:					
Restricted for:					
Excess surplus	575,089				575,089
Excess surplus - designated for subsequent year's expenditures	604,902				604,902
Maintenance reserve	1,156,000				1,156,000
Capital reserve	1				1
Assigned to:					
Year-end encumbrances	454,505		28,798		483,303
Designated for subsequent year's expenditures	14,483			340	14,823
Unassigned	(350,134)	(33,014)	139,639	10,017	(233,492)
Total fund balances	<u>2,454,846</u>	<u>(33,014)</u>	<u>168,437</u>	<u>10,357</u>	<u>2,600,626</u>
Total liabilities and fund balances	<u>\$ 3,207,579</u>	<u>\$ 392,610</u>	<u>\$ 168,452</u>	<u>\$ 10,357</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$21,861,685 and the accumulated depreciation is \$11,773,245.	10,088,440
Accrued interest on debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(31,770)
Accounts payable related to the April 1, 2018 required PERS contribution that is not to be liquidated with current financial resources.	(468,671)
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	4,499,751
Net Pension Liability	(15,276,505)
Deferred Inflows of resources from Pensions	(912,943)
	(11,689,697)
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	(2,193,036)
Capital Leases	(40,285)
General Obligation Bonds	(5,121,000)
	(7,354,321)
Net position of governmental activities	<u>\$ (6,855,393)</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 16,643,631	\$ -	\$ -	\$ 129,114	\$ 16,772,745
Tuition charges	15,593				15,593
Miscellaneous	12,494		1,276		13,770
Total revenues-local sources	16,671,718	-	1,276	129,114	16,802,108
State sources	13,363,617	334,738			13,698,355
Federal sources	119,474	970,751			1,090,225
Total revenues	30,154,809	1,305,489	1,276	129,114	31,590,688
EXPENDITURES:					
Current expense:					
Regular instruction	8,620,965	547,534			9,168,499
Special education instruction	1,621,408	505,780			2,127,188
Other instruction	160,031				160,031
Support services and undistributed costs:					
Tuition	922,182				922,182
Student & instruction related services	2,925,113	138,651			3,063,764
General administrative services	412,559				412,559
School administrative services	754,045				754,045
Central services	354,176				354,176
Plant operations and maintenance	2,737,570				2,737,570
Pupil transportation	1,198,539				1,198,539
Unallocated employee benefits	9,518,109	108,927			9,627,036
Capital outlay	231,389		4,639,128		4,870,517
Debt service:					
Principal					
Interest and other charges				120,373	120,373
Total expenditures	29,456,086	1,300,892	4,639,128	120,373	35,516,479
Excess (deficiency) of revenues over (under) expenditures	698,723	4,597	(4,637,852)	8,741	(3,925,791)
Other Financing Sources (Uses):					
Transfers in			(1,276)		(1,276)
Transfers out				1,276	1,276
Total other financing sources (uses)	-		(1,276)	1,276	-
Net change in fund balance	698,723	4,597	(4,639,128)	10,017	(3,925,791)
Fund balances, July 1	1,756,123	(37,611)	4,807,565	340	6,526,417
Fund balances, June 30	\$ 2,454,846	\$ (33,014)	\$ 168,437	\$ 10,357	\$ 2,600,626

**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, 2017**

Total net change in fund balances - governmental funds (from B-2) \$ (3,925,791)

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

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

Depreciation expense	\$ (698,327)	
Capital outlay	<u>746,119</u>	47,792

The issuance of bonds increases long-term liabilities, however has no effect on fund balance.

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. 19,439

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. (3,353)

Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities. (1,221,695)

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 (+). (184,140)

Change in net position of governmental activities \$ (5,267,748)

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, 2017

	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	\$ 40,111	\$ 197,420	\$ 857,056	\$ 1,094,587
Accounts receivable	41,887	3,789		45,676
Interfund receivable	83,935			83,935
Inventories	17,168			17,168
Total current assets	<u>183,101</u>	<u>201,209</u>	<u>857,056</u>	<u>1,241,366</u>
Noncurrent assets:				
Equipment	280,292			280,292
Less accumulated depreciation	<u>(276,215)</u>			<u>(276,215)</u>
Total noncurrent assets	<u>4,077</u>			<u>4,077</u>
Total assets	<u>\$ 187,178</u>	<u>\$ 201,209</u>	<u>\$ 857,056</u>	<u>\$ 1,245,443</u>
LIABILITIES				
Current liabilities:				
Unearned revenue	3,685	7,022		10,707
Accounts payable		532	454,047	454,579
Reserve for medical claims			403,009	403,009
Interfund payable	<u>2,118</u>			<u>2,118</u>
Total current liabilities	<u>5,803</u>	<u>7,554</u>	<u>857,056</u>	<u>870,413</u>
Noncurrent liabilities:				
Compensated absences	<u>78,235</u>	<u>4,263</u>		<u>82,498</u>
Total noncurrent liabilities	<u>78,235</u>	<u>4,263</u>	<u>-</u>	<u>82,498</u>
Total liabilities	<u>84,038</u>	<u>11,817</u>	<u>857,056</u>	<u>952,911</u>
NET POSITION				
Net investment in capital assets	4,077			4,077
Unrestricted	<u>99,063</u>	<u>189,392</u>		<u>288,455</u>
Total net position	<u>\$ 103,140</u>	<u>\$ 189,392</u>	<u>\$ -</u>	<u>\$ 292,532</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, 2017

	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	\$ 126,016	\$ -	\$ -	\$ 126,016
Daily sales-non-reimbursable programs	123,698	412,910	6,581,757	7,118,365
Total operating revenue	249,714	412,910	6,581,757	7,244,381
Operating expenses:				
Salaries	359,910	338,292		698,202
Employee benefits	220,126	32,720	6,581,757	6,834,603
Supplies and materials	27,935	24,844		52,779
Purchased property services	7,621			7,621
Depreciation	1,489			1,489
Cost of sales - reimbursable programs	331,849			331,849
Cost of sales - non-reimbursable programs	46,316			46,316
Other	11,673			11,673
Total operating expenses	1,006,919	395,856	6,581,757	7,984,532
Operating income (loss)	(757,205)	17,054	-	(740,151)
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	8,384			8,384
Federal sources:				
National school lunch program	397,553			397,553
School breakfast program	272,760			272,760
Snack Program	2,101			2,101
U.S.D.A. commodities	80,945			80,945
Local sources:				
Interest revenue	205			205
Total nonoperating revenues (expenses)	761,948	-	-	761,948
Change in net position	4,743	17,054		21,797
Total net position - July 1	98,397	172,338		270,735
Total net position - June 30	\$ 103,140	\$ 189,392	\$ -	\$ 292,532

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, 2017

	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	\$ 241,087	\$ 415,718	\$ 6,581,757	\$ 7,238,562
Payments to employees	(415,656)	(366,216)		(781,872)
Payments to suppliers	(534,500)	(24,846)		(559,346)
Payment for medical claims			(6,003,537)	(6,003,537)
Net cash used for operating activities	<u>(709,069)</u>	<u>24,656</u>	<u>578,220</u>	<u>(106,193)</u>
Cash flows from noncapital financing activities:				
State sources	7,431			7,431
Federal sources	596,477			596,477
Net cash provided by non-capital financing activities	<u>603,908</u>	<u>-</u>	<u>-</u>	<u>603,908</u>
Cash flows from capital activities:				
Purchases of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest and dividends	205			205
Net cash provided by investing activities	<u>205</u>	<u>-</u>	<u>-</u>	<u>205</u>
Net increase in cash and cash equivalents	(104,956)	24,656	578,220	497,920
Balances - July 1	<u>145,067</u>	<u>172,764</u>	<u>278,836</u>	<u>301,240</u>
Balances - June 30	<u>\$ 40,111</u>	<u>\$ 197,420</u>	<u>\$ 857,056</u>	<u>\$ 799,160</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (757,205)	\$ 17,054	\$ -	\$ (740,151)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,489			1,489
Commodities	80,945			80,945
(Increase) decrease in accounts receivable	(1,090)	(1,751)		(2,841)
(Increase) decrease in inventories	538			538
Increase (decrease) in accounts payable		532	175,211	175,743
Increase (decrease) in unearned revenue	(7,539)	4,558		(2,981)
Increase (decrease) in reserve for medical claims			403,009	403,009
Increase (decrease) in compensated absences	(26,207)	4,263		(21,944)
Net cash provided by (used for) operating activities	<u>\$ (709,069)</u>	<u>\$ 24,656</u>	<u>\$ 578,220</u>	<u>\$ (106,193)</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, 2017

	Unemployment Compensation Insurance Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 152,388	\$ 49,126
Other receivable		
	<u> </u>	<u> </u>
Total assets	<u>152,388</u>	<u>49,126</u>
LIABILITIES:		
Accounts payable	9,655	30,346
Interfund payable	31,231	353
Due to student groups		18,427
	<u> </u>	<u> </u>
Total liabilities	<u>40,886</u>	<u>\$ 49,126</u>
NET POSITION:		
Restricted for:		
Unemployment claims	<u>\$ 111,502</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, 2017

	Unemployment Compensation Insurance Trust
ADDITIONS:	
Contributions:	
Board contributions	\$ 40,000
Employee withholdings	31,213
Total Contributions	71,213
Investment earnings:	
Interest	177
Net investment earnings	177
Total additions	71,390
DEDUCTIONS:	
Unemployment payments	54,041
Total deductions	54,041
Change in net position	17,349
Net position - July 1	94,153
Net position - June 30	\$ 111,502

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, 2017

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, 2017 of 1,666 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. GASB Statement No. 80, *Blending Requirements for Certain Component Units* - an Amendment of GASB Statement No. 14 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Statements (Continued) - 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.

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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

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

The School District’s enterprise funds are:

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

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

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, 2017**

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, 2017**

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2017 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, 2017.

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, 2017**

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, 2017**

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, 2017.

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, 2017**

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 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 30, 2017. 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.

In November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2018. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting 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 May 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting 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 June 2017, the GASB issued Statement 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. 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, 2017, \$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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

3. CAPITAL RESERVE ACCOUNT (Continued)

Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Balance – July 1, 2016	\$1
Increased by:	
Interest earned	_____
Balance – June 30, 2017	\$1

The June 30, 2017 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

4. RECEIVABLES

Accounts receivables at June 30, 2017 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, 2017 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	\$ 104,925	\$ -	\$ 471	\$ 105,396
Federal		103,573	37,063	140,636
Other	14,172	_____	8,142	22,314
Total	\$ 119,097	\$ 103,573	\$ 45,676	\$ 268,346

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance June 30, 2017</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	17,885,208	\$ 326,037	28,594	18,182,651
Equipment	3,178,907	420,082		3,598,989
Total Historical Cost	<u>21,064,115</u>	<u>746,119</u>	<u>28,594</u>	<u>21,781,640</u>
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(9,226,977)	(362,329)	(28,594)	(9,560,712)
Equipment	(1,876,535)	(335,998)		(2,212,533)
Total Accumulated Depreciation	<u>(11,103,512)</u>	<u>(698,327)</u>	<u>(28,594)</u>	<u>(11,773,245)</u>
Total Capital Assets, being depreciated, net	<u>9,960,603</u>	<u>47,792</u>	<u>-</u>	<u>10,008,395</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,040,648</u>	<u>\$ 47,792</u>	<u>\$ -</u>	<u>\$ 10,088,440</u>
 Business-Type Activities:				
Equipment	\$ 280,292	\$ -	\$ -	\$ 280,292
Less - Accumulated Depreciation	<u>(274,726)</u>	<u>(1,489)</u>		<u>(276,215)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,566</u>	<u>\$ (1,489)</u>	<u>\$ -</u>	<u>\$ 4,077</u>

Depreciation expense in the amount of \$698,327 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Instruction	\$ 488,828
School Administration	69,833
Plant operations & maintenance	104,749
Unallocated	34,917
	<u> </u>
Total depreciation expense	<u>\$ 698,327</u>

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2017 consisted of the following:

Food	\$ 14,336
Supplies	<u>2,832</u>
	<u>\$ 17,168</u>

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations:

	Principal Outstanding June 30, 2016	Additions	Reductions	Principal Outstanding June 30, 2017	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 2,008,896	\$ 395,267	\$ 211,127	\$ 2,193,036	\$ 202,011
Capital Lease Payable	59,724		19,439	40,285	19,904
Serial Bonds Payable	5,121,000			5,121,000	160,000
Net Pension Liability	<u>11,852,427</u>	<u>3,424,078</u>	<u></u>	<u>15,276,505</u>	<u></u>
	<u>\$ 19,042,047</u>	<u>\$ 3,819,345</u>	<u>\$ 230,566</u>	<u>\$ 22,630,826</u>	<u>\$ 381,915</u>
 Business-Type Activities:					
Compensated Absences	<u>\$ 104,442</u>	<u></u>	<u>\$ 21,944</u>	<u>\$ 82,498</u>	<u>\$ 31,972</u>
	<u>\$ 104,442</u>	<u>\$ -</u>	<u>\$ 21,944</u>	<u>\$ 82,498</u>	<u>\$ 31,972</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, 2017 in the amount of \$5,121,000 due in annual installments through April 1, 2036, bearing interest rates of 2.00% to 3.00%.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

7. LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2017, 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>
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	225,000	113,480	338,480
2023-2027	1,350,000	493,400	1,843,400
2028-2032	1,600,000	329,100	1,929,100
2033-2036	1,266,000	94,320	1,360,320
	<u>\$ 5,121,000</u>	<u>\$ 1,519,420</u>	<u>\$ 6,640,420</u>

Capital Leases – At June 30, the District is leasing White Boards totaling \$40,285 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>
2018	\$ 19,904	\$ 965	\$ 20,869
2019	20,381	488	20,869
	<u>\$ 40,285</u>	<u>\$ 1,453</u>	<u>\$ 41,738</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, 2017**

8. OPERATING LEASES

At June 30, 2017, the School District had an operating lease agreement in effect for copiers.

Total operating lease payments made during the year ended June 30, 2017 and 2016, were \$76,118 and \$51,956 respectively. Future minimum lease payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2018	\$ 73,905
2019	45,850
2020	<u>39,409</u>
	<u>\$ 159,164</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) and the Public Employees' Retirement System (PERS). IN addition, several School District employees participate in the Defined Contribution Retirement Program (DCRP), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. 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)

Plan Description - The Teachers' Pension and Annuity Fund is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established on January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey (the "State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement, death and disability, and medical benefits to qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

Vesting and Benefit Provisions – 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 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

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

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4	Members who were eligible to enroll on or after May 21, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for their respective tier.

Contributions - The contribution requirements of plan members are determined by N.J.S.A.18A:66 and requires contributions by active members and contributing employers. 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 member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

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. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

The School District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2017 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2017 was \$856,917 and was paid by April 1, 2016. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$813,913.

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions - 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, 2017**

9. PENSION PLANS (CONTINUED)

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

At June 30, 2017, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

For the year ended June 30, 2017, the School District recognized pension expense of \$6,359,833 and revenue of \$6,359,833 for support provided by the State. Although the School 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 School District.

The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>06/30/16</u>	<u>06/30/15</u>
Collective deferred outflows of resources	\$ 17,414,701,002	\$ 7,521,378,257
Collective deferred inflows of resources	134,532,594	554,399,005
Collective net pension liability (Non-Employer – State of New Jersey)	79,028,907,033	63,577,864,440
State's portion of the net pension liability that was associated with the School District	84,644,187	73,356,882
State's portion of the net pension liability that was associated with the School District as a percentage of the collective net pension liability	.1075989527%	.1160631742%

Actuarial assumptions – The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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: 7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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. 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 produced 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2016 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%	0.39%
Government Bonds	01.50%	1.28%
Credit Bonds	13.00%	2.76%
Mortgages	02.00%	2.38%
Inflation-Indexed Bonds	01.50%	1.41%
High Yield Bonds	02.00%	4.70%
Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	06.50%	8.16%
Private Real Estate Property	05.25%	3.64%
Timber	01.00%	3.86%
Farmland	01.00%	4.39%
Private Equity	09.00%	8.97%
Commodities	00.50%	2.87%
Hedge Funds – MultiStrategy	05.00%	3.70%
Hedge Funds – Equity Hedge	03.75%	4.72%
Hedge Funds - Distressed	03.75%	3.49%
	100.00%	

Discount rate. The discount rate used to measure the State's total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 contribution rate in the most recent fiscal year. The state contributed 30% of the actuarially determined 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate. As previously mentioned, TPAF has a special funding situation where the State pays 100% of the School District's annual required contribution.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

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

As such, the proportionate share of the net pension liability as of June 30, 2016, the pension plans measurement date, attributable to the School District is \$0.00, and the State of New Jersey's proportionate share of the net pension liability, attributable to the School District, using a discount rate of 4.13%, as well as what the School 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 (3.13%) or 1 percentage point higher (5.13%) than the current rate:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	101,084,075	84,644,187	71,218,897
	\$ 101,084,075	\$ 84,644,187	\$ 71,218,897

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)

Plan Description - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS designated purpose is to provide retirement, death and disability, and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the School District, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Vesting and Benefit Provisions - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4	Members who were eligible to enroll on or after May 21, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for their respective tier.

Contributions - The contribution requirements of plan members are determined by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. 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 member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 336, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The School District's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 13.89% of the School District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the School Districts contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was \$458,229 and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$246,314.

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>
2017	\$ 71,677	\$ -	\$ 364,770	\$ 21,782	\$ 458,229
2016	76,849	-	354,016	23,069	453,934
2015	79,624	-	368,324	30,339	478,287

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions – 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.

At June 30, 2017, the School District reported a liability of \$15,276,505 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The School District's proportion of the of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

For the year ended June 30, 2017, the School District recognized pension expense of \$1,221,668. At June 30, 2017, the School District reported a liability of \$15,276,505 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	\$ 284,097	\$ -
Changes of assumptions	3,164,476	
Net Difference between projected and actual earnings on pension plan investments	582,507	
Changes in proportion		912,943
District contributions subsequent to the measurement date	468,671	
Total	\$ 4,499,751	\$ 912,943

\$468,671 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, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net liability in the year ended June 30, 2017.

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
2017	\$ 573,410
2018	573,410
2019	759,349
2020	783,511
2021	428,457
Total	\$ 3,118,137

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between projected and actual earnings on pension plan investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	-	5.00
Changes in proportion		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Additional Information

Collective balances at June 30, 2016 and 2015 are as follows:

	<u>6/30/2016</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$ 8,685,338,380	\$ 3,578,755,666
Collective deferred inflows of resources	\$ 870,133,595	\$ 993,410,455
Collective net pension liability	\$ 29,617,131,759	\$ 22,447,996,119
District's Proportion	.0515799603%	.0527994891%

Actuarial assumptions – The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation rate: 3.08%
- Salary Increases:
 - Through 2025: 1.65-4.15% based on age
 - Thereafter: 2.65-5.15% based on age
- Investment Rate of Return: 7.65%

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 3 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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 (7.65% at June 30, 2016) 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. 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, 2016 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%	00.87%
U.S. Treasuries	01.50%	01.74%
Investment Grade Credit	08.00%	01.79%
Mortgages	02.00%	01.67%
High Yield Bonds	02.00%	04.56%
Inflation Indexed Bonds	01.50%	03.44%
Broad US Equities	26.00%	08.53%
Developed Foreign Equities	13.25%	06.83%
Emerging Market Equities	06.50%	09.95%
Private Equity	09.00%	12.40%
Hedge Funds/Absolute Ret	12.50%	04.68%
Real Estate (Property)	02.00%	06.91%
Commodities	00.50%	05.45%
Global Debt ex US	05.00%	-0.25%
REIT	05.25%	05.63%
	100.00%	

Discount rate. The discount rate used to measure the State's total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Discount rate (Continued) - 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 contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate. The following presents the School District's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.98%, as well as what the School 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 (2.98%) or 1 percentage point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the net pension liability	\$ 18,719,574	\$ 15,276,505	\$ 12,433,953

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
2017	\$ 11,100	\$ 11,100
2016	14,196	14,196
2015	-	-

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

10. STATE POST-RETIREMENT MEDICAL BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$231.1 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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 at:

<http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2017, the School District has recognized as revenues and expenditures on-behalf payments made by the state for normal retirement costs, post-retirement medical costs and long term disability insurance related to TPAF, in the fund statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, post-retirement medical costs and long term disability insurance were \$1,265,925, \$1,054,803, and \$2,284, respectively. In addition, \$798,170 on-behalf payments were made by the state for the 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, 2017**

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>Year</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Reimbursed</u>	<u>Reimbursed</u>	<u>Balance</u>
2017	\$ 40,000	\$ 31,213	\$ 177	\$ 54,041	\$ 111,502
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

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, 2017, the liability for compensated absences in the governmental activities and proprietary fund types was \$2,193,036 and \$82,498, respectively.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2017:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 459,290	\$ 372,971
Special Revenue	289,037	425,589
Capital Projects		15
Debt Service Fund	15	
Proprietary Fund	83,935	2,118
Fiduciary Fund		31,584
	<hr/>	<hr/>
Total	<u>\$ 832,277</u>	<u>\$ 832,277</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, 2017, 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. TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

The Township of Lower (Municipality) provides for long-term tax exemptions, as authorized by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Municipality are for affordable housing and other permitted purposes. Taxes abated include municipal, local school, and county taxes.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

17. TAX ABATEMENTS (CONTINUED)

The municipality recognized revenue of \$102,500 from the annual service charge in lieu of payment of taxes in 2016. The assessed value on these tax exemption properties amounted to \$12,250,000 which would have resulted in 2016 taxes billed in full of \$204,943. A portion of the \$102,443 abatement would have been allocated to the District.

18. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$350,134 in the General Fund and \$33,134 in the Special Revenue Fund as of June 30, 2017 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 \$350,134 in the General Fund and \$33,014 in the Special Revenue Fund is equal to or less than the June state aid payments.

19. DEFICIT UNRESTRICTED NET POSITION

As of June 30, 2017, a deficit of \$14,733,308 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, 2017:	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance - Unassigned	\$ (350,134)
Liabilities:	
Accrued Interest Payable	(31,770)
Net Pension Differences	(12,158,368)
Compensated Absences	<u>(2,193,036)</u>
Unrestricted Net Position (Deficit)	<u><u>\$ (14,733,308)</u></u>

20. 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:

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

20. FUND BALANCES (Continued)

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, 2017 is \$575,089 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$604,902 of excess fund balance generated during the 2015-2016 fiscal year has been restricted and designated for utilization in the 2017-2018 budget.

Capital Reserve – As of June 30, 2017, the balance in the capital reserve account is \$1.

Maintenance Reserve Account – As of June 30, 2017, the balance in the maintenance reserve account is \$1,156,000. Of this amount \$200,000 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2018. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

ASSIGNED

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

General Fund:

Designated for Subsequent Year's Expenditures – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2017, \$14,483.

Other Purposes – At June 30, 2017 the School District has \$454,505 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, 2017 the School District has \$28,798 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

Debt Service 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, 2017, \$340.

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, 2017, the fund balance of the general fund was a deficit of \$350,134, 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 18).

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

20. FUND BALANCES (Continued)

UNASSIGNED (CONTINUED)

Special Revenue Fund – As of June 30, 2017, the fund balance of the special revenue fund was a deficit of \$33,014, 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 18).

Capital Projects – As of June 30, 2017, \$139,639 of capital fund balance was unassigned.

Debt Service – As of June 30, 2017, \$10,017 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, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 16,643,631	\$ -	\$ 16,643,631	\$ 16,643,631	\$ -
Tuition		-		15,593	15,593
Unrestricted miscellaneous revenue	68,699	-	68,699	12,494	(56,205)
Total local sources	16,712,330	-	16,712,330	16,671,718	(40,612)
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	-
Professional Learning Community Aid	15,850	-	15,850	15,850	-
Homeless Tuition Aid				19,424	19,424
Extraordinary Aid				35,536	35,536
Additional Non Public Transportation Aid				10,614	10,614
On-behalf TPAF pension contributions (non-budgeted)				1,265,925	1,265,925
On-behalf TPAF Medical (non-budgeted)				1,054,803	1,054,803
On-behalf TPAF LTDI (non-budgeted)				2,284	2,284
Reimbursed TPAF social security contributions (non-budgeted)				798,170	798,170
Total state sources	10,177,147	-	10,177,147	13,363,903	3,186,756
Federal sources:					
Special Education Medicaid Initiative (SEMI)	49,323	-	49,323	119,474	70,151
Total federal sources	49,323	-	49,323	119,474	70,151
TOTAL REVENUES	26,938,800	-	26,938,800	30,155,095	3,216,295
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers		-			-
Preschool	177,278	89,090	266,368	262,256	4,112
Kindergarten	1,017,018	(150,000)	867,018	861,435	5,583
Grades 1-5	5,371,442	(118,000)	5,253,442	5,253,435	7
Grades 6-8	937,088	(138,000)	799,088	798,695	393
Total Instruction	7,502,826	(316,910)	7,185,916	7,175,821	10,095
Regular Programs - Home Instruction:					
Salaries of teachers	3,500	(1,000)	2,500	462	2,038
Other purchased services	250	-	250		250
Total Home Instruction	3,750	(1,000)	2,750	462	2,288
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	952,096	(118,680)	833,416	833,374	42
Purchased technical services	11,000	12,250	23,250	23,249	1
Other purchased services	106,800	(3,900)	102,900	87,777	15,123
General supplies	380,000	100,900	480,900	466,666	14,234
Textbooks	100,000	(54,000)	46,000	22,266	23,734
Other objects	15,000	(2,800)	12,200	11,350	850
Total Undistributed Instruction	1,564,896	(66,230)	1,498,666	1,444,682	53,984
Total - Regular Programs - Instruction	9,071,472	(384,140)	8,687,332	8,620,965	66,367

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, 2017

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Educ Instruction: Learning/Lang. Disabilities					
Salaries of teachers	\$ 451,167	\$ (30,000)	\$ 421,167	\$ 399,763	\$ 21,404
Other salaries for instruction	129,767	(10,000)	119,767	88,597	31,170
General Supplies	6,000	-	6,000	2,868	3,132
Total Learning/Lang. Disabilities	<u>586,934</u>	<u>(40,000)</u>	<u>546,934</u>	<u>491,228</u>	<u>55,706</u>
Special Educ Instruction: Res. Room/Res. Center					
Salaries of teachers	1,067,103	(20,000)	1,047,103	998,447	48,656
General supplies	6,000	-	6,000	5,247	753
Total Resource Room/Resource Center	<u>1,073,103</u>	<u>(20,000)</u>	<u>1,053,103</u>	<u>1,003,694</u>	<u>49,409</u>
Special Educ Instruction: Pre-K Disabilities Part-time					
Salaries of teachers	124,441	-	124,441	117,068	7,373
Total Pre-K Disabilities Part-time	<u>124,441</u>	<u>-</u>	<u>124,441</u>	<u>117,068</u>	<u>7,373</u>
Special Educ Instruction: Home Instruction					
Salaries of teachers	25,000	-	25,000	9,418	15,582
Total Home Instruction	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>9,418</u>	<u>15,582</u>
Total Special Education - Instruction	<u>1,809,478</u>	<u>(60,000)</u>	<u>1,749,478</u>	<u>1,621,408</u>	<u>128,070</u>
Before/after school programs - Instruction					
Salaries of teachers	25,000	34,600	59,600	59,598	2
Total Before/after school - Instruction	<u>25,000</u>	<u>34,600</u>	<u>59,600</u>	<u>59,598</u>	<u>2</u>
Bilingual Education - Instruction					
Salaries of teachers	48,720	53,120	101,840	99,772	2,068
General supplies	6,750	(2,000)	4,750	661	4,089
Total Bilingual Education - Instruction	<u>55,470</u>	<u>51,120</u>	<u>106,590</u>	<u>100,433</u>	<u>6,157</u>
Undistributed Expenditures - Instruction					
Tuition to other LEA's w/in state/regular	125,000	72,960	197,960	168,477	29,483
Tuition to CSSD & reg. day schools	475,000	367,830	842,830	695,699	147,131
Tuition to priv. sch. for the handicapped in state	75,000	(16,990)	58,010	58,006	4
Total Undistributed Expenditures - Instruction	<u>675,000</u>	<u>423,800</u>	<u>1,098,800</u>	<u>922,182</u>	<u>176,618</u>
Undistributed Expenditures - Attendance & Social Work					
Salaries	29,813	500	30,313	29,608	705
Purchased professional and technical services	10,000	(70)	9,930	9,310	620
Supplies and materials	200	70	270	266	4
Total Undistributed Expenditures - Attendance & Soc.	<u>40,013</u>	<u>500</u>	<u>40,513</u>	<u>39,184</u>	<u>1,329</u>
Undistributed Expenditures - Health Services					
Salaries	452,400	(500)	451,900	441,745	10,155
Purchased professional and technical services	24,000	(1,430)	22,570	22,152	418
Other purchased services (400-500)	260	3,000	3,260	2,892	368
Supplies and materials	17,000	(1,570)	15,430	15,079	351
Total Undistributed Expenditures - Health Svcs.	<u>493,660</u>	<u>(500)</u>	<u>493,160</u>	<u>481,868</u>	<u>11,292</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, 2017

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	\$ 391,348	\$ 850	\$ 392,198	\$ 389,512	\$ 2,686
Purchased professional - educ services	1,500	875	2,375	2,344	31
Supplies and materials	1,000	1,185	2,185	2,019	166
Total Undst. Expend. - Speech, OT, PT & Related Services	393,848	2,910	396,758	393,875	2,883
Undist. Expend. - Guidance					
Salaries of other professional staff	342,016	(850)	341,166	325,868	15,298
Supplies and materials	500	-	500	181	319
Other objects	200	-	200	-	200
Total Undst. Expend. - Guidance	342,716	(850)	341,866	326,049	15,817
Undist. Expend. - Child Study Teams					
Salaries of other professional staff	582,150	(32,060)	550,090	480,295	69,795
Salaries of secretarial and clerical assistants	123,343	37,775	161,118	155,460	5,658
Purchased professional - educ services	250,000	(21,905)	228,095	162,280	65,815
Other purchased professional - tech services	65,000	14,130	79,130	72,656	6,474
Other purchased services (400-500)	3,750	(3,750)	-	-	-
Misc. purchased services (400-500)	2,000	5,750	7,750	6,157	1,593
Supplies and materials	12,000	(2,000)	10,000	9,555	445
Other objects	1,200	-	1,200	1,088	112
Total Undst. Expend. - Child Study Teams	1,039,443	(2,060)	1,037,383	887,491	149,892
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	109,700	(500)	109,200	105,469	3,731
Salaries of Secr and Clerical Assist.	33,091	-	33,091	33,091	-
Other purchased services (400-500)	500	-	500	-	500
Supplies and materials	1,000	-	1,000	112	888
Other objects	1,000	-	1,000	-	1,000
Total Undst. Expend. - Improvement of Instr. Services	145,291	(500)	144,791	138,672	6,119
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	440,513	-	440,513	434,136	6,377
Other purchased services (400-500)	800	-	800	-	800
Supplies and materials	35,000	(500)	34,500	32,184	2,316
Other objects	3,700	-	3,700	2,660	1,040
Total Undst. Expend. - Educ. Media Serv./Sch. Library	480,013	(500)	479,513	468,980	10,533
Undist. Expend. - Instructional Staff Training Services					
Salaries of supervisor of instruction	109,700	500	110,200	110,123	77
Salaries of secretarial and clerical assistants	57,903	-	57,903	53,214	4,689
Other salaries	-	4,800	4,800	4,800	-
Purchased professional - educ services	6,000	1,400	7,400	7,345	55
Other purchased services	2,500	(890)	1,610	1,602	8
Supplies and materials	5,000	(1,916)	3,084	3,039	45
Other objects	15,000	(2,394)	12,606	8,871	3,735
Total Undst. Expend. - Instructional Staff Training Svcs.	196,103	1,500	197,603	188,994	8,609

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

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LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	\$ 215,129	\$ -	\$ 215,129	\$ 211,654	\$ 3,475
Legal services	35,000	-	35,000	24,416	10,584
Audit fees	25,300	(1,300)	24,000	23,200	800
Other purchased professional services	17,053	800	17,853	15,703	2,150
Communications / telephone	43,500	300	43,800	31,174	12,626
Other purchased services	76,000	16,400	92,400	83,054	9,346
General supplies	7,500	(5,450)	2,050	1,413	637
BOE in-house training/meeting supplies	2,000	-	2,000	1,346	654
Miscellaneous expenditures	5,000	(450)	4,550	4,386	164
BOE membership dues and fees	15,000	1,300	16,300	16,213	87
Total Undst. Expend. - Supp. Serv. General Admin.	441,482	11,600	453,082	412,559	40,523
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	368,007	-	368,007	367,160	847
Salaries of secretarial and clerical assistants	389,868	-	389,868	357,504	32,364
Purchased professional and technical services	1,000	3,350	4,350	4,338	12
Other purchased services (400-500)	6,000	5,340	11,340	10,988	352
Supplies and materials	12,000	(1,750)	10,250	10,122	128
Other objects	10,000	(5,540)	4,460	3,933	527
Total Undst. Expend. - Supp. Serv. School Admin.	786,875	1,400	788,275	754,045	34,230
Undist. Expend. - Central Services					
Salaries	314,041	-	314,041	312,816	1,225
Purchased professional services	25,000	1,690	26,690	26,689	1
Miscellaneous purchased services	8,000	9,260	17,260	6,370	10,890
Supplies and materials	9,000	(970)	8,030	5,146	2,884
Miscellaneous expenditures	4,000	20	4,020	3,155	865
Total Undst. Expend. - Central Services	360,041	10,000	370,041	354,176	15,865
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	324,860	-	324,860	293,740	31,120
Cleaning, Repair and Maintenance Services	184,250	(11,550)	172,700	129,127	43,573
Supplies and materials	161,065	22,900	183,965	181,331	2,634
Other objects	1,000	617,900	618,900	183,037	435,863
Total Undst. Expend. - Required Maint. Sch. Facilities	671,175	629,250	1,300,425	787,235	513,190
Undist. Expend. - Custodial Services					
Salaries	834,524	(83,000)	751,524	737,670	13,854
Salaries of Non-Instructional Aides	103,938	70,000	173,938	173,411	527
Purchased professional & tech. services	11,000	-	11,000	3,609	7,391
Cleaning, repair and maintenance services	1,000	-	1,000	242	758
Rental of land & buildings other than lease		1,160	1,160	1,157	3
Other purchased property services	60,000	(7,150)	52,850	48,404	4,446
Insurance	145,000	(18,420)	126,580	126,223	357
Travel		500	500	56	444
Miscellaneous purchased services	18,500	10,340	28,840	27,427	1,413
General supplies	125,000	-	125,000	110,318	14,682
Energy (electricity)	315,000	15,200	330,200	330,156	44
Energy (natural gas)	116,000	(9,350)	106,650	72,663	33,987
Other objects	2,000	(1,160)	840		840
Total Undst. Expend. - Custodial Services	1,731,962	(21,880)	1,710,082	1,631,336	78,746

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

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LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Care & Upkeep of Grounds					
Salaries	\$ 12,000	\$ -	\$ 12,000	\$ 12,000	\$ -
Purchased professional & tech. services	7,000	(4,500)	2,500		2,500
Cleaning, repair and maintenance services	3,150	(2,250)	900	240	660
General supplies	15,000	6,750	21,750	21,292	458
Total Undst. Expend. - Care & Upkeep of Grounds	37,150	-	37,150	33,532	3,618
Undist. Expend. - Security					
Salaries	274,782	(1,000)	273,782	267,080	6,702
Cleaning, repair and maintenance services	1,150	-	1,150	983	167
General supplies	17,500	15,300	32,800	17,404	15,396
Total Undst. Expend. - Security	293,432	14,300	307,732	285,467	22,265
Total Undst. Expend. - Oper. & Maint. of Plant Services	2,733,719	621,670	3,355,389	2,737,570	617,819
Undist. Expend. - Student Transportation Services					
Salaries for pupil trans. (bet home & sch) - regular	620,751	70,000	690,751	663,477	27,274
Salaries for pupil trans. (bet home & sch) - special	271,273	(70,000)	201,273	79,074	122,199
Salaries for pupil trans. (other than bet home & sch)	19,000	-	19,000	4,289	14,711
Rental payments - school buses		3,000	3,000	2,954	46
Contr. serv. - (Sp. Ed Stds) - Joint Agreements	115,000	81,775	196,775	185,631	11,144
Contr. serv. - Aide in lieu Pymts - Charter Schools	40,000	16,320	56,320	53,649	2,671
Contr. serv. - Aide in lieu Pymts - Nonpublic Schools	38,000	2,900	40,900	40,898	2
Miscellaneous purchased services - transportation	47,000	(2,875)	44,125	34,691	9,434
General Supplies	125,000	(7,270)	117,730	108,190	9,540
Transportation supplies	150,000	(13,850)	136,150	24,495	111,655
Other objects	3,000	-	3,000	1,191	1,809
Total Undst. Expend. - Student Transportation Services	1,429,024	80,000	1,509,024	1,198,539	310,485
Unallocated Benefits - Employee Benefits					
Social security contributions	484,500	(70,000)	414,500	397,996	16,504
Other retirement contributions - PERS	545,000	(75,000)	470,000	467,731	2,269
Other retirement contributions - Regular		15,000	15,000	11,813	3,187
Unemployment compensation	40,000	-	40,000	40,000	-
Workers' compensation	183,000	(19,000)	164,000	163,037	963
Health benefits	5,015,876	(123,750)	4,892,126	4,886,883	5,243
Tuition reimbursement	35,000	2,090	37,090	35,723	1,367
Other employee benefits	300,000	(116,790)	183,210	182,617	593
Sick payment to retired/terminated employees		211,150	211,150	211,127	23
Total Unallocated Benefits - Employee Benefits	6,603,376	(176,300)	6,427,076	6,396,927	30,149
On-behalf TPAF pension (non-budgeted)	-	-	-	1,265,925	(1,265,925)
On-behalf TPAF medical (non-budgeted)				1,054,803	(1,054,803)
On-behalf TPAF LTDI (non-budgeted)				2,284	(2,284)
Reimbursed TPAF social security contributions (non-budgeted)				798,170	(798,170)
Total Undistributed Expenditures - TPAF	-	-	-	3,121,182	(3,121,182)
Total Undistributed Expenditures	16,160,604	972,670	17,133,274	18,822,293	(1,689,019)
Total General Current Expense	27,122,024	614,250	27,736,274	29,224,697	(1,488,423)

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, 2017

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Undist. Exp - req. maint - school facilities	\$ 13,026	\$ 3,750	\$ 16,776	\$ 16,704	\$ 72
School Buses - Regular	211,000		211,000	208,339	2,661
Total Equipment	<u>224,026</u>	<u>3,750</u>	<u>227,776</u>	<u>225,043</u>	<u>2,733</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>230,372</u>	<u>3,750</u>	<u>234,122</u>	<u>231,389</u>	<u>2,733</u>
Total Expenditures	<u>27,352,396</u>	<u>618,000</u>	<u>27,970,396</u>	<u>29,456,086</u>	<u>(1,485,690)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>(413,596)</u>	<u>(618,000)</u>	<u>(1,031,596)</u>	<u>699,009</u>	<u>1,730,605</u>
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>(413,596)</u>	<u>(618,000)</u>	<u>(1,031,596)</u>	<u>699,009</u>	<u>1,730,605</u>
Fund Balance, July 1	<u>2,678,819</u>		<u>2,678,819</u>	<u>2,678,819</u>	
Fund Balance, June 30	<u>\$ 2,265,223</u>	<u>\$ (618,000)</u>	<u>\$ 1,647,223</u>	<u>\$ 3,377,828</u>	<u>\$ 1,730,605</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Years Expenditures				\$ 604,902	
Reserve for Excess Surplus				575,089	
Maintenance Reserve				1,156,000	
Capital Reserve				1	
Assigned Fund Balance					
Year-end Encumbrances				454,505	
Designated for Subsequent Years Expenditures				14,483	
Unassigned Fund Balance				<u>572,848</u>	
				3,377,828	
Reconciliation on Governmental Fund Statements (GAAP):					
Less: State Aid Payment not Recognized on GAAP Basis				<u>(922,982)</u>	
Fund Balance per Government Fund (GAAP)				<u>\$ 2,454,846</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, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
REVENUES:					
State sources	\$ 330,141	\$ -	\$ 330,141	\$ 330,141	\$ -
Federal sources	1,090,759		1,090,759	1,074,019	16,740
Total revenues	1,420,900		1,420,900	1,404,160	16,740
EXPENDITURES:					
Instruction:					
Salaries of teachers	598,578	(63,419)	535,159	532,444	2,715
Tuition	505,780		505,780	505,780	-
General supplies	20,246		20,246	19,327	919
Total instruction	1,124,604	(63,419)	1,061,185	1,057,551	3,634
Support services:					
Salaries of program director	6,300		6,300	6,300	-
Salaries of supervisor of instruction	70,706	23,889	94,595	81,697	12,898
Salaries of other professional staff	32,136		32,136	32,136	-
Salaries of secretarial/clerical staff	14,018		14,018	14,018	-
Personal services-employee benefits	168,636	39,530	208,166	207,958	208
Purchased prof. and educational services	4,500		4,500	4,500	-
Total support services	296,296	63,419	359,715	346,609	13,106
Facilities acquisition and construction services:					
Instructional equipment					
Non-instructional equipment					
Total facilities acq. and const. services					
Transfer to charter schools					
Total expenditures	1,420,900		1,420,900	1,404,160	16,740
Total outflows	1,420,900		1,420,900	1,404,160	16,740
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	\$ 30,155,095	\$ 1,404,160
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, 2016		8,447
Fiscal Year Ended June 30, 2017		(111,715)
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	922,696	37,611
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(922,982)	(33,014)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 30,154,809	\$ 1,305,489
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	29,456,086	1,404,160
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, 2016		8,447
Fiscal Year Ended June 30, 2017		(111,715)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 29,456,086	\$ 1,300,892

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 Four Fiscal Years

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0515799603%	0.0527994891%	0.0580173906%	0.0586145948%
District's proportionate share of the net pension liability (asset)	\$ 15,276,505	\$ 11,852,427	\$ 10,862,442	\$ 11,202,414
District's covered-employee payroll	3,374,844	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	452.66%	346.16%	309.43%	321.67%
Plan fiduciary net position as a percentage of the total pension liability	31.20%	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 Four Fiscal Years

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 468,671	\$ 458,229	\$ 453,934	\$ 478,287
Contributions in relation to the contractually required contributions	<u>(468,671)</u>	<u>(458,229)</u>	<u>(453,934)</u>	<u>(478,287)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	3,374,844	3,423,955	3,510,447	3,482,586
Contributions as a percentage of covered-employee payroll	13.89%	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 Four Fiscal Years

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.1075989527%	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>\$ 84,644,187</u>	<u>\$ 73,356,882</u>	<u>\$ 63,725,118</u>	<u>\$ 60,258,648</u>
Total	<u>\$ 84,644,187</u>	<u>\$ 73,356,882</u>	<u>\$ 63,725,118</u>	<u>\$ 60,258,648</u>
District's covered-employee payroll	11,159,801	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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	22.33%	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, 2017**

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: Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

2. 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: Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 3 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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, 2017

	Preschool Program Aid	No Child Left Behind (N.C.L.B.)		Individuals with Disabilities Act		Totals
		Title I Current Yr.	Title II - Part A Current Yr.	IDEA - Part B Basic Current Yr.	IDEA - Part B Preschool Current Yr.	
REVENUES:						
State sources	\$ 330,141	\$ -	\$ -	\$ -	\$ -	\$ 330,141
Federal sources		466,109	102,130	479,418	26,362	1,074,019
Total Revenues	330,141	466,109	102,130	479,418	26,362	1,404,160
EXPENDITURES:						
Instruction:						
Salaries of teachers	168,267	284,214	79,963			532,444
General supplies		19,327				19,327
Tuition				479,418	26,362	505,780
Total instruction	168,267	303,541	79,963	479,418	26,362	1,057,551
Support services:						
Salaries of program director	6,300					6,300
Salaries of supervisor of instruction	64,595	17,102				81,697
Salaries of other professional staff	32,136					32,136
Salaries of secretarial/clerical staff	14,018					14,018
Personal services-employee benefits	44,825	140,966	22,167			207,958
Purchased prof. and educational services		4,500				4,500
Total support services	161,874	162,568	22,167			346,609
Facilities acquisition and const. serv.:						
Instructional equipment						
Non-instructional equipment						
Total facilities acquisition and const. serv.:						
Total Expenditures	330,141	466,109	102,130	479,418	26,362	1,404,160
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, 2017

School: District Wide Total

EXPENDITURES:	Budgeted	Actual	Variance
Instruction:			
Salaries of teachers	\$ 168,267	\$ 168,267	\$ -
General supplies			
Total instruction	<u>168,267</u>	<u>168,267</u>	<u>-</u>
Support Services:			
Salaries of program directors	6,300	6,300	
Salaries of supervisor of instruction	64,595	64,595	
Salaries of other professional staff	32,136	32,136	
Salaries of secretarial/clerical staff	14,018	14,018	
Employee benefits	<u>44,825</u>	<u>44,825</u>	
Total support services	<u>161,874</u>	<u>161,874</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><u>\$ 330,141</u></u>	<u><u>\$ 330,141</u></u>	<u><u>\$ -</u></u>

CALCULATION OF BUDGET AND CARRYOVER

Total Revised 2016-2017 Preschool Education Aid Allocation	\$ 330,141
Add: Actual Preschool Carryover (June 30, 2016)	
Total Preschool Education Aid Funds Available for 2016-2017	<u>330,141</u>
Less: 2016-2017 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	<u>330,141</u>
Available & Unbudgeted Preschool Education Funds as of June 30, 2017	<u>-</u>
Add: June 30, 2017 Unexpended Preschool Education Aid	<u>-</u>
2016-2017 Preschool Education Aid Carryover	<u>-</u>
2016-2017 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2017-2018	<u><u>\$ -</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, 2017

Revenues and Other Financing Sources:	
Proceeds of serial bonds	\$ -
Interest earned on investments	1,276
	<hr/>
Total revenues and other financing sources	1,276
	<hr/>
Expenditures and Other Financing (Uses):	
Purchased professional services	\$ 117,384
Construction services	4,521,744
Transfer to Debt Service Fund	1,276
	<hr/>
Total expenditures and other financing (uses)	4,640,404
	<hr/>
Excess (deficiency) or revenues over (under) expenditures	(4,639,128)
Fund Balance - July 1, 2016	<hr/> 4,807,565
Fund Balance - June 30, 2017	<hr/> <u>\$ 168,437</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, 2017

	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	\$ 117,384	\$ 430,819	\$ 430,819
Construction services		4,521,744	4,521,744	4,521,744
Equipment			-	-
Other Objects			-	-
	313,435	4,639,128	4,952,563	4,952,563
Excess (deficiency) or revenues over (under) expenditures	\$ 4,807,565	\$ (4,639,128)	\$ 168,437	\$ 168,437
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, 2017

<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	\$ 4,639,128	\$ -	\$ 168,437
		<u>\$ 5,121,000</u>	<u>\$ 313,435</u>	<u>\$ 4,639,128</u>	<u>\$ -</u>	<u>\$ 168,437</u>

Proprietary Funds
Detail Statements

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Net Position
as of June 30, 2017

	Food Service	Day Care Program	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 40,111	\$ 197,420	\$ 237,531
Accounts receivable:			
State	471		471
Federal	37,063		37,063
Other	4,353	3,789	8,142
Interfund	83,935		83,935
Inventories	17,168		17,168
Total current assets	<u>183,101</u>	<u>201,209</u>	<u>384,310</u>
Fixed assets:			
Equipment	280,292		280,292
Less accumulated depreciation	<u>(276,215)</u>		<u>(276,215)</u>
Total fixed assets	<u>4,077</u>		<u>4,077</u>
Total assets	<u>\$ 187,178</u>	<u>\$ 201,209</u>	<u>\$ 388,387</u>
LIABILITIES:			
Current liabilities:			
Interfund payable	\$ 2,118	\$ -	\$ 2,118
Accounts payable		532	532
Unearned revenue	<u>3,685</u>	<u>7,022</u>	<u>10,707</u>
Total current liabilities	<u>5,803</u>	<u>7,554</u>	<u>13,357</u>
Noncurrent liabilities:			
Compensated Absences	<u>78,235</u>	<u>4,263</u>	<u>82,498</u>
Total Noncurrent Liabilities	<u>78,235</u>	<u>4,263</u>	<u>82,498</u>
Total Liabilities	<u>84,038</u>	<u>11,817</u>	<u>95,855</u>
NET POSITION:			
Net investment in capital assets	4,077		4,077
Unrestricted	<u>99,063</u>	<u>189,392</u>	<u>288,455</u>
Total net position	<u>\$ 103,140</u>	<u>\$ 189,392</u>	<u>\$ 292,532</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds

Statement of Revenues, Expenses and Changes in Fund Net Position
for the Fiscal Year ended June 30, 2017

	Food Service	Day Care Program	Total
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs:			
School lunch program	\$ 126,016	\$ -	\$ 126,016
Total-daily sales-reimbursable programs	126,016		126,016
Daily sales non-reimbursable programs:			
Adult and AlaCarte meals	64,135		64,135
Registration Fees		412,910	412,910
Miscellaneous	3,008		3,008
Special Functions	56,555		56,555
Total operating revenue	249,714	412,910	662,624
OPERATING EXPENSES:			
Salaries	359,910	338,292	698,202
Employee benefits	220,126	32,720	252,846
Supplies and materials	27,935	24,844	52,779
Depreciation	1,489		1,489
Cost of sales - reimbursable programs	331,849		331,849
Cost of sales - non-reimbursable programs	46,316		46,316
Purchased property services	7,621		7,621
Other	11,673		11,673
Total operating expenses	1,006,919	395,856	1,402,775
Operating income (loss)	(757,205)	17,054	(740,151)
Non-operating revenues:			
State sources:			
State school lunch program	8,384		8,384
Federal sources:			
National school lunch program	397,553		397,553
School breakfast program	272,760		272,760
Snack Program	2,101		2,101
U.S.D.A. commodities	80,945		80,945
Operating transfer in			
Interest revenue	205		205
Total non-operating revenues	761,948		761,948
Change in net position	4,743	17,054	21,797
Total net position - July 1	98,397	172,338	270,735
Total net position - June 30	\$ 103,140	\$ 189,392	\$ 292,532

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Year ended June 30, 2017

	Food Service	Day Care Program	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 241,087	\$ 415,718	\$ 656,805
Cash payments to employees for services	(415,656)	(366,216)	(781,872)
Cash payments to suppliers for goods and services	(534,500)	(24,846)	(559,346)
Net cash used by operating activities	(709,069)	24,656	(684,413)
Cash flows from noncapital financing activities:			
Cash received from state and federal reimbursements	603,908		603,908
Net cash provided by noncapital financing activities	603,908		603,908
Cash flows from investing activities:			
Interest on investments	205		205
Net cash provided by investing activities	205		205
Net increase (decrease) in cash and cash equivalents	(104,956)	24,656	(80,300)
Cash and cash equivalents, July 1	145,067	172,764	317,831
Cash and cash equivalents, June 30	\$ 40,111	\$ 197,420	\$ 237,531
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (757,205)	\$ 17,054	\$ (740,151)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	1,489		1,489
Commodities	80,945		80,945
Change in assets and liabilities:			
(Increase)/decrease in accounts receivable	(1,090)	(1,751)	(2,841)
(Increase)/decrease in inventory	538		538
(Increase)/decrease in interfund receivable			-
Increase/(decrease) in accounts payable		532	532
Increase/(decrease) in unearned revenue	(7,539)	4,558	(2,981)
Increase/(decrease) in compensated absences	(26,207)	4,263	(21,944)
Net cash used by operating activities	\$ (709,069)	\$ 24,656	\$ (684,413)

LOWER TOWNSHIP SCHOOL DISTRICT
Internal Service Fund
Self-Insured Health and Prescription Plan
Statement of Net Position
as of June 30, 2017

	<u>Internal Service Fund</u>
ASSETS:	
Current assets:	
Restricted cash and cash equivalents	\$ 857,056
	<u>857,056</u>
Total current assets	<u>857,056</u>
 Total assets	 <u><u>\$ 857,056</u></u>
 LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 454,047
Reserve for medical claims	403,009
	<u>857,056</u>
Total current liabilities	<u>857,056</u>
 Net Position:	
Unrestricted	<u> </u>
 Total Net Position	 <u><u>\$ -</u></u>

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, 2017

	Internal Service Fund
OPERATING REVENUES:	
Local sources:	
Contributions	\$ 6,581,757
Total operating revenue	6,581,757
OPERATING EXPENSES:	
Employee Benefits	6,581,757
Total operating expenses	6,581,757
Operating income (loss)	_____
Net income (loss)	
Net Position - July 1	_____
Net Position - June 30	\$ -

LOWER TOWNSHIP SCHOOL DISTRICT
Internal Service Fund
Self-Insured Health and Prescription Plan
Statement of Cash Flows
for the Fiscal Year ended June 30, 2017

	Internal Service Fund
Cash flows from operating activities:	
Cash receipts from customers	\$ 6,581,757
Cash payments for medical claims	<u>(6,003,537)</u>
Net cash used by operating activities	<u>578,220</u>
Net increase (decrease) in cash and cash equivalents	578,220
Cash and cash equivalents, July 1	<u>278,836</u>
Cash and cash equivalents, June 30	<u><u>\$ 857,056</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	175,211
Increase(decrease) in reserve for medical claims	<u>403,009</u>
Net cash used by operating activities	<u><u>\$ 578,220</u></u>

Fiduciary Funds
Detail Statements

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2017

	<u>Agency Funds</u>		Unemployment Compensation Insurance Trust	<u>Total</u>
	<u>Student Activity</u>	<u>Payroll</u>		
ASSETS:				
Cash and cash equivalents	\$ 18,427	\$ 30,699	\$ 152,388	\$ 201,514
TOTAL ASSETS	<u>\$ 18,427</u>	<u>\$ 30,699</u>	<u>\$ 152,388</u>	<u>\$ 201,514</u>
LIABILITIES:				
Accounts payable		\$ 30,346	\$ 9,655	\$ 40,001
Interfund payable		353	31,231	31,584
Due to student groups	18,427			18,427
Total liabilities	<u>18,427</u>	<u>30,699</u>	<u>40,886</u>	<u>90,012</u>
NET POSITION:				
Restricted for:				
Unemployment claims			111,502	111,502
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,502</u>	<u>\$ 111,502</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
Statement of Change in Fiduciary Net Position
for the Fiscal Year ended June 30, 2017

	Unemployment Compensation Insurance Trust Fund
REVENUES:	
Local sources:	
Board contributions	\$ 40,000
Employee contributions	31,213
Interest on Investments	177
Total Revenues	71,390
EXPENDITURES:	
Current Expense:	
Undistributed expenditures:	
Unemployment payments	54,041
Total Expenditures	54,041
Change in net position	17,349
Total net position - July 1	94,153
Total net position - June 30	\$ 111,502

LOWER TOWNSHIP SCHOOL DISTRICT
Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u> <u>June 30, 2017</u>	<u>Balance</u> <u>June 30, 2017</u>
Elementary Schools - All	\$ 13,850	\$ 16,053	\$ 11,476	\$ -	\$ 18,427
Total	<u>\$ 13,850</u>	<u>\$ 16,053</u>	<u>\$ 11,476</u>	<u>\$ -</u>	<u>\$ 18,427</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Payroll Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS:				
Cash and cash equivalents	\$ 23,187	\$ 18,666,205	\$ 18,658,693	\$ 30,699
Other receivable				
Total assets	<u>\$ 23,187</u>	<u>\$ 18,666,205</u>	<u>\$ 18,658,693</u>	<u>\$ 30,699</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ -	\$ 8,156,935	\$ 8,126,589	\$ 30,346
Cash overdraft			-	
Interfund payable	23,187	353	23,187	353
Net payroll		10,508,917	10,508,917	
Total liabilities	<u>\$ 23,187</u>	<u>\$ 18,666,205</u>	<u>\$ 18,658,693</u>	<u>\$ 30,699</u>

Long-Term Debt Schedules

LOWER TOWNSHIP SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Serial Bonds
 June 30, 2017

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017
			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%				
						<u>\$ 5,121,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,121,000</u>

LOWER TOWNSHIP SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Capital Leases
 June 30, 2017

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding June 30, 2016	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2017
White Boards	2.395%	\$ 99,577	\$ 59,724	\$ -	\$ 19,439	\$ 40,285
Total			<u>\$ 59,724</u>	<u>\$ -</u>	<u>\$ 19,439</u>	<u>\$ 40,285</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 129,114	\$ -	\$ 129,114	\$ 129,114	\$ -
Miscellaneous					
Total revenues - local sources	<u>129,114</u>		<u>129,114</u>	<u>129,114</u>	
State sources:					
Debt service aid type II					
Total revenues - state sources					
Total Revenues					
EXPENDITURES:					
Regular debt service:					
Interest	129,114		129,114	120,373	8,741
Redemption of principal					
Total Expenditures	<u>129,114</u>		<u>129,114</u>	<u>120,373</u>	<u>8,741</u>
Excess (Deficiency) of revenues over (under) expenditures				8,741	8,741
Other Financing Sources (Uses):					
Operating transfer in				1,276	1,276
Total other financing sources (uses)				<u>1,276</u>	<u>1,276</u>
Net change in fund balance				10,017	10,017
Fund Balances, July 1	<u>340</u>		<u>340</u>	<u>340</u>	
Fund Balances, June 30	<u>\$ 340</u>	<u>-</u>	<u>\$ 340</u>	<u>\$ 10,357</u>	<u>\$ 10,017</u>

Statistical Section

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

Exhibit J-1

	Fiscal Year Ending June 30,		2010	2011	2012	2013	2014	2015	2016	2017
	2008	2009								
Governmental activities:										
Net Investment in capital assets	\$ 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	\$ 4,927,155
Restricted for:										
Capital projects	1	1	61,193	88,871	1	-	-	-	4,807,566	168,438
Special revenue	(101,812)	(34,033)	(34,765)	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)	(37,611)	(33,014)
Debt service	(168)	(2,938)	-	-	-	-	-	-	-	-
Other purposes	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	2,815,336
Unrestricted	(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)	(14,733,308)
Total governmental activities net position	<u>\$ 11,344,124</u>	<u>\$ 12,026,316</u>	<u>\$ 10,939,615</u>	<u>\$ 10,386,870</u>	<u>\$ 10,316,298</u>	<u>\$ 9,164,757</u>	<u>\$ 8,843,295</u>	<u>\$ (1,755,387)</u>	<u>\$ (1,587,645)</u>	<u>\$ (6,855,393)</u>
Business-type activities:										
Net Investment in capital assets	\$ 31,094	\$ 25,968	\$ 21,531	\$ 18,034	\$ 15,000	\$ 11,968	\$ 9,108	\$ 7,056	\$ 5,566	\$ 4,077
Unrestricted	117,976	257,527	404,132	325,987	350,571	312,288	278,303	275,131	265,169	288,455
Total business-type activities net position	<u>\$ 149,070</u>	<u>\$ 283,495</u>	<u>\$ 425,663</u>	<u>\$ 344,021</u>	<u>\$ 365,571</u>	<u>\$ 324,256</u>	<u>\$ 287,411</u>	<u>\$ 282,187</u>	<u>\$ 270,735</u>	<u>\$ 292,532</u>
District-wide:										
Net Investment in capital assets	\$ 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	\$ 4,931,232
Restricted:										
Capital projects	1	1	61,193	88,871	1	-	-	-	4,807,566	168,438
Special revenue	(101,812)	(34,033)	(34,765)	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)	(37,611)	(33,014)
Debt service	(168)	(2,938)	-	-	-	-	-	-	-	-
Other purposes	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	2,815,336
Unrestricted	(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)	(14,444,853)
Total district net position	<u>\$ 11,493,194</u>	<u>\$ 12,309,811</u>	<u>\$ 11,365,278</u>	<u>\$ 10,730,891</u>	<u>\$ 10,681,869</u>	<u>\$ 9,489,013</u>	<u>\$ 9,130,706</u>	<u>\$ (1,473,200)</u>	<u>\$ (1,316,910)</u>	<u>\$ (6,562,861)</u>

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 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	\$ 9,841,467
Special education	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	2,127,188
Other instruction	10,512	2,226	91,224	84,826	93,767	96,038	51,977	65,696	56,246	160,031
Support Services:										
Tuition	247,578	472,665	449,787	331,532	508,575	466,502	1,049,973	1,154,510	897,749	922,182
Student & instruction related services	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	3,063,764
School administrative services	794,739	848,452	883,487	879,408	922,528	932,592	897,008	882,873	895,451	754,045
General and business administrative services	779,555	807,776	808,646	595,880	630,621	726,870	801,466	770,720	821,459	836,568
Plant operations and maintenance	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	6,947,278
Pupil transportation	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	1,198,539
Unallocated employee benefits	7,028,477	6,123,656	6,726,801	7,222,560	7,666,662	9,362,514	9,044,216	8,956,103	9,002,976	10,848,731
Interest on long-term debt	105,601	67,956	33,353						28,417	123,726
Unallocated depreciation	24,651	21,728	23,122	23,465	2,309	22,968	23,315	27,234	30,413	34,917
Total governmental activities expenses	<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>29,877,886</u>	<u>30,760,588</u>	<u>36,858,436</u>
Business-type activities:										
After-school program	333,869	352,947	336,113	314,208	285,435	280,687	306,728	338,318	371,862	395,856
Food service	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	1,006,919
Internal service fund	-	-	-	-	-	-	-	-	5,874,547	6,581,757
Total business-type activities expense	<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>	<u>7,984,532</u>
Total district expenses	<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>	<u>\$ 44,842,968</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,018	\$ 72,516	\$ 58,912	\$ -	\$ -
Operating grants and contributions	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	4,422,074
Total governmental activities program revenues	<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>	<u>4,422,074</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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services:										
After-school program	\$ 296,648	\$ 367,080	\$ 322,827	\$ 303,179	\$ 321,536	\$ 309,628	\$ 327,699	\$ 395,383	\$ 388,785	\$ 412,910
Food service	394,997	408,825	406,152	363,675	355,887	325,893	255,770	261,627	241,342	249,714
Internal service fund									5,874,547	6,581,757
Operating grants and contributions	584,316	678,235	732,403	697,275	748,186	774,807	794,911	787,875	775,868	761,743
Capital grants and contributions										
Total business type activities program revenues	<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>	<u>8,006,124</u>
Total district program revenues	<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>	<u>\$ 12,428,198</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (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)	\$ (32,436,362)
Business-type activities	(212,134)	(37,028)	(29,404)	(82,635)	21,167	(41,448)	(36,945)	(5,324)	(11,532)	21,592
Total district-wide net expense	<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>	<u>\$ (32,414,770)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 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	\$ 16,643,631
Taxes levied for debt service	474,410	470,775	472,801							129,114
Unrestricted grants and contributions	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	10,366,506
Tuition	39,737	26,299	37,015	35,869	19,971	-			34,062	15,593
Investment earnings	127,189	67,208	25,595							
Miscellaneous income	174,864	33,397	83,147	82,233	182,353	75,262	86,495	6,417	94,266	13,770
Loss on Disposal of Capital Assets										
Transfers	(200,327)	(169,702)	(170,000)							
Total governmental activities	<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>	<u>27,168,614</u>
Business-type activities:										
Investment earnings	2,200	1,751	1,572	993	383	133	100	100	80	205
Miscellaneous income										
Loss on Disposal of Capital Assets										
Transfers	200,327	169,702	170,000							
Total business-type activities	<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>	<u>205</u>
Total district-wide	<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>	<u>\$ 27,168,819</u>
Change in Net Position:										
Governmental activities	\$ (569,547)	\$ 682,192	\$ (1,086,701)	\$ (552,745)	\$ (70,572)	\$ (1,151,541)	\$ (321,462)	\$ 162,083	\$ 167,742	\$ (5,267,748)
Business-type activities	(9,607)	134,425	142,168	(81,642)	21,550	(41,315)	(36,845)	(5,224)	(11,452)	21,797
Total district-wide	<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>	<u>\$ (5,245,951)</u>

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

Exhibit J-3

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved for:										
Encumbrances	\$ 30,194	\$ 6,592	\$ 23,368	\$ 6,187	\$ 7,239	\$ 7,090	\$ 36,944	\$ 140,792	\$ 10,544	\$ 454,505
Maintenance reserve	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	1,156,000
Capital reserve	1	1	1	1	1	1	1	1	1	1
Excess surplus	681,254	514,138	323,150	507,648	407,534	183,633	154,300	164,441	604,902	575,089
Excess surplus - designated for subsequent years expenditures	503,827	681,254	514,138	323,150	507,648	407,534	183,633	154,300	164,441	604,902
Unreserved - designated for subsequent years expenditures	196,642	1,066,800	200,000	200,000	263,638			53,625	38,611	14,483
Unreserved	59,565	(470,872)	(476,683)	(371,239)	(386,982)	(422,587)	(382,627)	(400,563)	(361,376)	(350,134)
Total general fund	<u>\$ 2,763,729</u>	<u>\$ 3,090,159</u>	<u>\$ 1,876,220</u>	<u>\$ 1,957,993</u>	<u>\$ 2,091,324</u>	<u>\$ 1,267,917</u>	<u>\$ 784,497</u>	<u>\$ 1,104,842</u>	<u>\$ 1,756,123</u>	<u>\$ 2,454,846</u>
All Other Governmental Funds										
Reserved:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,261,640	\$ 28,798
Unreserved, reported in:										
Special revenue fund	(101,812)	(34,033)	(34,765)	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)	(37,611)	(33,014)
Capital projects fund			125,532	88,870					545,925	139,639
Debt service fund	1,832	94	-	-	-	-	-	-	340	10,357
Total all other governmental funds	<u>\$ (99,980)</u>	<u>\$ (33,939)</u>	<u>\$ 90,767</u>	<u>\$ 49,310</u>	<u>\$ (34,366)</u>	<u>\$ (36,241)</u>	<u>\$ (37,193)</u>	<u>\$ (37,193)</u>	<u>\$ 4,770,294</u>	<u>\$ 145,780</u>

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

Exhibit J-4

	Fiscal Year Ending June 30,		2010	2011	2012	2013	2014	2015	2016	2017
	2008	2009								
Revenues										
Tax levy	\$ 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	\$ 16,772,745
Tuition charges	39,737	26,299	37,015	35,869	19,971	52,286	39,381	58,912	34,062	15,593
Transportation charges						44,732	33,135			
Interest earnings	127,189	67,208	25,595							
Miscellaneous	176,339	35,397	89,144	82,233	183,853	75,761	86,995	7,399	94,691	13,770
State sources	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	13,698,355
Federal sources	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	1,090,225
Total revenue	28,298,612	27,615,018	28,679,514	26,950,192	28,400,676	28,986,125	29,083,592	30,039,971	30,928,330	31,590,688
Expenditures										
Instruction										
Regular Instruction	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	9,168,499
Special education instruction	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	2,127,188
Other special instruction	10,512	2,226	91,224	84,826	93,767	96,038	51,977	65,696	56,246	160,031
Other instruction										
Support Services:										
Tuition	247,578	472,665	449,787	331,532	508,575	466,502	1,049,973	1,154,510	897,749	922,182
Student & instruction related services	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	3,063,764
School administrative services	745,437	807,776	837,244	832,478	876,511	886,656	850,379	828,405	834,626	754,045
General and business admin. services	779,555	804,996	808,646	595,880	630,621	726,870	801,466	770,720	821,459	766,735
Plant operations and maintenance	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	2,737,570
Pupil transportation	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	1,198,539
Other support services	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	9,627,036
Capital outlay	386,373	179,371	1,222,540	72,856	148,285	52,754	179,613	323,862	479,437	4,870,517
Debt service:										
Principal	590,000	620,000	655,000							
Interest and other charges	103,601	70,827	36,386							120,373
Total expenditures	28,063,227	27,052,845	29,598,747	26,909,876	28,315,473	29,811,407	29,567,964	29,819,203	30,590,562	35,516,479
Excess (Deficiency) of revenues over (under) expenditures	235,385	562,173	(919,233)	40,316	85,203	(825,282)	(484,372)	220,768	337,768	(3,925,791)
Other Financing sources (uses)										
Cancelled SDA Grant	-	-	-	-	(35,548)	-	-	-	-	-
Proceeds of Borrowing	-	-	-	-	-	-	-	99,577	5,121,000	-
Transfers in	-	-	766,800						340	1,276
Transfers out	(200,327)	(169,702)	(936,800)						(340)	(1,276)
Total other financing sources (uses)	(200,327)	(169,702)	(170,000)	-	(35,548)	-	-	99,577	5,121,000	-
Net change in fund balances	\$ 35,058	\$ 392,471	\$ (1,089,233)	\$ 40,316	\$ 49,655	\$ (825,282)	\$ (484,372)	\$ 320,345	\$ 5,458,768	\$ (3,925,791)
Debt service as a percentage of noncapital expenditures	2.51%	2.57%	2.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%
Source: District records										
Note: Noncapital expenditures are total expenditures less capital outlay.										

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

Exhibit J-5

<u>Fiscal Year 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>
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
2017	6,403	15,593	135	807		4,366		2,059	29,363
	<u>\$ 245,233</u>	<u>\$ 351,571</u>	<u>\$ 177,746</u>	<u>\$ 289,441</u>	<u>\$ 306,120</u>	<u>\$ 89,787</u>	<u>\$ 2,775</u>	<u>\$ 26,581</u>	<u>\$ 1,489,254</u>

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Source: District records

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

Township of Lower

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm 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
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
2017	64,279,700	3,274,539,000	5,413,000	595,500	264,828,800		11,432,200	3,621,088,200	4,172,271	3,625,260,471	233,773,100	0.466	3,802,011,213

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	
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
2017	0.462	0.004	0.466	0.574	0.381	0.276	1.697

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	2017	
	Taxable Assessed Value	% of Total District Net Assessed Value
Sun Lake Laurie RV, Inc	\$ 17,300,000	0.48%
Harbortown Resort Marina	15,617,300	0.43%
Achristavest Pier 6600, LLC	12,696,700	0.35%
Jenlo Corp. & Harlo Inc	11,700,000	0.32%
Shaw Limited Partnership	10,101,400	0.28%
Bayshore Mall, LLC	8,512,700	0.23%
Beachcomber Campground, Inc	6,749,100	0.19%
Cape Island Associates	6,000,000	0.17%
FC-GEN Real Estate, LLC	6,000,000	0.17%
Ghannels Apts @ NY Comm	6,000,000	0.17%
Total	\$ 100,677,200	2.78%

Taxpayer	2008	
	Taxable Assessed Value	% of Total District Net Assessed Value
Achristavest, LLC	\$ 12,600,000	0.27%
Bayshore May	5,500,000	0.12%
Victoria Health Corp.	4,537,500	0.10%
North Cape Convalescent Center	3,900,000	0.08%
Ponderlodge	3,644,500	0.08%
Snows/Doxsee, Inc.	3,591,000	0.08%
Harbortown Resort Marina, Inc.	3,435,300	0.07%
Shaw Limited Partnership	3,229,400	0.07%
Channels Apartments	3,100,000	0.07%
Cold Spring Fish & Supply Co., Inc	2,762,500	0.06%
Total	\$ 46,300,200	3.04%

Source: Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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%	-
2017	16,545,016	16,545,016	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		
2008	\$ -	\$ -	\$ 1,275,000	\$ -	\$ -	\$ 1,275,000	0.15%	\$ 63
2009			655,000	-	-	655,000	0.07%	32
2010			-	-	-	-	-	-
2011			-	-	-	-	-	-
2012			-	-	-	-	-	-
2013			-	-	-	-	-	-
2014			-	-	-	-	-	-
2015			78,708	-	-	78,708	0.01%	3.56
2016	5,121,000		59,724	-	-	5,180,724	c	235.41
2017	5,121,000		40,285	-	-	5,161,285	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		
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%	233
2017	5,121,000	-	5,121,000	0.14%	c

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.

c Not available.

**Lower Township School District
Ratios of Overlapping Governmental Activities Debt
As of December 31, 2016**

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	\$ 19,411,552	100.000%	\$ 19,411,552
Cape May County General Obligation Debt	226,540,860	7.933%	17,971,486
Lower Cape May Regional School District Debt	10,462,000	53.929%	<u>5,642,128</u>
Subtotal, overlapping debt			43,025,166
Lower Township School District Direct Debt			<u>5,121,000</u>
Total direct and overlapping debt			<u><u>\$ 48,146,166</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 2017

	Equalized valuation basis	
	2014	\$ 3,698,337,895
	2015	3,758,142,246
	2016	<u>3,777,337,204</u>
	[A]	<u>\$ 11,233,817,345</u>
Average equalized valuation of taxable property	[A/3]	\$ 3,744,605,782
Debt limit (2.5% of average equalized valuation)	[B]	93,615,145 ^a
Net bonded school debt	[C]	<u>5,121,000</u>
Legal debt margin	[B-C]	<u>\$ 88,494,145</u>

Fiscal Year

	<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>	<u>2017</u>
Debt limit	\$ 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	\$ 93,615,145
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,121,000</u>	<u>5,121,000</u>
Legal debt margin	<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>	<u>\$ 88,494,145</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%	5.83%	5.47%

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

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

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
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	1,179,461,625	53,309	11.10%
2016	22,007	e	e	10.10%
2017	e	e	e	e

Source:

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

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

Exhibit J-16

Function/Program	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Instruction										
Regular	112	112	112	112	112	114	114	114	114	116
Special education	30	30	30	29	29	25	25	25	25	27
Other special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Nonpublic school programs	-	-	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services:										
Student & instruction related services	38	38	38	38	38	36	36	36	36	40
School administrative services	12	12	12	12	12	8	9	9	9	15
General and business administrative services	2	2	2	2	2	2	2	2	2	2
Plant operations and maintenance	26	26	25	22	22	24	22	22	22	26
Pupil transportation	20	20	20	20	20	17	18	18	18	18
Business and other support services	4	4	4	4	4	4	4	4	4	4
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	14	14	13	14	14	11	11	11	11	12
Child Care	2	2	2	2	2	2	2	2	2	2
Total	260	260	258	255	255	243	243	243	243	262

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	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff ^b	Elementary				
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	1:12	1,725	1,640	-3.52%	95.07%
2017	1,697	30,525,589	17,988	6.45%	143	1:12	1,666	1,585	-3.42%	95.14%

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
District Building										
<u>Elementary</u>										
Charles W Sandman Consolidated (1929)										
Square Feet	61,711	61,711	61,711	61,711	61,711	61,711	61,711	61,711	61,711	61,711
Capacity (students)	581	581	581	581	581	581	581	581	581	581
Enrollment	480	505	517	500	475	479	474	443	455	431
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	488	477	467	485	476	436	448	439	439	452
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	425	417	442	427	426	456	447	424	387	375
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	444	458	459	436	451	440	456	482	444	409
<u>Other</u>										
Central Administration (1938)										
Square Feet	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		
Transportation(1999)										
Square Feet	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880		
Curriculum Trailer (1995)										
Square Feet	938	938								
Special Programs Trailer (1986)										
Square Feet	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

* School Facilities	Fiscal Year Ending June 30,		2010	2011	2012	2013	2014	2015	2016	2017	Total
	2008	2009									
Sandman Consolidated School	\$ 111,112	\$ 106,353	\$ 115,268	\$ 133,919	\$ 140,626	\$ 142,682	\$ 168,227	\$ 176,157	\$ 172,866	\$ 212,553	\$ 1,479,763
Maud Abrams School	106,997	102,414	110,998	128,959	135,418	137,397	161,996	169,633	166,463	204,681	1,424,956
Carl T. Mitnick School	69,959	66,963	72,576	148,799	156,251	158,535	186,919	195,731	192,073	236,171	1,483,977
Memorial School	123,457	118,170	128,075	84,319	88,543	89,837	105,920	110,914	108,841	133,830	1,091,906
Total School Facilities	<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>\$ 787,235</u>	<u>\$ 5,480,602</u>

**Lower Township School District
Insurance Schedule
June 30, 2017**

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	\$ 175,000,000	\$ 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

INVERSO & STEWART, LLC
 Certified Public Accountants

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 American Institute of CPAs
 New Jersey Society of CPAs

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT
 ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
 UNIFORM GUIDANCE AND STATE OF NEW JERSEY CIRCULAR 15-08-OMB**

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's (School District), in the County of Cape May, State of New Jersey compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major federal and state programs for the fiscal year ended June 30, 2017. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and State of New Jersey Circular 15-08-OMB 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 or state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as 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, 2017.

Report on Internal Control Over Compliance

Management of the Lower Township School District, in the County of Cape May, State of New Jersey, 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 or 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 or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Circular 15-08-OMB, 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 State of New Jersey Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

INVERSO & STEWART, LLC

Certified Public Accountants



Robert P. Inverso

Certified Public Accountant

Public School Accountant No. CS001095

Marlton, New Jersey
October 24, 2017

LOWER TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2017

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, 2016			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2017									
						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 (SEMI)	93.778	1705NJ5MAP	N/A	\$ 110,233	7/1/16 - 6/30/17	\$ -	\$ -	\$ -	\$ -	\$ 110,233	\$ (110,233)	\$ -	\$ -	\$ -	\$ -							
Medical Assistance Program (SEMI)	93.778	1605NJ5MAP	N/A	104,770	7/1/15 - 6/30/16	(38,215)				38,215												
ARRA - Medical Assistance Program (SEMI)	93.778	1705NJ5MAP	N/A	9,241	4/1/09 - 12/31/09					9,241	(9,241)											
Total General Fund						(38,215)				157,689	(119,474)											
U.S. Department of Education																						
Special Revenue Fund:																						
No Child Left Behind (N.C.L.B.)																						
Title I	84.010A	S010A160030	NCLB-2840-17	482,849	7/1/16 - 6/30/17					280,001	(466,109)		(186,108)									
Title I	84.010A	S010A150030	NCLB-2840-16	439,285	7/1/15 - 6/30/16	(287,448)				287,448												
Title II - Part A	84.367A	S367A160029	NCLB-2840-17	102,130	7/1/16 - 6/30/17					72,950	(102,130)		(29,180)									
Title II - Part A	84.367A	S367A150029	NCLB-2840-16	107,228	7/1/15 - 6/30/16	(55,214)				55,214												
Individuals With Disabilities Act (I.D.E.A.)																						
Part B - Basic	84.027	H027A160100	IDEA-2840-17	479,418	7/1/16 - 6/30/17					479,418	(479,418)											
Part B - Preschool	84.173	H173A160114	IDEA-2840-17	26,362	7/1/16 - 6/30/17					26,362	(26,362)											
Total Special Revenue Fund						(342,662)	-	-	-	1,201,393	(1,074,019)	-	(215,288)									
U.S. Department of Agriculture																						
Enterprise Fund:																						
Food Distribution Program	10.565	171NJ304N1099	N/A	80,945	7/1/16 - 6/30/17					80,945	(80,945)											
National School Lunch Program	10.555	171NJ304N1099	N/A	397,553	7/1/16 - 6/30/17					375,446	(397,553)		(22,107)									
National School Lunch Program	10.555	16161NJ304N1099	N/A	402,164	7/1/15 - 6/30/16	(25,335)				25,335												
School Breakfast Program	10.553	171NJ304N1099	N/A	272,760	7/1/16 - 6/30/17					257,853	(272,760)		(14,907)									
School Breakfast Program	10.553	16161NJ304N1099	N/A	278,880	7/1/15 - 6/30/16	(18,565)				18,565												
After School Snack Program	10.555	171NJ304N1099	N/A	2,101	7/1/16 - 6/30/17					2,052	(2,101)		(49)									
After School Snack Program	10.555	16161NJ304N1099	N/A	2,437	7/1/15 - 6/30/16	(114)				114												
Total Enterprise Fund						(44,014)				760,310	(753,359)		(37,063)									
Total Federal Awards						\$ (424,891)	\$ -	\$ -	\$ -	\$ 2,119,392	\$ (1,946,852)	\$ -	\$ (252,351)	\$ -	\$ -							

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, 2017

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2016			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Years' Balances	June 30, 2017		
				Accounts Receivable	Deferred Revenue	Due to Grantor at						Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education														
General Fund:														
Equalization Aid	17-495-034-5120-078	\$ 5,202,298	7/1/16 - 6/30/17	\$ -	\$ -	\$ -	\$ -	\$ 4,730,493	\$ (5,202,298)	\$ -	\$ -	\$ (471,805)	\$ -	\$ -
Equalization Aid	16-495-034-5120-078	5,202,298	7/1/15 - 6/30/16	(472,394)				472,394						
School Choice Aid	17-495-034-5120-068	796,248	7/1/16 - 6/30/17					724,035	(796,248)			(72,213)		
School Choice Aid	16-495-034-5120-068	796,248	7/1/15 - 6/30/16	(72,303)				72,303						
Transportation Aid	17-495-034-5120-014	764,271	7/1/16 - 6/30/17					694,958	(764,271)			(69,313)		
Transportation Aid	16-495-034-5120-014	764,271	7/1/15 - 6/30/16	(69,400)				69,400						
Special Education Categorical Aid	17-495-034-5120-089	888,970	7/1/16 - 6/30/17					808,348	(888,970)			(80,622)		
Special Education Categorical Aid	16-495-034-5120-089	888,970	7/1/15 - 6/30/16	(80,723)				80,723						
Security Aid	17-495-034-5120-084	446,178	7/1/16 - 6/30/17					405,713	(446,178)			(40,465)		
Security Aid	16-495-034-5120-084	446,178	7/1/15 - 6/30/17	(40,515)				40,515						
Adjustment Aid	17-495-034-5120-085	2,030,412	7/1/16 - 6/30/17					1,846,271	(2,030,412)			(184,141)		
Adjustment Aid	16-495-034-5120-085	2,030,412	7/1/15 - 6/30/16	(184,371)				184,371						
PARCC Readiness Aid	17-495-034-5120-098	16,460	7/1/16 - 6/30/17					14,967	(16,460)			(1,493)		
PARCC Readiness Aid	16-495-034-5120-098	16,460	7/1/15 - 6/30/16	(1,495)				1,495						
Per Pupil Growth Aid	17-495-034-5120-097	16,460	7/1/16 - 6/30/17					14,967	(16,460)			(1,493)		
Per Pupil Growth Aid	16-495-034-5120-097	16,460	7/1/15 - 6/30/16	(1,495)				1,495						
Professional Learning Community Aid	17-495-034-5120-101	15,850	7/1/16 - 6/30/17					14,413	(15,850)			(1,437)		
Non Public Transportation Aid	17-04103190	10,614	7/1/16 - 6/30/17						(10,614)			(10,614)		
Non Public Transportation Aid	16-04103190	7,761	7/1/15 - 6/30/16	(1,566)				1,566						
Homeless Tuition Aid	17-495-034-5120-005	19,424	7/1/16 - 6/30/17						(19,424)			(19,424)		
Extraordinary Aid	17-495-034-5120-044	35,536	7/1/16 - 6/30/17						(35,536)			(35,536)		
Extraordinary Aid	16-495-034-5120-044	37,723	7/1/15 - 6/30/16	(37,723)				37,723						
On Behalf TPAF Pension	17-495-034-5094-002	1,265,925	7/1/16 - 6/30/17					1,265,925	(1,265,925)					
On Behalf TPAF Medical	17-495-034-5094-001	1,054,803	7/1/16 - 6/30/17					1,054,803	(1,054,803)					
On Behalf TPAF LTDI	17-495-034-5094-004	2,284	7/1/16 - 6/30/17					2,284	(2,284)					
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	798,170	7/1/16 - 6/30/17					758,819	(798,170)			(39,351)		
Total General Fund				(961,985)				13,297,981	(13,363,903)			(1,027,907)		
Special Revenue Fund:														
Preschool Education Aid	17-495-034-5120-086	330,141	7/1/16 - 6/30/17					297,127	(330,141)			(33,014)		
Preschool Education Aid	16-495-034-5120-086	376,110	7/1/15 - 6/30/16	(37,611)				37,611						
Total Special Revenue Fund				(37,611)				334,738	(330,141)			(33,014)		
State Department of Agriculture														
Enterprise Fund:														
State School Lunch Program	17-100-010-3350-023	8,384	7/1/16 - 6/30/17					7,913	(8,384)			(471)		
State School Lunch Program	16-100-010-3350-023	9,068	7/1/15 - 6/30/16	(565)				565						
Total Enterprise Fund				(565)				8,478	(8,384)			(471)		
Total State Financial Assistance				\$ (1,000,161)	\$ -	\$ -	\$ -	\$ 13,641,197	\$ (13,702,428)	\$ -	\$ -	\$ (1,061,392)	\$ -	\$ -
Less: State Financial Assistance Not Subject to Major Program Determination:														
On-Behalf TPAF Contribution - Pension (Non-Budgeted) (1,265,925)														
On-Behalf TPAF Contribution - Post Retirement Medical (Non-Budgeted) (1,054,803)														
On-Behalf TPAF Contribution - Long Term Disability (Non-Budgeted) (2,284)														
Total State Financial Assistance Subject to Major Program Determination \$ (11,379,416)														

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, 2017**

I. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Lower Township School District ("School District"). The School District is defined in Note 1 to the School District's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, 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*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The school district has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 more 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 (\$286) in the general fund and (\$98,671) in 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.

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 119,474	\$ 13,363,617	\$ 13,483,091
Special Revenue Fund	970,751	334,738	1,305,489
Food Service Fund	<u>753,359</u>	<u>8,384</u>	<u>761,743</u>
Total Awards & Financial Assistance	<u>\$ 1,843,584</u>	<u>\$ 13,706,739</u>	<u>\$ 15,550,323</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, 2017
(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, 2017. 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, 2017.

6. MAJOR PROGRAMS

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

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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? yes X none reported

Noncompliance material to basic financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

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

2) Significant deficiencies identified? yes X none reported

Type of auditor's report on compliance for major programs: 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>171NJ304N1099</u>	<u>National School Lunch Program</u>
<u>10.555</u>	<u>171NJ304N1099</u>	<u>After School Snack Program</u>
<u>10.553</u>	<u>171NJ304N1099</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 SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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>17-495-034-5120-078</u>	State Aid Public Cluster: <u>Equalization Aid</u>
<u>17-495-034-5120-068</u>	<u>School Choice Aid</u>
<u>17-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>17-495-034-5120-084</u>	<u>Security Aid</u>
<u>17-495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>17-495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>17-495-034-5120-098</u>	<u>PARCC Readiness</u>
<u>17-495-034-5120-101</u>	<u>Professional Learning Community Aid</u>
<u>17-495-034-5120-014</u>	<u>Transportation Aid</u>
<u>17-495-034-5094-003</u>	<u>Reimbursed TPAF Social Security Contributions</u>
<u>17-100-010-3350-023</u>	<u>State School Lunch Program</u>

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section 2 -- Schedule of Financial Statement Findings

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

No findings identified.

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by 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 Circular 15-08-OMB.

FEDERAL AWARDS:

No findings and/or questioned costs identified.

STATE AWARDS:

No findings and/or questioned costs identified.

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

This section identifies the status of prior year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, 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 Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings.

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

Finding #2016-001

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

Current Status

The finding has been corrected.