

**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, 2020**

**Comprehensive Annual
Financial Report**

of the

**Township of Lower
Board of Education**

Cape May, New Jersey

For the Fiscal Year Ended June 30, 2020

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

LOWER TOWNSHIP SCHOOL DISTRICT

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Introductory Section

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

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905 SEASHORE ROAD
CAPE MAY, NEW JERSEY 08204

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

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

TELEPHONE: (609) 884-9400
FAX: (609) 884-1821
www.lowertwpschools.com

Carl T. Mitnick School
905 Seashore Road
Cape May, NJ 08204
Telephone: (609) 884-9470
Fax: (609) 898-9481

December 18, 2020

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, 2020 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 2019-2020 fiscal year with an enrollment of 1,606 students (June 2020). 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>
2019-20	1,606	-6.25%
2018-19	1,713	3.38%
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%

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 Kechemech 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 2019-2020 school year major initiatives included:

- The continued expansion of the preschool education program to include three (3) year students.
- The construction of a school administration building, and the conversion of the former board office back to additional classrooms for the prek expansion.
- Continue to deal with the S-2 legislation which has reduced the state aid funding.
- Switching from normal classroom teaching to a virtual teaching program in response to the closure of the schools by the NJDOE.
- Continue our partnership with Columbia University for professional development in reading and writing.

4. INTERNAL ACCOUNTING CONTROLS:

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

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

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

5. BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are canceled or are included as reappropriations of fund balance in the subsequent year. Amounts to be reappropriated are reported as reservations of fund balance at June 30, 2020.

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. CASH MANAGEMENT:

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

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

8. RISK MANAGEMENT:

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

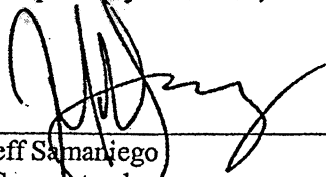
9. OTHER INFORMATION:

- a. **Independent Audit** – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart, LLC, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the 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.

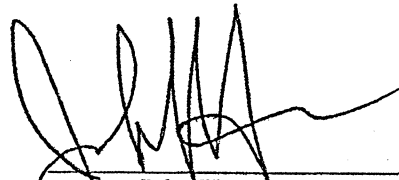
9. ACKNOWLEDGEMENTS:

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,

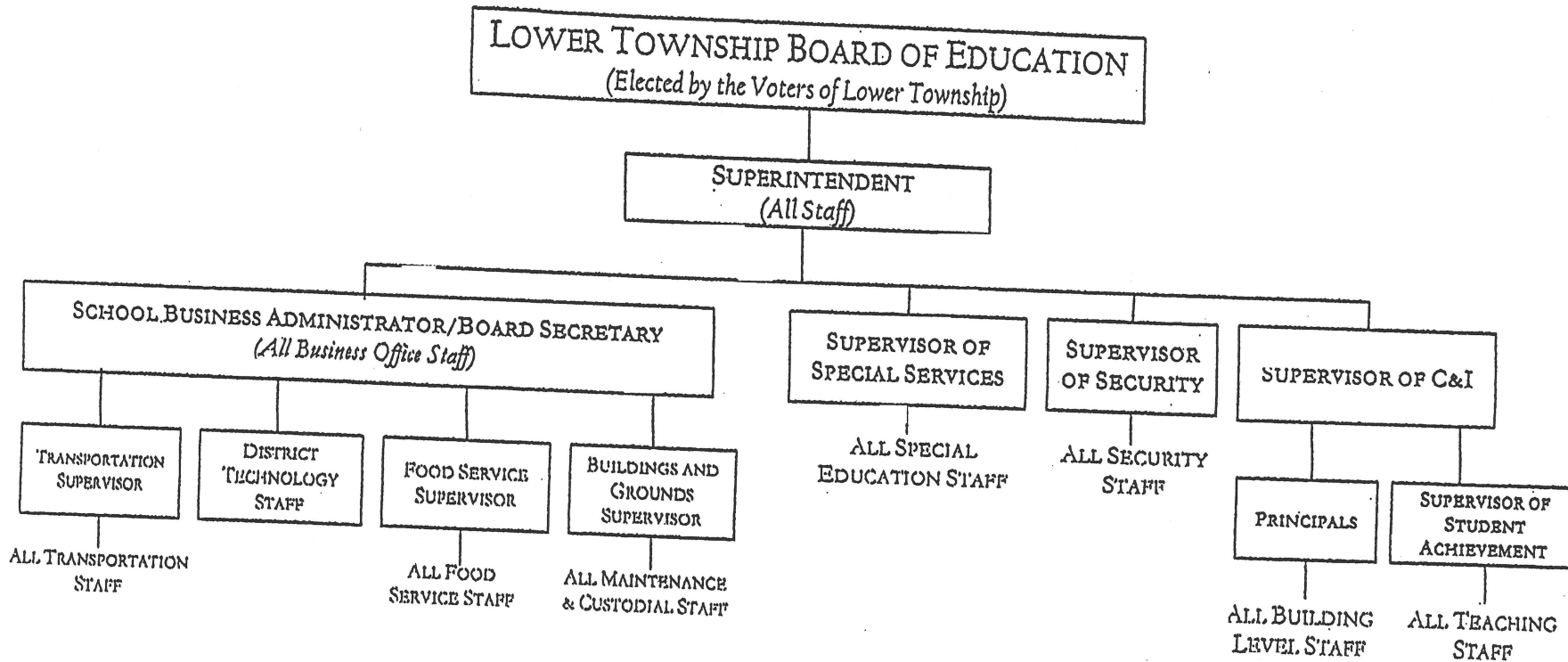


Jeff Samaniego
Superintendent



John Hansen
Business Administrator

ORGANIZATIONAL CHART



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

**ROSTER OF OFFICIALS
JUNE 30, 2020**

Members of the Board of Education

Term Expires

Gary Douglass, President	2020
Patricia Smith, Vice-President	2020
Monica M. DiVito	2021
Nicole Koch	2022
Stephen Lewis	2021
Michael Mader	2021
Jonathan M. Vile	2020
Charles P. Utsch	2022
Sally Yerk	2022

Other Officials

Jeff Samaniego, Superintendent

John Hansen, Board Secretary &
School Business Administrator

Lauren Read, Treasurer

Brett Gorman, Esq., Solicitor

**LOWER TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Inverso & Stewart, LLC
651 Route 73 North, Suite 402
Marlton, NJ 08053

Architect

Garrison Architects
713 Creek Road
Bellmawr, NJ 08031

Attorney

Brett Gorman
Parker McCay, P.A.
9000 Midlantic Drive
Suite 300
Mount Laurel, NJ 08054

Official Depository

Sturdy Savings Bank
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North Cape May, NJ 08204

Financial Section

INVERSO & STEWART, LLC
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Lower Township School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2020, 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, 2020, 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 December 18, 2020 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
December 18, 2020

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, 2020**

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, 2020. 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 \$2,579,963 (*net position*).
- Governmental activities have an unrestricted net position deficit of \$14,310,154. 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 \$2,475,972, or a 48.97% increase from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds increased by \$1,667,517 resulting in an ending fund balance of \$6,806,806. This increase is largely due to the results of operations of the General Fund and the Special Revenue Fund.
- Business-type activities have unrestricted net position of \$403,554.
- The School District's long-term obligations decreased by \$1,420,816 which is a decrease in pension liability and capital leases and an increase in compensated absences.

Overview of the Basic Financial Statements

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

District-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Basic Financial Statements

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

Other Information

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

District-wide Financial Analysis

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2021. 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 2021.

The liabilities of the primary government activities exceeded assets by \$2,994,588 with an unrestricted deficit balance of \$14,320,014. The net position of the primary government does not include internal balances.

A net investment of \$4,377,767 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's public school students. Net position of \$1,878,195 has been restricted to provide resources for future capital expansion and renovation projects, \$1,299,021 has been restricted for maintenance projects, \$4,810 has been reserved for future debt service, \$250,000 has been restricted for emergency reserve, deficit unrestricted balance of \$172,511 for Special Revenue Fund, deficit unrestricted balance of \$14,320,014 and \$3,688,144 has been restricted for budget appropriation.

As mentioned earlier, deficit unrestricted net positions 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, 2020 and 2019**

	Governmental Activities		Business-Type Activities		District-Wide	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current assets	\$ 7,020,754	\$ 5,543,823	\$ 1,452,774	\$ 1,328,363	\$ 8,473,528	\$ 6,872,186
Capital assets	10,723,767	10,393,063	11,071	1,224	10,734,838	10,394,287
Total assets	<u>17,744,521</u>	<u>15,936,886</u>	<u>1,463,845</u>	<u>1,329,587</u>	<u>19,208,366</u>	<u>17,266,473</u>
Deferred Outflows of Resources	<u>1,441,671</u>	<u>2,447,764</u>	<u>-</u>	<u>-</u>	<u>1,441,671</u>	<u>2,447,764</u>
LIABILITIES						
Current liabilities	907,290	1,345,186	983,144	922,430	1,890,434	2,267,616
Noncurrent liabilities	17,089,814	18,431,024	66,076	105,654	17,155,890	18,536,678
Total liabilities	<u>17,997,104</u>	<u>19,776,210</u>	<u>1,049,220</u>	<u>1,028,084</u>	<u>19,046,324</u>	<u>20,804,294</u>
Deferred Inflows of Resources	<u>4,183,676</u>	<u>3,965,878</u>	<u>-</u>	<u>-</u>	<u>4,183,676</u>	<u>3,965,878</u>
Net Position	<u>\$ (2,994,588)</u>	<u>\$ (5,357,438)</u>	<u>\$ 414,625</u>	<u>\$ 301,503</u>	<u>\$ (2,579,963)</u>	<u>\$ (5,055,935)</u>
Net Position Consists of:						
Net investment in						
Capital Assets	\$ 4,377,767	\$ 3,787,063	\$ 11,071	\$ 1,224	\$ 4,388,838	\$ 3,788,287
Restricted Assets	6,937,799	5,409,092			6,937,799	5,409,092
Unrestricted Assets	<u>(14,310,154)</u>	<u>(14,553,593)</u>	<u>403,554</u>	<u>300,279</u>	<u>(13,906,600)</u>	<u>(14,253,314)</u>
Net Position	<u>\$ (2,994,588)</u>	<u>\$ (5,357,438)</u>	<u>\$ 414,625</u>	<u>\$ 301,503</u>	<u>\$ (2,579,963)</u>	<u>\$ (5,055,935)</u>

**Lower Township School District
Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2020 and 2019**

	Governmental Activities		Business-Type Activities		District-Wide	
	2020	2019	2020	2019	2020	2019
Revenues:						
Charges for services	\$ -	\$ 5,150	\$ 465,533	\$ 574,510	\$ 465,533	\$ 579,660
Operating Grants and contributions	11,291,597	13,885,452	4,379,680	5,758,502	15,671,277	19,643,954
Property taxes	17,840,773	17,325,947			17,840,773	17,325,947
State aid - unrestricted	9,475,084	9,876,869			9,475,084	9,876,869
Other revenues	299,682	276,656	7,190	3,711	306,872	280,367
Total Revenues	38,907,136	41,370,074	4,852,403	6,336,723	43,759,539	47,706,797
Expenses:						
Governmental Activities:						
Instruction	13,095,348	12,669,884			13,095,348	12,669,884
Tuition	1,122,960	930,604			1,122,960	930,604
Related Services	3,719,654	3,865,596			3,719,654	3,865,596
Administrative Services	1,309,041	1,310,215			1,309,041	1,310,215
Central Services	328,039	321,945			328,039	321,945
Operations and Maintenance	2,423,969	2,834,531			2,423,969	2,834,531
Transportation	1,127,366	1,217,779			1,127,366	1,217,779
Employee benefits	13,203,347	16,684,728			13,203,347	16,684,728
Interest on debt	119,880	123,080			119,880	123,080
Other	42,832	39,117			42,832	39,117
Business-Type Activities:						
Food Service			766,521	885,567	766,521	885,567
Day Care Program			295,342	338,463	295,342	338,463
Internal Service			3,729,268	5,083,272	3,729,268	5,083,272
Total Expenses	36,492,436	39,997,479	4,791,131	6,307,302	41,283,567	46,304,781
Increase (Decrease) in Net Position before transfers	2,414,700	1,372,595	61,272	29,421	2,475,972	1,402,016
Adjustment to fixed assets						
Transfers	(51,850)		51,850			
Change in Net Position	2,362,850	1,372,595	113,122	29,421	2,475,972	1,402,016
Net Position, July 1	(5,357,438)	(6,730,033)	301,503	272,082	(5,055,935)	(6,457,951)
Net Position, June 30	\$ (2,994,588)	\$ (5,357,438)	\$ 414,625	\$ 301,503	\$ (2,579,963)	\$ (5,055,935)

Governmental Activities

Governmental activities increased the net position of the School District by \$2,362,850 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 \$330,704.
- Compensated absences increased by \$445,960.
- Results of operations in the Governmental Funds increased the net position by \$1,667,517.
- Long term Debt decreased the net position by \$1,420,816.

Business-type Activities

Business-type activities increased the School District's net position by \$113,122. Key elements of the increase in net position for business-type activities are as follows:

- The Food Service Fund had a net gain of \$144,374 and the Day Care Program had a net loss of \$31,252.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$6,806,806, an increase of \$1,667,517 in comparison with the prior year. Most of this increase is due to the General Fund results of operations.

The deficit unreserved fund balance for the School District at the end of the fiscal year includes a combination of an unreserved deficit fund balance for the General Fund of \$130,993 and \$172,511 in the Special Revenue Fund. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) as restricted cash reserved for future capital outlay expenditures of \$1,878,195 2) \$1,516,138 appropriated as a revenue source in the subsequent year's budget, 3) \$1,490,505 reserved for future budget appropriation in accordance with state statute, 4) \$671,641 reserved for encumbrances, 5) \$1,299,021 reserved for maintenance and 6) \$250,000 reserved for emergency 7) \$4,810 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 \$649,054 while total fund balance (budgetary basis) was \$7,588,442. 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 \$29,853,507. Unreserved fund balance (budgetary basis) represents 2.17% of expenditures while total fund balance (budgetary basis) represents 25.42% 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, 2020, totaled \$10,734,838 (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 \$340,551 or a 3.28% increase. The increase is due to acquisitions less current year depreciation.

Capital Asset (net of accumulated depreciation) June 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		District-Wide	
	2020	2019	2020	2019	2020	2019
Land	\$ 80,045	\$ 80,045	\$ -	\$ -	\$ 80,045	\$ 80,045
Const. in Progress	-	-	-	-	-	-
Building and Building Improvements	8,600,685	8,752,443	-	-	8,600,685	8,752,443
Equipment	<u>2,043,037</u>	<u>1,560,575</u>	<u>11,071</u>	<u>1,224</u>	<u>2,054,108</u>	<u>1,561,799</u>
Net Assets	<u>\$ 10,723,767</u>	<u>\$ 10,393,063</u>	<u>\$ 11,071</u>	<u>\$ 1,224</u>	<u>\$ 10,734,838</u>	<u>\$ 10,394,287</u>

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

Long-term debt – During the fiscal year ended June 30, 2020, the School District had \$4,641,000 in serial bonds payable, \$2,703,281 in compensated absences, \$1,705,000 in capital leases payable, and \$8,232,661 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 \$100,851,523. The available amount as of June 30, 2020 is \$96,210,523.

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 2020-21 fiscal year.

For 2020-21 fiscal year the School District is anticipating a decrease in state aid. The local tax levy in the General Fund increased by \$353,114 or a 2.00% increase. Salaries continue to increase contractually; however, the District has managed to control costs. The 2020-21 General Fund Budget is only \$816,356 less than the previous year. The tax rate was .483 in 2019 and increased to .494 in 2020.

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, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 3,447,835	\$ 1,258,457	\$ 4,706,292
Receivables, net	686,688	50,693	737,381
Inventory (Note 6)		18,751	18,751
Internal balances	(124,873)	124,873	
Restricted assets:			
Restricted cash and cash equivalents	3,011,104		3,011,104
Capital assets, net (Note 5)	10,723,767	11,071	10,734,838
Total assets	<u>17,744,521</u>	<u>1,463,845</u>	<u>19,208,366</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	<u>1,441,671</u>		<u>1,441,671</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	<u>19,186,192</u>	<u>1,463,845</u>	<u>20,650,037</u>
LIABILITIES:			
Accounts payable			
Related to pensions	471,844		471,844
Other	259,024	361,922	620,946
Unearned revenue	285	30,264	30,549
Internal balances	(45,361)	45,361	
Accrued interest	29,370		29,370
Other liabilities	-	545,597	545,597
Noncurrent liabilities:			
Due within one year	192,128		192,128
Due beyond one year	17,089,814	66,076	17,155,890
Total liabilities	<u>17,997,104</u>	<u>1,049,220</u>	<u>19,046,324</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	<u>4,183,676</u>		<u>4,183,676</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:	<u>22,180,780</u>	<u>1,049,220</u>	<u>23,230,000</u>
NET POSITION:			
Net investment in capital assets	4,377,767	11,071	4,388,838
Restricted for:			
Capital Projects	1,878,195		1,878,195
Special Revenue	(172,511)		(172,511)
Other purposes	5,232,115		5,232,115
Unrestricted	<u>(14,310,154)</u>	<u>403,554</u>	<u>(13,906,600)</u>
Total net position	<u>\$ (2,994,588)</u>	<u>\$ 414,625</u>	<u>\$ (2,579,963)</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, 2020

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	\$ 10,823,478	\$ -	\$ 1,540,741	\$ (9,282,737)	\$ -	\$ (9,282,737)
Special education	2,055,202		497,298	(1,557,904)		(1,557,904)
Other instruction	216,668			(216,668)		(216,668)
Support Services:						
Tuition	1,122,960			(1,122,960)		(1,122,960)
Student & instruction related services	3,719,654		803,074	(2,916,580)		(2,916,580)
General administrative services	502,355			(502,355)		(502,355)
School administrative services	806,686			(806,686)		(806,686)
Central services	328,039			(328,039)		(328,039)
Plant operations and maintenance	2,423,969		9,874	(2,414,095)		(2,414,095)
Pupil transportation	1,127,366			(1,127,366)		(1,127,366)
Unallocated employee benefits	13,203,347		8,440,610	(4,762,737)		(4,762,737)
Interest on long term debt	119,880		-	(119,880)		(119,880)
Unallocated depreciation and amortization	42,832			(42,832)		(42,832)
Total governmental activities	<u>36,492,436</u>	<u>-</u>	<u>11,291,597</u>	<u>(25,200,839)</u>		<u>(25,200,839)</u>
Business-type activities:						
Day care program	295,342	259,209			(36,133)	(36,133)
Food service program	766,521	206,324	650,412		90,215	90,215
Internal service fund	3,729,268		3,729,268		-	-
Total business-type activities	<u>4,791,131</u>	<u>465,533</u>	<u>4,379,680</u>	<u>-</u>	<u>54,082</u>	<u>54,082</u>
Total primary government	<u>\$ 41,283,567</u>	<u>\$ 465,533</u>	<u>\$ 15,671,277</u>	<u>(25,200,839)</u>	<u>54,082</u>	<u>(25,146,757)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net				17,655,724		17,655,724
Property taxes, levied for debt service, net				185,049		185,049
Federal and state aid not restricted				9,475,084		9,475,084
Miscellaneous income				299,682	7,190	306,872
Transfer				(51,850)	51,850	
Total general revenues, special items, extraordinary items and transfers				<u>27,563,689</u>	<u>59,040</u>	<u>27,622,729</u>
Change in Net Position				2,362,850	113,122	2,475,972
Net Position -- July 1,				<u>(5,357,438)</u>	<u>301,503</u>	<u>(5,055,935)</u>
Net Position -- June 30				<u>\$ (2,994,588)</u>	<u>\$ 414,625</u>	<u>\$ (2,579,963)</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, 2020

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 3,276,913	\$ -	\$ 166,126	\$ 4,796	\$ 3,447,835
Receivables, net	261,265	394,192			655,457
Interfund receivable	436,960	34		14	437,008
Restricted cash and cash equivalents	3,011,104				3,011,104
Total assets	\$ 6,986,242	\$ 394,226	\$ 166,126	\$ 4,810	\$ 7,551,404
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 52,940	\$ 206,084	\$ -	\$ -	\$ 259,024
Unearned revenue		285			285
Interfund payables	124,907	360,368	14		485,289
Total liabilities	177,847	566,737	14	-	744,598
Fund Balances:					
Restricted for:					
Excess surplus	1,490,505				1,490,505
Excess surplus - designated for subsequent year's expenditures	1,461,869				1,461,869
Maintenance reserve	1,299,021				1,299,021
Capital reserve	1,712,083				1,712,083
Emergency reserve	250,000				250,000
Assigned to:					
Year-end encumbrances	671,641				671,641
Designated for subsequent year's expenditures	54,269			1,655	55,924
Unassigned	(130,993)	(172,511)	166,112	3,155	(134,237)
Total fund balances	6,808,395	(172,511)	166,112	4,810	6,806,806
Total liabilities and fund balances	\$ 6,986,242	\$ 394,226	\$ 166,126	\$ 4,810	

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 \$24,083,581 and the accumulated depreciation is \$13,359,814.	10,723,767
Accrued interest on debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(29,370)
Accounts payable related to the April 1, 2020 required PERS contribution contribution that is not to be liquidated with current financial resources.	(471,844)
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	\$ 1,441,671
Net Pension Liability	(8,232,661)
Deferred Inflows of resources from Pensions	(4,183,676)
	(10,974,666)
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	(2,703,281)
Capital Leases	(1,705,000)
General Obligation Bonds	(4,641,000)
	(9,049,281)
Net position of governmental activities	\$ (2,994,588)

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 17,655,724	\$ -	\$ -	\$ 185,049	\$ 17,840,773
Transportation charges	23,763				23,763
Interest earned on maintenance reserve	18,883				18,883
Interest earned on capital reserve	26,394				26,394
Miscellaneous	227,507		3,135		230,642
Total revenues-local sources	17,952,271	-	3,135	185,049	18,140,455
State sources	13,478,089	1,956,762		95,431	15,530,282
Federal sources	52,160	1,120,730			1,172,890
Total revenues	31,482,520	3,077,492	3,135	280,480	34,843,627
EXPENDITURES:					
Current expense:					
Regular instruction	8,237,132	1,540,741			9,777,873
Special education instruction	1,557,904	497,298			2,055,202
Other instruction	216,668				216,668
Support services and undistributed costs:					
Tuition	1,122,960				1,122,960
Student & instruction related services	2,916,580	803,074			3,719,654
General administrative services	502,355				502,355
School administrative services	721,023				721,023
Central services	328,039				328,039
Plant operations and maintenance	2,780,195				2,780,195
Pupil transportation	1,127,366				1,127,366
Unallocated employee benefits	9,498,691	190,936			9,689,627
Capital outlay	792,744	9,874			802,618
Debt service:					
Principal				160,000	160,000
Interest and other charges				120,680	120,680
Total expenditures	29,801,657	3,041,923	-	280,680	33,124,260
Excess (deficiency) of revenues over (under) expenditures	1,680,863	35,569	3,135	(200)	1,719,367
Other Financing Sources (Uses):					
Transfers in				3,135	3,135
Transfers out	(51,850)		(3,135)		(54,985)
Total other financing sources (uses)	(51,850)	-	(3,135)	3,135	(51,850)
Net change in fund balance	1,629,013	35,569	-	2,935	1,667,517
Fund balances, July 1	5,179,382	(208,080)	166,112	1,875	5,139,289
Fund balances, June 30	<u>\$ 6,808,395</u>	<u>\$ (172,511)</u>	<u>\$ 166,112</u>	<u>\$ 4,810</u>	<u>\$ 6,806,806</u>

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

**LOWER TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Fiscal Year Ended June 30, 2020**

Total net change in fund balances - governmental funds (from B-2) \$ 1,667,517

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.

Capital outlay	\$ 1,187,339	
Depreciation expense	<u>(856,635)</u>	330,704

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

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. 100,000

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. 549,789

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 (+). (445,960)

Change in net position of governmental activities \$ 2,362,850

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, 2020

	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	\$ 128,999	\$ 221,939	\$ 907,519	\$ 1,258,457
Intergovernmental accounts receivable	43,530	-	-	43,530
Interfund receivable	124,873	-	-	124,873
Other accounts receivable	3,633	3,530	-	7,163
Inventories	18,751	-	-	18,751
Total current assets	<u>319,786</u>	<u>225,469</u>	<u>907,519</u>	<u>1,452,774</u>
Noncurrent assets:				
Equipment	276,884	-	-	276,884
Less accumulated depreciation	<u>(265,813)</u>	<u>-</u>	<u>-</u>	<u>(265,813)</u>
Total noncurrent assets	<u>11,071</u>	<u>-</u>	<u>-</u>	<u>11,071</u>
Total assets	<u><u>\$ 330,857</u></u>	<u><u>\$ 225,469</u></u>	<u><u>\$ 907,519</u></u>	<u><u>\$ 1,463,845</u></u>
LIABILITIES				
Current liabilities:				
Unearned revenue	\$ 13,737	\$ 16,527	\$ -	\$ 30,264
Accounts payable	-	-	361,922	361,922
Interfund payable	45,361	-	-	45,361
Reserve for medical claims	<u>-</u>	<u>-</u>	<u>545,597</u>	<u>545,597</u>
Total current liabilities	<u>59,098</u>	<u>16,527</u>	<u>907,519</u>	<u>983,144</u>
Noncurrent liabilities:				
Compensated absences	<u>63,460</u>	<u>2,616</u>	<u>-</u>	<u>66,076</u>
Total noncurrent liabilities	<u>63,460</u>	<u>2,616</u>	<u>-</u>	<u>66,076</u>
Total liabilities	<u>122,558</u>	<u>19,143</u>	<u>907,519</u>	<u>1,049,220</u>
NET POSITION				
Net investment in capital assets	11,071	-	-	11,071
Unrestricted	<u>197,228</u>	<u>206,326</u>	<u>-</u>	<u>403,554</u>
Total net position	<u><u>\$ 208,299</u></u>	<u><u>\$ 206,326</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 414,625</u></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, 2020

	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	\$ 78,667	\$ -	\$ -	\$ 78,667
Daily sales-non-reimbursable programs	127,657	-	-	127,657
Registration Fees	-	259,209	-	259,209
Board contributions	-	-	3,729,268	3,729,268
Total operating revenue	<u>206,324</u>	<u>259,209</u>	<u>3,729,268</u>	<u>4,194,801</u>
Operating expenses:				
Salaries	368,686	258,567	-	627,253
Employee benefits	28,567	27,295	3,729,268	3,785,130
Supplies and materials	24,490	9,480	-	33,970
Purchased property services	17,386	-	-	17,386
Depreciation	955	-	-	955
Cost of sales - reimbursable programs	269,326	-	-	269,326
Cost of sales - non-reimbursable programs	53,314	-	-	53,314
Other	3,797	-	-	3,797
Total operating expenses	<u>766,521</u>	<u>295,342</u>	<u>3,729,268</u>	<u>4,791,131</u>
Operating income (loss)	<u>(560,197)</u>	<u>(36,133)</u>	<u>-</u>	<u>(596,330)</u>
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	6,925	-	-	6,925
Federal sources:				
National school lunch program	344,876	-	-	344,876
School breakfast program	214,420	-	-	214,420
U.S.D.A. commodities	84,191	-	-	84,191
Local sources:				
Board contribution	51,850	-	-	51,850
Interest revenue	2,309	4,881	-	7,190
Total nonoperating revenues (expenses)	<u>704,571</u>	<u>4,881</u>	<u>-</u>	<u>709,452</u>
Change in net position	144,374	(31,252)	-	113,122
Total net position - July 1	<u>63,925</u>	<u>237,578</u>	<u>-</u>	<u>301,503</u>
Total net position - June 30	<u>\$ 208,299</u>	<u>\$ 206,326</u>	<u>\$ -</u>	<u>\$ 414,625</u>

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, 2020

	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	\$ 212,203	\$ 261,127	\$ -	\$ 473,330
Employer contributions			3,729,268	3,729,268
Payments to employees	(388,127)	(281,946)	-	(670,073)
Payments to suppliers	(297,696)	(16,939)	-	(314,635)
Payment for medical claims	-	-	(3,714,416)	(3,714,416)
Net cash used for operating activities	(473,620)	(37,758)	14,852	(496,526)
Cash flows from noncapital financing activities:				
Board Contribution	51,850	-	-	51,850
State and Federal reimbursements	504,473	-	-	504,473
Net cash provided by non-capital financing activities	556,323	-	-	556,323
Cash flows from capital financing activities:				
Purchase of fixed assets	(10,802)	-	-	(10,802)
Net cash provided by capital financing activities	(10,802)	-	-	(10,802)
Cash flows from investing activities:				
Interest and dividends	2,309	4,881	-	7,190
Net cash provided by investing activities	2,309	4,881	-	7,190
Net increase in cash and cash equivalents	74,210	(32,877)	14,852	56,185
Balances - July 1	54,789	254,816	892,667	1,202,272
Balances - June 30	\$ 128,999	\$ 221,939	\$ 907,519	\$ 1,258,457
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (560,197)	\$ (36,133)	\$ -	\$ (596,330)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	955	-	-	955
Commodities	84,191	-	-	84,191
(Increase) decrease in accounts receivable	3,821	(2,771)	-	1,050
(Increase) decrease in inventories	(7,529)	-	-	(7,529)
Increase/(decrease) in interfund payable	39,316	-	-	39,316
Increase (decrease) in accounts payable	-	(200)	(517,455)	(517,655)
Increase (decrease) in unearned revenue	2,057	4,689	-	6,746
Increase (decrease) in reserve for medical claims	-	-	532,307	532,307
Increase (decrease) in compensated absences	(36,234)	(3,343)	-	(39,577)
Net cash provided by (used for) operating activities	\$ (473,620)	\$ (37,758)	\$ 14,852	\$ (496,526)

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, 2020**

	<u>Unemployment Compensation Insurance Trust</u>	<u>Agency Funds</u>
ASSETS:		
Cash and cash equivalents	\$ 269,311	\$ 34,463
Total assets	<u>269,311</u>	<u>34,463</u>
LIABILITIES:		
Accounts payable	41,502	-
Payroll deductions payable	14,396	-
Interfund payable	31,231	-
Due to student groups		34,463
Total liabilities	<u>87,129</u>	<u>\$ 34,463</u>
NET POSITION:		
Restricted for: Unemployment claims	<u>\$ 182,182</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, 2020

	Unemployment Compensation Insurance Trust
ADDITIONS:	
Contributions:	
Board contributions	\$ 31,500
Employee withholdings	34,046
Total Contributions	65,546
Investment earnings:	
Interest	4,393
Net investment earnings	4,393
Total additions	69,939
DEDUCTIONS:	
Unemployment payments	82,746
Total deductions	82,746
Change in net position	(12,807)
Net position - July 1	194,989
Net position - June 30	\$ 182,182

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, 2020**

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, 2020 of 1,606 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, 2020**

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, 2020**

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, 2020**

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, 2020

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, 2020**

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, 2020 and 2019 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, 2020.

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, 2020**

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, 2020**

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, 2020.

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, 2020

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 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, 2019. 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 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.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. This Statement should have no impact on the District’s financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objectives of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after December 15, 2022. This Statement should have no impact on the District’s financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosure regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this Statement on the District’s financial statements.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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.

However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the School District’s amount on deposit of \$7,873,614 as of June 30, 2020, \$250,000 was insured under FDIC and the remaining balance of \$7,623,614 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, 2019 to June 30, 2020 fiscal year is as follows:

Balance – July 1, 2019	\$	1,600,689
Increased by:		
Transfer by Board Resolution	\$ 435,000	
Interest Earned	<u>26,394</u>	<u>461,394</u>
		2,062,083
Decreased by:		
Budgeted Resolution		<u>350,000</u>
Balance – June 30, 2020	\$	<u><u>1,712,083</u></u>

The June 30, 2020 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

4. RECEIVABLES

Accounts receivables at June 30, 2020 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

4. RECEIVABLES (Continued)

Accounts receivable at June 30, 2020 for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Intergovernmental				
State	\$ 108,156	\$ -	\$ 416	\$ 108,572
Federal	472	215,619	31,239	247,330
Other	145,481	-	8,213	153,694
Total	<u>\$ 254,109</u>	<u>\$ 215,619</u>	<u>\$ 39,868</u>	<u>\$ 509,596</u>

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance June 30, 2020</u>
Governmental Activities:				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 80,045	\$ -	\$ -	\$ 80,045
Construction in Progress	-	-	-	-
Total Capital Assets not being Depreciation	<u>80,045</u>	<u>-</u>	<u>-</u>	<u>80,045</u>
<i>Capital Assets, being depreciated</i>				
Building and Improvements	19,069,459	257,303		19,326,762
Equipment	4,130,365	930,036	383,627	4,676,774
Total Historical Cost	<u>23,199,824</u>	<u>1,187,339</u>	<u>383,627</u>	<u>24,003,536</u>
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(10,317,016)	(409,061)		(10,726,077)
Equipment	(2,569,790)	(447,574)	(383,627)	(2,633,737)
Total Accumulated Depreciation	<u>(12,886,806)</u>	<u>(856,635)</u>	<u>(383,627)</u>	<u>(13,359,814)</u>
Total Capital Assets, being depreciated, net	<u>10,313,018</u>	<u>330,704</u>	<u>-</u>	<u>10,643,722</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,393,063</u>	<u>\$ 330,704</u>	<u>\$ -</u>	<u>\$ 10,723,767</u>
Business-Type Activities:				
Equipment	\$ 271,073	\$ 10,802	\$ 4,990	\$ 276,885
Less - Accumulated Depreciation	<u>(269,849)</u>	<u>(955)</u>	<u>(4,990)</u>	<u>(265,814)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,224</u>	<u>\$ 9,847</u>	<u>\$ -</u>	<u>\$ 11,071</u>

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

5. CAPITAL ASSETS (Continued)

Depreciation expense in the amount of \$856,635 was charged to governmental functions as follows:

Function	Amount
Instruction	\$ 599,645
School Administration	85,663
Plant operations & maintenance	128,495
Unallocated	42,832
Total depreciation expense	\$ 856,635

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2020 consisted of the following:

Food	\$	15,082
Supplies		3,669
	\$	18,751

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2020, the following changes occurred in long-term obligations:

	Principal Outstanding June 30, 2019	Additions	Reductions	Principal Outstanding June 30, 2020	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 2,257,321	\$ 445,960	\$ -	\$ 2,703,281	\$ 11,734
Capital Lease Payable	1,805,000	-	100,000	1,705,000	59,714
Serial Bonds Payable	4,801,000	-	160,000	4,641,000	120,680
Net Pension Liability	9,839,437		1,606,776	8,232,661	-
	\$ 18,702,758	\$ 445,960	\$ 1,866,776	\$ 17,281,942	\$ 192,128
Business-Type Activities:					
Compensated Absences	\$ 105,654	\$ -	\$ 42,194	\$ 63,460	\$ -
	\$ 105,654	\$ -	\$ 42,194	\$ 63,460	\$ -

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. Outstanding bonds issued by the School District are as follows:

Serial Bonds dated April 6, 2016 in the amount of \$4,641,000 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, 2020**

7. LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2020, 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>
2021	\$ 200,000	\$ 117,480	\$ 317,480
2022	225,000	113,480	338,480
2023	250,000	108,980	358,980
2024	250,000	103,980	353,980
2025	275,000	98,980	373,980
2026-2030	1,535,000	405,800	1,940,800
2031-2035	1,600,000	189,900	1,789,900
2036	306,000	9,180	315,180
	<u>\$ 4,641,000</u>	<u>\$ 1,147,780</u>	<u>\$ 5,788,780</u>

Capital Leases – At June 30, 2020 the District is leasing Energy Savings totaling \$1,705,000 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>
2021	\$ 64,000	\$ 56,615	\$ 120,615
2022	59,000	54,572	113,572
2023	64,000	52,494	116,494
2024	60,000	50,434	110,434
2025	65,000	48,340	113,340
2026-2030	404,000	204,836	608,836
2031-2035	562,000	125,558	687,558
2036-2039	427,000	24,405	451,405
	<u>\$ 1,705,000</u>	<u>\$ 617,254</u>	<u>\$ 2,322,254</u>

Compensated Absences

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

8. OPERATING LEASES

At June 30, 2020, the School District had an operating lease agreement in effect for copiers.

Total operating lease payments made during the year ended June 30, 2020 and 2019, were \$73,573 and \$70,592 respectively. Future minimum lease payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2021	\$ 70,333
2022	58,345
2023	<u>24,950</u>
	<u>\$ 153,628</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 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

9. PENSION PLANS (Continued)

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

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

Contributions - The contribution requirements of plan members are determined by N.J.S.A.18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the member contribution rate was 7.50% in State fiscal year 2020. 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.

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, 2020 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, 2019, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2020 was \$2,114,419 and was paid by April 1, 2020. School District employee contributions to the pension plan during the fiscal year ended June 30, 2020 were \$932,765.

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, 2020, 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, 2020, the School District recognized pension expense of \$3,806,655 and revenue of \$3,806,655 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, 2020**

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.

	06/30/19	06/30/18
Collective deferred outflows of resources	\$ 9,932,767,606	\$ 12,473,998,870
Collective deferred inflows of resources	17,539,845,423	16,180,773,643
Collective net pension liability (Non-Employer – State of New Jersey)	61,519,112,443	63,617,852,031
State's portion of the net pension liability that was associated with the School District	64,538,524	70,497,280
State's portion of the net pension liability that was associated with the School District as a percentage of the collective net pension liability	.1051613679%	.1108136748%

Actuarial assumptions – The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019.

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

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55- 4.45%
	based on years of service
Thereafter	2.75 – 5.65%
	based on years of service
Investment Rate of Return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality tables with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

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, 2019) 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, 2020**

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100.00%</u>	

Discount rate. The discount rate used to measure the State's total pension liability was 5.60% as of June 30, 2019. 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 3.50% as of June 30, 2019, 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 based on 70% of the actuarially determined contributions for the State. 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 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054, 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, 2019, 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 5.60%, 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 (4.60%) or 1 percentage point higher (6.60%) that the current rate:

	<u>1% Decrease (4.60%)</u>	<u>Current Discount Rate (5.60%)</u>	<u>1% Increase (6.60%)</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>76,105,204</u>	<u>64,538,524</u>	<u>54,941,832</u>
	<u>\$ 76,105,204</u>	<u>\$ 64,538,524</u>	<u>\$ 54,941,832</u>

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

9. PENSION PLANS (Continued)

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

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. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting Membership in the PERS is mandatory for substantially all full-time employees of the Authority, 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. For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR), which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

Vesting and Benefit Provisions – 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 medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 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 tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for their respective tier.

Contributions - The contribution requirements of plan members are determined by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. The member contribution rate was 7.50% in State fiscal year 2019. 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, 2020 was 14.83% 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Based on the most recent PERS measurement date of June 30, 2019, the School Districts contractually required contribution to the pension plan for the fiscal year ended June 30, 2020 was \$638,748 and was paid by April 1, 2020. School District employee contributions to the pension plan during the fiscal year ended June 30, 2020 were \$238,798.

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>
2020	\$ 41,127	\$ 380,581	\$ 22,724	\$ 1,400	\$ 445,832
2019	62,116	412,352	22,602	1,364	498,434
2018	61,320	381,856	22,709	2,786	468,671

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, 2020, the School District reported a liability of \$8,232,661 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The School District's proportion 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.

For the year ended June 30, 2020, the School District recognized pension expense of (\$105,358). At June 30, 2020, the School District reported a liability of \$8,232,661 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	\$ 147,766	\$ 36,368
Changes of assumptions	822,061	2,857,531
Net Difference between projected and actual earnings on pension plan investments		129,956
Changes in proportion		1,159,821
District contributions subsequent to the measurement date	471,844	
Total	\$ 1,441,671	\$ 4,183,676

\$471,844 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, 2020, the plan measurement date is June 30, 2020) will be recognized as a reduction of the net liability in the year ended June 30, 2020.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

For the year ended:	Net Deferred Outflows (Inflows) of Resources
2021	\$ (711,277)
2022	(1,066,330)
2023	(783,727)
2024	(580,835)
2025	(71,680)
Total	\$ (3,213,849)

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, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	-	5.21
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
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Net Difference between projected and actual earnings on pension plan investments		
Year of Pension Plan Deferral:		
June 30, 2015	5.00	5.00
June 30, 2016	5.00	5.00
June 30, 2017	5.00	5.00
June 30, 2018	5.00	5.00
June 30, 2019	5.00	5.00

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Additional Information

Collective balances at June 30, 2019 and 2018 are as follows:

	<u>6/30/2019</u>	<u>6/30/2018</u>
Collective deferred outflows of resources	\$ 3,149,522,616	\$ 4,684,852,302
Collective deferred inflows of resources	\$ 7,645,087,574	\$ 7,646,736,226
Collective net pension liability	\$ 18,143,832,135	\$ 19,689,501,539
School District's Proportion	.0456900911%	.0509456880%

Actuarial assumptions – The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019.

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

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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, 2019) 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, 2020**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
Total	<u>100.00%</u>	

Discount rate. The discount rate used to measure the State's total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019, 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 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, 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, 2019, calculated using the discount rate of 6.28%, 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 (5.28%) or 1 percentage point higher (7.28%) than the current rate:

	<u>1% Decrease (5.28%)</u>	<u>Current Discount Rate (6.28%)</u>	<u>1% Increase (7.28%)</u>
School District's proportionate share of the net pension liability	\$ 10,399,189	\$ 8,232,661	\$ 6,407,055

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

9. PENSION PLANS (Continued)

Defined Contribution Retirement Program (DCRP)

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

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

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>
2020	\$ 37,267	\$ 37,267
2019	19,452	19,452
2018	16,263	16,263

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Benefits Provided

The State Health Benefit Local Education Retired Employees Plan (the “OPEB Plan”) is a multiple-employer defined benefit OPEB plan, with a special funding situation, that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated io. 75 – Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions. The OPEB Plan is administered by the State of New Jersey Division of Pensions and Benefits (the “Division”) and is part of the New Jersey State Health Benefits Program (SHBP). The Division issues a publicly available financial report that includes financial statements and required supplementary information which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

The OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Contributions

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey (the “State”) in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32F, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teacher’s Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen Retirement System (PFRS). 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 retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

Plan Membership

As of June 30, 2018, the program membership consisted of the following:

Active Plan Members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
	364,943

Total Non-Employer OPEB Liability

The State of New Jersey, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB Plan for qualified retired PERRS, TPAF and PFRS participants. The School Districts’s proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the School District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

Actuarial assumptions and other imputes - The total nonemployer OPEB liability as of the June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member enrolled in.

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

Inflation rate	2.50%		
	TPAF/ABP	PERS	PFRS
Salary Increases Through 2026	1.55 – 3.05% based on years of service	2.00 – 6.00% based on age	3.25 – 15.25% based on age
Thereafter	1.55 - 3.05% based on years of service	3.00 - 7.00% based on age	3.10 - 9.98% based on age

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Preretirement mortality rates were based on the Pub-2010 Healthy Teacher’s (TPAF), and “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational improvement projections from the central year using the Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational improvement projections from the central year using the Scale MP-2019.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 – June 30, 2018, July 1, 2014 – June 30, 2018, and July 1, 2013 – June 30, 2018 for TPAF, PERS and PFRS, respectively.

Health Care Trend Assumptions - For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount Rate - The discount rate for June 30, 2019 was 3.50%. This represents 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total Nonemployer OPEB Liability

The table below summarizes the State’s proportionate share of the change in the total nonemployer OPEB liability associated with the School District:

	Total OPEB Liability
Balance as of June 30, 2018	\$ 72,986,748
Changes for the years'	
Service Cost	2,191,113
Interest	2,872,437
Changes of benefit terms	
Differences between expected and actual experience	(12,372,027)
Changes in assumptions	964,913
Gross Benefit Payments	(1,986,573)
Contributions from the Non-employer	N/A
Contributions from the Member	58,888
Net Investment Income	N/A
Administrative Expense	N/A
Net Changes	\$ (8,271,249)
Balance at 06/30/2019	\$ 64,715,499

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the total nonemployer OPEB liability to changes in the discount rate - The following presents the total nonemployer OPEB liability as of June 30, 2019, respectively, associated with the School District, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1-percentage -point lower or 1percentage-point higher than the current rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
State of New Jersey's Proportionate Share of the Total Nonemployer OPEB Liability Associated with the School District	\$ 76,454,578	\$ 64,715,499	\$ 55,390,618

Sensitivity of the total nonemployer OPEB liability to changes in the healthcare cost trend rate - The following presents the total nonemployer OPEB liability as of June 30, 2019, associated with the School District, respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage -point lower or 1percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
State of New Jersey's Proportionate Share of the Total Nonemployer OPEB Liability Associated with the School District	\$ 78,542,476	\$ 64,715,499	\$ 52,484,217

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended June 30, 2020, the School District recognized \$362,212 in OPEB expense and revenue, in the government-wide financial statements, for the State's proportionate share of the OPEB Plan's OPEB Expense, associated with the School District. This expense and revenue was based on the OPEB Plan's June 30, 2019 measurement date.

In accordance with GASBS No. 75, the School District's proportionate share of the OPEB liability is zero. As such, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources by the School District.

At June 30, 2020, the State's proportionate share of the total nonemployer OPEB liability's deferred outflows of resources and deferred inflows of resources, associated with the School District, from the following sources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ 16,260,597
Changes of assumptions	-	13,153,570
Total	\$ -	\$ 29,414,167

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to State’s proportionate share of the total nonemployer OPEB Liability, associated with the School District, will be recognized in OPEB expense as follows:

For the year ended:		
2020	\$	(3,949,279)
2021		(3,949,279)
2022		(3,949,279)
2023		(3,949,279)
2024		(3,949,279)
Therafter		(9,667,772)
Total	\$	(29,414,167)

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, 2020, 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 \$2,402,984, \$891,463, and \$1,686, respectively. In addition, \$878,637 on-behalf payments were made by the state for the employer’s share of social security contributions for TPAF members, as calculated on their base salaries.

12. RISK MANAGEMENT

Property and Liability Insurance – The District is a member of the Atlantic and Cape May Counties Association of School Business Officials Joint Insurance Fund (ACCASBOJIF), a public entity risk pool currently operating as a common risk management and insurance program. The District pays an actuarial determined annual assessment to ACCASBOJIF for its insurance coverage. Supplemental assessments may be levied to supplement the fund.

The District has not been notified of any supplemental assessments.

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

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

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

12. RISK MANAGEMENT (Continued)

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2020	\$ 31,500	\$ 34,046	\$ 4,393	\$ 82,746	\$ 182,182
2019	90,000	57,471	1,723	77,194	194,989
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

13. DEFERRED COMPENSATION

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

14. COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2020, the liability for compensated absences in the governmental activities and proprietary fund types was \$2,703,281 and \$66,076, respectively.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

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, 2020. The following interfund balances were recorded on the various balance sheets as of June 30, 2020:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 436,960	\$ 124,907
Special Revenue	34	360,368
Capital Projects	-	14
Debt Service Fund	14	-
Proprietary Fund	124,873	45,361
Fiduciary Fund	-	31,231
Total	\$ 561,881	\$ 561,881

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, 2020, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District.

17. TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements.

If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

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

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

The municipality recognized revenue of \$113,783 from the annual service charge in lieu of payment of taxes in 2019. The assessed value on these tax exemption properties amounted to \$12,250,000 which would have resulted in 2019 taxes billed in full of \$220,990. A portion of the \$107,207 abatement would have been allocated to the District.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

18. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$130,993 in the General Fund and \$172,511 in the Special Revenue Fund as of June 30, 2020 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 \$130,993 in the General Fund and \$172,511 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, 2020, a deficit of \$14,310,154 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 is as follows:

Balances, June 30, 2020:	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance - Unassigned	\$ (130,993)
Liabilities:	
Accrued Interest Payable	(29,370)
Net Pension Differences	(11,446,510)
Compensated Absences	<u>(2,703,281)</u>
Unrestricted Net Position (Deficit)	<u>\$ (14,310,154)</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:

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 as of June 30, 2020 is \$1,490,505 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$1,461,869 of excess fund balance generated during the 2019-2020 fiscal year has been restricted and designated for utilization in the 2020-2021 budget.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

20. FUND BALANCES (Continued)

Capital Reserve – As of June 30, 2020, the balance in the capital reserve account is \$1,712,083 all of which is restricted for future capital outlay expenditures for capital projects in the School District’s approved Long-Range Facilities Plan.

Maintenance Reserve Account – As of June 30, 2020, the balance in the maintenance reserve account is \$1,299,021. Of this amount \$300,000 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2021. 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).

Emergency Reserve – As of June 30, 2020, the balance in the emergency reserve is \$250,000. These funds are restricted for the purpose of financing unanticipated general fund expenditures required for a through and efficient education in accordance with N.J.S.A. 18A:7F-41c(1).

ASSIGNED

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

General Fund:

Other Purposes – As of June 30, 2020 the School District has \$671,641 of encumbrances outstanding for purchase orders and contracts signed by the School District, but not completed, as of the close of the fiscal year.

Designated for Subsequent Year’s Expenditures – The School District has appropriated and included \$54,269 as an anticipated revenue for the fiscal year ending June 30, 2021.

Debt Service Fund:

Designated for Subsequent Year’s Expenditures – The School District has appropriated and included \$1,655 as an anticipated revenue for the fiscal year ending June 30, 2021.

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, 2020, the fund balance of the general fund was a deficit of \$130,993, 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, 2020, the fund balance of the special revenue fund was a deficit of \$172,511, 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, 2020, \$166,112 of capital fund balance was unassigned.

Debt Service – As of June 30, 2020, \$3,155 of debt service fund balance was unassigned.

Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

21. SUBSEQUENT EVENTS

COVID-19 - the management of the School District has evaluated its financial statements for subsequent events through the date that the financial statements were issued. As a result of the spread of the COVID-19 coronavirus in New Jersey, economic uncertainties have arisen which could negatively impact the financial position of the School District. While the impact that COVID-19 will have is currently expected to be temporary, as of the date of the financial statements, the related financial impact and duration cannot be reasonably estimated.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 17,655,724	\$ -	\$ 17,655,724	\$ 17,655,724	\$ -
Transportation				23,763	23,763
Interest earned on maintenance reserve	1,500	-	1,500	18,883	17,383
Interest earned on capital reserve	1,500	-	1,500	26,394	24,894
Unrestricted miscellaneous revenue	120,000	-	120,000	227,507	107,507
Total local sources	17,778,724	-	17,778,724	17,952,271	173,547
State sources:					
School choice aid	823,478	-	823,478	823,478	-
Special education aid	912,905	-	912,905	912,905	-
Equalization aid	5,202,298	-	5,202,298	5,202,298	-
Security aid	492,388	-	492,388	492,388	-
Adjustment aid	679,491	-	679,491	679,491	-
Transportation aid	836,392	-	836,392	836,392	-
Homeless Tuition Aid				95,373	95,373
Extraordinary Aid				126,887	126,887
Additional Non Public Transportation Aid				9,860	9,860
On-behalf TPAF pension contributions (non-budgeted)				2,402,984	2,402,984
On-behalf TPAF Medical (non-budgeted)				891,463	891,463
On-behalf TPAF LTDI (non-budgeted)				1,686	1,686
Reimbursed TPAF social security contributions (non-budgeted)				890,165	890,165
Total state sources	8,946,952	-	8,946,952	13,365,370	4,418,418
Federal sources:					
Special Education Medicaid Initiative (SEMI)	50,601	-	50,601	52,160	1,559
Total federal sources	50,601	-	50,601	52,160	1,559
TOTAL REVENUES	26,776,277	-	26,776,277	31,369,801	4,593,524
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Preschool	28,100	-	28,100	-	28,100
Kindergarten	1,068,000	20,000	1,088,000	1,079,099	8,901
Grades 1-5	5,450,000	(237,000)	5,213,000	4,872,869	340,131
Grades 6-8	910,000	-	910,000	907,910	2,090
Total Instruction	7,456,100	(217,000)	7,239,100	6,859,878	379,222
Regular Programs - Home Instruction:					
Salaries of teachers	12,500	-	12,500	1,776	10,724
Other purchased services	110	-	110		110
Total Home Instruction	12,610	-	12,610	1,776	10,834
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	803,100	(6,400)	796,700	770,658	26,042
Purchased technical services	30,700	(1,080)	29,620	10,468	19,152
Other purchased services	172,000	(46,020)	125,980	95,989	29,991
General supplies	424,000	12,600	436,600	386,329	50,271
Textbooks	98,500	257,500	356,000	110,683	245,317
Other objects	9,400	-	9,400	1,351	8,049
Total Undistributed Instruction	1,537,700	216,600	1,754,300	1,375,478	378,822
Total - Regular Programs - Instruction	9,006,410	(400)	9,006,010	8,237,132	768,878

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, 2020

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Educ Instruction: Learning/Lang. Disabilities					
Salaries of teachers	\$ 269,000	\$ 2,500	\$ 271,500	\$ 261,292	\$ 10,208
Other salaries for instruction	41,100	-	41,100	40,270	830
General Supplies	5,600	(1,200)	4,400	3,500	900
<u>Total Learning/Lang. Disabilities</u>	<u>315,700</u>	<u>1,300</u>	<u>317,000</u>	<u>305,062</u>	<u>11,938</u>
Special Educ Instruction: Res. Room/Res. Center					
Salaries of teachers	972,000	4,000	976,000	972,119	3,881
General supplies	5,500	-	5,500	4,472	1,028
<u>Total Resource Room/Resource Center</u>	<u>977,500</u>	<u>4,000</u>	<u>981,500</u>	<u>976,591</u>	<u>4,909</u>
Special Educ Instruction: Preschool Disabilities Full Time					
Salaries of teachers	257,000	19,500	276,500	276,251	249
<u>Total Preschool Disabilities Full Time</u>	<u>257,000</u>	<u>19,500</u>	<u>276,500</u>	<u>276,251</u>	<u>249</u>
Special Educ Instruction: Home Instruction					
Salaries of teachers	25,000	(20,000)	5,000	-	5,000
<u>Total Home Instruction</u>	<u>25,000</u>	<u>(20,000)</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
<u>Total Special Education - Instruction</u>	<u>1,575,200</u>	<u>4,800</u>	<u>1,580,000</u>	<u>1,557,904</u>	<u>22,096</u>
Before/after school programs - Instruction					
Salaries of teachers	107,000	17,500	124,500	109,693	14,807
<u>Total Before/after school - Instruction</u>	<u>107,000</u>	<u>17,500</u>	<u>124,500</u>	<u>109,693</u>	<u>14,807</u>
Bilingual Education - Instruction					
Salaries of teachers	106,000	400	106,400	106,146	254
General supplies	6,250	(1,500)	4,750	829	3,921
<u>Total Bilingual Education - Instruction</u>	<u>112,250</u>	<u>(1,100)</u>	<u>111,150</u>	<u>106,975</u>	<u>4,175</u>
Undistributed Expenditures - Instruction					
Tuition to other LEA's w/in state/regular	41,269	76,300	117,569	102,301	15,268
Tuition to CSSD & reg. day schools	1,137,000	(112,928)	1,024,072	1,018,759	5,313
Tuition to priv. sch. for the handicapped in state	-	1,955	1,955	1,900	55
<u>Total Undistributed Expenditures - Instruction</u>	<u>1,178,269</u>	<u>(34,673)</u>	<u>1,143,596</u>	<u>1,122,960</u>	<u>20,636</u>
Undistributed Expenditures - Attendance & Social Work					
Salaries	24,700	1,000	25,700	25,226	474
Purchased professional and technical services	9,200	5,625	14,825	12,821	2,004
Supplies and materials	200	(165)	35	-	35
<u>Total Undistributed Expenditures - Attendance & Soc.</u>	<u>34,100</u>	<u>6,460</u>	<u>40,560</u>	<u>38,047</u>	<u>2,513</u>
Undistributed Expenditures - Health Services					
Salaries	406,000	1,200	407,200	399,075	8,125
Purchased professional and technical services	22,000	200	22,200	22,152	48
Other purchased services (400-500)	3,700	(1,200)	2,500	2,385	115
Supplies and materials	13,500	(200)	13,300	12,622	678
<u>Total Undistributed Expenditures - Health Svcs.</u>	<u>445,200</u>	<u>-</u>	<u>445,200</u>	<u>436,234</u>	<u>8,966</u>

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, 2020

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	\$ 368,000	\$ (17,500)	\$ 350,500	\$ 318,686	\$ 31,814
Purchased professional - educ services	1,000	585	1,585	1,115	470
Supplies and materials	2,300	1,710	4,010	3,579	431
Total Undst. Expend. - Speech, OT, PT & Related Services	<u>371,300</u>	<u>(15,205)</u>	<u>356,095</u>	<u>323,380</u>	<u>32,715</u>
Undist. Expend. - Guidance					
Salaries of other professional staff	366,800	(25,100)	341,700	311,968	29,732
Supplies and materials	950	-	950	838	112
Other objects	30	100	130	40	90
Total Undst. Expend. - Guidance	<u>367,780</u>	<u>(25,000)</u>	<u>342,780</u>	<u>312,846</u>	<u>29,934</u>
Undist. Expend. - Child Study Teams					
Salaries of other professional staff	520,000	27,000	547,000	537,317	9,683
Salaries of secretarial and clerical assistants	125,000	3,000	128,000	126,389	1,611
Purchased professional - educ services	325,000	(12,500)	312,500	183,571	128,929
Other purchased professional - tech services	100,352	38,501	138,853	88,380	50,473
Other purchased services (400-500)	11,850	(2,400)	9,450	3,963	5,487
Misc. purchased services (400-500)	-	-	-	-	-
Supplies and materials	9,000	6,400	15,400	13,796	1,604
Other objects	1,125	-	1,125	150	975
Total Undst. Expend. - Child Study Teams	<u>1,092,327</u>	<u>60,001</u>	<u>1,152,328</u>	<u>953,566</u>	<u>198,762</u>
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	107,000	5,000	112,000	108,041	3,959
Salaries of Secr and Clerical Assist.	33,091	(6,500)	26,591	-	26,591
Other purchased services (400-500)	475	-	475	139	336
Supplies and materials	925	175	1,100	1,086	14
Other objects	925	(175)	750	-	750
Total Undst. Expend. - Improvement of Instr. Services	<u>142,416</u>	<u>(1,500)</u>	<u>140,916</u>	<u>109,266</u>	<u>31,650</u>
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	500,000	-	500,000	496,874	3,126
Other purchased services (400-500)	750	-	750	-	750
Supplies and materials	43,000	-	43,000	35,327	7,673
Other objects	3,500	-	3,500	-	3,500
Total Undst. Expend. - Educ. Media Serv./Sch. Library	<u>547,250</u>	<u>-</u>	<u>547,250</u>	<u>532,201</u>	<u>15,049</u>
Undist. Expend. - Instructional Staff Training Services					
Salaries of supervisor of instruction	107,000	-	107,000	103,059	3,941
Salaries of secretarial and clerical assistants	88,500	1,500	90,000	89,238	762
Other salaries	4,800	-	4,800	4,800	-
Purchased professional - educ services	5,800	-	5,800	3,748	2,052
Other purchased services	1,450	-	1,450	586	864
Supplies and materials	2,800	-	2,800	1,952	848
Other objects	13,500	(1,500)	12,000	7,657	4,343
Total Undst. Expend. - Instructional Staff Training Svcs.	<u>223,850</u>	<u>-</u>	<u>223,850</u>	<u>211,040</u>	<u>12,810</u>

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, 2020

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	\$ 229,000	\$ (625)	\$ 228,375	\$ 228,372	\$ 3
Legal services	30,000	60,720	90,720	90,716	4
Audit fees	24,500	(300)	24,200	24,200	-
Other purchased professional services	16,000	435	16,435	16,432	3
Communications / telephone	46,500	(8,810)	37,690	37,685	5
BOE Other purchases services	250	-	250	-	250
Other purchased services	88,000	(260)	87,740	86,405	1,335
General supplies	4,000	(1,935)	2,065	2,063	2
BOE in-house training/meeting supplies	1,850	(1,130)	720	720	-
Miscellaneous expenditures	4,450	(1,210)	3,240	3,239	1
BOE membership dues and fees	16,000	(3,400)	12,600	12,523	77
Total Undst. Expend. - Supp. Serv. General Admin.	460,550	43,485	504,035	502,355	1,680
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	368,000	-	368,000	351,032	16,968
Salaries of secretarial and clerical assistants	374,000	1,000	375,000	354,090	20,910
Purchased professional and technical services	6,000	(1,000)	5,000	1,375	3,625
Other purchased services (400-500)	8,250	-	8,250	4,628	3,622
Supplies and materials	9,000	-	9,000	5,954	3,046
Other objects	5,400	-	5,400	3,944	1,456
Total Undst. Expend. - Supp. Serv. School Admin.	770,650	-	770,650	721,023	49,627
Undist. Expend. - Central Services					
Salaries	274,500	-	274,500	273,645	855
Purchased professional services	30,000	6,700	36,700	35,021	1,679
Miscellaneous purchased services	12,000	(2,600)	9,400	8,292	1,108
Supplies and materials	6,500	-	6,500	4,702	1,798
Other Objects	2,800	19,870	22,670	1,555	21,115
Total Undst. Expend. - Central Services	325,800	23,970	349,770	323,215	26,555
Undist. Expend. -Admin. Info Technology					
Other purchased services	700	645	1,345	1,342	3
Supplies and materials	2,000	1,485	3,485	3,482	3
Total-Admin. Info Technology	2,700	2,130	4,830	4,824	6
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	325,000	-	325,000	312,415	12,585
Cleaning, Repair and Maintenance Services	189,449	(32,000)	157,449	133,972	23,477
Supplies and materials	187,378	(69,126)	118,252	83,358	34,894
Other objects	1,000	-	1,000	-	1,000
Total Undst. Expend. - Required Maint. Sch. Facilities	702,827	(101,126)	601,701	529,745	71,956
Undist. Expend. - Custodial Services					
Salaries	852,000	(13,875)	838,125	837,972	153
Salaries of Non-Instructional Aides	332,000	5,000	337,000	324,754	12,246
Purchased professional & tech. services	20,342	(8,000)	12,342	12,146	196
Cleaning, repair and maintenance services	934	-	934	-	934
Rental of land & buildings other than lease	21,000	(20,000)	1,000	544	456
Other purchased property services	47,000	(4,500)	42,500	42,148	352
Insurance	136,000	-	136,000	135,900	100
Travel	-	1,100	1,100	1,075	25
Miscellaneous purchased services	30,000	(2,500)	27,500	25,061	2,439
General supplies	114,300	53,900	168,200	99,928	68,272
Energy (electricity)	250,000	55,000	305,000	282,088	22,912
Energy (natural gas)	75,000	30,000	105,000	83,600	21,400
Other objects	900	-	900	-	900
Interest - Energy Impr Prog	61,000	-	61,000	59,714	1,286
Principal - Energy Impr Prog	93,000	7,000	100,000	100,000	-
Total Undst. Expend. - Custodial Services	2,033,476	103,125	2,136,601	2,004,930	131,671

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, 2020

(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	6,800	(5,000)	1,800		1,800
Cleaning, repair and maintenance services	2,900	-	2,900		2,900
General supplies	14,500	-	14,500	10,798	3,702
Total Undst. Expend. - Care & Upkeep of Grounds	36,200	(5,000)	31,200	10,798	20,402
Undist. Expend. - Security					
Salaries	250,000	-	250,000	232,075	17,925
Cleaning, repair and maintenance services	1,250	-	1,250	150	1,100
General supplies	16,400	-	16,400	2,497	13,903
Total Undst. Expend. - Security	267,650	-	267,650	234,722	32,928
Total Undst. Expend. - Oper. & Maint. of Plant Services	3,040,153	(3,001)	3,037,152	2,780,195	256,957
Undist. Expend. - Student Transportation Services					
Salaries for pupil trans. (bet home & sch) - regular	795,000	42,300	837,300	837,299	1
Salaries for pupil trans. (bet home & sch) - special	80,000	(47,500)	32,500	32,406	94
Salaries for pupil trans. (other than bet home & sch)	19,000	(15,000)	4,000	1,376	2,624
Rental payments - school buses	2,850	300	3,150	3,121	29
Contr. serv. - (Sp. Ed Stds) - Joint Agreements	139,500	(2,400)	137,100	34,767	102,333
Contr. serv. - Aide in lieu Pymts - Charter Schools	38,000	(22,600)	15,400	(2,618)	18,018
Contr. serv. - Aide in lieu Pymts - Nonpublic Schools	40,000	-	40,000	34,456	5,544
Miscellaneous purchased services - transportation	48,000	20,500	68,500	67,310	1,190
General Supplies	109,000	(37,800)	71,200	58,940	12,260
Transportation supplies	140,000	(78,500)	61,500	60,109	1,391
Other objects	2,800	-	2,800	200	2,600
Total Undst. Expend. - Student Transportation Services	1,414,150	(140,700)	1,273,450	1,127,366	146,084
Unallocated Benefits - Employee Benefits					
Social security contributions	440,000	(10,000)	430,000	424,694	5,306
Other retirement contributions - PERS	520,000	(18,300)	501,700	446,525	55,175
Other retirement contributions - Regular	20,000	17,300	37,300	37,267	33
Unemployment compensation	31,500	-	31,500	31,500	-
Workers' compensation	174,000	6,284	180,284	180,284	-
Health benefits	4,991,000	(400,306)	4,590,694	3,843,722	746,972
Tuition reimbursement	45,000	-	45,000	45,000	-
Other employee benefits	250,000	61,000	311,000	303,401	7,599
Total Unallocated Benefits - Employee Benefits	6,471,500	(344,022)	6,127,478	5,312,393	815,085
On-behalf TPAF pension (non-budgeted)	-	-	-	2,402,984	(2,402,984)
On-behalf TPAF medical (non-budgeted)	-	-	-	891,463	(891,463)
On-behalf TPAF LTDI (non-budgeted)	-	-	-	1,686	(1,686)
Reimbursed TPAF social security contributions (non-budgeted)	-	-	-	890,165	(890,165)
Total Undistributed Expenditures - TPAF	-	-	-	4,186,298	(4,186,298)
Total Undistributed Expenditures	16,887,995	(428,055)	16,459,940	18,997,209	(2,537,269)
Total General Current Expense	27,688,855	(407,255)	27,281,600	29,008,913	(1,727,313)

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, 2020

(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	\$ 67,566	\$ (14,227)	\$ 53,339	\$ 53,339	\$ -
Undist. Exp - security	80,000	19,227	99,227	75,123	24,104
School Buses - Regular	318,000	350,405	668,405	444,703	223,702
Total Equipment	<u>465,566</u>	<u>355,405</u>	<u>820,971</u>	<u>573,165</u>	<u>247,806</u>
Facilities Acquisition and Construction Services:					
Architectual/engineering services		56,000	56,000	26,700	29,300
Construction services		294,000	294,000	186,533	107,467
Assessment on SDA Funding	6,346	-	6,346	6,346	-
Total Facilities Acquisition and Construction Services	<u>6,346</u>	<u>350,000</u>	<u>356,346</u>	<u>219,579</u>	<u>136,767</u>
Total Capital Outlay	<u>471,912</u>	<u>705,405</u>	<u>1,177,317</u>	<u>792,744</u>	<u>384,573</u>
Total Expenditures	<u>28,160,767</u>	<u>298,150</u>	<u>28,458,917</u>	<u>29,801,657</u>	<u>(1,342,740)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>(1,384,490)</u>	<u>(298,150)</u>	<u>(1,682,640)</u>	<u>1,568,144</u>	<u>3,250,784</u>
Other Financing Sources (Uses):					
Operating Transfer Out - Food Service Fund		(51,850)	(51,850)	(51,850)	
Total Other Financing Sources (Uses)		<u>(51,850)</u>	<u>(51,850)</u>	<u>(51,850)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	<u>(1,384,490)</u>	<u>(350,000)</u>	<u>(1,734,490)</u>	<u>1,516,294</u>	<u>3,250,784</u>
Fund Balance, July 1	<u>6,072,148</u>		<u>6,072,148</u>	<u>6,072,148</u>	
Fund Balance, June 30	<u>\$ 4,687,658</u>	<u>\$ (350,000)</u>	<u>\$ 4,337,658</u>	<u>\$ 7,588,442</u>	<u>\$ 3,250,784</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Years Expenditures				\$ 1,461,869	
Reserve for Excess Surplus				1,490,505	
Capital Reserve				1,712,083	
Maintenance Reserve				1,299,021	
Emergency Reserve				250,000	
Assigned Fund Balance					
Year-end Encumbrances				671,641	
Designated for Subsequent Years Expenditures				54,269	
Unassigned Fund Balance				<u>649,054</u>	
				7,588,442	
Reconciliation on Governmental Fund Statements (GAAP):					
Less: State Aid Payment not Recognized on GAAP Basis					<u>(780,047)</u>
Fund Balance per Government Fund (GAAP)				<u>\$ 6,808,395</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, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
REVENUES:					
Local sources	\$ -	\$ 250	\$ 250	\$ -	\$ 250
State sources	1,942,980	-	1,942,980	1,921,193	21,787
Federal sources	809,366	672,383	1,481,749	1,120,730	361,019
Total revenues	2,752,346	672,633	3,424,979	3,041,923	383,056
EXPENDITURES:					
Instruction:					
Salaries of teachers	928,650	186,572	1,115,222	1,093,505	21,717
Salaries of para professionals	293,968	49,330	343,298	330,596	12,702
Tuition	361,070	136,228	497,298	497,298	-
General supplies	16,650	361,188	377,838	116,640	261,198
Total instruction	1,600,338	733,318	2,333,656	2,038,039	295,617
Support services:					
Salaries of program director	45,963	2,500	48,463	48,208	255
Salaries of supervisor of instruction	49,416	(8,000)	41,416	41,415	1
Salaries of other professionals	326,484	110,608	437,092	366,633	70,459
Salaries of secretaries	61,508	2,000	63,508	62,797	711
Salaries other		15,000	15,000	11,704	3,296
PEA SW Masters	166,488	25,000	191,488	190,464	1,024
Personal services-employee benefits	476,149	(279,212)	196,937	190,936	6,001
Travel	16,000	(13,000)	3,000	2,416	584
Supplies and Materials	5,000	24,764	29,764	26,354	3,410
Purchased prof. and educational services	5,000	49,781	54,781	53,083	1,698
Total support services	1,152,008	(70,559)	1,081,449	994,010	87,439
Facilities acquisition and construction services:					
Instructional equipment		9,874	9,874	9,874	-
Total facilities acq. and const. services		9,874	9,874	9,874	
Total expenditures	2,752,346	672,633	3,424,979	3,041,923	383,056
Total outflows	2,752,346	672,633	3,424,979	3,041,923	383,056
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**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 31,369,801	\$ 3,041,923
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, 2019	-	-
Fiscal Year Ended June 30, 2020	-	-
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	892,766	208,080
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(780,047)</u>	<u>(172,511)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 31,482,520</u>	<u>\$ 3,077,492</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	29,801,657	3,041,923
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, 2019	-	-
Fiscal Year Ended June 30, 2020	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 29,801,657</u>	<u>\$ 3,041,923</u>

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 Seven Fiscal Years

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0456900911%	0.0509456880%	0.0502902007%	0.0515799603%	0.0527994891%	0.0580173906%	0.0586145948%
District's proportionate share of the net pension liability (asset)	\$ 8,232,661	\$ 9,839,437	\$ 11,706,755	\$ 15,276,505	\$ 11,852,427	\$ 10,862,442	\$ 11,202,414
District's covered-employee payroll	3,181,055	3,182,488	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	258.80%	309.17%	367.48%	452.66%	346.16%	309.43%	321.67%
Plan fiduciary net position as a percentage of the total pension liability	42.04%	40.45%	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 Seven Fiscal Years

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 471,844	\$ 638,748	\$ 497,070	\$ 468,671	\$ 458,229	\$ 453,934	\$ 478,287
Contributions in relation to the contractually required contributions	<u>(471,844)</u>	<u>(638,748)</u>	<u>(497,070)</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>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	3,181,055	3,182,488	3,185,716	3,374,844	3,423,955	3,510,447	3,482,586
Contributions as a percentage of covered-employee payroll	14.83%	20.07%	15.60%	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 Seven Fiscal Years

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.1051613679%	0.1108136748%	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>\$ 64,538,524</u>	<u>\$ 70,497,280</u>	<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><u>\$ 64,538,524</u></u>	<u><u>\$ 70,497,280</u></u>	<u><u>\$ 75,882,790</u></u>	<u><u>\$ 84,644,187</u></u>	<u><u>\$ 73,356,882</u></u>	<u><u>\$ 63,725,118</u></u>	<u><u>\$ 60,258,648</u></u>
District's covered-employee payroll	12,344,744	12,173,089	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%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	26.95%	26.49%	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
Last Three Fiscal Years

	June 30, 2020	June 30, 2019	June 30, 2018
State's proportion of the net OPEB liability (asset) associated with the District	0.16%	0.16%	0.17%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	\$ 64,715,499	\$ 72,986,748	\$ 88,543,533
Total proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 64,715,499</u>	<u>\$ 72,986,748</u>	<u>\$ 88,543,533</u>
Plan fiduciary net position as a percentage of the total OPEB Liability	0.00%	0.00%	0.00%
	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability			
Service Cost	\$ 2,191,113	\$ 2,522,741	\$ 3,046,909
Interest	2,872,437	3,226,742	2,803,118
Difference between expected and actual experiences	(12,372,027)	(11,046,485)	
Changes of assumptions	964,913	(8,375,595)	(11,620,005)
Member Contributions	58,888	67,452	75,518
Benefit payments	<u>(1,986,573)</u>	<u>(1,951,640)</u>	<u>(2,050,856)</u>
Net Change in total OPEB Liability	\$ (8,271,249)	\$ (15,556,785)	\$ (7,745,316)
Total OPEB Liability - beginning	<u>\$ 72,986,748</u>	<u>\$ 88,543,533</u>	<u>\$ 96,288,849</u>
Total OPEB Liability - ending	<u>\$ 64,715,499</u>	<u>\$ 72,986,748</u>	<u>\$ 88,543,533</u>
District's covered-employee payroll	15,525,799	15,355,577	14,777,435
Total OPEB Liability as a percentage of covered-employee payroll	416.83%	475.31%	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 – Part III
For the Fiscal Year Ended June 30, 2020

Teacher’s Pension and Annuity Fund (TPAF)

Changes of benefit term: There were none.

Changes of assumptions: The discount rate changed to 5.60% as of June 30, 2019 from 4.86% as of June 30, 2018 and the long-term rate of return remained at 7.00%.

Public Employees’ Retirement System (PERS)

Changes of benefit term: There were none.

Changes of assumptions: The discount rate changed to 6.28% as of June 30, 2019 from 5.66% as of June 30, 2018 and the long-term rate of return remained at 7.00%.

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 to 3.50% as of June 30, 2019 from 3.87% as of June 30, 2018.

Other Supplementary Information

Special Revenue Fund

LOWER TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2020

	Preschool Program Aid	No Child Left Behind (N.C.L.B.)				Individuals with Disabilities Act		CARES Act Current Yr.	Totals
		Title I	Title II - Part A	Title III	Title IV	IDEA - Part B Basic	IDEA - Part B Preschool		
		Current Yr.	Current Yr.	Current Yr.	Current Yr.	Current Yr.	Current Yr.		
REVENUES:									
State sources	\$ 1,921,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,921,193	
Federal sources		471,794	80,382	4,759	6,311	470,555	26,743	60,186	
Total Revenues	1,921,193	471,794	80,382	4,759	6,311	470,555	26,743	60,186	
EXPENDITURES:									
Instruction:									
Salaries of teachers	755,094	317,370	17,698	3,343				1,093,505	
Salaries of para professionals	317,123	13,473						330,596	
General supplies	30,650	25,275		529			60,186	116,640	
Tuition					470,555	26,743		497,298	
Total instruction	1,102,867	356,118	17,698	3,872	470,555	26,743	60,186	2,038,039	
Support services:									
Salaries of supervisor of instruction	48,208							48,208	
Salaries of program director	41,415							41,415	
Salaries of other professionals	365,898				735			366,633	
Salaries of secretaries	62,797							62,797	
Salaries other staff	11,704							11,704	
PEA SW Masters	190,464							190,464	
Personal services-employee benefits	77,096	112,430	1,354		56			190,936	
Purchased prof. and educational services	4,302		43,261		5,520			53,083	
Travel			2,416					2,416	
Supplies and Materials	6,568	3,246	15,653	887				26,354	
Total support services	808,452	115,676	62,684	887	6,311			994,010	
Facilities acquisition and const. serv.:									
Instructional equipment	9,874							9,874	
Non-instructional equipment									
Total facilities acquisition and const. serv.:	9,874							9,874	
Total Expenditures	1,921,193	471,794	80,382	4,759	6,311	470,555	26,743	60,186	
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

**Lower Township School District
Special Revenue Fund
Schedule of Preschool Education Aid Expenditures
Preschool - All Programs
Budgetary Basis
For the Fiscal Year Ended June 30, 2020**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 693,650	\$ 62,500	\$ 756,150	\$ 755,094	\$ 1,056
Other Salaries for Instruction	283,968	43,500	327,468	317,123	10,345
General Supplies	6,650	24,000	30,650	30,650	
Total instruction	<u>984,268</u>	<u>130,000</u>	<u>1,114,268</u>	<u>1,102,867</u>	<u>11,401</u>
Support services:					
Salaries of Program Directors	45,963	2,500	48,463	48,208	255
Salaries of Supervisor of Instruction	49,416	(8,000)	41,416	41,415	1
Salaries of Other Professional Staff	318,967	48,000	366,967	365,898	1,069
Salaries of Secretaries	61,508	2,000	63,508	62,797	711
Salaries Other		15,000	15,000	11,704	3,296
Salaries of Master Teachers	166,488	25,000	191,488	190,464	1,024
Personal Services - Employee Benefits	311,370	(234,274)	77,096	77,096	-
Other Purchased Services	5,000	1,000	6,000	4,302	1,698
Supplies & Materials		8,900	8,900	6,568	2,332
Total support services	<u>958,712</u>	<u>(139,874)</u>	<u>818,838</u>	<u>808,452</u>	<u>10,386</u>
Facilities acquisition and cont. serv:					
Instructional equipment		9,874	9,874	9,874	-
Total Facilities acquisition and cont. serv.	<u>-</u>	<u>9,874</u>	<u>9,874</u>	<u>9,874</u>	<u>-</u>
Total Expenditures	<u>\$ 1,942,980</u>	<u>\$ -</u>	<u>\$ 1,942,980</u>	<u>\$ 1,921,193</u>	<u>\$ 21,787</u>

CALCULATION OF BUDGET & CARRYOVER

Total 2019-20 PreK Aid Allocation	\$ 1,942,980
Add: Actual PreK/ECPA Aid Carryover June 30, 2019	-
Add: Budgeted Transfer From General Fund	-
Total Funds Available for 2019-20 Budget	<u>1,942,980</u>
Less: 2019-20 Budgeted PreK/ECPA (Including prior year budgeted carryover)	<u>(1,942,980)</u>
Available & Unbudgeted Funds as of June 30, 2020	-
Add: June 30, 2020 Unexpended PreK Aid	<u>21,787</u>
2020- Actual Carryover - PreK Aid	<u>\$ 21,787</u>
2019-20 PreK Aid Carryover Budgeted in 2020-21	<u>\$ 21,787</u>

Lower Township School District
Special Revenue Fund
Schedule of Preschool Education Aid Expenditures
Preschool - Full Day 3yr & 4 yr - Regular
Budgetary Basis
For the Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 693,650	\$ 62,500	\$ 756,150	\$ 755,094	\$ 1,056
Other Salaries for Instruction	283,968	43,500	327,468	317,123	10,345
General Supplies	6,650	24,000	30,650	30,650	
Total instruction	984,268	130,000	1,114,268	1,102,867	11,401
Support services:					
Salaries of Program Directors	45,963	2,500	48,463	48,208	255
Salaries of Supervisor of Instruction	49,416	(8,000)	41,416	41,415	1
Salaries of Other Professional Staff	318,967	48,000	366,967	365,898	1,069
Salaries of Secretaries	61,508	2,000	63,508	62,797	711
Salaries Other		15,000	15,000	11,704	3,296
Salaries of Master Teachers	166,488	25,000	191,488	190,464	1,024
Personal Services - Employee Benefits	311,370	(234,274)	77,096	77,096	-
Other Purchased Services	5,000	1,000	6,000	4,302	1,698
Supplies & Materials		8,900	8,900	6,568	2,332
Total support services	958,712	(139,874)	818,838	808,452	10,386
Facilities acquisition and cont. serv:					
Instructional equipment		9,874	9,874	9,874	-
Total Facilities acquisition and cont. serv.		9,874	9,874	9,874	-
Total Program Expenditures	\$ 1,942,980	\$ -	\$ 1,942,980	\$ 1,921,193	\$ 21,787

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, 2020**

Revenues and Other Financing Sources:

Proceeds of serial bonds	\$	-
Interest earned on investments		3,135
		3,135
Total revenues and other financing sources		3,135

Expenditures and Other Financing (Uses):

Purchased professional services		-
Construction services		-
Transfer to Debt Service Fund		3,135
Total expenditures and other financing (uses)		3,135

Excess (deficiency) or revenues over (under) expenditures

Fund Balance - July 1, 2019		166,112
Fund Balance - June 30, 2020	\$	166,112

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, 2020

	Prior Periods	Current Year	Total	Revised Authorized Costs
Revenues and Other Financing Sources:				
Bond proceeds	\$ 5,121,000	\$ -	\$ 5,121,000	\$ 5,121,000
Total revenues	5,121,000		5,121,000	5,121,000
 Expenditures and Other Financing Uses:				
Purchased professional services	432,144	-	432,144	432,144
Construction services	4,522,744		4,522,744	4,522,744
	4,954,888	-	4,954,888	4,954,888
Excess (deficiency) or revenues over (under) expenditures	\$ 166,112	\$ -	\$ 166,112	\$ 166,112
 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, 2020

<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	\$ 4,954,888	\$ -	\$ -	\$ 166,112
		<u>\$ 5,121,000</u>	<u>\$ 4,954,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,112</u>

Proprietary Funds

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Net Position
as of June 30, 2020

	Food Service	Day Care Program	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 128,999	\$ 221,939	\$ 350,938
Accounts receivable:			
State	416	-	416
Federal	43,114	-	43,114
Interfund	124,873	-	124,873
Other	3,633	3,530	7,163
Inventories	18,751	-	18,751
Total current assets	<u>319,786</u>	<u>225,469</u>	<u>545,255</u>
Fixed assets:			
Equipment	276,884	-	276,884
Less accumulated depreciation	<u>(265,813)</u>	<u>-</u>	<u>(265,813)</u>
Total fixed assets	<u>11,071</u>	<u>-</u>	<u>11,071</u>
Total assets	<u>330,857</u>	<u>225,469</u>	<u>556,326</u>
LIABILITIES:			
Current liabilities:			
Interfund payable	45,361	-	45,361
Unearned revenue	13,737	16,527	30,264
Total current liabilities	<u>59,098</u>	<u>16,527</u>	<u>75,625</u>
Noncurrent liabilities:			
Compensated Absences	63,460	2,616	66,076
Total Noncurrent Liabilities	<u>63,460</u>	<u>2,616</u>	<u>66,076</u>
Total Liabilities	<u>122,558</u>	<u>19,143</u>	<u>141,701</u>
NET POSITION:			
Net investment in capital assets	11,071	-	11,071
Unrestricted	197,228	206,326	403,554
Total net position	<u>\$ 208,299</u>	<u>\$ 206,326</u>	<u>\$ 414,625</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds

Statement of Revenues, Expenses and Changes in Fund Net Position
for the Fiscal Year ended June 30, 2020

	Food Service	Day Care Program	Total
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs:			
School lunch program	\$ 78,667	\$ -	\$ 78,667
Total-daily sales-reimbursable programs	78,667	-	78,667
Daily sales non-reimbursable programs:			
Adult and AlaCarte meals	57,083	-	57,083
Registration Fees	-	259,209	259,209
Miscellaneous	50,382	-	50,382
Special Functions	20,192	-	20,192
Total operating revenue	206,324	259,209	465,533
OPERATING EXPENSES:			
Salaries	368,686	258,567	627,253
Employee benefits	28,567	27,295	55,862
Supplies and materials	24,490	9,480	33,970
Depreciation	955	-	955
Cost of sales - reimbursable programs	269,326	-	269,326
Cost of sales - non-reimbursable programs	53,314	-	53,314
Repairs and maintenance	17,386	-	17,386
Purchased professional services	1,200	-	1,200
Other	2,597	-	2,597
Total operating expenses	766,521	295,342	1,061,863
Operating income (loss)	(560,197)	(36,133)	(596,330)
Non-operating revenues:			
State sources:			
State school lunch program	6,925	-	6,925
Federal sources:			
National school lunch program	344,876	-	344,876
School breakfast program	214,420	-	214,420
U.S.D.A. commodities	84,191	-	84,191
Board Contribution	51,850	-	51,850
Interest revenue	2,309	4,881	7,190
Total non-operating revenues	704,571	4,881	709,452
Change in net position	144,374	(31,252)	113,122
Total net position - July 1	63,925	237,578	301,503
Total net position - June 30	\$ 208,299	\$ 206,326	\$ 414,625

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Year ended June 30, 2020

	Food Service	Day Care Program	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 212,203	\$ 261,127	\$ 473,330
Cash payments to employees for services	(388,127)	(281,946)	(670,073)
Cash payments to suppliers for goods and services	(297,696)	(16,939)	(314,635)
Net cash used by operating activities	<u>(473,620)</u>	<u>(37,758)</u>	<u>(511,378)</u>
Cash flows from noncapital financing activities:			
Board Contribution	51,850		51,850
Cash received from state and federal reimbursements	504,473	-	504,473
Net cash provided by noncapital financing activities	<u>556,323</u>	<u>-</u>	<u>556,323</u>
Cash flows from capital financing activities:			
Purchases of fixed assets	(10,802)	-	(10,802)
Net cash used by capital financing activities	<u>(10,802)</u>	<u>-</u>	<u>(10,802)</u>
Cash flows from investing activities:			
Interest on investments	2,309	4,881	2,309
Net cash provided by investing activities	<u>2,309</u>	<u>4,881</u>	<u>2,309</u>
Net increase (decrease) in cash and cash equivalents	74,210	(32,877)	41,333
Cash and cash equivalents, July 1	<u>54,789</u>	<u>254,816</u>	<u>309,605</u>
Cash and cash equivalents, June 30	<u>\$ 128,999</u>	<u>\$ 221,939</u>	<u>\$ 350,938</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (560,197)	\$ (36,133)	\$ (596,330)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	955	-	955
Commodities	84,191	-	84,191
Change in assets and liabilities:			
(Increase)/decrease in accounts receivable	3,821	(2,771)	1,050
(Increase)/decrease in inventory	(7,529)	-	(7,529)
Increase/(decrease) in interfund payable	39,316	-	39,316
Increase/(decrease) in accounts payable	-	(200)	(200)
Increase/(decrease) in unearned revenue	2,057	4,689	6,746
Increase/(decrease) in compensated absences	(36,234)	(3,343)	(39,577)
Net cash used by operating activities	<u>\$ (473,620)</u>	<u>\$ (37,758)</u>	<u>\$ (511,378)</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Internal Service Fund
Self-Insured Health and Prescription Plan
Statement of Net Position
as of June 30, 2020

	Internal Service Fund
ASSETS:	
Current assets:	
Restricted cash and cash equivalents	\$ 907,519
Total current assets	907,519
Total assets	907,519
 LIABILITIES:	
Current liabilities:	
Accounts payable	361,922
Reserve for medical claims	545,597
Total current liabilities	907,519
 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, 2020

	Internal Service Fund
OPERATING REVENUES:	
Local sources:	
Board contributions	\$ 3,729,268
Total operating revenue	3,729,268
 OPERATING EXPENSES:	
Employee benefits	3,729,268
Total operating expenses	3,729,268
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, 2020

	Internal Service Fund
Cash flows from operating activities:	
Board contributions	\$ 3,729,268
Cash payments for medical claims	<u>(3,714,416)</u>
Net cash used by operating activities	<u>14,852</u>
Net increase (decrease) in cash and cash equivalents	14,852
Cash and cash equivalents, July 1	<u>892,667</u>
Cash and cash equivalents, June 30	<u><u>\$ 907,519</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	(517,455)
Increase(decrease) in reserve for medical claims	<u>532,307</u>
Net cash used by operating activities	<u><u>\$ 14,852</u></u>

Fiduciary Funds

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
 Combining Statement of Net Position
 June 30, 2020

	Agency Funds		Unemployment Compensation Insurance	Total
	Student Activity	Payroll	Trust	
ASSETS:				
Cash and cash equivalents	\$ 34,463	\$ -	\$ 269,311	\$ 303,774
TOTAL ASSETS	34,463	-	269,311	303,774
LIABILITIES:				
Accounts payable	-	-	41,502	41,502
Payroll deductions payable	-	-	14,396	14,396
Interfund payable	-	-	31,231	31,231
Due to student groups	34,463	-	-	34,463
Total liabilities	34,463	-	87,129	121,592
NET POSITION:				
Restricted for:				
Unemployment claims	-	-	182,182	182,182
Total net position	\$ -	\$ -	\$ 182,182	\$ 182,182

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
Statement of Change in Fiduciary Net Position
for the Fiscal Year ended June 30, 2020

	Unemployment Compensation Insurance Trust Fund
REVENUES:	
Local sources:	
Board contributions	\$ 31,500
Employee contributions	34,046
Interest on Investments	4,393
Total Revenues	69,939
EXPENDITURES:	
Current Expense:	
Undistributed expenditures:	
Unemployment payments	82,746
Total Expenditures	82,746
Change in net position	(12,807)
Total net position - July 1	194,989
Total net position - June 30	\$ 182,182

LOWER TOWNSHIP SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2020

	<u>Balance July 1, 2019</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable June 30, 2020</u>	<u>Balance June 30, 2020</u>
Elementary Schools - All	\$ 31,016	\$ 13,235	\$ 9,788	\$ -	\$ 34,463
Total	<u>\$ 31,016</u>	<u>\$ 13,235</u>	<u>\$ 9,788</u>	<u>\$ -</u>	<u>\$ 34,463</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Payroll Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2020

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
ASSETS:				
Cash and cash equivalents	\$ -	\$ 20,047,192	\$ 20,047,192	\$ -
Total assets	\$ -	\$ 20,047,192	\$ 20,047,192	\$ -
LIABILITIES:				
Payroll deductions and withholdings	\$ -	\$ 8,609,072	\$ 8,609,072	\$ -
Interfund payable	-	9,583	9,583	-
Net payroll	-	11,428,537	11,428,537	-
Total liabilities	\$ -	\$ 20,047,192	\$ 20,047,192	\$ -

Long-Term Debt Schedules

LOWER TOWNSHIP SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Serial Bonds
June 30, 2020

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020
			Date	Amount					
School Bonds	04/20/16	\$ 5,121,000	04/01/21	\$ 200,000	2.00%	\$ 4,801,000	\$ -	\$ 160,000	\$ 4,641,000
			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%				
						\$ 4,801,000	\$ -	\$ 160,000	\$ 4,641,000

LOWER TOWNSHIP SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Capital Leases
June 30, 2020

Description	Interest Rate Payable	Amount of Original Issue	Amount Outstanding June 30, 2019	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2020
Energy Lease	3.350%	1,899,000	\$ 1,805,000	\$ -	\$ 100,000	\$ 1,705,000
Total			<u>\$ 1,805,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 1,705,000</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 185,049	\$ -	\$ 185,049	\$ 185,049	\$ -
Total revenues - local sources	<u>185,049</u>	<u>-</u>	<u>185,049</u>	<u>185,049</u>	<u>-</u>
State sources:					
Debt service aid type II	95,431		95,431	95,431	
Total revenues - state sources	<u>95,431</u>	<u>-</u>	<u>95,431</u>	<u>95,431</u>	<u>-</u>
Total Revenues	<u>280,480</u>	<u>-</u>	<u>280,480</u>	<u>280,480</u>	<u>-</u>
EXPENDITURES:					
Regular debt service:					
Interest	120,700		120,700	120,680	20
Redemption of principal	160,000		160,000	160,000	-
Total Expenditures	<u>280,700</u>	<u>-</u>	<u>280,700</u>	<u>280,680</u>	<u>20</u>
Excess (Deficiency) of revenues over (under) expenditures	(220)		(220)	(200)	20
Other Financing Sources (Uses):					
Operating transfer in				3,135	3,135
Total other financing sources (uses)				<u>3,135</u>	<u>3,135</u>
Net change in fund balance	(220)		(220)	2,935	3,155
Fund Balances, July 1	<u>1,875</u>		<u>1,875</u>	<u>1,875</u>	
Fund Balances, June 30	<u>\$ 1,655</u>	<u>\$ -</u>	<u>\$ 1,655</u>	<u>\$ 4,810</u>	<u>\$ 3,155</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	2019	2020
Governmental activities:										
Net Investment in capital assets	\$ 10,541,268	\$ 10,203,897	\$ 9,820,210	\$ 9,923,902	\$ 9,988,073	\$ 4,859,924	\$ 4,927,155	\$ 3,435,758	\$ 3,787,063	\$ 4,377,767
Restricted for:										
Capital projects	88,871	1	-	-	-	4,807,566	168,438	1,666,128	1,766,801	1,878,195
Special revenue	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)	(37,611)	(33,014)	(35,104)	(208,080)	(172,511)
Debt service	-	-	-	-	-	-	-	-	-	-
Other purposes	2,329,231	2,478,305	1,690,504	1,167,124	1,505,405	2,117,838	2,815,336	2,953,671	3,850,371	5,232,115
Unrestricted	(2,532,940)	(2,331,539)	(2,309,716)	(2,210,538)	(13,211,672)	(13,335,362)	(14,733,308)	(14,760,486)	(14,553,593)	(14,310,154)
Total governmental activities net position	<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>	<u>\$ (5,357,438)</u>	<u>\$ (2,994,588)</u>
Business-type activities:										
Net Investment in capital assets	\$ 18,034	\$ 15,000	\$ 11,968	\$ 9,108	\$ 7,056	\$ 5,566	\$ 4,077	\$ 2,525	\$ 1,224	\$ 11,071
Unrestricted	325,987	350,571	312,288	278,303	275,131	265,169	288,455	269,557	300,279	403,554
Total business-type activities net position	<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>	<u>\$ 301,503</u>	<u>\$ 414,625</u>
District-wide:										
Net Investment in capital assets	\$ 10,559,302	\$ 10,218,897	\$ 9,832,178	\$ 9,933,010	\$ 9,995,129	\$ 4,865,490	\$ 4,931,232	\$ 3,438,283	\$ 3,788,287	\$ 4,388,838
Restricted:										
Capital projects	88,871	1	-	-	-	4,807,566	168,438	1,666,128	1,766,801	1,878,195
Special revenue	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)	(37,611)	(33,014)	(35,104)	(208,080)	(172,511)
Debt service	-	-	-	-	-	-	-	-	-	-
Other purposes	2,329,231	2,478,305	1,690,504	1,167,124	1,505,405	2,117,838	2,815,336	2,953,671	3,850,371	5,232,115
Unrestricted	(2,206,953)	(1,980,968)	(1,997,428)	(1,932,235)	(12,936,541)	(13,070,193)	(14,444,853)	(14,490,929)	(14,253,314)	(13,906,600)
Total district net position	<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>	<u>\$ (5,055,935)</u>	<u>\$ (2,579,963)</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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 9,743,580	\$ 9,592,665	\$ 8,876,911	\$ 9,095,023	\$ 9,803,439	\$ 9,924,274	\$ 9,841,467	\$ 9,855,187	\$ 10,438,907	\$ 10,823,478
Special education	2,507,108	2,552,724	3,157,611	1,811,033	1,638,485	2,254,597	2,127,188	1,959,179	1,979,440	2,055,202
Other instruction	84,826	93,767	96,038	51,977	65,696	56,246	160,031	240,045	251,537	216,668
Support Services:										
Tuition	331,532	508,575	466,502	1,049,973	1,154,510	897,749	922,182	703,106	930,604	1,122,960
Student & instruction related services	2,779,070	2,737,645	2,908,876	3,062,601	2,976,379	3,025,692	3,063,764	3,090,764	3,865,596	3,719,654
School administrative services	879,408	922,528	932,592	897,008	882,873	895,451	754,045	713,344	847,779	806,686
General and business administrative services	595,880	630,621	726,870	801,466	770,720	821,459	836,568	846,063	784,381	830,394
Plant operations and maintenance	2,181,749	2,464,083	2,310,239	2,306,566	2,410,716	2,633,408	6,947,278	4,623,372	2,834,531	2,423,969
Pupil transportation	1,153,759	1,299,670	1,276,545	1,261,876	1,191,733	1,189,906	1,198,539	1,093,784	1,217,779	1,127,366
Unallocated employee benefits	7,222,560	7,666,662	9,362,514	9,044,216	8,956,103	9,002,976	10,848,731	19,735,507	16,684,728	13,203,347
Interest on long-term debt						28,417	123,726	126,280	123,080	119,880
Unallocated depreciation	23,465	2,309	22,968	23,315	27,234	30,413	34,917	36,533	39,117	42,832
Total governmental activities expenses	<u>\$ 27,502,937</u>	<u>\$ 28,471,249</u>	<u>\$ 30,137,666</u>	<u>\$ 29,405,054</u>	<u>\$ 29,877,888</u>	<u>\$ 30,760,588</u>	<u>\$ 36,858,436</u>	<u>\$ 43,023,164</u>	<u>\$ 39,997,479</u>	<u>\$ 36,492,436</u>
Business-type activities:										
After-school program	\$ 314,208	\$ 285,435	\$ 280,687	\$ 306,728	\$ 338,318	\$ 371,862	\$ 395,856	\$ 386,705	\$ 338,463	\$ 295,342
Food service	1,132,556	1,119,007	1,171,089	1,108,597	1,111,891	1,045,665	1,006,919	1,017,055	885,567	766,521
Internal service fund						5,874,547	6,581,757	5,525,058	5,083,272	3,729,268
Total business-type activities expense	<u>1,446,764</u>	<u>1,404,442</u>	<u>1,451,776</u>	<u>1,415,325</u>	<u>1,450,209</u>	<u>7,292,074</u>	<u>7,984,532</u>	<u>6,928,818</u>	<u>6,307,302</u>	<u>4,791,131</u>
Total district expenses	<u>\$ 28,949,701</u>	<u>\$ 29,875,691</u>	<u>\$ 31,589,442</u>	<u>\$ 30,820,379</u>	<u>\$ 31,328,097</u>	<u>\$ 38,052,662</u>	<u>\$ 44,842,968</u>	<u>\$ 49,951,982</u>	<u>\$ 46,304,781</u>	<u>\$ 41,283,567</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ -	\$ -	\$ 97,018	\$ 72,516	\$ 58,912	\$ -	\$ -	\$ -	\$ 5,150	\$ -
Operating grants and contributions	3,025,112	3,340,003	3,996,950	3,524,208	3,891,899	4,175,177	4,422,074	15,668,092	13,885,452	11,291,597
Total governmental activities program revenues	<u>\$ 3,025,112</u>	<u>\$ 3,340,003</u>	<u>\$ 4,093,968</u>	<u>\$ 3,596,724</u>	<u>\$ 3,950,811</u>	<u>\$ 4,175,177</u>	<u>\$ 4,422,074</u>	<u>\$ 15,668,092</u>	<u>\$ 13,890,602</u>	<u>\$ 11,291,597</u>

(Continued)

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Business-type activities:										
Charges for services:										
After-school program	\$ 303,179	\$ 321,536	\$ 309,628	\$ 327,699	\$ 395,383	\$ 388,785	\$ 412,910	\$ 428,299	\$ 342,642	\$ 259,209
Food service	363,675	355,887	325,893	255,770	261,627	241,342	249,714	243,296	231,868	206,324
Internal service fund						5,874,547	6,581,757	5,525,058	5,083,272	3,729,268
Operating grants and contributions	697,275	748,186	774,807	794,911	787,875	775,868	761,743	711,546	675,230	650,412
Capital grants and contributions										
Total business type activities program revenues	<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>	<u>6,333,012</u>	<u>4,845,213</u>
Total district program revenues	<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>	<u>\$ 20,223,614</u>	<u>\$ 16,136,810</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (24,477,825)	\$ (25,131,246)	\$ (26,043,698)	\$ (25,808,330)	\$ (25,927,077)	\$ (26,585,411)	\$ (32,436,362)	\$ (27,355,072)	\$ (26,106,877)	\$ (25,200,839)
Business-type activities	(82,635)	21,167	(41,448)	(36,945)	(5,324)	(11,532)	21,592	(20,619)	25,710	54,082
Total district-wide net expense	<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>	<u>\$ (26,081,167)</u>	<u>\$ (25,146,757)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 14,371,889	\$ 14,659,327	\$ 14,952,514	\$ 15,251,564	\$ 15,806,595	\$ 16,317,286	\$ 16,643,631	\$ 16,812,338	\$ 17,148,584	\$ 17,655,724
Taxes levied for debt service							129,114	148,227	177,363	185,049
Unrestricted grants and contributions	9,435,089	10,199,023	9,864,381	10,148,809	10,276,148	10,307,539	10,366,506	10,181,719	9,876,869	9,475,084
Tuition	35,869	19,971	-			34,062	15,593	63,462		
Investment earnings										
Miscellaneous income	82,233	182,353	75,262	86,495	6,417	94,266	13,770	274,686	276,656	299,682
Transfers										(51,850)
Total governmental activities	<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>	<u>\$ 27,479,472</u>	<u>\$ 27,563,689</u>
Business-type activities:										
Investment earnings	\$ 993	\$ 383	\$ 133	\$ 100	\$ 100	\$ 80	\$ 205	\$ 169	\$ 3,711	\$ 7,190
Miscellaneous income										
Loss on Disposal of Capital Assets										
Transfers										51,850
Total business-type activities	<u>993</u>	<u>383</u>	<u>133</u>	<u>100</u>	<u>100</u>	<u>80</u>	<u>205</u>	<u>169</u>	<u>3,711</u>	<u>59,040</u>
Total district-wide	<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>	<u>\$ 27,483,183</u>	<u>\$ 27,622,729</u>
Change in Net Position:										
Governmental activities	\$ (552,745)	\$ (70,572)	\$ (1,151,541)	\$ (321,462)	\$ 162,083	\$ 167,742	\$ (5,267,748)	\$ 125,360	\$ 1,372,595	\$ 2,362,850
Business-type activities	(81,642)	21,550	(41,315)	(36,845)	(5,224)	(11,452)	21,797	(20,450)	29,421	113,122
Total district-wide	<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>	<u>\$ 1,402,016</u>	<u>\$ 2,475,972</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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Reserved for:										
Encumbrances	\$ 6,187	\$ 7,239	\$ 7,090	\$ 36,944	\$ 140,792	\$ 10,544	\$ 454,505	\$ 52,292	\$ 79,087	\$ 671,641
Maintenance reserve	1,292,246	1,292,246	1,092,246	792,246	992,246	1,299,000	1,156,000	1,299,137	1,299,137	1,299,021
Capital reserve	1	1	1	1	1	1	1	1,500,000	1,600,689	1,712,083
Emergency reserve										250,000
Excess surplus	507,648	407,534	183,633	154,300	164,441	604,902	575,089	1,008,403	1,461,869	1,490,505
Excess surplus - designated for subsequent years expenditures	323,150	507,648	407,534	183,633	154,300	164,441	604,902	575,089	1,008,403	1,461,869
Unreserved - designated for subsequent years expenditures	200,000	263,638			53,625	38,611	14,483	18,513		54,269
Unreserved	(371,239)	(386,982)	(422,587)	(382,627)	(400,563)	(361,376)	(350,134)	(343,952)	(269,803)	(130,993)
Total general fund	<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>	<u>\$ 5,179,382</u>	<u>\$ 6,808,395</u>
All Other Governmental Funds										
Reserved:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,261,640	\$ 28,798	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund	(39,560)	(34,366)	(36,241)	(37,193)	(37,193)	(37,611)	(33,014)	(35,104)	(208,080)	(172,511)
Capital projects fund	88,870					545,925	139,639	166,128	166,112	166,112
Debt service fund	-	-	-	-	-	340	10,357	10,237	1,875	4,810
Total all other governmental funds	<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>	<u>\$ (40,093)</u>	<u>\$ (1,589)</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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Tax levy	\$ 14,371,889	\$ 14,659,327	\$ 14,952,514	\$ 15,251,564	\$ 15,806,595	\$ 16,317,286	\$ 16,772,745	\$ 16,960,565	\$ 17,325,947	\$ 17,840,773
Tuition charges	35,869	19,971	52,286	39,381	58,912	34,062	15,593	63,462	5,150	-
Transportation charges			44,732	33,135					39,849	23,763
Miscellaneous	82,233	183,853	75,761	86,995	7,399	94,691	13,770	276,464	236,807	275,919
State sources	11,397,813	12,085,558	12,762,644	12,581,833	12,990,692	13,307,047	13,698,355	14,202,231	15,965,362	15,530,282
Federal sources	1,062,388	1,451,967	1,098,188	1,090,684	1,176,373	1,175,244	1,090,225	1,274,506	1,185,952	1,172,890
Total revenue	\$ 26,950,192	\$ 28,400,676	\$ 28,986,125	\$ 29,083,592	\$ 30,039,971	\$ 30,928,330	\$ 31,590,688	\$ 32,777,228	\$ 34,759,067	\$ 34,843,627
Expenditures										
Instruction										
Regular Instruction	\$ 8,994,949	\$ 9,487,685	\$ 8,612,786	\$ 8,827,839	\$ 9,225,303	\$ 9,514,376	\$ 9,168,499	\$ 9,399,936	\$ 9,770,753	\$ 9,777,873
Special education instruction	2,507,108	2,552,724	3,157,611	1,811,033	1,638,485	2,254,597	2,127,188	1,959,179	1,979,440	2,055,202
Other instruction	84,826	93,767	96,038	51,977	65,696	56,246	160,031	240,045	251,537	216,668
Support Services:										
Tuition	331,532	508,575	466,502	1,049,973	1,154,510	897,749	922,182	703,106	930,604	1,122,960
Student & instruction related services	2,779,070	2,737,645	2,908,876	3,062,601	2,976,379	3,025,692	3,063,764	3,090,764	3,865,596	3,719,654
School administrative services	832,478	876,511	886,656	850,379	828,405	834,626	754,045	713,344	769,544	721,023
General and business admin. services	595,880	630,621	726,870	801,466	770,720	821,459	766,735	772,995	784,381	830,394
Plant operations and maintenance	2,334,858	2,313,328	2,264,255	2,626,991	2,713,581	2,663,832	2,737,570	3,198,569	2,936,945	2,780,195
Pupil transportation	1,153,759	1,299,670	1,276,545	1,261,876	1,191,733	1,189,906	1,198,539	1,093,784	1,217,779	1,127,366
Other support services	7,222,560	7,666,662	9,362,514	9,044,216	8,930,529	8,852,642	9,627,036	9,273,929	10,326,172	9,689,627
Capital outlay	72,856	148,285	52,754	179,613	323,862	479,437	4,870,517	2,293,480	753,890	802,618
Debt service:										
Principal								160,000	160,000	160,000
Interest and other charges							120,373	127,080	123,880	120,680
Total expenditures	26,909,876	28,315,473	29,811,407	29,567,964	29,819,203	30,590,562	35,516,479	33,026,211	33,870,521	33,124,260
Excess (Deficiency) of revenues over (under) expenditures	40,316	85,203	(825,282)	(484,372)	220,768	337,768	(3,925,791)	(248,983)	888,546	1,719,367
Other Financing sources (uses)										
Cancelled SDA Grant	-	(35,548)	-	-	-	-	-	1,899,000	-	-
Proceeds of Borrowing	-	-	-	-	99,577	5,121,000	-	-	-	-
Transfers in						340	1,276	200	1,635	3,135
Transfers out						(340)	(1,276)	(200)	(1,635)	(54,985)
Total other financing sources (uses)	-	(35,548)	-	-	99,577	5,121,000	-	1,899,000	-	(51,850)
Net change in fund balances	\$ 40,316	\$ 49,655	\$ (825,282)	\$ (484,372)	\$ 320,345	\$ 5,458,768	\$ (3,925,791)	\$ 1,650,017	\$ 888,546	\$ 1,667,517
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%	0.93%	0.86%	0.87%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

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

Exhibit J-5

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Refunds of</u> <u>Prior Years</u> <u>Expenditures</u>	<u>Refunds</u>	<u>Rentals</u>	<u>Transportation</u>	<u>Sale of</u> <u>Equipment</u>	<u>Outside</u> <u>Services</u>	<u>Miscellaneous</u>	<u>Total</u>
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
2019	47,221	5,150	75,831	725		39,849	5,276	61,802	34	235,888
2020	110,047		68,538	4,730			11,045	33,062	85	227,507
	<u>\$ 189,656</u>	<u>\$ 317,132</u>	<u>\$ 507,104</u>	<u>\$ 107,789</u>	<u>\$ 210,200</u>	<u>\$ 135,281</u>	<u>\$ 94,086</u>	<u>\$ 94,864</u>	<u>\$ 20,128</u>	<u>\$ 1,676,240</u>

Source: District records

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

Exhibit J-6

Township of Lower

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2011	\$ 91,427,900	\$ 3,694,390,400	\$ 6,219,800	\$ 942,300	\$ 278,275,900	\$ 13,375,400	\$ 4,084,631,700	\$ 5,957,340	\$ 4,090,589,040	\$ 268,718,900	\$ 0.355	\$ 4,227,524,473
2012	87,921,400	3,705,980,700	4,460,700	911,900	276,929,100	13,161,400	4,089,365,200	6,102,592	4,095,467,792	268,066,300	0.362	4,034,131,771
2013	86,948,300	3,684,519,500	5,236,800	953,300	275,766,100	13,161,400	4,066,585,400	5,339,934	4,071,925,334	270,144,600	0.371	3,773,894,430
2014	70,784,000	3,247,623,400	4,914,400	953,300	258,806,900	11,332,200	3,594,414,200	4,337,206	3,598,751,406	232,262,300	0.432	3,725,002,834
2015	70,254,400	3,254,393,300	4,914,400	927,600	259,130,000	11,432,200	3,601,051,900	4,347,721	3,605,399,621	234,835,200	0.446	3,719,358,459
2016	68,016,300	3,261,711,400	5,052,600	577,600	263,588,800	11,432,200	3,610,378,900	4,212,178	3,614,591,078	232,698,600	0.458	3,781,566,024
2017	64,279,700	3,274,539,000	5,413,000	595,500	264,828,800	11,432,200	3,621,088,200	4,172,271	3,625,260,471	233,773,100	0.466	3,802,011,213
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
2019	63,692,900	3,290,370,000	6,554,900	602,400	264,731,700	11,432,200	3,637,384,100	4,107,346	3,641,491,446	240,525,100	0.483	4,056,420,781
2020	65,057,300	3,304,009,400	6,600,500	586,300	263,951,400	11,432,200	3,651,637,100	4,075,029	3,655,712,129	241,944,200	0.494	4,212,338,290

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
- c Information not available.

**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	
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
2019	0.478	0.005	0.483	0.584	0.368	0.303	1.738
2020	0.489	0.005	0.494	0.584	0.390	0.315	1.783

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 pre-budget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

- a** The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.
- b** Rates for debt service are based on each year's requirements.

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

Exhibit J-8

Taxpayer	2020		Taxpayer	2011	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Sun Lake Laurie RV, Inc.	\$ 17,300,000	0.47%	Jenlo Corp. & Harlo Inc	\$ 10,408,800	0.25%
Harbortown Resort Marina, Inc	14,590,700	0.40%	Achristavest Pier 6600, LLC	9,700,000	0.24%
Achristavest Pier 6600, LLC	12,696,700	0.35%	Bayshore Mall, LLC	8,795,000	0.22%
Jenlo Corp. & Harlo Inc	11,700,000	0.32%	Lake Laurie RV Resort, LLC	7,133,800	0.17%
Shaw Limited Partnership	10,101,400	0.28%	Seashore Campsites, Inc.	6,500,000	0.16%
Bayshore Mall, LLC	8,512,700	0.23%	Channels Apartments	6,242,600	0.15%
Beachcomber Campground, Inc	6,749,100	0.18%	Victoria Health Corp.	6,203,800	0.15%
Cold Spring Fish & Supply Co	6,302,900	0.17%	Verizon - New Jersey	5,975,340	0.15%
Cape Island Associates	6,000,000	0.16%	Beachcomber Campground, Inc	5,932,800	0.15%
FC-GEN Real Estate, LLC	6,000,000	0.16%	North Cape Convalescent Center	5,890,000	0.14%
Total	\$ 99,953,500	2.73%		\$ 72,782,140	1.78%

**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	
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	16,772,745	16,772,745	100.00%	-
2018	16,960,565	16,960,565	100.00%	-
2019	17,325,947	17,325,947	100.00%	-
2020	17,840,773	17,840,773	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		
2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	-	-	78,708	-	-	78,708	0.01%	4
2016	5,121,000	-	59,724	-	-	5,180,724	0.04%	237
2017	5,121,000	-	40,285	-	-	5,161,285	0.41%	238
2018	4,961,000	-	1,919,381	-	-	6,880,381	0.53%	320
2019	4,801,000	-	1,805,000	-	-	6,606,000	c	310
2020	4,641,000	-	1,705,000	-	-	6,346,000	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		
2011	\$ -	\$ -	\$ -	0.00%	\$ -
2012	-	-	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	5,121,000	-	5,121,000	0.14%	235
2017	5,121,000	-	5,121,000	0.14%	236
2018	4,961,000	-	4,961,000	0.14%	231
2019	4,801,000	-	4,801,000	0.13%	225
2020	4,641,000	-	4,641,000	c	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, 2019**

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	\$ 29,389,259	100.000%	\$ 29,389,259
Cape May County General Obligation Debt	299,971,257	7.780%	23,337,764
Lower Cape May Regional School District Debt	8,152,000	53.717%	<u>4,379,011</u>
Subtotal, overlapping debt			57,106,034
Lower Township School District Direct Debt			<u>4,801,000</u>
Total direct and overlapping debt			<u><u>\$ 61,907,034</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 2020

	Equalized valuation basis	
	2017	\$ 3,884,870,937
	2018	4,034,968,323
	2019	4,182,343,452
	[A]	<u>\$ 12,102,182,712</u>
Average equalized valuation of taxable property	[A/3]	\$ 4,034,060,904
Debt limit (2.5% of average equalized valuation)	[B]	100,851,523 ^a
Net bonded school debt	[C]	4,641,000
Legal debt margin	[B-C]	<u>\$ 96,210,523</u>

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 108,231,283	\$ 104,439,224	\$ 100,034,146	\$ 95,777,627	\$ 93,166,941	\$ 87,877,105	\$ 93,615,145	\$ 63,851,735	\$ 97,476,471	\$ 100,851,523
Total net debt applicable to limit	-	-	-	-	-	5,121,000	5,121,000	4,961,000	4,801,000	4,641,000
Legal debt margin	<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>\$ 58,890,735</u>	<u>\$ 92,675,471</u>	<u>\$ 96,210,523</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	5.83%	5.47%	7.77%	4.93%	4.60%

Source: Equalized valuation basis 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>
2011	22,632	\$ 1,062,232,920	\$ 46,935	15.20%
2012	22,529	1,098,761,859	48,771	16.30%
2013	22,329	1,106,669,898	49,562	11.90%
2014	22,143	1,139,766,639	51,473	12.60%
2015	21,991	1,189,757,082	54,102	11.10%
2016	21,827	1,222,202,865	55,995	10.10%
2017	21,676	1,256,037,496	57,946	9.80%
2018	21,462	1,306,542,174	60,877	8.90%
2019	21,339	e	e	7.70%
2020	e	e	e	e

Source:

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

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

Exhibit J-16

<u>Function/Program</u>	<u>Fiscal Year Ending June 30,</u>									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Instruction										
Regular	112	112	114	114	114	114	116	116	119	122
Special education	29	29	25	25	25	25	27	27	27	27
Other special education										
Vocational										
Other instruction										
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Student & instruction related services	38	38	36	36	36	36	40	40	46	57
School administrative services	12	12	8	9	9	9	15	15	15	15
General and business administrative services	2	2	2	2	2	2	2	2	2	2
Plant operations and maintenance	22	22	24	22	22	22	26	26	26	26
Pupil transportation	20	20	17	18	18	18	18	18	18	17
Business and other support services	4	4	4	4	4	4	4	3	3	3
Special Schools										
Food Service	14	14	11	11	11	11	12	12	11	11
Child Care	2	2	2	2	2	2	2	2	2	2
Total	<u>255</u>	<u>255</u>	<u>243</u>	<u>243</u>	<u>243</u>	<u>243</u>	<u>262</u>	<u>261</u>	<u>269</u>	<u>282</u>

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	Attendance (ADA) ^c	Average Daily Enrollment	Attendance Percentage
						Elementary				
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%
2019	1,646	32,832,751	19,947	9.80%	146	1:12	1,713	1,624	3.38%	94.80%
2020	1,607	32,040,962	19,938	-0.04%	149	1:12	1,606	1,541	-6.25%	95.95%

Sources: District records

Note: Enrollment based on annual October district count.

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

**Lower Township School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
District Building										
<u>Elementary</u>										
Charles W Sandman Consolidated (1929)										
Square Feet	61,711	61,711	61,711	61,711	61,711	61,711	61,711	61,711	61,711	61,711
Capacity (students)	581	581	581	581	581	581	581	581	581	581
Enrollment	500	475	479	474	443	455	431	443	485	434
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	485	476	436	448	439	439	452	433	432	385
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	427	426	456	447	424	387	375	390	342	338
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	436	451	440	456	482	444	409	391	454	450
<u>Other</u>										
Central Administration (1938)										
Square Feet	3,469	3,469	3,469	3,469	-	-	-	-	-	-
Maintenance (1930)										
Square Feet	3,848	3,848	3,848	3,848	3,848	-	-	-	-	-
Transportation(1999)										
Square Feet	2,880	2,880	2,880	2,880	2,880	-	-	-	-	-
Number of Schools at June 30, 2020										
Elementary = 4										
Middle School = 0										
Senior High School = 0										
Other = 0										

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

	Fiscal Year Ending June 30,										Total
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
* School Facilities											
Sandman Consolidated School	\$ 133,919	\$ 140,626	\$ 142,682	\$ 168,227	\$ 176,157	\$ 172,866	\$ 212,553	\$ 274,392	\$ 162,366	\$ 143,031	\$ 1,726,819
Maud Abrams School	128,959	135,418	137,397	161,996	169,633	166,463	204,681	264,229	156,352	137,734	1,662,862
Carl T. Mitnick School	148,799	156,251	158,535	186,919	195,731	192,073	236,171	304,880	180,406	158,923	1,918,688
Memorial School	84,319	88,543	89,837	105,920	110,914	108,841	133,830	172,765	102,230	90,057	1,087,257
Total School Facilities	<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>\$ 601,354</u>	<u>\$ 529,745</u>	<u>\$ 6,395,626</u>

* School facilities as defined under EFCFA.
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records

**Lower Township School District
Insurance Schedule
June 30, 2020**

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	250,000	None
Pollution legal liability	3,000,000	None	25,000 Pollution 100,000 Mold
Cyber Liability	2,000,000	None	10,000
Violent Malicious Acts	1,000,000	None	15,000
Disaster Management Services	1,000,000	None	15,000
Surety Bonds (2)			
Treasurer	275,000		
Board Secretary	100,000		

(1) Atlantic & Cape May Counties Joint Insurance Fund

(2) RLI Insurance Company

Source: District records

Single Audit Section

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**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, 2020, 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 December 18, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Lower Township School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lower Township School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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
December 18, 2020

INVERSO & STEWART, LLC
Certified Public Accountants

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**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, 2020. 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, 2020.

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
December 18, 2020

LOWER TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2020

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, 2019				Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2020		
						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	1905NJ5MAP	N/A	52,160	7/1/19 - 6/30/20	\$ -	\$ -	\$ -	\$ -	\$ 52,160	\$ (52,160)	\$ -	\$ -	\$ -	\$ -
Medical Assistance Program (SEMI)	93.778	1805NJ5MAP	N/A	61,231	7/1/18 - 6/30/19	(472)	-	-	-	472	-	-	-	-	
Total General Fund						(472)				52,632	(52,160)				
U.S. Department of Education															
Special Revenue Fund:															
Every Student Succeeds Act (ESSA)															
Title I	84.010A	S010A190030	ESSA-2840-20	491,118	7/1/19 - 9/30/20					264,410	(471,794)		(207,384)		
Title I	84.010A	S010A180030	ESSA-2840-19	521,638	7/1/18 - 6/30/19	(143,732)			1	143,731					
Title II - Part A	84.367A	S367A190029	ESSA-2840-20	87,845	7/1/19 - 9/30/20					58,970	(80,382)		(21,412)		
Title II - Part A	84.367A	S367A180029	ESSA-2840-19	83,042	7/1/18 - 6/30/19	(21,495)				21,495					
Title III	84.365	S365A190030	ESSA-2840-20	11,770	7/1/19 - 9/30/20					4,586	(4,759)		(173)		
Title IV	84.424	S424A190030	ESSA-2840-20	9,000	7/1/19 - 9/30/20					735	(6,311)		(5,576)		
Individuals With Disabilities Act (I.D.E.A.)															
Part B - Basic	84.027	H027A190100	IDEA-2840-20	470,555	7/1/19 - 9/30/20					376,443	(470,555)		(94,112)		
Part B - Basic	84.027	H027A180100	IDEA-2840-19	477,272	7/1/18 - 6/30/19	(47,727)				47,727					
Preschool	84.173	H173A190114	IDEA-2840-20	26,743	7/1/19 - 9/30/20					21,394	(26,743)		(5,349)		
Preschool	84.173	H173A180114	IDEA-2840-19	26,661	7/1/18 - 6/30/19	(2,665)				2,665					
CARES Act	84.425D	S425D200027	N/A	384,719	3/13/20 - 9/30/22						(60,186)		(60,186)		
Total Special Revenue Fund						(215,619)			1	942,156	(1,120,730)		(394,192)		
U.S. Department of Agriculture															
Enterprise Fund:															
Food Distribution Program	10.565	201NJ304N1099	N/A	84,191	7/1/19 - 6/30/20					84,191	(84,191)				
National School Lunch Program	10.555	201NJ304N1099	N/A	344,876	7/1/19 - 6/30/20					318,381	(344,876)		(26,495)		
National School Lunch Program	10.555	191NJ304N1099	N/A	369,373	7/1/18 - 6/30/19	(18,726)				18,726					
School Breakfast Program	10.553	201NJ304N1099	N/A	214,420	7/1/19 - 6/30/20					197,801	(214,420)		(16,619)		
School Breakfast Program	10.553	191NJ304N1099	N/A	224,046	7/1/18 - 6/30/19	(11,554)				11,554					
After School Snack Program	10.555	191NJ304N1099	N/A	9,063	7/1/18 - 6/30/19	(959)				959					
Total Enterprise Fund						(31,239)				631,612	(643,487)		(43,114)		
Total Federal Awards						\$ (247,330)	\$ -	\$ -	\$ 1	\$ 1,626,400	\$ (1,816,377)	\$ -	\$ (437,306)	\$ -	

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, 2020

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2019			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Years' Balances	June 30, 2020		
				Accounts Receivable	Deferred Revenue	Due to Grantor at						Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education														
General Fund:														
Equalization Aid	20-495-034-5120-078	\$ 5,202,298	7/1/19 - 6/30/20	\$ -	\$ -	\$ -	\$ -	\$ 4,751,732	\$ (5,202,298)	\$ -	\$ -	\$ (450,566)	\$ -	\$ -
Equalization Aid	19-495-034-5120-078	5,202,298	7/1/18 - 6/30/19	(469,408)				469,408						
School Choice Aid	20-495-034-5120-068	823,478	7/1/19 - 6/30/20					751,682	(823,478)			(71,796)		
School Choice Aid	19-495-034-5120-068	992,448	7/1/18 - 6/30/19	(89,550)				89,550						
Transportation Aid	20-495-034-5120-014	836,392	7/1/19 - 6/30/20					763,470	(836,392)			(72,922)		
Transportation Aid	19-495-034-5120-014	836,392	7/1/18 - 6/30/19	(75,468)				75,468						
Special Education Categorical Aid	20-495-034-5120-089	912,905	7/1/19 - 6/30/20					833,313	(912,905)			(79,592)		
Special Education Categorical Aid	19-495-034-5120-089	912,905	7/1/18 - 6/30/19	(82,372)				82,372						
Security Aid	20-495-034-5120-084	492,388	7/1/19 - 6/30/20					449,459	(492,388)			(42,929)		
Security Aid	19-495-034-5120-084	492,388	7/1/18 - 6/30/19	(44,429)				44,429						
Adjustment Aid	20-495-034-5120-085	679,491	7/1/19 - 6/30/20					620,249	(679,491)			(59,242)		
Adjustment Aid	19-495-034-5120-085	1,457,806	7/1/18 - 6/30/19	(131,539)				131,539						
Non Public Transportation Aid	20-04103190	9,860	7/1/19 - 6/30/20						(9,860)			(9,860)		
Non Public Transportation Aid	19-04103190	12,760	7/1/18 - 6/30/19	(12,760)				12,760						
Homeless Tuition Aid	20-495-034-5120-005	95,373	7/1/19 - 6/30/20						(95,373)			(95,373)		
Homeless Tuition Aid	19-495-034-5120-005	13,367	7/1/18 - 6/30/19	(13,367)				13,367						
Extraordinary Aid	20-495-034-5120-044	126,887	7/1/19 - 6/30/20						(126,887)			(126,887)		
Extraordinary Aid	19-495-034-5120-044	82,029	7/1/18 - 6/30/19	(82,029)				82,029						
On Behalf TPAF Pension	20-495-034-5094-002	2,402,984	7/1/19 - 6/30/20					2,402,984	(2,402,984)					
On Behalf TPAF Medical	20-495-034-5094-001	891,463	7/1/19 - 6/30/20					891,463	(891,463)					
On Behalf TPAF LTDI	20-495-034-5094-004	1,686	7/1/19 - 6/30/20					1,686	(1,686)					
Reimbursed TPAF Social Security Contributions	20-495-034-5094-003	890,165	7/1/19 - 6/30/20					890,165	(890,165)					
Total General Fund				(1,000,922)				13,357,125	(13,365,370)			(1,009,167)		
Special Revenue Fund:														
Preschool Education Aid	20-495-034-5120-086	1,942,980	7/1/19 - 6/30/20					1,748,682	(1,921,193)			(194,298)	21,787	
Preschool Education Aid	19-495-034-5120-086	2,080,800	7/1/18 - 6/30/19	(208,080)				208,080						
Total Special Revenue Fund				(208,080)				1,956,762	(1,921,193)			(194,298)	21,787	
Debt Service Fund														
Debt Service Aid Type II	20-495-034-5120-017	95,431	7/1/19 - 6/30/20					95,431	(95,431)					
State Department of Agriculture														
Enterprise Fund:														
State School Lunch Program	20-100-010-3350-023	6,925	7/1/19 - 6/30/20					6,509	(6,925)			(416)		
State School Lunch Program	19-100-010-3350-023	8,083	7/1/18 - 6/30/19	(416)				416						
Total Enterprise Fund				(416)				6,925	(6,925)			(416)		
Total State Financial Assistance				\$ (1,209,418)	\$ -	\$ -	\$ -	\$ 15,416,243	\$ (15,388,919)	\$ -	\$ -	\$ (1,203,881)	\$ 21,787	\$ -
Less: State Financial Assistance Not Subject to Major Program Determination:														
On-Behalf TPAF Contribution - Pension (Non-Budgeted)									(2,402,984)					
On-Behalf TPAF Contribution - Post Retirement Medical (Non-Budgeted)									(891,463)					
On-Behalf TPAF Contribution - Long Term Disability (Non-Budgeted)									(1,686)					
Total State Financial Assistance Subject to Major Program Determination									\$ (12,092,786)					

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, 2020**

I. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Lower Township School District ("School District"). The School District is defined in Note 1 to the School District's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is \$112,719 in the general fund and \$35,569 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	\$ 52,160	\$ 13,478,089	\$ 13,530,249
Special Revenue Fund	1,120,730	1,956,762	3,077,492
Debt Service Fund	-	95,431	95,431
Food Service Fund	643,487	6,925	650,412
Total Awards & Financial Assistance	<u>\$ 1,816,377</u>	<u>\$ 15,537,207</u>	<u>\$ 17,353,584</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, 2020
(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, 2020. 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, 2020.

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
Rounding	\$ (1)
Total	\$ (1)

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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>
		Child Nutrition Cluster:
10.553	201NJ304N1099	School Breakfast Program
10.555	201NJ304N1099	National School Lunch Program

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, 2020**

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>20-495-034-5120-078</u>	State Aid Public Cluster: <u>Equalization Aid</u>
<u>20-495-034-5120-068</u>	<u>School Choice Aid</u>
<u>20-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>20-495-034-5120-084</u>	<u>Security Aid</u>
<u>20-495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>20-495-034-5120-086</u>	<u>Preschool Education Expansion Aid</u>
<u>20-495-034-5120-014</u>	<u>Transportation Aid</u>
<u>20-495-034-5094-003</u>	<u>Reimbursed TPAF Social Security Contributions</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020**

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

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Circular 15-08-OMB.

FEDERAL AWARDS:

No findings and/or questioned costs identified.

STATE AWARDS:

No findings and/or questioned costs identified.

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

This section identifies the status of prior year findings related to the financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings.

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

Finding No. 2019-001

There were errors in the Application for State School Aid.

Current Status:

This finding has been corrected.