

**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, 2018**

Comprehensive Annual Financial Report

of the

Township of Lower Board of Education

Cape May, New Jersey

For the Fiscal Year Ended June 30, 2018

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

LOWER TOWNSHIP SCHOOL DISTRICT

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Introductory Section

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Grades 5 - 6
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Fax: (609) 884-9412

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BOARD OFFICE**

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Grades 3 - 4
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Cape May, NJ 08204
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Carl T. Mitnick
Grades 1 - 2
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Cape May, NJ 08204
Telephone: (609) 884-9470
Fax: (609) 884-9481

January 31, 2019

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, 2018 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 2017-2018 fiscal year with an enrollment of 1,657 students (June 2018). 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>
2017-18	1,657	-0.54%
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%

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 INITIATIVES:

During the 2017-2018 school year major initiatives included:

- Implementation of grade K-5 New Jersey Student Learning Standards- Science aligned Knowing Science 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 wrote the curriculum and pacing guides throughout the school year.
- 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.
- K-6 professional development was offered during the summer to provide further support in our writing program.
- The district purchased subscriptions to Moby Max, an online suite of educational resources for Maud Abrams and Sandman school. Splash math was piloted at the Mitnick School
- Grades 1 and 2 continued a morning tutoring program for reading and math at the Mitnick School. Grades 3 and 4 provided an after school reading and math tutoring program at the Maud Abrams School. Title III funds were allocated to provide a before and after school tutoring program for English Language Learners.
- Selected teachers working with English Language Learners completed SIOP training.
- Grades 1, 2, and 6 began a Basic Skills Push-in math program.
- Enhanced security cameras at Maud Abrams.

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, 2018.

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 2. The District has adopted a cash management plan which requires it to deposit public funds in the New Jersey Cash

Management Fund or in public depositories protected from loss under the provisions of the Government Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

7. CASH MANAGEMENT (CONTINUED):

The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8. RISK MANAGEMENT:

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

9. OTHER INFORMATION:

- a. **Independent Audit** – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart, LLC, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations, cost principles, and audit requirements for federal awards (uniform guidance); and State of New Jersey Circular OMB15-08. This auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit sections of this report.

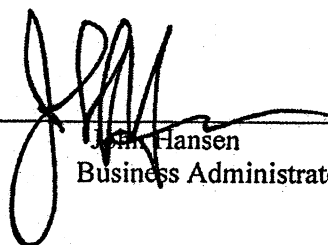
10. ACKNOWLEDGEMENTS:

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

Respectfully submitted,

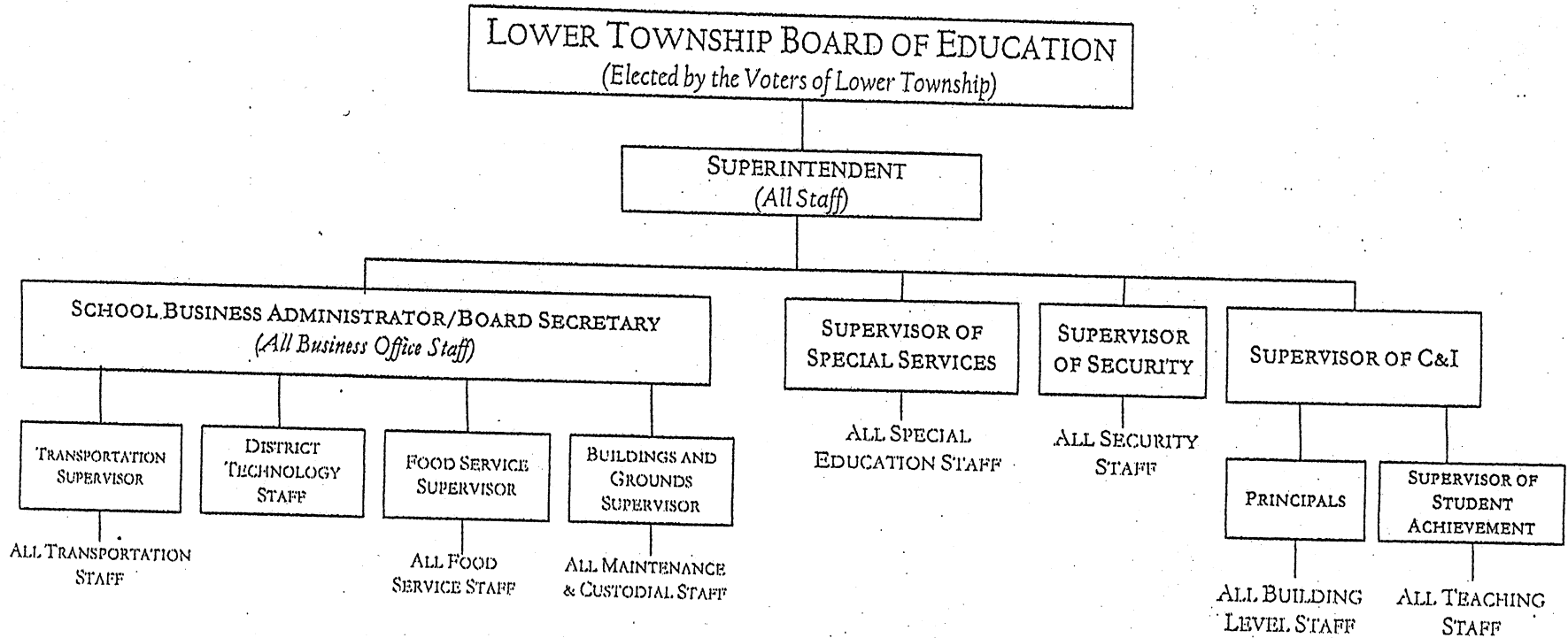


Jeff Samaniego
Superintendent



John Hansen
Business Administrator

ORGANIZATIONAL CHART



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

**ROSTER OF OFFICIALS
JUNE 30, 2018**

	<u>Term Expires</u>
Gary Douglass, President	2020
Patricia Smith, Vice-President	2020
Monica M. DiVito	2018
Stephen Lewis	2018
Joseph McKenna	2019
Joseph Thomas	2019
Charles P. Utsch	2019
Jonathan M. Vile	2020
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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Attorney

John B. Comegno
Comegno Law Group
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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, 2018, 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, 2018, 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, schedule of the State's proportionate share of the net OPEB liability associated with the School District and changes in the total OPEB liability and related ratios 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, and statistical section 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.

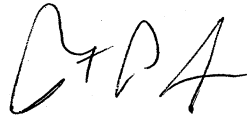
The accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records 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 January 31, 2019 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
January 31, 2019

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

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
 of the Board of Education
 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, 2018, 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 January 31, 2019.

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

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
January 31, 2019

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, 2018**

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, 2018. 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 \$6,457,951 (*net position*).
- Governmental activities have an unrestricted net position deficit of \$14,760,486. 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 increased by \$104,910, or a 1.60% increase from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds increased by \$1,650,117 resulting in an ending fund balance of \$4,250,743. 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 \$2,269,455.
- The School District's long-term obligations increased by \$1,906,876 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 2019. 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 3,435,758 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's public school students. Net position of \$1,666,128 has been restricted to provide resources for future capital expansion and renovation projects, \$1,299,137 has been restricted for maintenance projects, \$10,237 has been reserved for future debt service, deficit unrestricted balance of \$35,104 for Special Revenue Fund, deficit unrestricted balance of \$14,760,486, and \$1,654,297 has been restricted for budget appropriation.

As mentioned earlier, deficit unrestricted net position are primarily due to the accounting treatment for compensated absences payable, pension liability, 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, 2018 and 2017**

	Governmental Activities		Business-Type Activities		District-Wide	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current assets	\$ 6,033,151	\$ 2,980,423	\$ 1,375,227	\$ 1,239,248	\$ 7,408,378	\$ 4,219,671
Capital assets	10,316,139	10,088,440	2,525	4,077	10,318,664	10,092,517
Total assets	16,349,290	13,068,863	1,377,752	1,243,325	17,727,042	14,312,188
Deferred Outflows of Resources	3,212,311	4,499,751			3,212,311	4,499,751
LIABILITIES						
Current liabilities	2,650,881	1,262,153	1,007,768	900,267	3,658,649	2,162,420
Noncurrent liabilities	20,384,881	22,248,911	97,902	50,526	20,482,783	22,299,437
Total liabilities	23,035,762	23,511,064	1,105,670	950,793	24,141,432	24,461,857
Deferred Inflows of Resources	3,255,872	912,943			3,255,872	912,943
Net Position	\$ (6,730,033)	\$ (6,855,393)	\$ 272,082	\$ 292,532	\$ (6,457,951)	\$ (6,562,861)
Net Position Consists of:						
Net investment in						
Capital Assets	\$ 3,435,758	\$ 4,927,155	\$ 2,525	\$ 4,077	\$ 3,438,283	\$ 4,931,232
Restricted Assets	4,594,695	2,950,760			4,594,695	2,950,760
Unrestricted Assets	(14,760,486)	(14,733,308)	269,557	288,455	(14,490,929)	(14,444,853)
Net Position	\$ (6,730,033)	\$ (6,855,393)	\$ 272,082	\$ 292,532	\$ (6,457,951)	\$ (6,562,861)

Lower Township School District
Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		District-Wide	
	2018	2017	2018	2017	2018	2017
Revenues:						
Charges for services	\$ -	\$ -	\$ 6,196,653	\$ 7,244,381	\$ 6,196,653	\$ 7,244,381
Operating Grants and contributions	15,668,092	4,422,074	711,546	761,743	16,379,638	5,183,817
Property taxes	16,960,565	16,772,745			16,960,565	16,772,745
State aid - unrestricted	10,181,719	10,366,506			10,181,719	10,366,506
Other revenues	338,148	29,363	169	205	338,317	29,568
Total Revenues	43,148,524	31,590,688	6,908,368	8,006,329	50,056,892	39,597,017
Expenses:						
Governmental Activities:						
Instruction	12,054,411	12,128,686			12,054,411	12,128,686
Tuition	703,106	922,182			703,106	922,182
Related Services	3,090,764	3,063,764			3,090,764	3,063,764
Administrative Services	1,249,994	1,236,437			1,249,994	1,236,437
Central Services	309,413	354,176			309,413	354,176
Operations and Maintenance	4,623,372	6,947,278			4,623,372	6,947,278
Transportation	1,093,784	1,198,539			1,093,784	1,198,539
Employee benefits	19,735,507	10,848,731			19,735,507	10,848,731
Interest on debt	126,280	123,726			126,280	
Other	36,533	34,917			36,533	34,917
Business-Type Activities:						
Food Service			1,017,055	1,006,919	1,017,055	1,006,919
Day Care Program			386,705	395,856	386,705	395,856
Internal Service			5,525,058	6,581,757	5,525,058	
Total Expenses	43,023,164	36,858,436	6,928,818	7,984,532	49,951,982	38,137,485
Increase (Decrease) in Net Position before transfers	125,360	(5,267,748)	(20,450)	21,797	104,910	(5,245,951)
Adjustment to fixed assets						
Transfers						
Change in Net Position	125,360	(5,267,748)	(20,450)	21,797	104,910	(5,245,951)
Net Position, July 1	(6,855,393)	(1,587,645)	292,532	270,735	(6,562,861)	(1,316,910)
Net Position, June 30	<u>\$ (6,730,033)</u>	<u>\$ (6,855,393)</u>	<u>\$ 272,082</u>	<u>\$ 292,532</u>	<u>\$ (6,457,951)</u>	<u>\$ (6,562,861)</u>

Governmental Activities

Governmental activities increased the net position of the School District by \$125,360 during the current fiscal year. Key elements of the increase in net position for governmental activities are as follows:

- Capital additions less depreciation expense increased the net position by \$227,699.
- Compensated absences increased by \$56,222.
- Results of operations in the Governmental Funds increased the net position by \$1,650,117.
- Long term Debt decreased the net position by \$1,719,096.

Business-type Activities

Business-type activities decreased the School District's net position by \$20,450. Key elements of the increase in net position for business-type activities are as follows:

- The Food Service Fund had a net loss of \$62,044 and the Day Care Program had a net gain of \$41,594.

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 \$4,250,743, 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 18 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, 2018, totaled \$10,318,664 (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 \$226,147 or a 2.19% increase. The increase is due to acquisitions less current year depreciation.

Capital Asset (net of accumulated depreciation) June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		District-Wide	
	2018	2017	2018	2017	2018	2017
Land	\$ 80,045	\$ 80,045	\$ -	\$ -	\$ 80,045	\$ 80,045
Const. in Progress					-	-
Building and Building Improvements	8,682,739	8,621,939			8,682,739	8,621,939
Equipment	1,553,355	1,386,456	2,525	4,077	1,555,880	1,390,533
Net Assets	\$ 10,316,139	\$ 10,088,440	\$ 2,525	\$ 4,077	\$ 10,318,664	\$ 10,092,517

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, 2018, the School District had \$4,961,000 in serial bonds payable, \$2,136,814 in compensated absences, \$1,919,381 in capital leases payable, and \$11,706,755 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 \$95,169,587. The available amount as of June 30, 2018 is \$90,208,587.

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 2018-19 fiscal year.

For 2018-19 fiscal year the School District is anticipating a decrease in state aid. The local tax levy in the General Fund increased by \$336,246 or a 2.00% increase. Salaries continue to increase contractually; however, the District has managed to control costs. The 2018-19 General Fund Budget is only \$5,826 greater than the previous year. The tax rate was .466 in 2017 and increased to .472 in 2018.

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, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 2,415,127	\$ 1,308,060	\$ 3,723,187
Receivables, net	432,263	50,723	482,986
Inventory (Note 6)		16,444	16,444
Internal balances			
Restricted assets:			
Restricted cash and cash equivalents	3,185,761		3,185,761
Capital assets, net (Note 5)	10,316,139	2,525	10,318,664
Total assets	<u>16,349,290</u>	<u>1,377,752</u>	<u>17,727,042</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	3,212,311		3,212,311
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	<u>19,561,601</u>	<u>1,377,752</u>	<u>20,939,353</u>
LIABILITIES:			
Accounts payable			
Related to pensions	498,434		498,434
Other	96,612	738,771	835,383
Unearned revenue	35	21,283	21,318
Accrued interest	30,970		30,970
Other liabilities	1,685,761	247,714	1,933,475
Noncurrent liabilities:			
Due within one year	339,069		339,069
Due beyond one year	20,384,881	97,902	20,482,783
Total liabilities	<u>23,035,762</u>	<u>1,105,670</u>	<u>24,141,432</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	3,255,872		3,255,872
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:	<u>26,291,634</u>	<u>1,105,670</u>	<u>27,397,304</u>
NET POSITION:			
Net investment in capital assets	3,435,758	2,525	3,438,283
Restricted for:			
Capital Projects	1,666,128		1,666,128
Special Revenue	(35,104)		(35,104)
Other purposes	2,963,671		2,963,671
Unrestricted	(14,760,486)	269,557	(14,490,929)
Total net position	<u>\$ (6,730,033)</u>	<u>\$ 272,082</u>	<u>\$ (6,457,951)</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, 2018

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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	\$ 9,855,187	\$ -	\$ 660,520	\$ (9,194,667)	\$ -	\$ (9,194,667)
Special education	1,959,179		499,751	(1,459,428)		(1,459,428)
Other instruction	240,045			(240,045)		(240,045)
Support Services:						
Tuition	703,106			(703,106)		(703,106)
Student & instruction related services	3,090,764		53,579	(3,037,185)		(3,037,185)
General administrative services	403,931			(403,931)		(403,931)
School administrative services	846,063			(846,063)		(846,063)
Central services	309,413			(309,413)		(309,413)
Plant operations and maintenance	4,623,372			(4,623,372)		(4,623,372)
Pupil transportation	1,093,784			(1,093,784)		(1,093,784)
Interest on long term debt	126,280		138,533	12,253		12,253
Unallocated employee benefits	19,735,507		14,315,709	(5,419,798)		(5,419,798)
Unallocated depreciation and amortization	36,533			(36,533)		(36,533)
Total governmental activities	<u>43,023,164</u>	<u>-</u>	<u>15,668,092</u>	<u>(27,355,072)</u>		<u>(27,355,072)</u>
Business-type activities:						
Day care program	386,705	428,299			41,594	41,594
Food service program	1,017,055	243,296	711,546		(62,213)	(62,213)
Internal service fund	5,525,058	5,525,058			-	-
Total business-type activities	<u>6,928,818</u>	<u>6,196,653</u>	<u>711,546</u>	<u>-</u>	<u>(20,619)</u>	<u>(20,619)</u>
Total primary government	<u>\$ 49,951,982</u>	<u>\$ 6,196,653</u>	<u>\$ 16,379,638</u>	<u>\$(27,355,072)</u>	<u>\$ (20,619)</u>	<u>\$(27,375,691)</u>
General revenues:						
Taxes:						
				16,812,338		16,812,338
				148,227		148,227
				10,181,719		10,181,719
				63,462		63,462
				274,686	169	274,855
				27,480,432	169	27,480,601
				125,360	(20,450)	104,910
				(6,855,393)	292,532	(6,562,861)
				<u>\$ (6,730,033)</u>	<u>\$ 272,082</u>	<u>\$ (6,457,951)</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, 2018

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 2,238,762	\$ -	\$ 166,143	\$ 10,222	\$ 2,415,127
Receivables, net	122,363	278,669			401,032
Interfund receivable	252,489	33		15	252,537
Restricted cash and cash equivalents	<u>3,185,761</u>				<u>3,185,761</u>
Total assets	<u>\$ 5,799,375</u>	<u>\$ 278,702</u>	<u>\$ 166,143</u>	<u>\$ 10,237</u>	<u>\$ 6,254,457</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	4,099	92,513			96,612
Unearned revenue		35			35
Other liabilities	1,685,761				1,685,761
Interfund payables	<u>33</u>	<u>221,258</u>	<u>15</u>		<u>221,306</u>
Total liabilities	<u>1,689,893</u>	<u>313,806</u>	<u>15</u>		<u>2,003,714</u>
Fund Balances:					
Restricted for:					
Excess surplus	1,008,403				1,008,403
Excess surplus - designated for subsequent year's expenditures	575,089				575,089
Maintenance reserve	1,299,137				1,299,137
Capital reserve	1,500,000				1,500,000
Assigned to:					
Year-end encumbrances	52,292				52,292
Designated for subsequent year's expenditures	18,513			10,017	28,530
Unassigned	<u>(343,952)</u>	<u>(35,104)</u>	<u>166,128</u>	<u>220</u>	<u>(212,708)</u>
Total fund balances	<u>4,109,482</u>	<u>(35,104)</u>	<u>166,128</u>	<u>10,237</u>	<u>4,250,743</u>
Total liabilities and fund balances	<u>\$ 5,799,375</u>	<u>\$ 278,702</u>	<u>\$ 166,143</u>	<u>\$ 10,237</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 \$22,438,002 and the accumulated depreciation is \$12,121,863. 10,316,139

Accrued interest on debt is not due and payable in the current period and therefore is not reported as a liability in the funds. (30,970)

Accounts payable related to the April 1, 2019 required PERS contribution that is not to be liquidated with current financial resources. (498,434)

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	3,212,311	
Net Pension Liability	(11,706,755)	
Deferred Inflows of resources from Pensions	<u>(3,255,872)</u>	(11,750,316)

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	(2,136,814)	
Capital Leases	(1,919,381)	
General Obligation Bonds	<u>(4,961,000)</u>	<u>(9,017,195)</u>

Net position of governmental activities \$ (6,730,033)

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 16,812,338	\$ -	\$ -	\$ 148,227	\$ 16,960,565
Tuition charges	63,462				63,462
Miscellaneous	274,486	1,778	200		276,464
Total revenues-local sources	17,150,286	1,778	200	148,227	17,300,491
State sources	13,714,852	348,946		138,533	14,202,331
Federal sources	69,569	1,204,937			1,274,506
Total revenues	30,934,707	1,555,661	200	286,760	32,777,328
EXPENDITURES:					
Current expense:					
Regular instruction	8,739,416	660,520			9,399,936
Special education instruction	1,459,428	499,751			1,959,179
Other instruction	240,045				240,045
Support services and undistributed costs:					
Tuition	703,106				703,106
Student & instruction related services	3,037,185	53,579			3,090,764
General administrative services	403,931				403,931
School administrative services	772,995				772,995
Central services	309,413				309,413
Plant operations and maintenance	3,198,569				3,198,569
Pupil transportation	1,093,784				1,093,784
Unallocated employee benefits	8,930,028	343,901			9,273,929
Capital outlay	2,291,171		2,309		2,293,480
Debt service:					
Principal				160,000	160,000
Interest and other charges				127,080	127,080
Total expenditures	31,179,071	1,557,751	2,309	287,080	33,026,211
Excess (deficiency) of revenues over (under) expenditures	(244,364)	(2,090)	(2,109)	(320)	(248,883)
Other Financing Sources (Uses):					
Proceeds of Capital Lease	1,899,000				1,899,000
Transfers in				200	200
Transfers out			(200)		(200)
Total other financing sources (uses)	1,899,000	-	(200)	200	1,899,000
Net change in fund balance	1,654,636	(2,090)	(2,309)	(120)	1,650,117
Fund balances, July 1	2,454,846	(33,014)	168,437	10,357	2,600,626
Fund balances, June 30	\$ 4,109,482	\$ (35,104)	\$ 166,128	\$ 10,237	\$ 4,250,743

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, 2018

Total net change in fund balances - governmental funds (from B-2) \$ 1,650,117

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	\$ 958,374	
Capital outlay	<u>(730,675)</u>	227,699

Repayment of bond 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. 160,000

The proceeds of a capital lease is an other financing source of revenue in the governmental funds but is not reported in the statement of activities. (1,899,000)

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. 19,904

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. 800

Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities. (90,382)

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 (+). 56,222

Change in net position of governmental activities \$ 125,360

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, 2018

	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	\$ 73,990	\$ 250,014	\$ 984,056	\$ 1,308,060
Intergovernmental accounts receivable	42,490			42,490
Other accounts receivable	5,486	2,747		8,233
Interfund receivable	-			-
Inventories	16,444			16,444
Total current assets	<u>138,410</u>	<u>252,761</u>	<u>984,056</u>	<u>1,375,227</u>
Noncurrent assets:				
Equipment	271,073			271,073
Less accumulated depreciation	<u>(268,548)</u>			<u>(268,548)</u>
Total noncurrent assets	<u>2,525</u>			<u>2,525</u>
Total assets	<u>\$ 140,935</u>	<u>\$ 252,761</u>	<u>\$ 984,056</u>	<u>\$ 1,377,752</u>
LIABILITIES				
Current liabilities:				
Unearned revenue	7,023	14,260		21,283
Accounts payable		2,429	736,342	738,771
Reserve for medical claims			247,714	247,714
Interfund payable				-
Total current liabilities	<u>7,023</u>	<u>16,689</u>	<u>984,056</u>	<u>1,007,768</u>
Noncurrent liabilities:				
Compensated absences	<u>92,816</u>	<u>5,086</u>		<u>97,902</u>
Total noncurrent liabilities	<u>92,816</u>	<u>5,086</u>	<u>-</u>	<u>97,902</u>
Total liabilities	<u>99,839</u>	<u>21,775</u>	<u>984,056</u>	<u>1,105,670</u>
NET POSITION				
Net investment in capital assets	2,525			2,525
Unrestricted	<u>38,571</u>	<u>230,986</u>		<u>269,557</u>
Total net position	<u>\$ 41,096</u>	<u>\$ 230,986</u>	<u>\$ -</u>	<u>\$ 272,082</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, 2018

	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	\$ 125,159	\$ -	\$ -	\$ 125,159
Daily sales-non-reimbursable programs	118,137	428,299	5,525,058	6,071,494
Total operating revenue	243,296	428,299	5,525,058	6,196,653
Operating expenses:				
Salaries	379,836	341,088		720,924
Employee benefits	219,787	26,030	5,525,058	5,770,875
Supplies and materials	26,686	19,587		46,273
Purchased property services	10,247			10,247
Depreciation	1,552			1,552
Cost of sales - reimbursable programs	193,633			193,633
Cost of sales - non-reimbursable programs	179,755			179,755
Other	5,559			5,559
Total operating expenses	1,017,055	386,705	5,525,058	6,928,818
Operating income (loss)	(773,759)	41,594	-	(732,165)
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	8,198			8,198
Federal sources:				
National school lunch program	367,615			367,615
School breakfast program	268,377			268,377
Snack Program	1,183			1,183
U.S.D.A. commodities	66,173			66,173
Local sources:				
Interest revenue	169			169
Total nonoperating revenues (expenses)	711,715	-	-	711,715
Change in net position	(62,044)	41,594		(20,450)
Total net position - July 1	103,140	189,392		292,532
Total net position - June 30	\$ 41,096	\$ 230,986	\$ -	\$ 272,082

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, 2018

	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	\$ 329,436	\$ 436,578	\$ 5,525,058	\$ 6,291,072
Payments to employees	(585,042)	(366,826)		(951,868)
Payments to suppliers	(351,101)	(17,158)		(368,259)
Payment for medical claims			(5,398,058)	(5,398,058)
Net cash used for operating activities	<u>(606,707)</u>	<u>52,594</u>	<u>127,000</u>	<u>(427,113)</u>
Cash flows from noncapital financing activities:				
State sources	8,111			8,111
Federal sources	632,306			632,306
Net cash provided by non-capital financing activities	<u>640,417</u>	<u>-</u>	<u>-</u>	<u>640,417</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	169			169
Net cash provided by investing activities	<u>169</u>	<u>-</u>	<u>-</u>	<u>169</u>
Net increase in cash and cash equivalents	33,879	52,594	127,000	213,473
Balances - July 1	<u>40,111</u>	<u>197,420</u>	<u>857,056</u>	<u>1,094,587</u>
Balances - June 30	<u>\$ 73,990</u>	<u>\$ 250,014</u>	<u>\$ 984,056</u>	<u>\$ 1,308,060</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (773,759)	\$ 41,594	\$ -	\$ (732,165)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,552			1,552
Commodities	66,173			66,173
(Increase) decrease in accounts receivable	(1,133)	1,041		(92)
(Increase) decrease in inventories	725			725
(Increase)/decrease in interfund receivable	83,934			83,934
Increase/(decrease) in interfund payable	(2,118)			(2,118)
Increase (decrease) in accounts payable		1,897	278,902	280,799
Increase (decrease) in unearned revenue	3,338	7,238		10,576
Increase (decrease) in reserve for medical claims			(151,902)	(151,902)
Increase (decrease) in compensated absences	14,581	824		15,405
Net cash provided by (used for) operating activities	<u>\$ (606,707)</u>	<u>\$ 52,594</u>	<u>\$ 127,000</u>	<u>\$ (427,113)</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, 2018

	Unemployment Compensation Insurance Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 167,612	\$ 27,164
Other receivable		
	<u> </u>	<u> </u>
Total assets	<u>167,612</u>	<u>27,164</u>
LIABILITIES:		
Accounts payable	13,392	
Interfund payable	31,231	
Due to student groups		27,164
	<u> </u>	<u> </u>
Total liabilities	<u>44,623</u>	<u>\$ 27,164</u>
NET POSITION:		
Restricted for:		
Unemployment claims	<u>\$ 122,989</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, 2018

	Unemployment Compensation Insurance Trust
ADDITIONS:	
Contributions:	
Board contributions	\$ 40,000
Employee withholdings	32,542
Total Contributions	72,542
Investment earnings:	
Interest	149
Net investment earnings	149
Total additions	72,691
DEDUCTIONS:	
Unemployment payments	61,204
Total deductions	61,204
Change in net position	11,487
Net position - July 1	111,502
Net position - June 30	\$ 122,989

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, 2018**

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, 2018 of 1,657 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, 2018**

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, 2018**

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, 2018**

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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

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, 2018 and 2017 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, 2018.

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, 2018**

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, 2018

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, 2018.

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.

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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 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. 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 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 District's financial statements.

In April 2018, the GASB issued Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. 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 District's financial statements.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. 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 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. 17:9-41 et 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

2. CASH AND CASH EQUIVALENTS

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 \$4,770,941 as of June 30, 2018, \$250,000 was insured under FDIC and the remaining balance of \$4,520,941 was collateralized under GUDPA.

3. CAPITAL RESERVE ACCOUNT

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

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Balance – July 1, 2017	\$	1
Increased by:		
Transfer per Resolution		1,499,999
Balance – June 30, 2018	\$	1,500,000

The June 30, 2018 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

4. RECEIVABLES

Accounts receivables at June 30, 2018 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, 2018 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	\$ 112,181	\$ -	\$ 558	\$ 112,739
Federal	119	278,669	41,932	320,720
Other	10,063		8,233	18,296
Total	\$ 122,363	\$ 278,669	\$ 50,723	\$ 451,755

Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance</u> <u>June 30, 2018</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	18,182,651	429,503		18,612,154
Equipment	3,598,989	528,871	382,057	3,745,803
Total Historical Cost	<u>21,781,640</u>	<u>958,374</u>	<u>382,057</u>	<u>22,357,957</u>
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(9,560,712)	(368,703)		(9,929,415)
Equipment	<u>(2,212,533)</u>	<u>(361,972)</u>	<u>(382,057)</u>	<u>(2,192,448)</u>
Total Accumulated Depreciation	<u>(11,773,245)</u>	<u>(730,675)</u>	<u>(382,057)</u>	<u>(12,121,863)</u>
Total Capital Assets, being depreciated, net	<u>10,008,395</u>	<u>227,699</u>	<u>-</u>	<u>10,236,094</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,088,440</u>	<u>\$ 227,699</u>	<u>\$ -</u>	<u>\$ 10,316,139</u>
Business-Type Activities:				
Equipment	\$ 280,292	\$ -	\$ (9,219)	\$ 271,073
Less - Accumulated Depreciation	<u>(276,215)</u>	<u>(1,552)</u>	<u>9,219</u>	<u>(268,548)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,077</u>	<u>\$ (1,552)</u>	<u>\$ -</u>	<u>\$ 2,525</u>

Depreciation expense in the amount of \$730,675 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Instruction	\$ 511,473
School Administration	73,068
Plant operations & maintenance	109,601
Unallocated	36,533
	<u> </u>
Total depreciation expense	<u>\$ 730,675</u>

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2018 consisted of the following:

Food	\$ 13,603
Supplies	<u>2,841</u>
	<u>\$ 16,444</u>

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2018, the following changes occurred in long-term obligations:

	Principal Outstanding June 30, 2017	Additions	Reductions	Principal Outstanding June 30, 2018	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 2,193,036	\$ -	\$ 56,222	\$ 2,136,814	\$ 64,688
Capital Lease Payable	40,285	1,899,000	19,904	1,919,381	114,381
Serial Bonds Payable	5,121,000		160,000	4,961,000	160,000
Net Pension Liability	<u>15,276,505</u>		<u>3,569,750</u>	<u>11,706,755</u>	
	<u>\$ 22,630,826</u>	<u>\$ 1,899,000</u>	<u>\$ 3,805,876</u>	<u>\$ 20,723,950</u>	<u>\$ 339,069</u>
 Business-Type Activities:					
Compensated Absences	<u>\$ 82,498</u>	<u>\$ 15,404</u>	<u>\$ -</u>	<u>\$ 97,902</u>	<u>\$ -</u>
	<u>\$ 82,498</u>	<u>\$ 15,404</u>	<u>\$ -</u>	<u>\$ 97,902</u>	<u>\$ -</u>

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

Serial Bonds dated April 6, 2017 in the amount of \$4,961,000 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, 2018**

7. LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2018, 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>
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	250,000	108,980	358,980
2024-2028	1,420,000	466,400	1,886,400
2029-2033	1,600,000	285,100	1,885,100
2034-2036	946,000	56,340	1,002,340
	<u>\$ 4,961,000</u>	<u>\$ 1,392,340</u>	<u>\$ 6,353,340</u>

Capital Leases – At June 30, the District is leasing White Boards totaling \$20,381 and Energy Savings totaling \$1,899,000 under capital leases. The following is a schedule of the future minimum lease payments under the capital lease agreements:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 114,381	\$ 63,317	\$ 177,698
2020	100,000	59,714	159,714
2021	64,000	56,615	120,615
2022	59,000	54,572	113,572
2023	64,000	52,494	116,494
2024-2028	350,000	229,726	579,726
2029-2033	496,000	160,448	656,448
2034-2038	672,000	63,399	735,399
	<u>\$ 1,919,381</u>	<u>\$ 740,285</u>	<u>\$ 2,659,666</u>

Compensated Absences

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

8. OPERATING LEASES

At June 30, 2018, the School District had an operating lease agreement in effect for copiers.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

8. OPERATING LEASES (Continued)

Total operating lease payments made during the year ended June 30, 2018 and 2017, were \$74,904 and \$76,118 respectively. Future minimum lease payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2019	\$ 57,838
2020	51,397
2021	<u>10,989</u>
	<u>\$ 120,224</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.

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.

Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

9. PENSION PLANS (CONTINUED)

Teachers' Pension and Annuity Fund (TPAF) (Continued) - 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 7.34% in State fiscal year 2018. 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 2017, 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, 2018 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, 2017, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2018 was \$1,263,796 and was paid by April 1, 2018. School District employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$857,440.

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.

At June 30, 2018, 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, 2018, the School District recognized pension expense of \$5,256,775 and revenue of \$5,256,775 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

9. PENSION PLANS (CONTINUED)

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

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

	06/30/17	06/30/16
Collective deferred outflows of resources	\$ 14,160,879,257	\$ 17,414,701,002
Collective deferred inflows of resources	11,800,239,661	134,532,594
Collective net pension liability (Non-Employer – State of New Jersey)	67,423,605,859	79,028,907,033
State's portion of the net pension liability that was associated with the School District	75,882,790	84,644,187
State's portion of the net pension liability that was associated with the School District as a percentage of the collective net pension liability	.1125463245%	.1075989527%

Actuarial assumptions – The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation: 2.25%
- Salary Increases: Varies based on experience
- Investment Rate of Return: 7.00%

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, 2016 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 (7.00% at June 30, 2017) 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	05.00%	05.51%
Cash Equivalents	05.50%	01.00%
U.S. Treasuries	03.00%	01.87%
Investment grade credit	10.00%	03.78%
Public high yield	02.50%	06.82%
Global diversified credit	05.00%	07.10%
Credit oriented hedge funds	01.00%	06.60%
Debt related private equity	02.00%	10.63%
Debt related real estate	01.00%	06.61%
Private real asset	02.50%	11.83%
Equity related real estate	06.25%	09.23%
U.S. Equity	30.00%	08.19%
Non-U.S. developed markets equity	11.50%	09.00%
Emerging markets equity	06.50%	11.64%
Buyouts/venture capital	08.25%	13.08%
	100.00%	

Discount rate. The discount rate used to measure the State's total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 40% 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, 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. As such, the proportionate share of the net pension liability as of June 30, 2017, 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 4.25%, 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 (3.25%) or 1 percentage point higher (5.25%) that the current rate:

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

9. PENSION PLANS (CONTINUED)

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

	<u>1% Decrease (3.25%)</u>	<u>Current Discount Rate (4.25%)</u>	<u>1% Increase (5.25%)</u>
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	<u>90,151,135</u>	<u>75,882,790</u>	<u>64,128,466</u>
	<u>\$ 90,151,135</u>	<u>\$ 75,882,790</u>	<u>\$ 64,128,466</u>

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:

<u>Tier</u>	<u>Definition</u>
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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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 7.34% in State fiscal year 2018. 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, 2018 was 15.65% 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, 2017, the School Districts contractually required contribution to the pension plan for the fiscal year ended June 30, 2018 was \$468,671 and was paid by April 1, 2018. School District employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$236,972.

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>Accrued Liability</u>	<u>Non Contributory Life</u>	<u>Long Term Disability</u>	<u>Total Liability Paid by District</u>
2018	\$ 61,320	\$ 381,856	\$ 22,709	\$ 2,786	\$ 468,671
2017	71,677	364,770	21,782		458,229
2016	76,849	354,016	23,069		453,934

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, 2018, the School District reported a liability of \$11,706,755 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2018**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

For the year ended June 30, 2018, the School District recognized pension expense of \$564,824. At June 30, 2018, the School District reported a liability of \$11,706,755 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	\$ 275,654	\$ -
Changes of assumptions	2,358,508	2,349,861
Net Difference between projected and actual earnings on pension plan investments	79,715	
Changes in proportion		906,011
District contributions subsequent to the measurement date	498,434	
Total	\$ 3,212,311	\$3,255,872

\$498,434 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, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net liability in the year ended June 30, 2018.

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 (Inflows) of Resources
2019	\$ (186,146)
2020	(207)
2021	23,954
2022	(331,099)
2023	(48,497)
Total	\$ (541,995)

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

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	-
June 30, 2017	5.48	-
Changes of assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
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	-
June 30, 2017	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, 2017 and 2016 are as follows:

	6/30/2017	6/30/2016
Collective deferred outflows of resources	\$ 6,424,455,842	\$ 8,685,338,380
Collective deferred inflows of resources	\$ 5,700,625,981	\$ 870,133,595
Collective net pension liability	\$ 23,278,401,588	\$ 29,617,131,759
School District's Proportion	.0502902007%	.0515799603%

Actuarial assumptions – The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation rate: 2.25%
- Salary Increases:
 - Through 2025: 1.65-4.15% based on age
 - Thereafter: 2.65-5.15% based on age
- Investment Rate of Return: 7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active employees. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 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 beneficiaries of former members 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. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disables Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	05.00%	05.51%
Cash equivalents	05.50%	01.00%
U.S. Treasuries	03.00%	01.87%
Investment grade credit	10.00%	03.78%
Public high yield	02.50%	06.82%
Global diversified credit	05.00%	07.10%
Credit oriented hedge funds	01.00%	06.60%
Debt related private equity	02.00%	10.63%
Debt related real estate	01.00%	06.61%
Private real assets	02.50%	11.83%
Equity related real estate	06.25%	09.23%
U.S. Equity	30.00%	08.19%
Non-U.S. developed markets equity	11.50%	09.00%
Emerging markets equity	06.50%	11.64%
Buyouts/venture capital	08.25%	13.08%
	<u>100.00%</u>	

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Discount rate. The discount rate used to measure the State's total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The state employer contributed 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, 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, 2017, calculated using the discount rate of 5.00%, 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 (4.00%) or 1 percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
School District's proportionate share of the net pension liability	\$ 14,523,024	\$ 11,706,755	\$ 9,360,454

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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

9. PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program (DCRP) (Continued)

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

<u>Fiscal Year</u>	<u>Total Liability</u>	<u>Paid by School District</u>
2018	\$ 16,263	\$ 16,263
2017	11,100	11,100
2016	14,196	14,196

10. POST-RETIREMENT BENEFITS

Description of Plan - Plan description and benefits provided 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. 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 (APB) who retired from a board of education or county college with 25 years of service (GASB Cod. Sec. 2300.106(g)). 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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

TPAF participant retirees:

As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf.

PERS participant retirees:

The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the school district. Note that actual numbers will be published in the NJ State's CAFR (<https://www.nj.gov/treasury/omb/publications/archives.shtml>)

Actuarial assumptions and other imputes - The total nonemployer OPEB liability as of the June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member enrolled in.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

10. POST-RETIREMENT BENEFITS (CONTINUED)

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.50%		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age	2.10 - 8.98% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age	3.10 - 9.98% based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013 and July 1, 2011 – June 30, 2014 for TPAF, PFRS, and PERS, respectively.

Health Care Trend Assumptions - For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate - The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represent the municipal bond return rate as chosen by the Division. The source is 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.

Retirees' Share of Benefit Related Costs - Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retirees will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

10. POST-RETIREMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability reported by the State of New Jersey -

	<u>Total OPEB Liability</u>
Balance as of June 30, 2106 Measurement Date	\$ 57,831,784,184
Changes for the years'	
Service Cost	\$ 2,391,878,884
Interest	1,699,441,736
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(7,086,599,129)
Gross Benefit Payments	(1,242,412,566)
Contributions from the Non-employer	N/A
Contributions from the Member	45,748,749
Net Investment Income	N/A
Administrative Expense	N/A
Net Changes	<u>\$ (4,191,942,326)</u>
Balance at 06/30/2017	\$ 53,639,841,858

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total nonemployer OPEB liability of the State as of June 30, 2017 for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage-point lower or 1percentage-point higher than the current discount rate:

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB Liability (School Retirees)	\$ 63,674,362,200	\$ 53,639,841,858	\$ 45,680,364,953

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total nonemployer OPEB liability of the State as of June 30, 2107, as well as what the State's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability (School Retirees)	\$ 44,113,584,560	\$ 53,639,841,858	\$ 66,290,599,457

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2017, the board of education recognized OPEB expense of \$4,549,597 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the school district's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

10. POST-RETIREMENT BENEFITS (CONTINUED)

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	06/30/17
Collective deferred outflows of resources	\$ 99,843,255
Collective deferred inflows of resources	6,443,612,287
Collective net OPEB liability (Non-Employer – State of New Jersey)	53,639,841,858
State's portion of the net OPEB liability that was associated with the School District	88,543,533
State's portion of the net OPEB liability that was associated with the School District as a percentage of the collective net OPEB liability	0.17%

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 99,843,255	\$ 99,843,255
Changes of assumptions	-	6,343,769,032
Total	\$ 99,843,255	\$ 6,443,612,287

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

For the year ended:	
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Therafter	(2,629,618,547)
Total	\$ (6,343,769,032)

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.

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2018, 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 \$1,671,496, \$1,079,584, and \$2,092, respectively. In addition, \$847,440 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

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.

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 40,000	\$ 32,542	\$ 149	\$ 61,204	\$ 122,989
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

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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

14. COMPENSATED ABSENCES (Continued)

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2018, the liability for compensated absences in the governmental activities and proprietary fund types was \$2,136,814 and \$97,902, respectively.

15. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2018. The following interfund balances were recorded on the various balance sheets as of June 30, 2018:

Fund	Interfunds Receivable	Interfunds Payable
General	\$ 252,489	\$ 33
Special Revenue	33	221,258
Capital Projects		15
Debt Service Fund	15	
Proprietary Fund		
Fiduciary Fund		31,231
Total	\$ 252,537	\$ 252,537

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, 2018, 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

17. TAX ABATEMENTS (CONTINUED)

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.

The municipality recognized revenue of \$104,223 from the annual service charge in lieu of payment of taxes in 2017. The assessed value on these tax exemption properties amounted to \$12,250,000 which would have resulted in 2017 taxes billed in full of \$215,968. A portion of the \$111,745 abatement would have been allocated to the District.

18. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$343,952 in the General Fund and \$35,104 in the Special Revenue Fund as of June 30, 2018 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 \$343,952 in the General Fund and \$35,104 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, 2018, a deficit of \$14,760,486 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, 2018:	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance - Unassigned	\$ (343,952)
Liabilities:	
Accrued Interest Payable	(30,970)
Net Pension Differences	(12,248,750)
Compensated Absences	<u>(2,136,814)</u>
Unrestricted Net Position (Deficit)	<u>\$ (14,760,486)</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, 2018**

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, 2018 is \$1,008,403 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$575,089 of excess fund balance generated during the 2016-2017 fiscal year has been restricted and designated for utilization in the 2018-2019 budget.

Capital Reserve – As of June 30, 2018, the balance in the capital reserve account is \$1,500,000.

Maintenance Reserve Account – As of June 30, 2018, the balance in the maintenance reserve account is \$1,299,137. Of this amount \$300,000 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2019. 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, 2019, \$18,513.

Other Purposes – At June 30, 2018 the School District has \$52,292 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, 2019, \$10,017.

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, 2018, the fund balance of the general fund was a deficit of \$343,952, 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).

Special Revenue Fund – As of June 30, 2018, the fund balance of the special revenue fund was a deficit of \$35,104, 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, 2018, \$166,128 of capital fund balance was unassigned.

Debt Service – As of June 30, 2018, \$220 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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 16,812,338	\$ -	\$ 16,812,338	\$ 16,812,338	\$ -
Tuition - Other LEAS				63,462	63,462
Transportation				5,645	5,645
Interest earned on maintenance reserve	1,500	-	1,500	1,387	(113)
Unrestricted miscellaneous revenue	25,000	-	25,000	267,454	242,454
Total local sources	16,838,838	-	16,838,838	17,150,286	311,448
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	(203,543)	1,826,869	1,826,869	-
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				32,736	32,736
Extraordinary Aid		35,536	35,536	64,075	28,539
Lead testing for schools aid				6,923	6,923
Additional Non Public Transportation Aid				15,370	15,370
On-behalf TPAF pension contributions (non-budgeted)				1,671,496	1,671,496
On-behalf TPAF Medical (non-budgeted)				1,079,584	1,079,584
On-behalf TPAF LTDI (non-budgeted)				2,092	2,092
Reimbursed TPAF social security contributions (non-budgeted)				847,440	847,440
Total state sources	10,177,147	(168,007)	10,009,140	13,693,320	3,684,180
Federal sources:					
Special Education Medicaid Initiative (SEMI)	49,366	-	49,366	69,569	20,203
Total federal sources	49,366	-	49,366	69,569	20,203
TOTAL REVENUES	27,065,351	(168,007)	26,897,344	30,913,175	4,015,831
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Preschool	271,000	6,000	277,000	273,075	3,925
Kindergarten	902,100	275,000	1,177,100	1,105,024	72,076
Grades 1-5	5,599,100	(439,200)	5,159,900	5,116,211	43,689
Grades 6-8	802,000	30,125	832,125	832,113	12
Total Instruction	7,574,200	(128,075)	7,446,125	7,326,423	119,702
Regular Programs - Home Instruction:					
Salaries of teachers	3,500	(125)	3,375	264	3,111
Other purchased services	250	-	250	-	250
Total Home Instruction	3,750	(125)	3,625	264	3,361
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	830,700	(25,000)	805,700	746,393	59,307
Purchased technical services	56,000	(12,505)	43,495	30,279	13,216
Other purchased services	106,800	16,205	123,005	93,869	29,136
General supplies	400,604	72,200	472,804	455,688	17,116
Textbooks	100,000	(19,000)	81,000	76,161	4,839
Other objects	9,800	600	10,400	10,339	61
Total Undistributed Instruction	1,503,904	32,500	1,536,404	1,412,729	123,675
Total - Regular Programs - Instruction	9,081,854	(95,700)	8,986,154	8,739,416	246,738

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, 2018

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Educ Instruction: Learning/Lang. Disabilities					
Salaries of teachers	\$ 408,300	\$ (24,000)	\$ 384,300	\$ 348,904	\$ 35,396
Other salaries for instruction	104,300	-	104,300	39,752	64,548
General Supplies	6,062	-	6,062	2,703	3,359
<u>Total Learning/Lang. Disabilities</u>	<u>518,662</u>	<u>(24,000)</u>	<u>494,662</u>	<u>391,359</u>	<u>103,303</u>
Special Educ Instruction: Res. Room/Res. Center					
Salaries of teachers	1,026,000	-	1,026,000	962,718	63,282
General supplies	6,000	-	6,000	3,480	2,520
<u>Total Resource Room/Resource Center</u>	<u>1,032,000</u>	<u>-</u>	<u>1,032,000</u>	<u>966,198</u>	<u>65,802</u>
Special Educ Instruction: Pre-K Disabilities Part-time					
Salaries of teachers	70,500	35,000	105,500	101,871	3,629
<u>Total Pre-K Disabilities Part-time</u>	<u>70,500</u>	<u>35,000</u>	<u>105,500</u>	<u>101,871</u>	<u>3,629</u>
Special Educ Instruction: Home Instruction					
Salaries of teachers	25,000	(10,800)	14,200	-	14,200
<u>Total Home Instruction</u>	<u>25,000</u>	<u>(10,800)</u>	<u>14,200</u>	<u>-</u>	<u>14,200</u>
<u>Total Special Education - Instruction</u>	<u>1,646,162</u>	<u>200</u>	<u>1,646,362</u>	<u>1,459,428</u>	<u>186,934</u>
Before/after school programs - Instruction					
Salaries of teachers	50,000	96,500	146,500	138,105	8,395
<u>Total Before/after school - Instruction</u>	<u>50,000</u>	<u>96,500</u>	<u>146,500</u>	<u>138,105</u>	<u>8,395</u>
Bilingual Education - Instruction					
Salaries of teachers	101,000	1,000	102,000	101,449	551
General supplies	6,750	-	6,750	491	6,259
<u>Total Bilingual Education - Instruction</u>	<u>107,750</u>	<u>1,000</u>	<u>108,750</u>	<u>101,940</u>	<u>6,810</u>
Undistributed Expenditures - Instruction					
Tuition to other LEA's w/in state/regular	100,000	(3,800)	96,200	27,824	68,376
Tuition to CSSD & reg. day schools	715,000	(54,100)	660,900	642,422	18,478
Tuition to priv. sch. for the handicapped in state	-	32,900	32,900	32,860	40
<u>Total Undistributed Expenditures - Instruction</u>	<u>815,000</u>	<u>(25,000)</u>	<u>790,000</u>	<u>703,106</u>	<u>86,894</u>
Undistributed Expenditures - Attendance & Social Work					
Salaries	30,700	(2,000)	28,700	21,361	7,339
Purchased professional and technical services	9,900	-	9,900	9,693	207
Supplies and materials	200	-	200	55	145
<u>Total Undistributed Expenditures - Attendance & Soc.</u>	<u>40,800</u>	<u>(2,000)</u>	<u>38,800</u>	<u>31,109</u>	<u>7,691</u>
Undistributed Expenditures - Health Services					
Salaries	467,100	-	467,100	460,358	6,742
Purchased professional and technical services	23,000	-	23,000	20,306	2,694
Other purchased services (400-500)	3,250	1,270	4,520	2,892	1,628
Supplies and materials	15,500	(2,295)	13,205	12,785	420
<u>Total Undistributed Expenditures - Health Svcs.</u>	<u>508,850</u>	<u>(1,025)</u>	<u>507,825</u>	<u>496,341</u>	<u>11,484</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, 2018

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	\$ 431,900	\$ (225)	\$ 431,675	\$ 362,605	\$ 69,070
Purchased professional - educ services	1,500	1,260	2,760	2,748	12
Supplies and materials	1,000	(235)	765	544	221
Total Undst. Expend. - Speech, OT, PT & Related Services	434,400	800	435,200	365,897	69,303
Undist. Expend. - Guidance					
Salaries of other professional staff	352,400	(10,000)	342,400	338,432	3,968
Supplies and materials	500	395	895	765	130
Other objects	200	(170)	30	30	30
Total Undst. Expend. - Guidance	353,100	(9,775)	343,325	339,197	4,128
Undist. Expend. - Child Study Teams					
Salaries of other professional staff	601,100	(30,000)	571,100	528,508	42,592
Salaries of secretarial and clerical assistants	172,700	(8,950)	163,750	143,590	20,160
Purchased professional - educ services	250,000	65,150	315,150	199,714	115,436
Other purchased professional - tech services	65,000	77,500	142,500	118,411	24,089
Other purchased services (400-500)	5,750	(5,750)	-	-	-
Misc. purchased services (400-500)	2,000	6,250	8,250	5,124	3,126
Supplies and materials	10,000	(500)	9,500	9,496	4
Other objects	1,200	-	1,200	525	675
Total Undst. Expend. - Child Study Teams	1,107,750	103,700	1,211,450	1,005,368	206,082
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	110,600	1,400	112,000	111,883	117
Salaries of Sec and Clerical Assist.	33,091	-	33,091	-	33,091
Other purchased services (400-500)	500	-	500	47	453
Supplies and materials	1,000	-	1,000	137	863
Other objects	1,000	-	1,000	-	1,000
Total Undst. Expend. - Improvement of Instr. Services	146,191	1,400	147,591	112,067	35,524
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	441,600	9,000	450,600	445,160	5,440
Other purchased services (400-500)	800	-	800	-	800
Supplies and materials	35,000	-	35,000	32,211	2,789
Other objects	3,700	-	3,700	-	3,700
Total Undst. Expend. - Educ. Media Serv./Sch. Library	481,100	9,000	490,100	477,371	12,729
Undist. Expend. - Instructional Staff Training Services					
Salaries of supervisor of instruction	77,509	33,900	111,409	111,267	142
Salaries of secretarial and clerical assistants	88,400	-	88,400	81,547	6,853
Other salaries	4,800	1,200	6,000	6,000	-
Purchased professional - educ services	7,500	(1,500)	6,000	5,003	997
Other purchased services	1,500	1,000	2,500	591	1,909
Supplies and materials	3,000	(700)	2,300	1,345	955
Other objects	12,500	-	12,500	4,082	8,418
Total Undst. Expend. - Instructional Staff Training Svcs.	195,209	33,900	229,109	209,835	19,274

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, 2018

(Continued from prior page)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	\$ 215,700	\$ 3,000	\$ 218,700	\$ 218,505	\$ 195
Legal services	35,000	-	35,000	27,498	7,502
Audit fees	24,000	-	24,000	23,300	700
Other purchased professional services	16,000	-	16,000	12,311	3,689
Communications / telephone	47,500	(3,070)	44,430	24,494	19,936
Other purchased services	88,900	170	89,070	79,421	9,649
General supplies	4,300	-	4,300	795	3,505
BOE in-house training/meeting supplies	2,000	-	2,000	1,345	655
Miscellaneous expenditures	4,500	19,900	24,400	3,739	20,661
BOE membership dues and fees	16,300	-	16,300	12,523	3,777
Total Undst. Expend. - Supp. Serv. General Admin.	454,200	20,000	474,200	403,931	70,269
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	338,800	47,600	386,400	360,425	25,975
Salaries of secretarial and clerical assistants	400,300	20,000	420,300	393,477	26,823
Purchased professional and technical services	3,150	-	3,150	1,355	1,795
Other purchased services (400-500)	12,000	-	12,000	5,390	6,610
Supplies and materials	9,750	-	9,750	9,068	682
Other objects	5,500	-	5,500	3,280	2,220
Total Undst. Expend. - Supp. Serv. School Admin.	769,500	67,600	837,100	772,995	64,105
Undist. Expend. - Central Services					
Salaries	307,100	(4,500)	302,600	260,265	42,335
Purchased professional services	26,700	1,235	27,935	27,870	65
Miscellaneous purchased services	8,000	5,765	13,765	10,980	2,785
Supplies and materials	8,000	-	8,000	6,824	1,176
Miscellaneous expenditures	3,000	19,500	22,500	3,474	19,026
Total Undst. Expend. - Central Services	352,800	22,000	374,800	309,413	65,387
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	341,000	(41,500)	299,500	299,449	51
Cleaning, Repair and Maintenance Services	170,500	(39,200)	131,300	117,892	13,408
Supplies and materials	181,474	14,000	195,474	187,303	8,171
Other objects	436,363	-	436,363	411,623	24,740
Total Undst. Expend. - Required Maint. Sch. Facilities	1,129,337	(66,700)	1,062,637	1,016,267	46,370
Undist. Expend. - Custodial Services					
Salaries	771,200	(11,000)	760,200	745,638	14,562
Salaries of Non-Instructional Aides	229,700	86,950	316,650	316,615	35
Purchased professional & tech. services	11,000	20,700	31,700	4,167	27,533
Cleaning, repair and maintenance services	1,000	-	1,000	60	940
Rental of land & buildings other than lease	1,200	-	1,200	1,157	43
Lease purchase payments - energy savings impr prog		34,812	34,812	34,812	-
Other purchased property services	50,000	(3,700)	46,300	46,217	83
Insurance	140,000	(13,000)	127,000	127,000	-
Travel		1,000	1,000		1,000
Miscellaneous purchased services	28,000	(1,000)	27,000	16,853	10,147
General supplies	125,097	-	125,097	93,137	31,960
Energy (electricity)	295,000	19,788	314,788	310,408	4,380
Energy (natural gas)	100,000	14,150	114,150	108,648	5,502
Other objects	900	-	900		900
Total Undst. Expend. - Custodial Services	1,753,097	148,700	1,901,797	1,804,712	97,085

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, 2018

(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	-	7,000		7,000
Cleaning, repair and maintenance services	3,150	-	3,150		3,150
General supplies	15,350	-	15,350	5,517	9,833
Total Undst. Expend. - Care & Upkeep of Grounds	37,500	-	37,500	5,517	31,983
Undist. Expend. - Security					
Salaries	291,500	(20,000)	271,500	257,004	14,496
Cleaning, repair and maintenance services	1,300	-	1,300	722	578
General supplies	32,805	83,500	116,305	114,347	1,958
Total Undst. Expend. - Security	325,605	63,500	389,105	372,073	17,032
Total Undst. Expend. - Oper. & Maint. of Plant Services	3,245,539	145,500	3,391,039	3,198,569	192,470
Undist. Expend. - Student Transportation Services					
Salaries for pupil trans. (bet home & sch) - regular	727,300	14,000	741,300	677,107	64,193
Salaries for pupil trans. (bet home & sch) - special	82,700	(15,000)	67,700	32,901	34,799
Salaries for pupil trans. (other than bet home & sch)	19,000	-	19,000	3,376	15,624
Rental payments - school buses	3,000	-	3,000	2,954	46
Contr. serv. - (Sp. Ed Stds) - Joint Agreements	150,000	-	150,000	110,778	39,222
Contr. serv. - Aide in lieu Pymts - Charter Schools	40,000	-	40,000	38,989	1,011
Contr. serv. - Aide in lieu Pymts - Nonpublic Schools	40,000	12,900	52,900	22,073	30,827
Miscellaneous purchased services - transportation	44,000	23,500	67,500	50,136	17,364
General Supplies	123,000	(22,500)	100,500	67,167	33,333
Transportation supplies	148,000	(55,007)	92,993	88,243	4,750
Other objects	3,000	-	3,000	60	2,940
Total Undst. Expend. - Student Transportation Services	1,380,000	(42,107)	1,337,893	1,093,784	244,109
Unallocated Benefits - Employee Benefits					
Social security contributions	494,190	(59,000)	435,190	392,738	42,452
Other retirement contributions - PERS	515,000	(36,500)	478,500	477,873	627
Other retirement contributions - Regular	15,000	5,500	20,500	20,486	14
Unemployment compensation	40,000	-	40,000	40,000	-
Workers' compensation	183,000	(1,000)	182,000	180,471	1,529
Health benefits	5,149,000	(504,500)	4,644,500	3,771,138	873,362
Tuition reimbursement	45,000	(5,000)	40,000	40,000	-
Other employee benefits	330,000	106,500	436,500	406,710	29,790
Sick payment to retired/terminated employees	-	-	-	-	-
Total Unallocated Benefits - Employee Benefits	6,771,190	(494,000)	6,277,190	5,329,416	947,774
On-behalf TPAF pension (non-budgeted)	-	-	-	1,671,496	(1,671,496)
On-behalf TPAF medical (non-budgeted)	-	-	-	1,079,584	(1,079,584)
On-behalf TPAF LTDI (non-budgeted)	-	-	-	2,092	(2,092)
Reimbursed TPAF social security contributions (non-budgeted)	-	-	-	847,440	(847,440)
Total Undistributed Expenditures - TPAF	-	-	-	3,600,612	(3,600,612)
Total Undistributed Expenditures	17,055,629	(170,007)	16,885,622	18,449,011	(1,563,389)
Total General Current Expense	27,941,395	(168,007)	27,773,388	28,887,900	(1,114,512)

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, 2018

(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	\$ 10,000	\$ 34,500	\$ 44,500	\$ 44,473	\$ 27
Undist. Exp - security	25,000	(25,000)			
School Buses - Regular	355,000	(9,500)	345,500	341,352	4,148
Total Equipment	<u>390,000</u>	<u>-</u>	<u>390,000</u>	<u>385,825</u>	<u>4,175</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>	
Assets acquired under capital leases (non-budgeted):					
Facilities Acquisition and Construction Services:					
Energy Saving Improvement Program				1,899,000	(1,899,000)
Total assets acquired under capital leases				<u>1,899,000</u>	<u>(1,899,000)</u>
Total Capital Outlay	<u>396,346</u>		<u>396,346</u>	<u>2,291,171</u>	<u>(1,894,825)</u>
Total Expenditures	<u>28,337,741</u>	<u>(168,007)</u>	<u>28,169,734</u>	<u>31,179,071</u>	<u>(3,009,337)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>(1,272,390)</u>		<u>(1,272,390)</u>	<u>(265,896)</u>	<u>1,006,494</u>
Other Financing Sources (Uses):					
Proceeds of Capital Lease				1,899,000	1,899,000
Total Other Financing Sources				<u>1,899,000</u>	<u>1,899,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	<u>(1,272,390)</u>		<u>(1,272,390)</u>	<u>1,633,104</u>	<u>2,905,494</u>
Fund Balance, July 1	<u>3,377,828</u>		<u>3,377,828</u>	<u>3,377,828</u>	
Fund Balance, June 30	<u>\$ 2,105,438</u>	<u>\$ -</u>	<u>\$ 2,105,438</u>	<u>\$ 5,010,932</u>	<u>\$ 2,905,494</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Years Expenditures				\$ 575,089	
Reserve for Excess Surplus				1,008,403	
Capital Reserve				1,500,000	
Maintenance Reserve				1,299,137	
Assigned Fund Balance					
Year-end Encumbrances				52,292	
Designated for Subsequent Years Expenditures				18,513	
Unassigned Fund Balance				<u>557,498</u>	
				5,010,932	
Reconciliation on Governmental Fund Statements (GAAP):					
Less: State Aid Payment not Recognized on GAAP Basis				<u>(901,450)</u>	
Fund Balance per Government Fund (GAAP)				<u>\$ 4,109,482</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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
REVENUES:					
Local sources	\$ -	\$ 1,778	\$ 1,778	\$ 1,778	\$ -
State sources	351,036	-	351,036	351,036	-
Federal sources	1,120,263		1,120,263	1,093,222	27,041
Total revenues	1,471,299	1,778	1,473,077	1,446,036	27,041
EXPENDITURES:					
Instruction:					
Salaries of teachers	675,529	(78,612)	596,917	591,480	5,437
Tuition	499,751		499,751	499,751	-
General supplies	54,575	1,781	56,356	56,356	-
Total instruction	1,229,855	(76,831)	1,153,024	1,147,587	5,437
Support services:					
Salaries of program director	23,000		23,000	22,313	687
Personal services-employee benefits	166,314	78,609	244,923	244,870	53
Travel	10,328		10,328	8,466	1,862
Supplies and Materials	21,802		21,802	8,847	12,955
Purchased prof. and educational services	20,000		20,000	13,953	6,047
Total support services	241,444	78,609	320,053	298,449	21,604
Facilities acquisition and construction services:					
Instructional equipment					
Non-instructional equipment					
Total facilities acq. and const. services					
Transfer to charter schools					
Total expenditures	1,471,299	1,778	1,473,077	1,446,036	27,041
Total outflows	1,471,299	1,778	1,473,077	1,446,036	27,041
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	\$ 30,913,175	\$ 1,446,036
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, 2017		111,715
Fiscal Year Ended June 30, 2018		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	922,982	33,014
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(901,450)	(35,104)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 30,934,707	\$ 1,555,661
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	31,179,071	1,446,036
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, 2017		111,715
Fiscal Year Ended June 30, 2018		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 31,179,071	\$ 1,557,751

Required Supplementary Information - Part III
Schedules Related to Accounting and Reporting
For Pensions and
Other Post Employment Benefits

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

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0502902007%	0.0515799603%	0.0527994891%	0.0580173906%	0.0586145948%
District's proportionate share of the net pension liability (asset)	\$ 11,706,755	\$ 15,276,505	\$ 11,852,427	\$ 10,862,442	\$ 11,202,414
District's covered-employee payroll	3,185,716	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	367.48%	452.66%	346.16%	309.43%	321.67%
Plan fiduciary net position as a percentage of the total pension liability	36.78%	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 Five Fiscal Years

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 498,434	\$ 468,671	\$ 458,229	\$ 453,934	\$ 478,287
Contributions in relation to the contractually required contributions	<u>(498,434)</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	3,185,716	3,374,844	3,423,955	3,510,447	3,482,586
Contributions as a percentage of covered-employee payroll	15.65%	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 Five Fiscal Years

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.1125463245%	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>\$ 75,882,790</u>	<u>\$ 84,644,187</u>	<u>\$ 73,356,882</u>	<u>\$ 63,725,118</u>	<u>\$ 60,258,648</u>
Total	<u>\$ 75,882,790</u>	<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	11,591,719	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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	25.41%	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
Required Supplementary Information
Schedule of the State's Proportionate Share of the Net OPEB Liability Associated with the District
and Changes in the Total OPEB Liability and Related Ratios
Public Employee's Retirement System and Teachers' Pension and Annuity Fund
Current Fiscal Year

	<u>June 30, 2018</u>
State's proportion of the net OPEB liability (asset) associated with the District	0.17%
District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	\$ 88,543,533
Total proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 88,543,533</u>
Plan fiduciary net position as a percentage of the total OPEB Liability	0.00%
	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 3,046,909
Interest	2,803,118
Changes of assumptions and other inputs	(11,620,005)
Member Contributions	75,518
Benefit payments	<u>(2,050,856)</u>
Net Change in total OPEB Liability	\$ (7,745,316)
Total OPEB Liability - beginning	\$ 96,288,849
Total OPEB Liability - ending	<u>\$ 88,543,533</u>
District's covered-employee payroll	14,777,435
Total OPEB Liability as a percentage of covered-employee payroll	599.18%

This schedule does not contain ten years of information as GASB 75 was implemented during the fiscal year ended June 30, 2018.

Lower Township School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

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 Pre-retirement Mortality Table for male and female active employees. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 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 beneficiaries of former members 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. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disables Mortality Table (set back 3 years for males and set forward 1 year for females).

3. Other Post-Retirement Plan – Public Employees' Retirement System and Teachers' Pension and Annuity Fund

Changes of benefit term: There were none.

Changes of assumptions: The discount rate changed from 2.85% as of June 30, 2016 to 3.85% as of June 30, 2017.

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, 2018

	Brought Forward (Exh. E-1B)	Brought Forward (Exh. E-1C)	Totals
REVENUES:			
Local sources	\$ -	\$ 1,778	\$ 1,778
State sources	351,036	-	351,036
Federal sources	1,093,222	-	1,093,222
Total Revenues	1,444,258	1,778	1,446,036
EXPENDITURES:			
Instruction:			
Salaries of teachers	591,481		591,481
General supplies	54,577	1,778	56,355
Tuition	499,751		499,751
Total instruction	1,145,809	1,778	1,147,587
Support services:			
Salaries of program director	22,313		22,313
Personal services-employee benefits	244,870		244,870
Purchased prof. and educational services	13,953		13,953
Travel	8,466		8,466
Supplies and Materials	8,847		8,847
Total support services	298,449		298,449
Facilities acquisition and const. serv.:			
Instructional equipment			
Non-instructional equipment			
Total facilities acquisition and const. serv.:			
Total Expenditures	1,444,258	1,778	1,446,036
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -

LOWER TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2018

E-1B

	Preschool Program Aid	No Child Left Behind (N.C.L.B.)			Individuals with Disabilities Act		Totals
		Title I	Title II - Part A	Title III	IDEA - Part B Basic	IDEA - Part B Preschool	
		Current Yr.	Current Yr.	Current Yr.	Current Yr.	Current Yr.	
REVENUES:							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	351,036	-	-	-	-	-	351,036
Federal sources	-	534,632	48,435	10,404	473,493	26,258	1,093,222
Total Revenues	351,036	534,632	48,435	10,404	473,493	26,258	1,444,258
EXPENDITURES:							
Instruction:							
Salaries of teachers	272,427	317,054	-	2,000	-	-	591,481
General supplies	-	47,626	-	6,951	-	-	54,577
Tuition	-	-	-	-	473,493	26,258	499,751
Total instruction	272,427	364,680	-	8,951	473,493	26,258	1,145,809
Support services:							
Salaries of program director	-	-	22,313	-	-	-	22,313
Personal services-employee benefits	78,609	164,401	1,707	153	-	-	244,870
Purchased prof. and educational services	-	-	13,953	-	-	-	13,953
Travel	-	-	7,466	1,000	-	-	8,466
Supplies and Materials	-	5,551	2,996	300	-	-	8,847
Total support services	78,609	169,952	48,435	1,453	-	-	298,449
Facilities acquisition and const. serv.:							
Instructional equipment	-	-	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-	-	-
Total facilities acquisition and const. serv.:	-	-	-	-	-	-	-
Total Expenditures	351,036	534,632	48,435	10,404	473,493	26,258	1,444,258
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LOWER TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2018

E-1C

	Cape Ed Funds Jess	Cape Ed Funds Erine	Cape Ed Funds Baldwin	Cape Ed Funds McGarry	Totals
REVENUES:					
Local sources	\$ 300	\$ 492	\$ 493	\$ 493	\$ 1,778
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total Revenues	300	492	493	493	1,778
EXPENDITURES:					
Instruction:					
Salaries of teachers					
General supplies	300	492	493	493	1,778
Tuition					
Total instruction	300	492	493	493	1,778
Support services:					
Salaries of program director					
Personal services-employee benefits					
Purchased prof. and educational services					
Travel					
Supplies and Materials					
Total support services					
Facilities acquisition and const. serv.:					
Instructional equipment					
Non-instructional equipment					
Total facilities acquisition and const. serv.:					
Total Expenditures	300	492	493	493	1,778
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, 2018

School: District Wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of teachers	\$ 272,427	\$ 272,427	\$ -
General supplies			
Total instruction	<u>272,427</u>	<u>272,427</u>	<u>-</u>
Support Services:			
Salaries of program directors			
Employee benefits	<u>78,609</u>	<u>78,609</u>	
Total support services	<u>78,609</u>	<u>78,609</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>\$ 351,036</u></u>	<u><u>\$ 351,036</u></u>	<u><u>\$ -</u></u>

CALCULATION OF BUDGET AND CARRYOVER

Total Revised 2017-2018 Preschool Education Aid Allocation	\$ 351,036
Add: Actual Preschool Carryover (June 30, 2017)	<u> </u>
Total Preschool Education Aid Funds Available for 2017-2018	351,036
Less: 2017-2018 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	<u>351,036</u>
Available & Unbudgeted Preschool Education Funds as of June 30, 2018	<u> </u>
Add: June 30, 2018 Unexpended Preschool Education Aid	<u> </u>
2017-2018 Preschool Education Aid Carryover	<u> </u>
2017-2018 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2018-2019	<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, 2018

Revenues and Other Financing Sources:

Proceeds of serial bonds	\$	-
Interest earned on investments		200
		200
Total revenues and other financing sources		200

Expenditures and Other Financing (Uses):

Purchased professional services	\$	1,309
Construction services		1,000
Transfer to Debt Service Fund		200
Total expenditures and other financing (uses)		2,509
Excess (deficiency) or revenues over (under) expenditures		(2,309)
Fund Balance - July 1, 2017		168,437
Fund Balance - June 30, 2018	\$	166,128

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, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources:				
Bond proceeds	\$ 5,121,000	\$ -	\$ 5,121,000	\$ 5,121,000
Total revenues	<u>5,121,000</u>	<u> </u>	<u>5,121,000</u>	<u>5,121,000</u>
Expenditures and Other Financing Uses:				
Purchased professional services	\$ 430,819	\$ 1,309	\$ 432,128	\$ 432,128
Construction services	4,521,744	1,000	4,522,744	4,522,744
Equipment	-	-	-	-
Other Objects	-	-	-	-
	<u>4,952,563</u>	<u>2,309</u>	<u>4,954,872</u>	<u>4,954,872</u>
Excess (deficiency) or revenues over (under) expenditures	<u>\$ 168,437</u>	<u>\$ (2,309)</u>	<u>\$ 166,128</u>	<u>\$ 166,128</u>
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, 2018

<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	\$ 4,952,563	\$ 2,309	\$ -	\$ 166,128
		<u>\$ 5,121,000</u>	<u>\$ 4,952,563</u>	<u>\$ 2,309</u>	<u>\$ -</u>	<u>\$ 166,128</u>

**Proprietary Funds
Detail Statements**

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Net Position
as of June 30, 2018

	<u>Food Service</u>	<u>Day Care Program</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 73,990	\$ 250,014	\$ 324,004
Accounts receivable:			
State	558		558
Federal	41,932		41,932
Other	5,486	2,747	8,233
Interfund	-		-
Inventories	16,444		16,444
Total current assets	<u>138,410</u>	<u>252,761</u>	<u>391,171</u>
Fixed assets:			
Equipment	271,073		271,073
Less accumulated depreciation	<u>(268,548)</u>		<u>(268,548)</u>
Total fixed assets	<u>2,525</u>		<u>2,525</u>
Total assets	<u>\$ 140,935</u>	<u>\$ 252,761</u>	<u>\$ 393,696</u>
LIABILITIES:			
Current liabilities:			
Interfund payable	\$ -	\$ -	\$ -
Accounts payable		2,429	2,429
Unearned revenue	7,023	14,260	21,283
Total current liabilities	<u>7,023</u>	<u>16,689</u>	<u>23,712</u>
Noncurrent liabilities:			
Compensated Absences	92,816	5,086	97,902
Total Noncurrent Liabilities	<u>92,816</u>	<u>5,086</u>	<u>97,902</u>
Total Liabilities	<u>99,839</u>	<u>21,775</u>	<u>121,614</u>
NET POSITION:			
Net investment in capital assets	2,525		2,525
Unrestricted	38,571	230,986	269,557
Total net position	<u>\$ 41,096</u>	<u>\$ 230,986</u>	<u>\$ 272,082</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
for the Fiscal Year ended June 30, 2018

	Food Service	Day Care Program	Total
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs:			
School lunch program	\$ 125,159	\$ -	\$ 125,159
Total-daily sales-reimbursable programs	125,159		125,159
Daily sales non-reimbursable programs:			
Adult and AlaCarte meals	65,868		65,868
Registration Fees		428,299	428,299
Miscellaneous	2,130		2,130
Special Functions	50,139		50,139
Total operating revenue	<u>243,296</u>	<u>428,299</u>	<u>671,595</u>
OPERATING EXPENSES:			
Salaries	379,836	341,088	720,924
Employee benefits	219,787	26,030	245,817
Supplies and materials	26,686	19,587	46,273
Depreciation	1,552		1,552
Cost of sales - reimbursable programs	193,633		193,633
Cost of sales - non-reimbursable programs	179,755		179,755
Purchased property services	10,247		10,247
Other	5,559		5,559
Total operating expenses	<u>1,017,055</u>	<u>386,705</u>	<u>1,403,760</u>
Operating income (loss)	<u>(773,759)</u>	<u>41,594</u>	<u>(732,165)</u>
Non-operating revenues:			
State sources:			
State school lunch program	8,198		8,198
Federal sources:			
National school lunch program	367,615		367,615
School breakfast program	268,377		268,377
Snack Program	1,183		1,183
U.S.D.A. commodities	66,173		66,173
Operating transfer in			
Interest revenue	169		169
Total non-operating revenues	<u>711,715</u>		<u>711,715</u>
Change in net position	(62,044)	41,594	(20,450)
Total net position - July 1	<u>103,140</u>	<u>189,392</u>	<u>292,532</u>
Total net position - June 30	<u>\$ 41,096</u>	<u>\$ 230,986</u>	<u>\$ 272,082</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Year ended June 30, 2018

	Food Service	Day Care Program	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 329,436	\$ 436,578	\$ 766,014
Cash payments to employees for services	(585,042)	(366,826)	(951,868)
Cash payments to suppliers for goods and services	(351,101)	(17,158)	(368,259)
Net cash used by operating activities	(606,707)	52,594	(554,113)
Cash flows from noncapital financing activities:			
Cash received from state and federal reimbursements	640,417		640,417
Net cash provided by noncapital financing activities	640,417		640,417
Cash flows from investing activities:			
Interest on investments	169		169
Net cash provided by investing activities	169		169
Net increase (decrease) in cash and cash equivalents	33,879	52,594	86,473
Cash and cash equivalents, July 1	40,111	197,420	237,531
Cash and cash equivalents, June 30	\$ 73,990	\$ 250,014	\$ 324,004
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (773,759)	\$ 41,594	\$ (732,165)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	1,552		1,552
Commodities	66,173		66,173
Change in assets and liabilities:			
(Increase)/decrease in accounts receivable	(1,133)	1,041	(92)
(Increase)/decrease in inventory	725		725
(Increase)/decrease in interfund receivable	83,934		83,934
Increase/(decrease in interfund payable	(2,118)		(2,118)
Increase/(decrease) in accounts payable		1,897	1,897
Increase/(decrease) in unearned revenue	3,338	7,238	10,576
Increase/(decrease) in compensated absences	14,581	824	15,405
Net cash used by operating activities	\$ (606,707)	\$ 52,594	\$ (554,113)

LOWER TOWNSHIP SCHOOL DISTRICT
Internal Service Fund
Self-Insured Health and Prescription Plan
Statement of Net Position
as of June 30, 2018

	Internal Service Fund
ASSETS:	
Current assets:	
Restricted cash and cash equivalents	\$ 984,056
	984,056
Total current assets	984,056
Total assets	\$ 984,056
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 736,342
Reserve for medical claims	247,714
	984,056
Total current liabilities	984,056
Net Position:	
Unrestricted	-
Total Net Position	\$ -

LOWER TOWNSHIP SCHOOL DISTRICT
Internal Service Fund
Self-Insured Health and Prescription Plan
Comparative Statement of Revenues, Expenses and Changes in Net Position
for the Fiscal Year ended June 30, 2018

	Internal Service Fund
OPERATING REVENUES:	
Local sources:	
Contributions	\$ 5,525,058
Total operating revenue	5,525,058
 OPERATING EXPENSES:	
Employee Benefits	5,525,058
Total operating expenses	5,525,058
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, 2018

	<u>Internal Service Fund</u>
Cash flows from operating activities:	
Cash receipts from customers	\$ 5,525,058
Cash payments for medical claims	<u>(5,398,058)</u>
Net cash used by operating activities	<u>127,000</u>
Net increase (decrease) in cash and cash equivalents	127,000
Cash and cash equivalents, July 1	<u>857,056</u>
Cash and cash equivalents, June 30	<u><u>\$ 984,056</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	278,902
Increase(decrease) in reserve for medical claims	<u>(151,902)</u>
Net cash used by operating activities	<u><u>\$ 127,000</u></u>

**Fiduciary Funds
Detail Statements**

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2018

	<u>Agency Funds</u>		Unemployment Compensation Insurance Trust	<u>Total</u>
	<u>Student Activity</u>	<u>Payroll</u>		
ASSETS:				
Cash and cash equivalents	\$ 27,164	\$ -	\$ 167,612	\$ 194,776
TOTAL ASSETS	<u>\$ 27,164</u>	<u>\$ -</u>	<u>\$ 167,612</u>	<u>\$ 194,776</u>
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 13,392	\$ 13,392
Interfund payable		-	31,231	31,231
Due to student groups	<u>27,164</u>			<u>27,164</u>
Total liabilities	<u>27,164</u>	<u>-</u>	<u>44,623</u>	<u>71,787</u>
NET POSITION:				
Restricted for:				
Unemployment claims			<u>122,989</u>	<u>122,989</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,989</u>	<u>\$ 122,989</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
Statement of Change in Fiduciary Net Position
for the Fiscal Year ended June 30, 2018

	<u>Unemployment Compensation Insurance Trust Fund</u>
REVENUES:	
Local sources:	
Board contributions	\$ 40,000
Employee contributions	32,542
Interest on Investments	<u>149</u>
Total Revenues	<u>72,691</u>
 EXPENDITURES:	
Current Expense:	
Undistributed expenditures:	
Unemployment payments	<u>61,204</u>
Total Expenditures	<u>61,204</u>
Change in net position	11,487
Total net position - July 1	<u>111,502</u>
Total net position - June 30	<u><u>\$ 122,989</u></u>

LOWER TOWNSHIP SCHOOL DISTRICT
Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable June 30, 2018</u>	<u>Balance June 30, 2018</u>
Elementary Schools - All	\$ 18,427	\$ 15,767	\$ 7,030	\$ -	\$ 27,164
Total	<u>\$ 18,427</u>	<u>\$ 15,767</u>	<u>\$ 7,030</u>	<u>\$ -</u>	<u>\$ 27,164</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Payroll Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
ASSETS:				
Cash and cash equivalents	\$ 30,699	\$ 19,484,012	\$ 19,514,711	\$ -
Other receivable				
Total assets	<u>\$ 30,699</u>	<u>\$ 19,484,012</u>	<u>\$ 19,514,711</u>	<u>\$ -</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 30,346	\$ 8,429,715	\$ 8,460,061	\$ -
Interfund payable	353	253	606	-
Net payroll		11,054,044	11,054,044	
Total liabilities	<u>\$ 30,699</u>	<u>\$ 19,484,012</u>	<u>\$ 19,514,711</u>	<u>\$ -</u>

Long-Term Debt Schedules

LOWER TOWNSHIP SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Serial Bonds
 June 30, 2018

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2017	Issued	Retired	Balance June 30, 2018
			Date	Amount					
School Bonds	04/20/16	\$ 5,121,000	04/01/19	\$ 160,000	2.00%	\$ 5,121,000	\$ -	\$ 160,000	\$ 4,961,000
			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>\$ 160,000</u>	<u>\$ 4,961,000</u>

LOWER TOWNSHIP SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Capital Leases
 June 30, 2018

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding June 30, 2017	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2018
White Boards	2.395%	\$ 99,577	\$ 40,285	-	\$ 19,904	\$ 20,381
Energy Lease	3.350%	1,899,000	-	1,899,000		1,899,000
Total			<u>\$ 40,285</u>	<u>\$ 1,899,000</u>	<u>\$ 19,904</u>	<u>\$ 1,919,381</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local sources:					
Local tax levy	\$ 148,227	\$ -	\$ 148,227	\$ 148,227	\$ -
Miscellaneous					
Total revenues - local sources	<u>148,227</u>		<u>148,227</u>	<u>148,227</u>	
State sources:					
Debt service aid type II	138,533		138,533	138,533	
Total revenues - state sources	<u>138,533</u>		<u>138,533</u>	<u>138,533</u>	
Total Revenues	<u>286,760</u>		<u>286,760</u>	<u>286,760</u>	
EXPENDITURES:					
Regular debt service:					
Interest	127,100		127,100	127,080	20
Redemption of principal	160,000		160,000	160,000	
Total Expenditures	<u>287,100</u>		<u>287,100</u>	<u>287,080</u>	<u>20</u>
Excess (Deficiency) of revenues over (under) expenditures	(340)		(340)	(320)	20
Other Financing Sources (Uses):					
Operating transfer in				200	200
Total other financing sources (uses)				<u>200</u>	<u>200</u>
Net change in fund balance	(340)		(340)	(120)	220
Fund Balances, July 1	<u>10,357</u>		<u>10,357</u>	<u>10,357</u>	
Fund Balances, June 30	<u>\$ 10,017</u>	<u>\$ -</u>	<u>\$ 10,017</u>	<u>\$ 10,237</u>	<u>\$ 220</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,		2011	2012	2013	2014	2015	2016	2017	2018
	2009	2010								
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 3,435,758
Restricted for:										
Capital projects	1	61,193	88,871	1	-	-	-	4,807,566	168,438	1,666,128
Special revenue	(34,033)	(34,765)	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)	(37,611)	(33,014)	(35,104)
Debt service	(2,938)	-	-	-	-	-	-	-	-	-
Other purposes	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	2,953,671
Unrestricted	(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)	(14,760,486)
Total governmental activities net position	<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>	<u>\$ (6,740,033)</u>
Business-type activities:										
Net investment in capital assets	\$ 25,968	\$ 21,531	\$ 18,034	\$ 15,000	\$ 11,968	\$ 9,108	\$ 7,056	\$ 5,566	\$ 4,077	\$ 2,525
Unrestricted	257,527	404,132	325,987	350,571	312,288	278,303	275,131	265,169	288,455	269,557
Total business-type activities net position	<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>	<u>\$ 272,082</u>
District-wide:										
Net investment in capital assets	\$ 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	\$ 3,438,283
Restricted:										
Capital projects	1	61,193	88,871	1	-	-	-	4,807,566	168,438	1,666,128
Special revenue	(34,033)	(34,765)	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)	(37,611)	(33,014)	(35,104)
Debt service	(2,938)	-	-	-	-	-	-	-	-	-
Other purposes	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	2,953,671
Unrestricted	(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)	(14,490,929)
Total district net position	<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>	<u>\$ (6,467,951)</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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 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	\$ 9,855,187
Special education	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	1,959,179
Other instruction	2,226	91,224	84,826	93,767	96,038	51,977	65,696	56,246	160,031	240,045
Support Services:										
Tuition	472,665	449,787	331,532	508,575	466,502	1,049,973	1,154,510	897,749	922,182	703,106
Student & instruction related services	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	3,090,764
School administrative services	848,452	883,487	879,408	922,528	932,592	897,008	882,873	895,451	754,045	713,344
General and business administrative services	807,776	808,646	595,880	630,621	726,870	801,466	770,720	821,459	836,568	846,063
Plant operations and maintenance	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	4,623,372
Pupil transportation	1,166,298	1,195,005	1,153,759	1,299,670	1,276,545	1,261,876	1,191,733	1,189,908	1,198,539	1,093,784
Unallocated employee benefits	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	19,735,507
Interest on long-term debt	67,956	33,353						28,417	123,726	126,280
Unallocated depreciation	21,728	23,122	23,465	2,309	22,968	23,315	27,234	30,413	34,917	36,533
Total governmental activities expenses	26,763,124	29,085,015	27,502,937	28,471,249	30,137,666	29,405,054	29,877,888	30,760,588	36,858,436	43,023,164
Business-type activities:										
After-school program	352,947	336,113	314,208	285,435	280,687	306,728	338,318	371,862	395,856	386,705
Food service	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	1,017,055
Internal service fund								5,874,547	6,581,757	5,525,058
Total business-type activities expense	1,491,168	1,490,786	1,446,764	1,404,442	1,451,776	1,415,325	1,450,209	7,292,074	7,984,532	6,928,818
Total district expenses	\$ 28,254,292	\$ 30,575,801	\$ 28,949,701	\$ 29,875,691	\$ 31,589,442	\$ 30,820,379	\$ 31,328,097	\$ 38,052,662	\$ 44,842,968	\$ 49,951,982
Program Revenues:										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ -	\$ -	\$ -	\$ -	\$ 97,018	\$ 72,516	\$ 58,912	\$ -	\$ -	\$ -
Operating grants and contributions	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	15,668,092
Total governmental activities program revenues	3,234,644	3,873,067	3,025,112	3,340,003	4,093,968	3,596,724	3,950,811	4,175,177	4,422,074	15,668,092

(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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type activities:										
Charges for services:										
After-school program	\$ 367,080	\$ 322,827	\$ 303,179	\$ 321,536	\$ 309,628	\$ 327,699	\$ 395,383	\$ 388,785	\$ 412,910	\$ 428,299
Food service	408,825	406,152	363,675	355,887	325,893	255,770	261,627	241,342	249,714	243,296
Internal service fund										
Operating grants and contributions	678,235	732,403	697,275	748,186	774,807	794,911	787,875	5,874,547	6,581,757	5,525,058
Capital grants and contributions								775,868	761,743	711,546
Total business type activities program revenues	<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>	<u>6,908,199</u>
Total district program revenues	<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>	<u>\$ 22,576,291</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (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)	\$ (27,355,072)
Business-type activities	(37,028)	(29,404)	(82,635)	21,167	(41,448)	(36,945)	(5,324)	(11,532)	21,592	(20,619)
Total district-wide net expense	<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>	<u>\$ (27,375,691)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 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	\$ 16,812,338
Taxes levied for debt service	470,775	472,801							129,114	148,227
Unrestricted grants and contributions	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	10,181,719
Tuition	26,299	37,015	35,869	19,971	-	-	-	34,062	15,593	63,462
Investment earnings	67,208	25,595								
Miscellaneous income	33,397	83,147	82,233	182,353	75,262	86,495	6,417	94,266	13,770	274,686
Loss on Disposal of Capital Assets										
Transfers	(169,702)	(170,000)								
Total governmental activities	<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>	<u>27,480,432</u>
Business-type activities:										
Investment earnings	1,751	1,572	993	383	133	100	100	80	205	169
Miscellaneous income										
Loss on Disposal of Capital Assets										
Transfers	169,702	170,000								
Total business-type activities	<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>	<u>169</u>
Total district-wide	<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>	<u>\$ 27,480,601</u>
Change in Net Position:										
Governmental activities	\$ 682,192	\$ (1,086,701)	\$ (552,745)	\$ (70,572)	\$ (1,151,541)	\$ (321,462)	\$ 162,083	\$ 167,742	\$ (5,267,748)	\$ 125,360
Business-type activities	134,425	142,168	(81,642)	21,550	(41,315)	(36,845)	(5,224)	(11,452)	21,797	(20,450)
Total district-wide	<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>	<u>\$ 104,910</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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved for:										
Encumbrances	\$ 6,592	\$ 23,368	\$ 6,187	\$ 7,239	\$ 7,090	\$ 36,944	\$ 140,792	\$ 10,544	\$ 454,505	\$ 52,292
Maintenance reserve	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	1,299,137
Capital reserve	1	1	1	1	1	1	1	1	1	1,500,000
Excess surplus	514,138	323,150	507,648	407,534	183,633	154,300	164,441	604,902	575,089	1,008,403
Excess surplus - designated for subsequent years expenditures	681,254	514,138	323,150	507,648	407,534	183,633	154,300	164,441	604,902	575,089
Unreserved - designated for subsequent years expenditures	1,066,800	200,000	200,000	263,638			53,625	38,611	14,483	18,513
Unreserved	(470,872)	(476,683)	(371,239)	(386,982)	(422,587)	(382,627)	(400,563)	(361,376)	(350,134)	(343,952)
Total general fund	<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>	<u>\$ 4,109,482</u>
All Other Governmental Funds										
Reserved:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,261,640	\$ 28,798	\$ -
Unreserved, reported in:										
Special revenue fund	(34,033)	(34,765)	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)	(37,611)	(33,014)	(35,104)
Capital projects fund		125,532	88,870					545,925	139,639	166,128
Debt service fund	94	-	-	-	-	-	-	340	10,357	10,237
Total all other governmental funds	<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>	<u>\$ 141,261</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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax levy	\$ 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	\$ 16,960,565
Tuition charges	26,299	37,015	35,869	19,971	52,286	39,381	58,912	34,062	15,593	63,462
Transportation charges					44,732	33,135				
Interest earnings	67,208	25,595								
Miscellaneous	35,397	89,144	82,233	183,853	75,761	86,995	7,399	94,691	13,770	276,464
State sources	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	14,202,231
Federal sources	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	1,274,506
Total revenue	27,615,018	28,679,514	28,950,192	28,400,676	28,986,125	29,083,592	30,039,971	30,928,330	31,590,688	32,777,228
Expenditures										
Instruction										
Regular instruction	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	9,399,936
Special education instruction	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	1,959,179
Other special instruction	2,226	91,224	84,826	93,767	96,038	51,977	65,696	56,246	160,031	240,045
Other instruction										
Support Services:										
Tuition	472,665	449,787	331,532	508,575	466,502	1,049,973	1,154,510	897,749	922,182	703,106
Student & instruction related services	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	3,090,764
School administrative services	807,776	837,244	832,478	876,511	886,656	850,379	828,405	834,626	754,045	713,344
General and business admin. services	804,996	808,646	595,880	630,621	726,870	801,466	770,720	821,459	766,735	772,995
Plant operations and maintenance	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	3,198,569
Pupil transportation	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	1,093,784
Other support services	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	9,273,929
Capital outlay	179,371	1,222,540	72,856	148,285	52,754	179,613	323,862	479,437	4,870,517	2,293,480
Debt service:										
Principal	620,000	655,000								160,000
Interest and other charges	70,827	36,386							120,373	127,080
Total expenditures	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	33,026,211
Excess (Deficiency) of revenues over (under) expenditures	562,173	(919,233)	40,316	85,203	(825,282)	(484,372)	220,768	337,768	(3,925,791)	(248,983)
Other Financing sources (uses)										
Cancelled SDA Grant	-	-	-	(35,548)	-	-	-	-	-	1,899,000
Proceeds of Borrowing	-	-	-	-	-	-	99,577	5,121,000	-	-
Transfers in	-	766,800	-	-	-	-	-	340	1,276	200
Transfers out	(169,702)	(936,800)	-	-	-	-	-	(340)	(1,276)	(200)
Total other financing sources (uses)	(169,702)	(170,000)	-	(35,548)	-	-	99,577	5,121,000	-	1,899,000
Net change in fund balances	\$ 392,471	\$ (1,089,233)	\$ 40,316	\$ 49,655	\$ (825,282)	\$ (484,372)	\$ 320,345	\$ 5,458,768	\$ (3,925,791)	\$ 1,650,017
Debt service as a percentage of noncapital expenditures	2.57%	2.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%	0.93%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

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

Exhibit J-5

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Refunds of Prior Years Expenditures	Refunds	Rentals	Transportation	Sale of Equipment	Miscellaneous	Total
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
2018	7,147	63,462	184,989	1,609		5,645	74,990	106	337,948
	<u>\$ 125,191</u>	<u>\$ 375,296</u>	<u>\$ 362,735</u>	<u>\$ 150,521</u>	<u>\$ 275,960</u>	<u>\$ 95,432</u>	<u>\$ 77,765</u>	<u>\$ 22,606</u>	<u>\$ 1,485,506</u>

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Source: District records

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

Exhibit J-6

Township of Lower

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
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	275,786,100		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
2018	64,779,300	3,283,120,000	6,360,900	567,200	264,001,400		11,432,200	3,630,261,000	4,178,452	3,634,439,452	237,688,000	0.472	3,908,079,119

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	
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
2018	0.468	0.004	0.472	0.575	0.360	0.289	1.696

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

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Taxpayer	2018	
	Taxable Assessed Value	% of Total District Net Assessed Value
Sun Lake Laurie RV, Inc	\$ 17,300,000	0.48%
Harbortown Resort Marina	15,003,700	0.41%
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	\$ 100,063,600	2.75%

Taxpayer	2009	
	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	
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%	-
2018	16,866,654	16,866,654	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		
2009			\$ 655,000	\$ -	\$ -	\$ 655,000	0.07%	\$ 32
2010			-	-	-	-	-	-
2011			-	-	-	-	-	-
2012			-	-	-	-	-	-
2013			-	-	-	-	-	-
2014			-	-	-	-	-	-
2015			78,708	-	-	78,708	0.01%	3.57
2016	5,121,000		59,724	-	-	5,180,724	0.43%	236.81
2017	5,121,000		40,285	-	-	5,161,285	c	237.13
2018	4,961,000		1,919,381	-	-	6,880,381	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		
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%	234
2017	5,121,000	-	5,121,000	0.14%	235
2018	4,961,000	-	4,961,000	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, 2017**

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	\$ 20,789,911	100.000%	\$ 20,789,911
Cape May County General Obligation Debt	226,578,595	7.756%	17,573,436
Lower Cape May Regional School District Debt	9,862,000	53.904%	<u>5,315,977</u>
Subtotal, overlapping debt			43,679,324
Lower Township School District Direct Debt			<u>5,121,000</u>
Total direct and overlapping debt			<u><u>\$ 48,800,324</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 2018

	Equalized valuation basis	
	2015	\$ 3,758,142,246
	2016	3,777,337,204
	2017	3,884,870,936
	[A]	<u>\$ 11,420,350,386</u>
Average equalized valuation of taxable property	[A/3]	\$ 3,806,783,462
Debt limit (2.5% of average equalized valuation)	[B]	95,169,587 ^a
Net bonded school debt	[C]	<u>4,961,000</u>
Legal debt margin	[B-C]	<u>\$ 90,208,587</u>

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 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	\$ 95,169,587
Total net debt applicable to limit	-	-	-	-	-	-	-	5,121,000	5,121,000	4,961,000
Legal debt margin	<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>	<u>\$ 90,208,587</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%	5.83%	5.47%	5.21%

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>
2009	20,239	\$ 878,210,688	\$ 43,392	13.90%
2010	22,838	1,013,961,524	44,398	14.50%
2011	22,631	1,057,501,368	46,728	15.20%
2012	22,551	1,092,753,807	48,457	16.30%
2013	22,360	1,101,230,000	49,250	11.90%
2014	22,183	1,124,899,930	50,710	12.60%
2015	22,039	1,172,673,151	53,209	11.10%
2016	21,877	1,200,281,605	54,865	10.10%
2017	21,766	e	e	9.80%
2018	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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction										
Regular	112	112	112	112	114	114	114	114	116	116
Special education	30	30	29	29	25	25	25	25	27	27
Other special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Nonpublic school programs	-	-	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services:										
Student & instruction related services	38	38	38	38	36	36	36	36	40	40
School administrative services	12	12	12	12	8	9	9	9	15	15
General and business administrative services	2	2	2	2	2	2	2	2	2	2
Plant operations and maintenance	26	25	22	22	24	22	22	22	26	26
Pupil transportation	20	20	20	20	17	18	18	18	18	18
Business and other support services	4	4	4	4	4	4	4	4	4	3
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	14	13	14	14	11	11	11	11	12	12
Child Care	2	2	2	2	2	2	2	2	2	2
Total	260	258	255	255	243	243	243	243	262	261

Source: District Personnel Records

Lower Township School District
 Operating Statistics,
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
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	3.47%	143	1:12	1,666	1,585	-3.42%	95.14%
2018	1,676	30,445,651	18,166	0.99%	143	1:12	1,657	1,577	-0.54%	95.17%

Sources: District records

Note: Enrollment based on annual October district count.

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

Lower Township School District
 School Building Information
 Last Ten Fiscal Years

Exhibit J-18

District Building	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<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	505	517	500	475	479	474	443	455	431	443
Maud Abrams (1966)										
Square Feet	58,639	58,639	58,639	58,639	58,639	58,639	58,639	58,639	58,639	58,639
Capacity (students)	593	593	593	593	593	593	593	593	593	593
Enrollment	477	467	485	476	436	448	439	439	452	433
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	417	442	427	426	456	447	424	387	375	390
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	458	459	436	451	440	456	482	444	409	391
<u>Other</u>										
Central Administration (1938)										
Square Feet	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				
Transportation(1999)										
Square Feet	2,880	2,880	2,880	2,880	2,880	2,880				
Curriculum Trailer (1995)										
Square Feet	938									
Special Programs Trailer (1986)										
Square Feet	684									
Number of Schools at June 30, 2018										
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,		2011	2012	2013	2014	2015	2016	2017	2018	Total
	2009	2010									
Sandman Consolidated School	\$ 106,353	\$ 115,268	\$ 133,919	\$ 140,626	\$ 142,682	\$ 168,227	\$ 176,157	\$ 172,866	\$ 212,553	\$ 274,392	\$ 1,643,043
Maud Abrams School	102,414	110,998	128,959	135,418	137,397	161,996	169,633	166,463	204,681	264,229	1,582,188
Carl T. Mitnick School	66,963	72,576	148,799	156,251	158,535	186,919	195,731	192,073	236,171	304,880	1,718,898
Memorial School	118,170	128,075	84,319	88,543	89,837	105,920	110,914	108,841	133,830	172,766	1,141,215
Total School Facilities	<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>\$ 1,016,267</u>	<u>\$ 6,085,344</u>

**Lower Township School District
Insurance Schedule
June 30, 2018**

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	None	1,000
Crime coverage	500,000	250,000	500
General and automobile liability	20,000,000	250,000	None
Workers' compensation	Statutory	250,000	None
Educator's legal liability	20,000,000	175,000	None
Pollution legal liability	3,000,000	None	25,000 Pollution 100,000 Mold
Cyber Liability	1,000,000	None	25,000
Violent Malicious Acts	1,000,000	None	15,000
Disaster Management Services	2,000,000	None	15,000
Public Employee Dishonesty	500,000		500
Surety Bonds (2)			
Treasurer	275,000		
Board Secretary	100,000		

(1) Atlantic & Cape May Counties Joint Insurance Fund

(2) RLI Insurance Company

Source: District records

Single Audit Section

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 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, 2018. 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, 2018.

Report on Internal Control Over Compliance

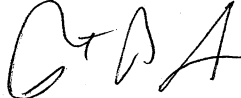
Management of the Lower Township School District, in the County of Cape May, State of New Jersey, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, 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
January 31, 2019

LOWER TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2018

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, 2017				Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2018				
						Accounts Receivable	Deferred Revenue	Due to Grantor at	Adjustment				Receivable	Deferred Revenue	Due to Grantor at		
U.S. Department of Education General Fund:																	
Medical Assistance Program (SEMI)	93.778	1805NJ5MAP	N/A	\$ 69,589	7/1/17 - 6/30/18	\$ -	\$ -	\$ -	\$ -	\$ 69,450	\$ (69,569)	\$ -	\$ (119)	\$ -	\$ -		
Total General Fund										69,450	(69,569)		(119)				
U.S. Department of Education Special Revenue Fund:																	
Every Student Succeeds Act (ESSA)																	
Title I	84.010A	S010A170030	ESSA-2840-18	545,069	7/1/17 - 6/30/18					317,385	(534,632)		(217,247)				
Title I	84.010A	S010A160030	NCLB-2840-17	482,849	7/1/16 - 6/30/17	(186,108)				186,108							
Title II - Part A	84.367A	S367A170029	ESSA-2840-18	65,039	7/1/17 - 6/30/18				34	40,947	(48,435)		(7,454)				
Title II - Part A	84.367A	S367A160029	NCLB-2840-17	102,130	7/1/16 - 6/30/17	(28,180)				29,180							
Title III	84.365	S365A170030	ESSA-2840-18	10,404	7/1/17 - 6/30/18					6,412	(10,404)		(3,992)				
Individuals With Disabilities Act (I.D.E.A.)																	
Part B - Basic	84.027	H027A170100	IDEA-2840-18	473,493	7/1/17 - 6/30/18					426,143	(473,493)		(47,350)				
Preschool	84.173	H173A170114	IDEA-2840-18	26,258	7/1/17 - 6/30/18					23,632	(26,258)		(2,626)				
Total Special Revenue Fund						(215,288)	-	-	34	1,029,807	(1,093,222)	-	(278,669)				
U.S. Department of Agriculture Enterprise Fund:																	
Food Distribution Program	10.565	181NJ304N1099	N/A	66,173	7/1/17 - 6/30/18					66,173	(66,173)						
National School Lunch Program	10.555	181NJ304N1099	N/A	367,615	7/1/17 - 6/30/18					343,346	(367,615)		(24,269)				
National School Lunch Program	10.555	171NJ304N1099	N/A	397,553	7/1/16 - 6/30/17	(22,107)				22,107							
School Breakfast Program	10.553	181NJ304N1099	N/A	268,378	7/1/17 - 6/30/18					250,768	(268,377)		(17,609)				
School Breakfast Program	10.553	171NJ304N1099	N/A	272,760	7/1/16 - 6/30/17	(14,907)				14,907							
After School Snack Program	10.555	181NJ304N1099	N/A	1,183	7/1/17 - 6/30/18					1,129	(1,183)		(54)				
After School Snack Program	10.555	171NJ304N1099	N/A	2,101	7/1/16 - 6/30/17	(49)				49							
Total Enterprise Fund						(37,063)				698,479	(703,348)		(41,932)				
Total Federal Awards						\$ (252,351)	\$ -	\$ -	\$ 34	\$ 1,797,736	\$ (1,866,139)	\$ -	\$ (320,720)	\$ -	\$ -		

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, 2018

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2017			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Years' Balances	June 30, 2018		
				Accounts Receivable	Deferred Revenue	Due to Grantor at						Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education														
<u>General Fund:</u>														
Equalization Aid	18-495-034-5120-078	\$ 5,202,298	7/1/17 - 6/30/18	\$ -	\$ -	\$ -	\$ -	\$ 4,732,095	\$ (5,202,298)	\$ -	\$ -	\$ (470,203)	\$ -	\$ -
Equalization Aid	17-495-034-5120-078	5,202,298	7/1/16 - 6/30/17	(471,805)				471,805						
School Choice Aid	18-495-034-5120-068	796,248	7/1/17 - 6/30/18					724,280	(796,248)			(71,968)		
School Choice Aid	17-495-034-5120-068	796,248	7/1/16 - 6/30/17	(72,213)				72,213						
Transportation Aid	18-495-034-5120-014	764,271	7/1/17 - 6/30/18					695,194	(764,271)			(69,077)		
Transportation Aid	17-495-034-5120-014	764,271	7/1/16 - 6/30/17	(69,313)				69,313						
Special Education Categorical Aid	18-495-034-5120-089	888,970	7/1/17 - 6/30/18					808,622	(888,970)			(80,348)		
Special Education Categorical Aid	17-495-034-5120-089	888,970	7/1/16 - 6/30/17	(80,622)				80,622						
Security Aid	18-495-034-5120-084	446,178	7/1/17 - 6/30/18					405,851	(446,178)			(40,327)		
Security Aid	17-495-034-5120-084	446,178	7/1/16 - 6/30/17	(40,465)				40,465						
Adjustment Aid	18-495-034-5120-085	1,826,869	7/1/17 - 6/30/18					1,661,750	(1,826,869)			(165,119)		
Adjustment Aid	17-495-034-5120-085	2,030,412	7/1/16 - 6/30/17	(184,141)				184,141						
PARCC Readiness Aid	18-495-034-5120-098	16,460	7/1/17 - 6/30/18					14,972	(16,460)			(1,488)		
PARCC Readiness Aid	17-495-034-5120-098	16,460	7/1/16 - 6/30/17	(1,493)				1,493						
Per Pupil Growth Aid	18-495-034-5120-097	16,460	7/1/17 - 6/30/18					14,972	(16,460)			(1,488)		
Per Pupil Growth Aid	17-495-034-5120-097	16,460	7/1/16 - 6/30/17	(1,493)				1,493						
Professional Learning Community Aid	18-495-034-5120-101	15,850	7/1/17 - 6/30/18					14,418	(15,850)			(1,432)		
Professional Learning Community Aid	17-495-034-5120-101	15,850	7/1/16 - 6/30/17	(1,437)				1,437						
Non Public Transportation Aid	18-04103190	15,370	7/1/17 - 6/30/18						(15,370)			(15,370)		
Non Public Transportation Aid	17-04103190	10,614	7/1/16 - 6/30/17	(10,614)				10,614						
Homeless Tuition Aid	18-495-034-5120-005	32,736	7/1/17 - 6/30/18						(32,736)			(32,736)		
Homeless Tuition Aid	17-495-034-5120-005	19,424	7/1/16 - 6/30/17	(19,424)				19,424						
Extraordinary Aid	18-495-034-5120-044	64,075	7/1/17 - 6/30/18						(64,075)			(64,075)		
Extraordinary Aid	17-495-034-5120-044	35,536	7/1/16 - 6/30/17	(35,536)				35,536						
Lead Testing for Schools	18-495-034-5120-104	6,923	7/1/17 - 6/30/18					6,923	(6,923)					
On Behalf TPAF Pension	18-495-034-5094-002	1,671,496	7/1/17 - 6/30/18					1,671,496	(1,671,496)					
On Behalf TPAF Medical	18-495-034-5094-001	1,079,584	7/1/17 - 6/30/18					1,079,584	(1,079,584)					
On Behalf TPAF LTDI	18-495-034-5094-004	2,092	7/1/17 - 6/30/18					2,092	(2,092)					
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	886,791	7/1/17 - 6/30/18					847,440	(847,440)					
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	798,170	7/1/16 - 6/30/17	(39,351)				39,351						
Total General Fund				(1,027,907)				13,707,596	(13,693,320)			(1,013,631)		
<u>Special Revenue Fund:</u>														
Preschool Education Aid	18-495-034-5120-086	351,036	7/1/17 - 6/30/18					315,932	(351,036)			(35,104)		
Preschool Education Aid	17-495-034-5120-086	330,141	7/1/16 - 6/30/17	(33,014)				33,014						
Total Special Revenue Fund				(33,014)				348,946	(351,036)			(35,104)		
<u>Debt Service Fund</u>														
Debt Service Aid Type II	18-495-034-5120-017	138,533	7/1/17 - 6/30/18					138,533	(138,533)					
State Department of Agriculture														
<u>Enterprise Fund:</u>														
State School Lunch Program	18-100-010-3350-023	8,198	7/1/17 - 6/30/18					7,640	(8,198)			(558)		
State School Lunch Program	17-100-010-3350-023	8,384	7/1/16 - 6/30/17	(471)				471						
Total Enterprise Fund				(471)				8,111	(8,198)			(558)		
Total State Financial Assistance				\$ (1,061,392)	\$ -	\$ -	\$ -	\$ 14,203,186	\$ (14,191,087)	\$ -	\$ -	\$ (1,049,293)	\$ -	\$ -
Less: State Financial Assistance Not Subject to Major Program Determination:														
On-Behalf TPAF Contribution - Pension (Non-Budgeted) (1,671,496)														
On-Behalf TPAF Contribution - Post Retirement Medical (Non-Budgeted) (1,079,584)														
On-Behalf TPAF Contribution - Long Term Disability (Non-Budgeted) (2,092)														
Total State Financial Assistance Subject to Major Program Determination \$ (11,437,915)														

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, 2018**

1. 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 \$21,532 in the general fund and \$109,625 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	\$ 69,569	\$ 13,714,852	\$ 13,784,421
Special Revenue Fund	1,204,937	348,946	1,553,883
Debt Service Fund		138,533	138,533
Food Service Fund	703,348	8,198	711,546
Total Awards & Financial Assistance	<u>\$ 1,977,854</u>	<u>\$ 14,210,529</u>	<u>\$ 16,188,383</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, 2018
(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, 2018. 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, 2018.

6. MAJOR PROGRAMS

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

7. ADJUSTMENTS

Amounts reported in the column entitled "Adjustments" represent the following:

	Federal
Cancellation of Accounts Receivable	\$ 34
Total	\$ 34

LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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>84.027</u>	<u>HO27A170100</u>	<u>IDEA Part B - Basic</u>
<u>84.173</u>	<u>H173A170114</u>	<u>IDEA Part B - Preschool</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>
<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, 2018**

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>18-495-034-5120-078</u>	<u>State Aid Public Cluster:</u>
<u>18-495-034-5120-068</u>	<u>Equalization Aid</u>
<u>18-495-034-5120-089</u>	<u>School Choice Aid</u>
<u>18-495-034-5120-084</u>	<u>Special Education Categorical Aid</u>
<u>18-495-034-5120-085</u>	<u>Security Aid</u>
<u>18-495-034-5120-097</u>	<u>Adjustment Aid</u>
<u>18-495-034-5120-098</u>	<u>Per Pupil Growth Aid</u>
<u>18-495-034-5120-101</u>	<u>PARCC Readiness</u>
<u>18-495-034-5120-014</u>	<u>Professional Learning Community Aid</u>
<u>18-495-034-5094-003</u>	<u>Transportation Aid</u>
	<u>Reimbursed TPAF Social Security Contributions</u>

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

**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

There were no prior year audit findings.