

**SCHOOL DISTRICT
OF
TOWNSHIP
OF
LOWER**

**Township of Lower Board of Education
Lower Township, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010**

Comprehensive Annual Financial Report

of the

**Township of Lower Board of Education
Lower Township, New Jersey**

For the Fiscal Year Ended June 30, 2010

Prepared by

Township of Lower Board of Education
Finance Department

LOWER TOWNSHIP SCHOOL DISTRICT

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Introductory Section

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October 18, 2010

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 of the Township of Lower School District for the fiscal year ended June 30, 2010 is hereby submitted. Responsibility for the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is presented in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The organizational chart and a list of principal officials. The financial schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State, Local Governments and Non-Profit Organizations", and the State Treasury Circular letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on compliance and internal control with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

The Township of Lower School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Township of Lower Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 6. These include regular education, academic enrichment programs and Special Education instruction and Child Study Team services. The District completed the 2009-2010 fiscal year with an enrollment of 1,885 students (June 2010). 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>
2009-10	1,885	1.51%
2008-09	1,857	1.65%
2007-08	1,827	-3.44%
2006-07	1,892	-1.40%
2005-06	1,919	1.00%
2004-05	1,900	-0.42%
2003-04	1,908	-3.49%
2002-03	1,977	-3.94%
2001-02	2,058	1.68%
2000-01	2,024	-0.88%

2. ECONOMIC CONDITION AND OUTLOOK:

The Township of Lower encompasses 30.5 square miles in the southern part of Cape May County. Its boundaries include the Delaware bay, the Atlantic Ocean, Cape May City, Cape May Point, Wildwood Crest, and the Township of Middle. The area was purchase from the original settlers, the Kechemeche Indians, in the early 1600's. It was a natural site and became a center for whaling, fishing and fur trading.

The township was formed as a precinct in 1723 and was incorporated on February 21, 1798. From its incorporation until July 1, 1984, three members formed a township committee that governed the Township. Since July 1984, the governing body consists of a mayor, elected by the people, and four council members (three elected from wards and one at-large.) In addition, a township manager, since 1984 supervises all departments and is responsible for the preparation and administration of the annual budget.

3. MAJOR INITIATIVES:

During the 2009-2010 school year, numerous programs were strengthened to further promote student achievement in the New Jersey Core Curriculum Content Standards. LANGUAGE ARTS LITERACY was revised to include a greater emphasis on the 6+1 Traits of Writing in curriculum structure, goals, individual grade proficiencies & assessment in reading, writing and speaking. BookFlix© subscriptions were purchased & web-posted for preschool thru grade 4 students and their families to benefit from the reading intervention program for English and Bilingual students. BookFlix© is a program of popular children's reading titles, web-posted in Spanish and English, possessing visual text, optional auditory support and possessing individual student progress monitoring capabilities.

This year considerable emphasis was placed on refining mathematics curriculum expectations during Year II of EnVision© MATH. Whole group math lessons were created using Mimio technology, which enhanced student understanding of math concepts via the usage of visual math manipulatives. Teacher training took place to ensure that the comprehensive digital capabilities of this math series are being fully utilized.

Preschool and kindergarten instructional staff participated in High/Scope COR (*Child Observation Record*) Training to provide meaningful assessment strategies in areas that DIBELS (*Dynamic Indicators of Basic Early Learning Skills*) does not currently address.

HANDWRITING WITHOUT TEARS© (HWT) curriculum was adopted by preschool and kindergarten during the 2008-09 SY. During the 2010-2010 SY, the district expanded implementation of HANDWRITING WITHOUT TEARS© to include grades one through four. Orientation training was provided for all classroom, special area and special education teachers in the appropriate techniques and usage of materials.

According to the district's five-year evaluation cycle, other programs that were revisited include Science, Basic Skills, Child Study Team and Speech. Regarding the district's SCIENCE program, all curriculum guides were realigned to the recently released NJCCCS to incorporate the following: technology integration, student modifications and differentiated methods of instruction to meet the needs of all learners.

Staff development activities are implemented on an ongoing basis in accordance with the district's Professional Development Plan, which is closely aligned with the district's five-year plan for the evaluation and development of curriculum. Staff development priorities are identified as a result of a comprehensive review and analysis of numerous data sources. These data sources include: state assessments, standardized tests, district benchmark/annual assessments, anecdotal records, literacy portfolios, attendance records, discipline records, staff/parent surveys, teacher/administrative input, parent-teacher conferences, school-based planning team meetings, guidance/office referrals, intervention and referral services committees, mobility data and program evaluation reports.

The district is committed to addressing the identified priority needs and, as a result, enabling students to meet the Core Curriculum Content Standards. To accommodate staff schedules and learning styles, many different approaches for providing professional development have been created. They include professional development days, half-day/full-day release time, before/after school meetings/workshops, faculty meetings, demonstration lessons during class periods, structured independent study groups, inter-classroom visitations, out of district

classroom/program visitations, focus groups, on-line training, coaching, mentoring, training of trainers, teleconferences, distance learning, out of district workshops/conferences, college courses (tuition reimbursement) and the NJEA Convention.

Major staff development during the 2010-2010 school year focused on infusing technology into more instructional areas to increase student progress through learning opportunity.

Staff members participated in numerous out-of-district workshops/seminars/courses. Professional development is provided by consultants and district staff members. These inservice opportunities were related to staff members' individual needs as identified on their Professional Development Plans (PDPs). All professional development activities are evaluated in writing and discussed informally at faculty/curriculum meetings. The results are compiled and utilized for future inservice opportunities. Many teachers are asked to turnkey appropriate information acquired at out-of-district workshops. Other program enhancements during the school year included:

- Continuation of extended day academic programs throughout the district;
- Implementation of new technology programs for students' academic utilization;
- Augmentation of literacy and science materials in all buildings.

Entitlement funds from Title I, Title II, Title IV, and the Individuals with Disabilities Education Act, Part B Aid assisted the local district in providing additional specialized educational opportunities for at-risk students. The American Recovery & Reinvestment Act (ARRA) of 2010 provided further funds for equipment and training to incorporate SMART© Technology as the preferred method to introduce new material in the whole classroom instructional setting. I-Respond carts were purchased to provide opportunities for students to respond individually to a visual prompt, or interact with whiteboard or SMART© screen activities.

ARRA funds enabled the district to provide wireless networks for each instructional area. In order to maximize each teachable moment, while classroom teachers provided small group instruction, the remaining students in the classroom engaged in individual independent practice via the computer(s) using Leapster, Book Flix© (preschool through 4th), web-developed classroom websites via [Site@School](#), Study Island (reading intervention/NJASK skills: grades 3-6), or SkillsTutor© (NJPASS skills: grades 1-2), WEB-DRVs (web-digital video recordings) of grade-appropriate educational videos, reading online graphic novels, or utilization of other educational software. All teachers were required to participate in technology sessions focusing on usage of A-V equipment in their building.

The Lower Township School District's Technology Initiative requires every teacher to develop and complete at least one integrated technology project per school year. With the augmentation of the past year's additional technology equipment and training, many teachers have acquired the ability to create and deliver interactive lessons taught through multiple modalities. The educational processes that took place in Lower Township this past year provided each student with an opportunity to challenge their potential to achieve.

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, 2010.

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. **CASH MANAGEMENT:**

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

8. **RISK MANAGEMENT:**

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

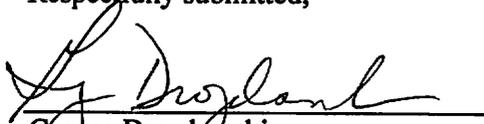
9. **OTHER INFORMATION:**

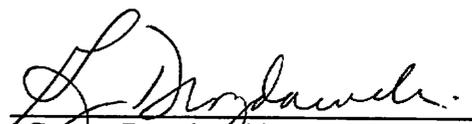
- a. **Independent Audit** – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart, LLC, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes,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

10. **ACKNOWLEDGEMENTS:**

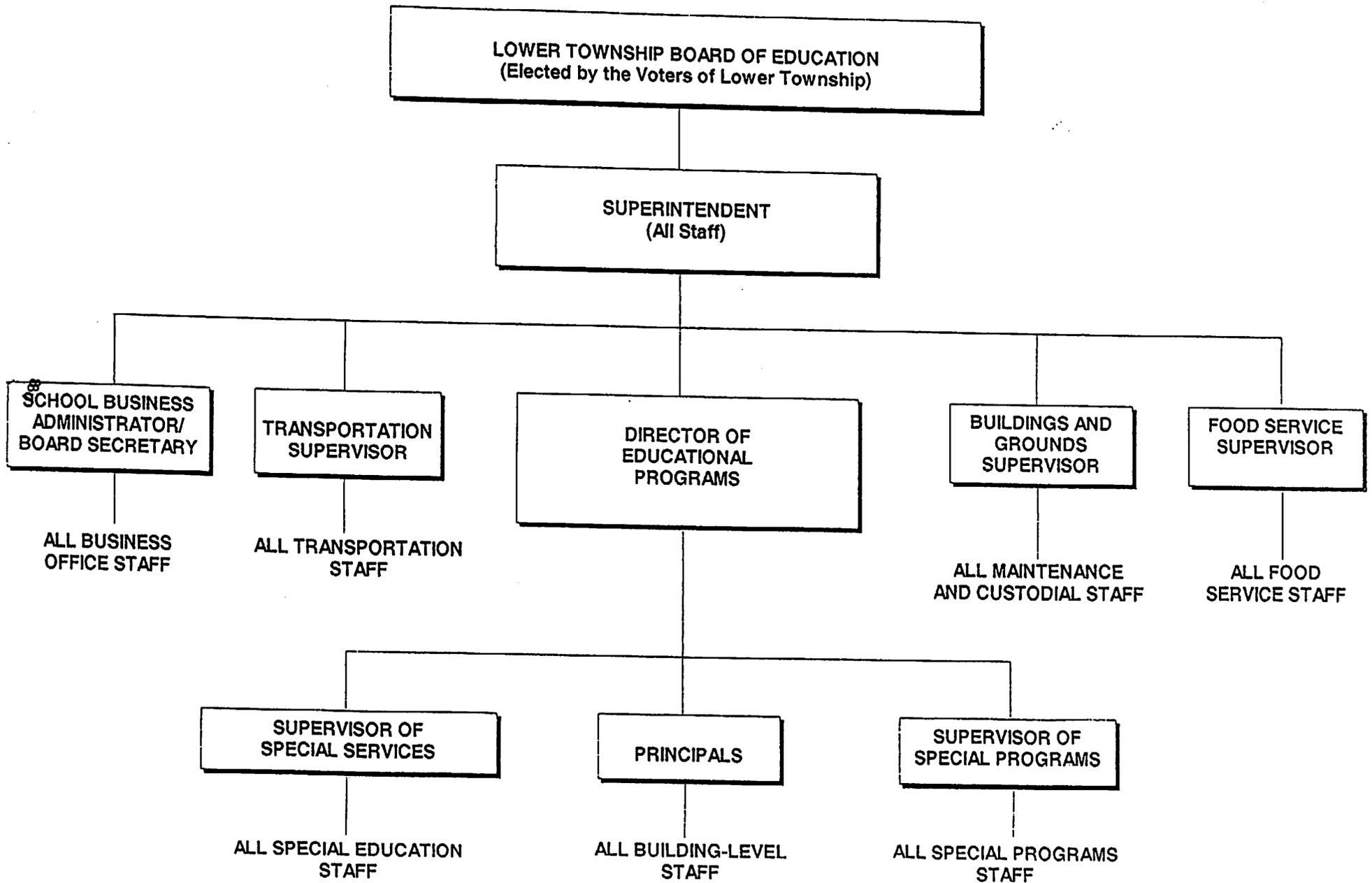
We would like to express our appreciation to the members of the Township of Lower School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.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

Respectfully submitted,


George Drozdowski
Acting Superintendent


George Drozdowski
Business Administrator

Organizational Chart



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

**ROSTER OF OFFICIALS
JUNE 30, 2010**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Terrance Brown - President	2011
James Rochford - Vice President	2013
Paul Yerk	2012
Charles Utsch	2013
Ralph Bakley	2012
Frank Onorato	2011
Joseph Jackson	2011
David Chapman	2012
Thomas Ottaviano	2013

Other Officials

Joseph A. Cirrinicione Superintendent

George Drozdowski, Board Secretary &
School Business Administrator

Lauren Read, Treasurer

Louis Belasco, Esq., Solicitor

**TOWNSHIP OF LOWER SCHOOL DISTRICT
CONSULTANTS AND ADVISORS**

Audit Firm

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Attorney

Louis Belasco, Esq.
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Fiscal Agents

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West Paterson, NJ 07424

Official Depository

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Financial Section

INVERSO & STEWART, LLC

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Registered Municipal Accountants**

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INDEPENDENT AUDITOR'S REPORT

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

We 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 Township of Lower School District, in the County of Cape May, State of New Jersey (School District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our 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 audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Township of Lower School District, in the County of Cape May, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our 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* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. In addition, the introductory section, combining statements and related major fund supporting statements and schedules, and statistical section listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance, combining statements and related major fund supporting statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Public School Accountant

Marlton, New Jersey
October 18, 2010

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

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American Institute of CPAs
New Jersey Society of CPAs

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Lower School District, in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 18, 2010. We conducted our 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 Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Lower School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

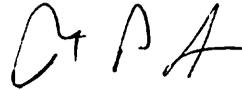
As part of obtaining reasonable assurance about whether the Township of Lower School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have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

However, we noted certain matters that we reported to the Board of Education of the Township of Lower School District in a separate report entitled, *Auditors Management Report on Administrative Findings - Financial, Compliance and Performance* dated October 18, 2010.

This report is intended solely for the information and use of the management and others within the Township of Lower School District, the Division of Finance, Department of Education, State of New Jersey, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Public School Accountant

Marlton, New Jersey
October 18, 2010

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, 2010**

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, 2010. 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 assets of the School District exceeded its liabilities at the close of the most recent fiscal year by \$11,365,278 (*net assets*).
- Governmental activities have an unrestricted net assets deficit of \$2,218,265. The accounting treatments in the governmental funds for compensated absences payable, and the last two state aid payments, and the state statute that prohibits school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net assets of the School District decreased by \$944,533, or a 7.7% decrease from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds decreased by \$1,089,233 resulting in an ending fund balance of \$1,966,987. This decrease is largely due to the results of operations of the General Fund.
- Business-type activities have unrestricted net assets surplus of \$404,132.
- The School District's long-term obligations decreased by \$518,275 which is the result of the reduction of capital leases payable 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 assets and the statement of activities.

The *statement of net assets* presents information about all of the School District's assets and liabilities. The difference between the assets and liabilities is reported as net assets. Over time, changes in net assets 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 assets of the School District changed during the current fiscal year. Changes in net assets 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 2010. 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 2010.

The assets of the primary government activities exceeded liabilities by \$10,939,615 with an unrestricted deficit balance of \$2,218,265. The net assets of the primary government do not include internal balances.

A net investment of \$10,714,210 in land, improvements, buildings, equipment and vehicles which provide the services to the School District's public school students, represents 97.94% of the School District's net assets. Net assets of \$61,193 have been restricted to provide resources for future capital expansion and renovation projects, \$1,292,246 has been restricted for maintenance projects, and \$1,060,656 has been restricted for budget appropriation.

As mentioned earlier, deficit unrestricted net assets are primarily due to the accounting treatment for compensated absences payable, the last two state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

**Lower Township School District
Comparative Summary of Net Assets
As of June 30, 2010 and 2009**

	Governmental Activities		Business-Type Activities		District-Wide	
	2010	2009	2010	2009	2010	2009
Assets:						
Current assets	\$ 2,006,513	\$ 3,072,874	\$ 462,488	\$ 305,515	\$ 2,469,001	\$ 3,378,389
Capital assets	<u>10,714,210</u>	<u>11,241,124</u>	<u>21,531</u>	<u>25,968</u>	<u>10,735,741</u>	<u>11,267,092</u>
Total assets	<u>12,720,723</u>	<u>14,313,998</u>	<u>484,019</u>	<u>331,483</u>	<u>13,204,742</u>	<u>14,645,481</u>
Liabilities:						
Current Liabilities	39,526	674,686	7,346	5,117	46,872	679,803
Noncurrent Liabilities	<u>1,741,582</u>	<u>1,612,996</u>	<u>51,010</u>	<u>42,871</u>	<u>1,792,592</u>	<u>1,655,867</u>
Total liabilities	<u>1,781,108</u>	<u>2,287,682</u>	<u>58,356</u>	<u>47,988</u>	<u>1,839,464</u>	<u>2,335,670</u>
Net assets	<u>\$ 10,939,615</u>	<u>\$ 12,026,316</u>	<u>\$ 425,663</u>	<u>\$ 283,495</u>	<u>\$ 11,365,278</u>	<u>\$ 12,309,811</u>
Net assets consist of:						
Invested in capital						
Assets	\$ 10,714,210	\$ 10,586,124	\$ 21,531	\$ 25,968	\$ 10,735,741	\$ 10,612,092
Restricted net assets	2,443,670	3,524,060			2,443,670	3,524,060
Unrestricted net assets	<u>-2,218,265</u>	<u>-2,083,868</u>	<u>404,132</u>	<u>257,527</u>	<u>-1,814,133</u>	<u>-1,826,341</u>
Net assets	<u>\$ 10,939,615</u>	<u>\$ 12,026,316</u>	<u>\$ 425,663</u>	<u>\$ 283,495</u>	<u>\$ 11,365,278</u>	<u>\$ 12,309,811</u>

Lower Township School District
Comparative Schedule of Changes in Net Assets
As of and for the Fiscal Year Ended June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		District-Wide	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues						
Charges for services			\$ 728,979	\$ 775,905	\$ 728,979	\$ 775,905
Operating grants and Contributions	\$ 3,873,067	\$ 3,234,644	732,403	678,235	4,605,470	3,912,879
General Revenues:						
Property Taxes	14,371,889	14,369,863			14,371,889	14,369,863
Unrestricted State Aid	9,777,601	9,883,607			9,777,601	9,883,607
Tuition	37,015	26,299			37,015	26,299
Other Revenues	108,742	100,605	1,572	1,751	110,314	102,356
Total Revenues	28,168,314	27,615,018	1,462,954	1,455,891	29,631,268	29,070,909
Expenses:						
Governmental Activities:						
Instruction	12,248,189	11,608,354			12,248,189	11,608,354
Tuition	449,787	472,665			449,787	472,665
Related Services	3,071,712	2,911,069			3,071,712	2,911,069
Administrative Services	1,355,722	1,329,420			1,355,722	1,329,420
Central Services	336,411	326,808			336,411	326,808
Operations and Maintenance	3,644,913	2,735,170			3,644,913	2,735,170
Transportation	1,195,005	1,166,298			1,195,005	1,166,298
Employee Benefits	6,726,801	6,123,656			6,726,801	6,123,656
Interest on long-term Debt	33,353	67,956			33,353	67,956
	23,122				23,122	
Other		21,728				21,728
Business-Type Activities:						
Food Service Operations			1,154,673	1,138,221	1,154,673	1,138,221
Day Care Program			336,113	352,947	336,113	352,947
Total Expenses	29,085,015	26,763,124	1,490,786	1,491,168	30,575,801	28,254,292
Increase in net assets						
Before transfers	-916,701	851,894	-27,832	-35,277	-944,533	816,617
Transfers	-170,000	-169,702	170,000	169,702		
Changes in net assets	-1,086,701	682,192	142,168	134,425	-944,533	816,617
Net assets, July 1,	12,026,316	11,344,124	283,495	149,070	12,309,811	11,493,194
Net assets, June 30,	\$ 10,939,615	\$ 12,026,316	\$ 425,663	\$ 283,495	\$ 11,365,278	\$ 12,309,811

Governmental Activities

Governmental activities decreased the net assets of the School District by \$1,086,701 during the current fiscal year. Key elements of the decrease in net assets for governmental activities are as follows:

- Certificates of participation principal decreased by \$655,000.
- Compensated absences increased by \$128,586.

Business-type Activities

Business-type activities increased the School District's net assets by \$142,168. Key elements of the increase in net assets for business-type activities are as follows:

- The Food Service Fund had a net gain of \$155,454 and the Day Care Program had a net loss of \$13,286.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$1,966,987, a decrease of \$1,089,233 in comparison with the prior year. Most of this decrease 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 (\$476,683) and (\$34,765) 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 \$61,193, 2) \$714,138 appropriated as a revenue source in the subsequent year's budget, 3) \$323,150 reserved for future budget appropriation in accordance with state statute, 4) \$87,708 reserved for encumbrances, and 5) \$1,292,246 reserved for maintenance.

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 19 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

The difference between the original budget and the final amended budget was \$6,592 or an increase of .03%. The increase to the budget was due to reserve for encumbrances.

At the end of the current fiscal year, unreserved fund balance (budgetary basis) of the general fund was \$500,728 while total fund balance (budgetary basis) was \$2,853,631. 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 \$26,698,379. Unreserved fund balance (budgetary basis) represents 1.88% of expenditures while total fund balance (budgetary basis) represents 10.69% 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, 2010, totaled \$10,735,741 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was \$531,351 or a 4.72% decrease. The decrease is due to depreciation.

Capital Asset (net of accumulated depreciation) June 30, 2010 and 2009

	Governmental Activities		Business-Type Activities		District-Wide	
	2010	2009	2010	2009	2010	2009
Land	\$ 80,045	\$ 80,045			\$ 80,045	\$ 80,045
Construction in Progress						
Buildings and Building Improvements	10,206,542	10,629,840			10,206,542	10,629,840
Equipment	427,623	531,239	\$ 21,531	\$ 25,968	449,154	557,207
Net assets	<u>\$ 10,714,210</u>	<u>\$ 11,241,124</u>	<u>\$ 21,531</u>	<u>\$ 25,968</u>	<u>\$ 10,735,741</u>	<u>\$ 11,267,092</u>

Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 6) of this report.

Long-term debt – During the fiscal year ended June 30, 2010, the School District had \$1,792,592 in compensated absences.

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 \$109,877,137. The available amount as of June 30, 2010 is \$109,877,137.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 8) 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 2010-11 fiscal year.

- For 2010-11 fiscal year the School District will be receiving a decrease in state aid. The local tax levy in the General Fund increased by \$472,801 or a 3.4%. Salaries continue to increase contractually; however, the District has managed to control costs. The 2010-11 General Fund Budget is \$1,601,361 less than the previous year or a 6.07 % decrease.

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

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business type activities of the District.

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$1,019,172	\$355,681	\$1,374,853
Receivables, net	987,340	94,761	1,082,101
Inventory		12,046	12,046
Restricted assets:			
Restricted cash and cash equivalents	1		1
Capital assets, net	<u>10,714,210</u>	<u>21,531</u>	<u>10,735,741</u>
Total assets	<u>12,720,723</u>	<u>484,019</u>	<u>13,204,742</u>
LIABILITIES:			
Accounts payable	41,644	4,485	46,129
Internal balances	(2,118)	2,118	
Deferred revenue		743	743
Noncurrent liabilities (Note 6):			
Due within one year			
Due beyond one year	<u>1,741,582</u>	<u>51,010</u>	<u>1,792,592</u>
Total liabilities	<u>1,781,108</u>	<u>58,356</u>	<u>1,839,464</u>
NET ASSETS:			
Invested in capital assets, net of related debt	10,714,210	21,531	10,735,741
Restricted for:			
Special Revenue	(34,765)		(34,765)
Capital Projects	61,193		61,193
Other purposes	2,417,242		2,417,242
Unrestricted	<u>(2,218,265)</u>	<u>404,132</u>	<u>(1,814,133)</u>
Total net assets	<u>\$10,939,615</u>	<u>\$425,663</u>	<u>\$11,365,278</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, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$9,514,262		\$777,219	(\$8,737,043)		(\$8,737,043)
Special education	2,642,703		773,029	(1,869,674)		(1,869,674)
Other instruction	91,224			(91,224)		(91,224)
Support Services:						
Tuition	449,787			(449,787)		(449,787)
Student & instruction related services	3,071,712		404,639	(2,667,073)		(2,667,073)
General administrative services	472,235			(472,235)		(472,235)
School administrative services	883,487			(883,487)		(883,487)
Central services	336,411			(336,411)		(336,411)
Plant operations and maintenance	3,644,913		37,694	(3,607,219)		(3,607,219)
Pupil transportation	1,195,005			(1,195,005)		(1,195,005)
Unallocated employee benefits	6,726,801		1,661,995	(5,064,806)		(5,064,806)
Interest on long-term debt	33,353		218,491	185,138		185,138
Unallocated depreciation and amortization	23,122			(23,122)		(23,122)
Total governmental activities	<u>29,085,015</u>		<u>3,873,067</u>	<u>(25,211,948)</u>		<u>(25,211,948)</u>
Business-type activities:						
Day care program	336,113	\$322,827			(\$13,286)	(13,286)
Food service program	<u>1,154,673</u>	<u>406,152</u>	<u>732,403</u>		<u>(16,118)</u>	<u>(16,118)</u>
Total business-type activities	<u>1,490,786</u>	<u>728,979</u>	<u>732,403</u>		<u>(29,404)</u>	<u>(29,404)</u>
Total primary government	<u>\$30,575,801</u>	<u>\$728,979</u>	<u>\$4,605,470</u>	<u>(\$25,211,948)</u>	<u>(\$29,404)</u>	<u>(\$25,241,352)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net						
				13,899,088		13,899,088
Taxes levied for debt service						
				472,801		472,801
Federal and state aid not restricted						
				9,777,601		9,777,601
Tuition charges						
				37,015		37,015
Miscellaneous income						
				108,742	1,572	110,314
Transfer						
				(170,000)	170,000	
Total general revenues, special items, extraordinary items and transfers						
				<u>24,125,247</u>	<u>171,572</u>	<u>24,296,819</u>
Change in Net Assets						
				<u>(1,086,701)</u>	<u>142,168</u>	<u>(944,533)</u>
Net Assets -- July 1						
				<u>12,026,316</u>	<u>283,495</u>	<u>12,309,811</u>
Net Assets -- June 30						
				<u>\$10,939,615</u>	<u>\$425,663</u>	<u>\$11,365,278</u>

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

Fund Financial Statements

The Individual Fund statements and schedules present more detailed information for the Individual Fund in a format that segregates information by fund type.

LOWER TOWNSHIP SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2010

ASSETS	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$471,199	\$547,973			\$1,019,172
Receivables, net	104,617	297,578	\$511,200		913,395
Interfund receivable	1,328,582				1,328,582
Restricted cash and cash equivalents	<u>1</u>				<u>1</u>
Total assets	<u>\$1,904,399</u>	<u>\$845,551</u>	<u>\$511,200</u>		<u>\$3,261,150</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	28,179	13,465			41,644
Interfund payables		<u>866,851</u>	<u>385,668</u>		<u>1,252,519</u>
Total liabilities	<u>28,179</u>	<u>880,316</u>	<u>385,668</u>		<u>1,294,163</u>
Fund Balances:					
Reserved for:					
Encumbrances	23,368		64,340		87,708
Maintenance reserve	1,292,246				1,292,246
Capital reserve account	1				1
Excess surplus	323,150				323,150
Excess surplus - designated for subsequent year's expenditures	514,138				514,138
Unreserved:					
Unreserved - designated for subsequent year's expenditures	200,000		61,192		261,192
Undesignated	<u>(476,683)</u>	<u>(34,765)</u>			<u>(511,448)</u>
Total fund balances	<u>1,876,220</u>	<u>(34,765)</u>	<u>125,532</u>		<u>1,966,987</u>
Total liabilities and fund balances	<u>\$1,904,399</u>	<u>\$845,551</u>	<u>\$511,200</u>	<u>-</u>	

Amounts reported for governmental activities in the statement of net assets (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 \$19,708,213 and the accumulated depreciation is \$8,994,003.	10,714,210
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.	<u>(1,741,582)</u>
Net assets of governmental activities	<u><u>\$10,939,615</u></u>

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$13,899,088			\$472,801	\$14,371,889
Tuition charges	37,015				37,015
Miscellaneous	108,742				108,742
Total revenues-local sources	14,044,845			472,801	14,517,646
Local Sources		\$5,997			5,997
State sources	10,432,949	348,932	\$511,200	218,491	11,511,572
Federal sources	1,006,646	1,637,653			2,644,299
Total revenues	25,484,440	1,992,582	511,200	691,292	28,679,514
EXPENDITURES:					
Current expense:					
Regular instruction	8,541,193	777,952			9,319,145
Special education instruction	1,869,674	773,029			2,642,703
Other instruction	91,224				91,224
Support services and undistributed costs:					
Tuition	449,787				449,787
Student & instruction related services	2,667,073	404,639			3,071,712
General administrative services	472,235				472,235
School administrative services	837,244				837,244
Central services	336,411				336,411
Plant operations and maintenance	2,542,554				2,542,554
Pupil transportation	1,195,005				1,195,005
Unallocated employee benefits	6,726,801				6,726,801
Capital outlay	32,378	37,694	1,152,468		1,222,540
Debt service:					
Principal				655,000	655,000
Interest and other charges				36,386	36,386
Total expenditures	25,761,579	1,993,314	1,152,468	691,386	29,598,747
Excess (deficiency) of revenues over (under) expenditures	(277,139)	(732)	(641,268)	(94)	(919,233)
Other Financing Sources (Uses):					
Transfers in			766,800		766,800
Transfers out	(936,800)				(936,800)
Total other financing sources (uses)	(936,800)		766,800		(170,000)
Net change in fund balance	(1,213,939)	(732)	125,532	(94)	(1,089,233)
Fund balances, July 1	3,090,159	(34,033)		94	3,056,220
Fund balances, June 30	\$1,876,220	(\$34,765)	\$125,532	--	\$1,966,987

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, 2010**

Total net change in fund balances - governmental funds (from B-2) (\$1,089,233)

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

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

Depreciation expense	(\$371,206)	
Capital outlay	<u>(155,708)</u>	(526,914)

Repayment of certificates of participation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is reported in the statement of activities. 655,000

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 in the reconciliation. 3,032

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 (+). (128,586)

Change in net assets of governmental activities (\$1,086,701)

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities Enterprise Funds	
	Food Service Fund	Day Care Program
ASSETS:		
Current assets:		
Cash and cash equivalents	\$337,094	\$18,587
Accounts receivable	89,239	5,522
Interfund receivable		
Inventories	12,046	
Total current assets	<u>438,379</u>	<u>24,109</u>
Noncurrent assets:		
Equipment	286,015	
Less accumulated depreciation	<u>(264,484)</u>	
Total noncurrent assets	<u>21,531</u>	
Total assets	<u><u>\$459,910</u></u>	<u><u>\$24,109</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	4,485	
Deferred revenue		743
Interfund payable	<u>2,118</u>	
Total current liabilities	<u>6,603</u>	<u>743</u>
Noncurrent liabilities:		
Compensated absences	<u>51,010</u>	
Total noncurrent liabilities	<u>51,010</u>	<u>-</u>
Total liabilities	<u>57,613</u>	<u>-</u>
NET ASSETS		
Invested in capital assets net of related debt	21,531	
Unrestricted	<u>380,766</u>	<u>23,366</u>
Total net assets	<u><u>\$402,297</u></u>	<u><u>\$23,366</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 Assets
Proprietary Funds
for the Fiscal Year Ended June 30, 2010

	Business-type Activities	
	Enterprise Funds	
	Food Service Fund	Day Care Program
Operating revenues:		
Charges for services:		
Daily sales-reimbursable programs	\$173,483	
Daily sales-non-reimbursable programs	232,669	\$322,827
Total operating revenue	<u>406,152</u>	<u>322,827</u>
Operating expenses:		
Salaries	440,251	275,090
Employee benefits	204,314	28,653
Supplies and materials	33,637	15,264
Professional services	5,070	
Depreciation	4,437	
Cost of sales	439,386	
Purchased property services	19,138	1,170
Other	8,440	15,936
Total operating expenses	<u>1,154,673</u>	<u>336,113</u>
Operating income (loss)	<u>(748,521)</u>	<u>(13,286)</u>
Nonoperating revenues (expenses):		
State sources:		
State school lunch program	17,703	
School breakfast program	22,372	
Federal sources:		
ARRA - National school lunch equipment	9,355	
National school lunch program	381,675	
School breakfast program	242,224	
Snack Program	12,751	
U.S.D.A. commodities	46,323	
Local sources:		
Operating transfer in	170,000	
Interest revenue	1,572	
Total nonoperating revenues (expenses)	<u>903,975</u>	<u>-</u>
Change in net assets	155,454	(13,286)
Total net assets - July 1	<u>246,843</u>	<u>36,652</u>
Total net assets - June 30	<u>\$402,297</u>	<u>\$23,366</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, 2010

	Business-type Activities Enterprise Funds	
	<u>Food Service Fund</u>	<u>Day Care Program</u>
Cash flows from operating activities:		
Receipts from customers	\$382,149	\$325,218
Payments to employees	(473,418)	(303,743)
Payments to suppliers	(438,749)	(32,369)
Net cash used for operating activities	<u>(530,018)</u>	<u>(10,894)</u>
Cash flows from noncapital financing activities:		
State sources	38,696	
Federal sources	612,644	
Net cash provided by non-capital financing activities	<u>651,340</u>	<u>-</u>
Cash flows from capital activities:		
Purchases of fixed assets	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest and dividends	1,572	
Net cash provided by investing activities	<u>1,572</u>	
Net increase in cash and cash equivalents	122,894	(10,894)
Balances - July 1	<u>214,200</u>	<u>29,481</u>
Balances - June 30	<u>\$337,094</u>	<u>\$18,587</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating income (loss)	(\$748,521)	(\$13,286)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	4,437	
Federal commodities	46,323	
ARRA - National school lunch equipment	9,355	
Operating transfer in	170,000	
(Increase) decrease in accounts receivable	(25,926)	4,648
(Increase) decrease in inventories	1,689	
Increase (decrease) in interfund payable, net	4,486	
Increase (decrease) in deferred revenue		(2,256)
Increase (decrease) in compensated absences	8,139	
Net cash provided by (used for) operating activities	<u>(\$530,018)</u>	<u>(\$10,894)</u>

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

LOWER TOWNSHIP SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Unemployment Compensation Insurance Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$134,024	\$47,510
Interfund receivable		
	<u> </u>	<u> </u>
Total assets	<u>134,024</u>	<u>47,510</u>
LIABILITIES:		
Accounts payable	23,716	
Interfund payable	31,231	42,714
Payroll deductions and withholdings		
Due to student groups		4,796
	<u> </u>	<u> </u>
Total liabilities	<u>54,947</u>	<u>47,510</u>
NET ASSETS:		
Restricted for:		
Unemployment claims	<u>\$79,077</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 Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

	Unemployment Compensation Insurance Trust
ADDITIONS:	
Contributions:	
Board contributions	\$30,000
Employee withholdings	47,660
Total Contributions	77,660
Investment earnings:	
Interest	678
Net investment earnings	678
Total additions	78,338
DEDUCTIONS:	
Unemployment payments	45,623
Total deductions	45,623
Change in net assets	32,715
Net assets - July 1	46,362
Net assets - June 30	\$79,077

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, 2010**

1. DESCRIPTION OF SCHOOL DISTRICT AND 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, 2010 of 1,885 students.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the 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. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Component Units

GASB Statement No. 14, *The Financial Reporting Entity*, provides 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 Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Components Units*. There are no organizations that are considered to be component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The 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 School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. 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 assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

District-wide Statements - The statement of net assets 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 assets 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 goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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 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.

Fund Accounting

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 states 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 the proceeds of specific revenues from the state and federal governments, other than major capital projects, debt service, or the enterprise funds, and local appropriations that are legally restricted to expenditures for specified purposes.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Capital Projects Fund - The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities, 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 the accumulation of resources for, and the payment of, general-long-term debt principal, interest and related costs.

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

Enterprise Funds - The enterprise funds are used to account for operations that are financed 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 of the School District.

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

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net assets) is segregated into investment in capital assets, net of related debt, and unrestricted net assets, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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 assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose 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 student activity fund, and a payroll fund.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

District-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 Assets.

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.

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 assets. The statement of changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. 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 deferred 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 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 thirty days of 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. There were no restricted formula aids.

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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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, if any, is reported in the operating statement as an expense. Unused donated commodities are reported as deferred 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 and are voted upon at the annual school election on the third Tuesday in April. 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. 6:23-2.2(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:23-2.11.

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, as noted below. 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.

Encumbrance Accounting

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances 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 the special revenue fund, for which the School District has received advances, are reflected in the balance sheet as deferred revenues 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.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments

Cash and cash equivalents 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. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

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

Tuition Receivable

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

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2010 and 2009 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

Inventories

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

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, 2010.

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. This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Expenditures

Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure/expenses in the next fiscal period. Unlike prepaid expenses, deferred expenditures are not regularly recurring cost of operations.

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 assets, except for the net residual amounts due between governmental and business-type activities, which are presented as interfunds receivable and/or interfunds payable.

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 assets 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 assets and the proprietary fund statement of net assets. .

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 valued at their estimated 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 repairs and maintenance that do not add to the value of the asset or materially extend 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.

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

<u>Asset Class</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business -Type Activities Estimated Lives</u>
School Buildings	50 years	N/A
Building Improvements	50 years	N/A
Site Improvements	20 years	N/A
Machinery and Equipment	5-20 years	12 years

Accrued Salaries and Wages

Certain School District employees, who provide services to the School District over the ten-month academic year, have the option to have their salaries evenly disbursed during the twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2010, the amounts earned by these employees were disbursed to the employees' own individual credit union accounts.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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 Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are 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 laws or regulations of other governments.

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

Fund Balance Reserves

The School District reserves portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund balance reserves are established for encumbrances, legally restricted appropriations, tuition, excess surplus, capital reserve, maintenance reserve and emergency reserves.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 food service, tuition fees for the latchkey school program and transportation (substitute teacher) fees for the internal service fund. 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.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Custodial credit is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's formal policy regarding custodial credit risk is in compliance with N.J.S.A. 17:9-41. et seq. and requires the District to deposit all public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA), as described in Note 1. As of June 30, 2010 the District's bank balance of \$2,586,583 was insured or collateralized as follows:

Insured by depository insurance	\$	250,000
Collateralized under GUDPA		2,336,583

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

4. 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) and updated annually in the Quality Assurance Annual Report (QAAR). 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 at year end of any anticipated 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. 6A:23A-2-14.1(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, 2009 to June 30, 2010 fiscal year is as follows:

Balance – July 1, 2009	\$1
Increased by:	
Interest earned	_____
Balance – June 30, 2010	\$1

The June 30, 2010 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

5. RECEIVABLES

All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

Receivables as of year-end for the District's individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Proprietary Fund	Capital Projects Fund	Total
State Aid	\$ 87,290	\$ 2,012	\$ 3,776	\$ 511,200	\$ 604,278
Federal Aid	10,073	295,566	59,537		365,176
Other	7,254	_____	25,926	_____	33,180
Total Accounts Receivable	\$ 104,617	\$ 297,578	\$ 89,239	\$ 511,200	\$ 1,002,634

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2010</u>
Governmental Activities:				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 80,045			\$ 80,045
Construction in progress	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets, not being Depreciated	<u>80,045</u>	<u> </u>	<u> </u>	<u>80,045</u>
<i>Capital Assets, being depreciated:</i>				
Building and Building Improvements	17,588,189	\$ 23,338	\$ 169,845	17,441,682
Equipment	<u>2,195,687</u>	<u>32,923</u>	<u>42,124</u>	<u>2,186,486</u>
Totals at historical cost	<u>19,783,876</u>	<u>56,261</u>	<u>211,969</u>	<u>19,628,168</u>
<i>Less Accumulated Depreciation:</i>				
Building and Building Improvements	(6,958,349)	\$ (337,240)	\$ (60,449)	(7,235,140)
Equipment	<u>(1,664,448)</u>	<u>(125,193)</u>	<u>(30,778)</u>	<u>(1,758,863)</u>
Totals accumulated depreciation	<u>(8,622,797)</u>	<u>(462,433)</u>	<u>(91,227)</u>	<u>(8,994,003)</u>
Total Capital Assets, being depreciated, net	<u>11,161,079</u>	<u>(406,172)</u>	<u>120,742</u>	<u>10,634,165</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,241,124</u>	<u>\$ (406,172)</u>	<u>\$ 120,742</u>	<u>\$ 10,714,210</u>
Business-Type Activities:				
<i>Capital Assets, being depreciated:</i>				
Equipment	\$ 286,015			\$ 286,015
Less accumulated depreciation	<u>(260,047)</u>	<u>(4,437)</u>		<u>(264,484)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 25,968</u>	<u>\$ (4,437)</u>	<u>\$ -</u>	<u>\$ 21,531</u>

Depreciation expense in the amount of \$462,433 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Instruction	\$ 323,703
School Administration	46,243
Plant Operations and Maintenance	69,365
Unallocated	<u>23,122</u>
Total	<u>\$ 462,433</u>

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

7. INVENTORY

Inventory in the Proprietary Funds at June 30, 2010 consisted of the following:

	<u>Food Service</u>
Food	\$9,304
Supplies	2,742
	\$12,046

8. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2010, the following changes occurred in long-term obligations:

	<u>Principal Outstanding July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2010</u>	<u>Amount Due Within One Year</u>
Certificates of Participation	\$ 655,000		\$ 655,000	\$	\$
Compensated Absences	1,612,996	\$ 128,586		1,741,582	-
Total Governmental Activity	\$ 2,267,996	\$ 128,586	\$ 655,000	\$ 1,741,582	\$ -
 <u>Business – Type Activities:</u>					
	<u>Principal Outstanding July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2010</u>	<u>Amount Due Within One Year</u>
Compensated Absences	\$ 42,871	\$ 8,139	\$ -	\$ 51,010	\$ -

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

Capital Leases – At June 30, the District had no capital leases payable.

Compensated Absences

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

9. OPERATING LEASES

At June 30, 2010 the District had operating lease agreements in effect for copiers. Total operating lease payments made during the year ended June 30, 2009 and 2010 were \$48,879 and \$47,737 respectively.

Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2011	\$ 50,707
June 30, 2012	38,800
June 30, 2013	15,294
Total future minimum lease payments	\$ 104,801

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

10. PENSION PLANS

Description of Plans - Substantially all of the School District's employees participate in one of the following defined benefit pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits: the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund is a single-employer contributory defined benefit pension plan which was established on January 1, 1955. The TPAF provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:6C.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 92 and 103, P.L. 2007, plan members enrolled in the TPAF are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

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 has been required over the several preceding fiscal years.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 92 and 103, P.L. 2007, plan members enrolled in the PERS are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

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 year were as follows:

Fiscal Year	<u>Public Employees Retirement System</u>			Total Liability	Funded by State	Delayed Enrollments	Paid by District
	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Contr. Group Life Insurance</u>				
2010	\$128,291	\$164,839	\$40,650	\$333,780			\$333,780
2009	131,800	152,443	35,332	319,575			319,575
2008	135,669	104,552		240,221	\$48,044	\$58,604	250,781

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

11. POST-RETIREMENT BENEFITS

P.L.1987, c. 384 and P.L. 1990 c. 6 required Teachers' Pensions and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009 there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

12. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2010, the School District has recognized as revenues and expenditures on-behalf payments made by the State of New Jersey for normal costs and post-retirement costs related to TPAF. The amounts recognized as revenues and expenditures for NCGI premiums and post-retirement medical costs were \$39,666 and \$744,985, respectively. In addition, the State of New Jersey reimbursed the School District \$877,343 during the fiscal year ended June 30, 2010 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has also been included as a revenue and expenditure in the basic financial statements, and the combining and individual fund statements and schedules in accordance with GASB 24.

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, which are administered by an outside organization, approved by the School District, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The School District has very little administrative involvement, performs no investing function, and has no fiduciary responsibility for these plans. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, are solely the property and rights of the participants and are not subject to claims of the School District's creditors. Accordingly, the plan assets are not reported as a part of these financial statements.

14. RISK MANAGEMENT

Property and Liability Insurance – The District is a member of the Atlantic and Cape May Counties Association of School Business Officials Joint Insurance Fund (ACCASBOJIF), a public entity risk pool currently operating as a common risk management and insurance program. The District pays an actuarial determined annual assessment to ACCASBOJIF for its insurance coverage. Supplemental assessments may be levied to supplement the fund. The District has not been notified of any supplemental assessments.

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

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

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

14. RISK MANAGEMENT (Continued)

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009-2010	\$ 30,000	\$ 47,660	\$ 678	\$ 45,623	\$ 79,077
2008-2009	30,000	47,076	1,262	53,050	46,362
2007-2008	60,000	41,339	1,713	104,575	21,074
2006-2007		38,695	2,111	56,239	22,597
2005-2006	75,000	37,772	1,166	91,819	38,030

15. 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 vacation and sick leave in varying amounts in accordance with the School District's personnel policies. Unused sick leave may be accumulated carried forward to the subsequent years. Employees who retire from the School District shall be paid for unused sick leave in accordance with the School District's agreement or personnel policy.

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2010, the liability for compensated absences in the governmental and proprietary funds was \$1,792,592 and \$51,010 respectively.

16. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various balance sheets as of June 30, 2010:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$1,328,582	
Special Revenue		\$866,851
Capital Projects		385,668
Proprietary		2,118
Fiduciary		73,945
	<u>\$1,328,582</u>	<u>\$1,328,582</u>

All interfund balances are expected to be paid or collected within the subsequent year.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

17. CONTINGENCIES

The School District participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management believes that the amount from future audits, if any, would not be material.

The School District is receiving funding in the form of grants from the New Jersey Schools Development Authority (NJSDA) in connection with its capital projects. The costs associated with the funding received are subject to a final review of eligibility and compliance by the New Jersey Department of Education and the NJSDA. To the extent that the School District has not complied with the rules and regulations governing the NJSDA funds or has not met the final eligible costs requirements, refunds of any money received may be required and the collectability of any related receivable at June 30, 2010 may be impaired. In the opinion of the School District's management, there are no significant contingent liabilities relating to compliance with rules and regulations or final eligible cost requirements governing the respective grants or funding; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

18. ECONOMIC DEPENDENCY

The School District receives a substantial portion of its operating support from the federal and state governments. A significant reduction in the level of support, if this were to occur, would have an effect on the School District's programs and activities.

19. DEFICIT FUND BALANCE

The District has a deficit fund balance of \$476,683 in the General Fund and \$34,765 in the Special Revenue Fund as of June 30, 2010 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, districts must record the last state aid payment as revenue, 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 District can not recognize the June state aid payments 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 fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the payment 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 District deficit in the GAAP fund statements of \$476,683 in the General Fund and \$34,765 in the Special Revenue Fund is equal to or less than the June state aid payments.

**Lower Township School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

20. DEFICIT UNRESTRICTED NET ASSETS

As reflected on Exhibit A-1, Statement of Net Assets, a deficit in unrestricted net assets of \$2,218,265 existed as of June 30, 2010 for governmental activities. The primary causes of this deficit are the District not recognizing the receivable for the last two state aid payments and the recording of the long-term liability for compensated absences. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net Assets, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), compensated absences that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net assets for governmental activities does not indicate that the District is facing financial difficulties.

21. FUND BALANCES

General Fund – Of the \$1,876,220 General Fund balance at June 30, 2010, \$23,368 is reserved for encumbrances, \$837,288 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$514,138 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2010); \$1 is reserved for capital reserve; \$1,292,246 is reserved for maintenance; \$200,000 of unreserved surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2011, and \$476,683 is deficit unreserved fund balance.

22. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2005, c.73 (S1701), the designation of Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted in their subsequent years' budget. The excess fund balance at June 30, 2010 is \$323,150.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local sources:					
Local tax levy	\$13,899,088		\$13,899,088	\$13,899,088	
Tuition				37,015	\$37,015
Unrestricted miscellaneous revenue	114,542		114,542	108,742	(5,800)
Total local sources	14,013,630		14,013,630	14,044,845	31,215
State sources:					
School choice aid	550,260		550,260	550,260	
Special education aid	822,314		822,314	822,314	
Equalization aid	4,938,877	(\$896,140)	4,042,737	4,042,737	
Security aid	405,761		405,761	405,761	
Adjustment aid	3,097,228		3,097,228	2,255,410	(841,818)
Transportation aid	729,349		729,349	729,349	
On-behalf TPAF pension contributions (non-budgeted)				39,666	39,666
On-behalf TPAF Medical (non-budgeted)				744,985	744,985
Reimbursed TPAF social security contributions (non-budgeted)				877,343	877,343
Total state sources	10,543,789	(896,140)	9,647,649	10,467,825	820,176
Federal sources:					
ARRA - Education Stabilization Fund		862,742	862,742	862,742	
ARRA - Government Services Fund		33,398	33,398	33,398	
Special Education Medicaid Initiative (SEMI)	58,399		58,399	110,506	52,107
Total federal sources	58,399	896,140	954,539	1,006,646	52,107
TOTAL REVENUES	24,615,818		24,615,818	25,519,316	903,498
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Preschool	175,013	5,127	180,140	180,140	
Kindergarten	850,160	(5,127)	845,033	825,593	19,440
Grades 1-5	5,587,813	109,775	5,697,588	5,651,346	46,242
Grades 6-8	850,403	(9,035)	841,368	826,291	15,077
Total Instruction	7,463,389	100,740	7,564,129	7,483,370	80,759
Regular Programs - Home Instruction:					
Salaries of teachers	3,500		3,500	726	2,774
Other purchased services	250		250		250
General Supplies	1,100		1,100		1,100
Total Home Instruction	4,850		4,850	726	4,124

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, 2010

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	\$327,030	\$233,357	\$560,387	\$560,387	
Purchased professional - educ services		9,360	9,360	4,246	\$5,114
Purchased technical services	10,000	(1,000)	9,000	8,770	230
Other purchased services	120,570	(6,910)	113,660	111,575	2,085
General supplies	400,000	(25,820)	374,180	346,498	27,682
Textbooks	24,000	(8,000)	16,000	6,049	9,951
Other objects	21,500		21,500	19,572	1,928
Total Undistributed Instruction	<u>903,100</u>	<u>200,987</u>	<u>1,104,087</u>	<u>1,057,097</u>	<u>46,990</u>
Total - Regular Programs - Instruction	<u>8,371,339</u>	<u>301,727</u>	<u>8,673,066</u>	<u>8,541,193</u>	<u>131,873</u>
Special Educ Instruction: Learning/Lang. Disabilities					
Salaries of teachers	473,526		473,526	356,857	116,669
Other salaries for instruction	273,268	(90,000)	183,268	167,421	15,847
General Supplies	10,000		10,000	3,291	6,709
Total Learning/Lang. Disabilities	<u>756,794</u>	<u>(90,000)</u>	<u>666,794</u>	<u>527,569</u>	<u>139,225</u>
Special Educ Instruction: Res. Room/Res. Center					
Salaries of teachers	1,466,735	(82,000)	1,384,735	1,283,854	100,881
General supplies	12,000		12,000	5,215	6,785
Total Resource Room/Resource Center	<u>1,478,735</u>	<u>(82,000)</u>	<u>1,396,735</u>	<u>1,289,069</u>	<u>107,666</u>
Special Educ Instruction: Pre-K Disabilities Part-time					
Salaries of teachers	75,250	(22,000)	53,250	52,341	909
Other salaries for instruction	21,000	(21,000)			
General supplies	3,000		3,000	695	2,305
Total Pre-K Disabilities Part-time	<u>99,250</u>	<u>(43,000)</u>	<u>56,250</u>	<u>53,036</u>	<u>3,214</u>
Special Educ Instruction: Home Instruction					
Salaries of teachers	14,231		14,231		14,231
Total Home Instruction	<u>14,231</u>		<u>14,231</u>		<u>14,231</u>
Total Special Education - Instruction	<u>2,349,010</u>	<u>(215,000)</u>	<u>2,134,010</u>	<u>1,869,674</u>	<u>264,336</u>
Before/after school programs - Instruction					
Salaries of teachers		91,225	91,225	91,224	1
Total Before/after school - Instruction		<u>91,225</u>	<u>91,225</u>	<u>91,224</u>	<u>1</u>
Bilingual Education - Instruction					
Salaries of teachers	21,512	(21,512)			
Total Bilingual Education - Instruction	<u>21,512</u>	<u>(21,512)</u>			
Undistributed Expenditures - Instruction					
Tuition to other LEA's w/in state/special		37,147	37,147	37,145	2
Tuition to CSSD & reg. day schools	228,758	111,858	338,616	329,996	8,620
Tuition to priv. sch. for the handicapped in state	93,980	(11,334)	82,646	82,646	
Total Undistributed Expenditures - Instruction	<u>320,738</u>	<u>137,671</u>	<u>458,409</u>	<u>449,787</u>	<u>8,622</u>

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

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2010

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Attendance & Social Work					
Salaries	\$24,863	\$275	\$25,138	\$25,137	\$1
Purchased professional and technical services	9,400		9,400	9,000	400
Other purchased services (400-500)	435		435	78	357
Supplies and materials	165		165	15	150
Total Undistributed Expenditures - Attendance & Soc.	34,863	275	35,138	34,230	908
Undistributed Expenditures - Health Services					
Salaries	366,495	(275)	366,220	329,721	36,499
Purchased professional and technical services	32,865		32,865	22,152	10,713
Other purchased services (400-500)	260		260		260
Supplies and materials	23,740		23,740	12,033	11,707
Total Undistributed Expenditures - Health Svcs.	423,360	(275)	423,085	363,906	59,179
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	371,249	(37,000)	334,249	261,813	72,436
Purchased professional - educ services	4,000		4,000	1,600	2,400
Supplies and materials	2,500		2,500	2,358	142
Total Undst. Expend. - Speech, OT, PT & Related Services	377,749	(37,000)	340,749	265,771	74,978
Undist. Expend. - Guidance					
Salaries of other professional staff	313,778	(7,000)	306,778	301,002	5,776
Other purchased services (400-500)	500	(265)	235		235
Supplies and materials	500	265	765	647	118
Other objects	1,000		1,000	231	769
Total Undst. Expend. - Guidance	315,778	(7,000)	308,778	301,880	6,898
Undist. Expend. - Child Study Teams					
Salaries of other professional staff	637,061	(18,000)	619,061	618,707	354
Salaries of secretarial and clerical assistants	118,443	(15,000)	103,443	102,665	778
Purchased professional - educ services	190,000	38,524	228,524	210,939	17,585
Other purchased professional - tech services	28,000		28,000	17,495	10,505
Misc. purchased services (400-500)	5,900	(624)	5,276	3,293	1,983
Supplies and materials	18,000	70	18,070	8,276	9,794
Other objects	1,300		1,300	100	1,200
Total Undst. Expend. - Child Study Teams	998,704	4,970	1,003,674	961,475	42,199
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	68,387	(8,681)	59,706	59,706	
Salaries of Secr and Clerical Assist.	27,631	7,431	35,062	35,061	1
Purchased professional - educ services		17,569	17,569	15,133	2,436
Other purchased professional - tech services	2,500	(382)	2,118	1,662	456
Other purchased services (400-500)	13,089	382	13,471	6,433	7,038
Supplies and materials	3,500		3,500	760	2,740
Other objects	4,170	(826)	3,344		3,344
Total Undst. Expend. - Improvement of Instr. Services	119,277	15,493	134,770	118,755	16,015
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	446,364		446,364	444,367	1,997
Other purchased services (400-500)	800		800	347	453
Supplies and materials	36,000		36,000	34,723	1,277
Other objects	3,700		3,700	3,634	66
Total Undst. Expend. - Educ. Media Serv./Sch. Library	486,864		486,864	483,071	3,793

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

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2010

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Instructional Staff Training Services					
Salaries of supervisor of instruction	\$68,387	(\$28,493)	\$39,894	\$39,894	
Salaries of other professional staff	13,000	2,875	15,875	15,875	
Salaries of secretarial and clerical assistants	52,438	260	52,698	52,698	
Other salaries	2,200	10,900	13,100	10,200	\$2,900
Purchased professional - educ services	21,000	(2,035)	18,965	1,409	17,556
Other purchased services	5,000		5,000	2,600	2,400
Supplies and materials	5,000		5,000	2,030	2,970
Other objects	40,000	174	40,174	13,280	26,894
Total Undst. Expend. - Instructional Staff Training Svcs.	207,025	(16,319)	190,706	137,986	52,720
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	258,831	(29,000)	229,831	229,143	688
Legal services	30,220		30,220	23,925	6,295
Audit fees	21,749	(6,041)	15,708	15,630	78
Other purchased professional services	9,100	641	9,741	8,951	790
Communications / telephone	75,000	(60,000)	15,000	11,868	3,132
Other purchased services	66,751	(5,600)	61,151	57,401	3,750
General supplies	10,150		10,150	5,475	4,675
BOE in-house training/meeting supplies	3,000		3,000	1,324	1,676
Judgements against school district		100,000	100,000	100,000	
Miscellaneous expenditures	16,110		16,110	5,569	10,541
BOE membership dues and fees	14,890		14,890	12,949	1,941
Total Undst. Expend. - Supp. Serv. General Admin.	505,801		505,801	472,235	33,566
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	439,817	8,019	447,836	447,835	1
Salaries of secretarial and clerical assistants	406,602	(8,019)	398,583	360,308	38,275
Purchased professional and technical services	5,000		5,000		5,000
Other purchased services (400-500)	26,500		26,500	8,748	17,752
Supplies and materials	16,500		16,500	12,925	3,575
Other objects	18,270		18,270	7,428	10,842
Total Undst. Expend. - Supp. Serv. School Admin.	912,689		912,689	837,244	75,445
Undist. Expend. - Central Services					
Salaries	320,391		320,391	305,430	14,961
Purchased professional services	14,705		14,705	13,950	755
Miscellaneous purchased services	13,095		13,095	6,221	6,874
Supplies and materials	12,100		12,100	7,270	4,830
Miscellaneous expenditures	4,720		4,720	3,540	1,180
Total Undst. Expend. - Central Services	365,011		365,011	336,411	28,600
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	146,324	(4,000)	142,324	131,009	11,315
Other purchased services (400-500)	258,764	(64,030)	194,734	183,714	11,020
Supplies and materials	120,000	12,350	132,350	112,194	20,156
Other objects	1,400		1,400		1,400
Total Undst. Expend. - Required Maint. Sch. Facilities	526,488	(55,680)	470,808	426,917	43,891

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

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2010

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	\$1,215,756	(\$107,000)	\$1,108,756	\$1,065,306	\$43,450
Purchased professional & tech. services	13,000	(32)	12,968	11,362	1,606
Cleaning, repair and maintenance services	950		950	535	415
Rental of Land & Bldg. oth than Lease Pur agrmt	1,708		1,708		1,708
Other purchased property services	42,000	5,185	47,185	46,533	652
Insurance	118,765	(2,870)	115,895	114,635	1,260
Travel		2,600	2,600	179	2,421
Miscellaneous purchased services	5,872	270	6,142	6,067	75
General supplies	111,100		111,100	102,314	8,786
Energy (electricity)	424,613		424,613	402,245	22,368
Other objects	2,000		2,000	36	1,964
Salaries of Non-Instructional Aides	111,217	62,000	173,217	160,793	12,424
Energy (natural gas)	270,041	(124,438)	145,603	113,559	32,044
Total Undst. Expend. - Custodial Services	2,317,022	(164,285)	2,152,737	2,023,564	129,173
Undist. Expend. - Care & Upkeep of Grounds					
Salaries	5,000	(1,600)	3,400	2,761	639
Purchased professional & tech. services		13,200	13,200	13,200	
Cleaning, repair and maintenance services	1,500	(650)	850		850
General supplies	1,500	18,836	20,336	20,053	283
Total Undst. Expend. - Care & Upkeep of Grounds	8,000	29,786	37,786	36,014	1,772
Undist. Expend. - Security					
Purchased Professional & technical services	53,000		53,000	53,000	
Cleaning, repair and maintenance services		1,350	1,350	1,150	200
General supplies		1,595	1,595	1,474	121
Other objects		460	460	435	25
Total Undst. Expend. - Security	53,000	3,405	56,405	56,059	346
Total Undst. Expend. - Oper. & Maint. of Plant Services	2,904,510	(186,774)	2,717,736	2,542,554	175,182
Undist. Expend. - Student Transportation Services					
Salaries of non-instructional aides	143,442	(143,442)			
Salaries for pupil trans. (bet home & sch) - regular	785,198	(28,905)	756,293	731,856	24,437
Salaries for pupil trans. (bet home & sch) - spec ed.		143,442	143,442	73,835	69,607
Salaries for pupil trans. (other than bet home & sch)	19,000		19,000	12,182	6,818
Rental Payments		4,140	4,140	1,749	2,391
Cleaning, repair, & maintenance services	23,000	(23,000)			
Contr. serv. (sp ed stds) - joint agmnts	50,037	5,000	55,037	42,585	12,452
Contr. serv. - Aide in lieu Pymts - Non Public	75,000	(10,000)	65,000	58,554	6,446
Miscellaneous purchased services - transportation	4,140	229,350	233,490	167,092	66,398
Supplies and materials	272,040	(160,685)	111,355	106,170	5,185
Other objects	7,450	(5,750)	1,700	982	718
Total Undst. Expend. - Student Transportation Services	1,379,307	10,150	1,389,457	1,195,005	194,452
Unallocated Benefits - Employee Benefits					
Social security contributions	470,412		470,412	376,435	93,977
Other retirement contributions - regular	400,000		400,000	379,876	20,124
Unemployment compensation	30,000		30,000	30,000	
Workers' compensation	165,568	(9,003)	156,565	151,648	4,917
Health benefits	3,997,555	(285,705)	3,711,850	3,700,565	11,285
Tuition reimbursement	70,000	(10)	69,990	48,572	21,418
Other employee benefits	200,000	177,711	377,711	377,710	1
Total Unallocated Benefits - Employee Benefits	5,333,535	(117,007)	5,216,528	5,064,806	151,722

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

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2010

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
On-behalf TPAF noncontributory Ins. prem. (non-budgeted)				\$39,666	(\$39,666)
On-behalf TPAF Medical (non-budgeted)				744,985	(744,985)
Reimbursed TPAF social security contributions (non-budgeted)				877,343	(877,343)
Total Undistributed Expenditures - TPAF				1,661,994	(1,661,994)
Total Undistributed Expenditures	\$14,706,723	(\$126,103)	\$14,580,620	15,318,334	(737,714)
Total General Current Expense	25,427,072	(39,376)	25,387,696	25,729,201	(341,505)
CAPITAL OUTLAY:					
Equipment:					
Grades 1-5		1	1		1
Undist. Exp - req. maint - school facilities		19,378	19,378	19,378	
Undist. Exp - care & upkeep of grounds		13,000	13,000	13,000	
Undist. Exp - Non Instructional - School Buses - Regular		13,589	13,589		13,589
Total Equipment		45,968	45,968	32,378	13,590
Total Capital Outlay		45,968	45,968	32,378	13,590
Total Expenditures	\$25,427,072	6,592	25,433,664	25,761,579	(327,915)
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(811,254)	(6,592)	(817,846)	(242,263)	575,583
Other Financing Sources (Uses):					
Operating transfer out - Capital Projects Fund	(766,800)		(766,800)	(766,800)	
Operating transfer out - Enterprise Fund	(170,000)		(170,000)	(170,000)	
Total Other Financing Sources	(936,800)		(936,800)	(936,800)	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(1,748,054)	(6,592)	(1,754,646)	(1,179,063)	575,583
Fund Balance, July 1	4,032,694		4,032,694	4,032,694	
Fund Balance, June 30	\$2,284,640	(\$6,592)	\$2,278,048	\$2,853,631	\$575,583
Recapitulation:					
Reserve for Encumbrances				\$23,368	
Capital Reserve				1	
Maintenance Reserve				1,292,246	
Reserve for Excess Surplus				323,150	
Excess Surplus - Designated for Subsequent Year's Expenditures				514,138	
Unreserved:					
Designated for Subsequent Year's Expenditures				200,000	
Undesignated				500,728	
				2,853,631	
Last State Aid Payment not Recognized on a GAAP Basis				(977,411)	
Fund Balance per Governmental Funds (GAAP)				\$1,876,220	

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

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
American Recovery & Reinvestment Act - Education Stabilization Fund
Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal sources:					
American Recovery & Reinvestment Act - Education Stabilization Fund	_____	\$862,742	\$862,742	\$862,742	_____
Total Equalization Stabilization Fund	_____	862,742	862,742	862,742	_____
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Grades 1-5	_____	862,742	862,742	862,742	_____
Total Instruction	_____	862,742	862,742	862,742	_____
Total Expenditures	_____	\$862,742	\$862,742	\$862,742	_____
Excess (Deficiency) of Revenues Over (Under) Expenditures:	_____	_____	_____	_____	_____
Fund Balance, July 1	_____	_____	_____	_____	_____
Fund Balance, June 30	-	-	-	-	-

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

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
American Recovery & Reinvestment Act - Government Services Fund
Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal sources:					
American Recovery & Reinvestment Act - Government Services Fund		\$33,398	\$33,398	\$33,398	
Total Government Services Fund		33,398	33,398	33,398	
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers Grades 1-5		33,398	33,398	33,398	
Total Instruction		33,398	33,398	33,398	
Total Expenditures		\$33,398	\$33,398	\$33,398	
Excess (Deficiency) of Revenues Over (Under) Expenditures:					
Fund Balance, July 1					
Fund Balance, June 30	-	-	-	-	-

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, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
REVENUES:					
Local sources	\$5,997		\$5,997	\$5,997	
State sources	349,664		349,664	349,664	
Federal sources	1,637,653		1,637,653	1,637,653	
Total revenues	1,993,314		1,993,314	1,993,314	
EXPENDITURES:					
Instruction:					
Salaries of teachers	818,834		818,834	818,834	
Other salaries					
Other purchased services					
Tuition	503,756		503,756	503,756	
General supplies	223,631		223,631	223,631	
Miscellaneous expenditures	4,760		4,760	4,760	
Textbooks					
Total instruction	1,550,981		1,550,981	1,550,981	
Support services:					
Salaries of supervisor of instruction	53,512		53,512	53,512	
Salaries of teachers	108,282		108,282	108,282	
Salaries of supervisor of instruction					
Personal services - employee benefits	213,008		213,008	213,008	
Purchased prof. and educational services					
Other purchased professional services					
Purchased professional and technical services	14,678	230	14,908	14,908	
Travel					
Tuition					
Other purchased services	13,634	(230)	13,404	13,404	
Miscellaneous					
Supplies and materials	1,525		1,525	1,525	
Total support services	404,639		404,639	404,639	
Facilities acquisition and construction services:					
Instructional equipment	37,694		37,694	37,694	
Non-instructional equipment					
Total facilities acq. and const. services	37,694		37,694	37,694	
Transfer to charter schools					
Total expenditures	1,993,314		1,993,314	1,993,314	
Total outflows	1,993,314		1,993,314	1,993,314	
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	\$ 25,518,418	\$ 1,993,314
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	942,535	34,033
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(977,411)</u>	<u>(34,765)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 25,483,542</u>	<u>\$ 1,992,582</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 25,761,579	\$ 1,993,314
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.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 25,761,579</u>	<u>\$ 1,993,314</u>

Other Supplementary Information

**Special Revenue Fund
Detail Statements**

The Special Revenue Fund is used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted for specific purposes.

LOWER TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2010
(With comparative totals for June 30, 2009)

	Brought Forward (Exh. E-1B)	Brought Forward (Exh. E-1C)	Totals	
			2010	2009
REVENUES:				
State sources	\$347,652	\$2,012	\$349,664	\$340,330
Federal sources	652,502	985,151	1,637,653	998,678
Local sources		5,997	5,997	2,000
Total Revenues	1,000,154	993,160	1,993,314	1,341,008
EXPENDITURES:				
Instruction:				
Salaries of teachers	731,514	87,320	818,834	632,084
Other salaries for instruction				
Purchase professional educational services				
Purchase professional and technical services				
Other purchased services				
Travel				
Tuition		503,756	503,756	498,514
General supplies	33,669	189,962	223,631	16,026
Miscellaneous	4,760		4,760	
Textbooks				
Total instruction	769,943	781,038	1,550,981	1,146,624
Support services:				
Salaries of supervisor of instruction	53,512		53,512	51,702
Salaries of teachers	14,681	93,601	108,282	
Salaries of secretarial and clerical asst.				
Other salaries				
Personal services-employee benefits	135,862	77,146	213,008	136,784
Purchased prof. and educational services				
Purchased professional and technical services				
Other purchased professional and technical serv.	14,908		14,908	5,898
Travel				
Tuition				
Other purchased services (400-500)	9,723	3,681	13,404	
Miscellaneous				
Supplies and materials	1,525		1,525	
Total support services	230,211	174,428	404,639	194,384
Facilities acquisition and const. serv.:				
Instructional equipment		37,694	37,694	
Total facilities acquisition and const. serv.:		37,694	37,694	
Total Expenditures	1,000,154	993,160	1,993,314	1,341,008
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)				

LOWER TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2010

	E.S.E.A. as amended by No Child Left Behind (N.C.L.B.)							Preschool Program Aid	Totals
	Title I Current Yr.	Title I Prior Year	Title I ARRA	Title II - Part A Current Yr.	Title II - Part D Current Yr.	Title III Current Yr.	Title IV Current Yr.		
REVENUES:									
State sources								\$347,652	\$347,652
Federal sources	\$308,055	\$426	\$199,090	\$124,740	\$3,041	\$11,245	\$5,905		652,502
Local sources									
Total Revenues	308,055	426	199,090	124,740	3,041	11,245	5,905	347,652	1,000,154
EXPENDITURES:									
Instruction:									
Salaries of teachers	240,859		122,965	103,950		8,639	5,485	249,616	731,514
Other salaries for instruction									
Other purchased services (400-500)									
Purchased professional educational services									
Purchased professional and technical services									
Travel									
General supplies	3,809	426	27,489			1,945			33,669
Tuition									
Misc			4,760						4,760
Total Instruction	244,668	426	155,214	103,950		10,584	5,485	249,616	769,943
Support services:									
Salaries of teachers			14,681						14,681
Salaries of supervisor of instruction									
Salaries of secretarial and clerical asst.								53,512	53,512
Other salaries									
Personal services-employee benefits	47,984		21,483	20,790		661	420	44,524	135,662
Purchased prof. and educational services									
Purchased professional and technical services									
Other purchased professional and technical serv.	5,680		6,187		3,041				14,908
Other purchased services (400-500)	9,723								9,723
Contracted services - transportation									
Supplies and materials			1,525						1,525
Miscellaneous									
Total support services	63,387		43,876	20,790	3,041	661	420	98,036	230,211
Facilities acquisition and const. serv.:									
Instructional equipment									
Non-instructional equipment									
Total facilities acquisition and const. serv.:									
Total Expenditures	308,055	426	199,090	124,740	3,041	11,245	5,905	347,652	1,000,154
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)									

LOWER TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2010

	Early Childhood SE Study	Cape Ed. Spiewak Fund	Cape Ed. Munsick Fund	NEA Grant Fund	IDEA - Part B Basic Current Yr.	IDEA - Part B Basic ARRA	IDEA - Part B Preschool Current Yr.	IDEA - Part B Preschool ARRA	Totals
REVENUES:									
State sources	\$2,012								\$2,012
Federal sources					\$477,583	\$464,683	\$26,173	\$16,712	985,151
Local sources		\$500	\$497	\$5,000					5,997
Total Revenues	2,012	500	497	5,000	477,583	464,683	26,173	16,712	993,160
EXPENDITURES:									
Instruction:									
Salaries of teachers						87,320			87,320
Other salaries for instruction									
Purchased professional educational services									
Purchased professional and technical services									
Other purchased services									
General supplies	2,012	500	497	5,000		165,241		16,712	189,962
Tuition					477,583		26,173		503,756
Textbooks									
Total instruction	2,012	500	497	5,000	477,583	252,561	26,173	16,712	781,038
Support services:									
Salaries of teachers						93,601			93,601
Salaries of other professional staff									
Salaries of secretarial and clerical asst.									
Other salaries									
Personal services-employee benefits						77,146			77,146
Other purchased services (400-500 series)						3,681			3,681
Tuition									
Supplies and materials									
Miscellaneous									
Total support services						174,428			174,428
Facilities acquisition and const. serv.:									
Instructional equipment						37,694			37,694
Non-instructional equipment									
Total facilities acquisition and const. serv.:						37,694			37,694
Due to Charter School									
Total Expenditures	2,012	500	497	5,000	477,583	464,683	26,173	16,712	993,160
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)									

LOWER TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Statement of Preschool Education Aid
Budgetary Basis
for the Fiscal Year Ended June 30, 2010

School: District Wide Total

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of teachers	\$249,616	\$249,616	
General supplies			
Total instruction	<u>249,616</u>	<u>249,616</u>	--
Support Services:			
Salaries of program directors	53,512	53,512	
Employee benefits	<u>44,524</u>	<u>44,524</u>	
Total support services	<u>98,036</u>	<u>98,036</u>	--
Facilities acquisition and const. serv.:			
Instructional equipment			
Total facilities acquisition and const. serv.	<u>--</u>	<u>--</u>	--
Total expenditures	<u><u>\$347,652</u></u>	<u><u>\$347,652</u></u>	--

CALCULATION OF BUDGET AND CARRYOVER

Total Revised 2009-2010 Preschool Education Aid Allocation	\$347,652
Add: Actual ECPA Carryover (June 30, 2008)	
Total Preschool Education Aid Funds Available for 2008-2009	347,652
Less: 2009-2010 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	(347,652)
Available & Unbudgeted Preschool Education Funds as of June 30, 2010	--
Add: June 30, 2010 Unexpended Preschool Education Aid	
2009-2010 Preschool Education Aid Carryover	--
2009-2010 Preschool Education Aid Carryover Budgeted for Preschool Programs in 2010-11	--

**Capital Projects Fund
Detail Statements**

The Capital Projects Fund is used to account for the acquisition, construction and/or renovation of major facilities and equipment purchase other than those financed by Proprietary Funds.

**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, 2010**

Revenues and Other Financing Sources:

State Aid - SDA Grant	\$511,200
Transfer from capital outlay	<u>766,800</u>
Total revenues and other financing sources	<u>1,278,000</u>

Expenditures and Other Financing (Uses):

Purchased professional services	91,858
Construction services	<u>1,060,610</u>
Total expenditures and other financing (uses)	<u>1,152,468</u>

Excess (deficiency) or revenues over (under) expenditures	125,532
-----------------------------------------------------------	---------

Fund Balance - July 1, 2009	<u> </u>
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Fund Balance - June 30, 2010	<u><u>\$125,532</u></u>
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LOWER TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Statement of Project Revenues, Expenditures, Project Balance,
and Project Status - Budgetary Basis
Sandman Elementary School - Roof Replacement
From Inception and for the Fiscal Year ended June 30, 2010

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources:				
State sources - SCC Grant		\$511,200	\$511,200	\$511,200
Transfer from capital outlay		766,800	766,800	766,800
Total revenues		1,278,000	1,278,000	1,278,000
Expenditures and Other Financing Uses:				
Purchased professional services		91,858	91,858	91,858
Construction services		1,060,610	1,060,610	1,060,610
		1,152,468	1,152,468	1,152,468
Excess (deficiency) or revenues over (under) expenditures	-	\$125,532	\$125,532	\$125,532
Additional project information:				
Project Number	#2840-050-09-0ZAB			
Grant Date	06/09/10			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$1,278,000			
Additional Authorized Cost	\$0			
Revised Authorized Cost	\$1,278,000			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completion	100.00%			
Original target completion date	09/30/09			
Revised target completion date	12/31/09			

Proprietary Funds Detail Statements

Proprietary 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 District's Board is that the costs of providing goods or services be financed through user fees.

Food Service Fund - This fund provides for the operation of food services in all schools within the school district.

Day Care Program - This fund provides for the operation of the day care program provided by the school district.

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Net Assets
as of June 30, 2010 and 2009

	<u>Food Service</u>	<u>Day Care Program</u>	<u>2010</u>	<u>2009</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$337,094	\$18,587	\$355,681	\$243,681
Accounts receivable:				
State	3,777		3,777	2,398
Federal	59,537		59,537	35,466
Other	25,925	5,522	31,447	10,235
Interfund				
Inventories	<u>12,046</u>		<u>12,046</u>	<u>13,735</u>
Total current assets	<u>438,379</u>	<u>24,109</u>	<u>462,488</u>	<u>305,515</u>
Fixed assets:				
Equipment	286,015		286,015	286,015
Less Accumulated depreciation	<u>(264,484)</u>		<u>(264,484)</u>	<u>(260,047)</u>
Total fixed assets	<u>21,531</u>		<u>21,531</u>	<u>25,968</u>
Total assets	<u>\$459,910</u>	<u>\$24,109</u>	<u>\$484,019</u>	<u>\$331,483</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	4,485		4,485	
Interfund payable	2,118		2,118	2,118
Prepaid Program Fees		743	743	2,999
Total current liabilities	<u>6,603</u>	<u>743</u>	<u>7,346</u>	<u>5,117</u>
Noncurrent liabilities:				
Compensated Absences	<u>51,010</u>		<u>51,010</u>	<u>42,871</u>
Total Noncurrent Liabilities	<u>51,010</u>		<u>51,010</u>	<u>42,871</u>
Total Liabilities	<u>57,613</u>	<u>743</u>	<u>58,356</u>	<u>47,988</u>
NET ASSETS:				
Invested in capital assets net of related debt	21,531		21,531	25,968
Unrestricted	<u>380,766</u>	<u>23,366</u>	<u>404,132</u>	<u>257,527</u>
Total net assets	<u>\$402,297</u>	<u>\$23,366</u>	<u>\$425,663</u>	<u>\$283,495</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
for the Fiscal Years ended June 30, 2010 and 2009

	Food Service	Day Care Program	2010	2009
OPERATING REVENUES:				
Local sources:				
Daily sales-reimbursable programs:				
School lunch program	\$173,483		\$173,483	\$194,660
Total-daily sales-reimbursable programs	173,483		173,483	194,660
Daily sales non-reimbursable programs:				
Adult and AlaCarte meals	159,410		159,410	191,151
Registration Fees		\$322,827	322,827	367,080
Other reimbursements	40,969		40,969	
Special Functions	32,290		32,290	23,014
Total operating revenue	406,152	322,827	728,979	775,905
OPERATING EXPENSES:				
Salaries	440,251	275,090	715,341	730,609
Employee benefits	204,314	28,653	232,967	218,804
Supplies and materials	33,637	15,264	48,901	30,789
Depreciation	4,437		4,437	5,126
Cost of sales	439,386		439,386	448,016
Professional Services	5,070		5,070	5,070
Purchased property services	19,138	1,170	20,308	12,181
Other	8,440	15,936	24,376	40,573
Total operating expenses	1,154,673	336,113	1,490,786	1,491,168
Operating income (loss)	(748,521)	(13,286)	(761,807)	(715,263)
Non-operating revenues:				
State sources:				
State school lunch program	17,703		17,703	17,476
School breakfast program	22,372		22,372	22,319
Federal sources:				
ARRA - National school lunch equipment	9,355		9,355	
National school lunch program	381,675		381,675	349,554
School breakfast program	242,224		242,224	223,654
Snack Program	12,751		12,751	8,263
U.S.D.A. commodities	46,323		46,323	56,969
Operating transfer in	170,000		170,000	169,702
Interest revenue	1,572		1,572	1,751
Total non-operating revenues	903,975		903,975	849,688
Change in net assets	155,454	(13,286)	142,168	134,425
Total net assets - July 1	246,843	36,652	283,495	149,070
Total net assets - June 30	\$402,297	\$23,366	\$425,663	\$283,495

LOWER TOWNSHIP SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Years ended June 30, 2010 and 2009

	Food Service	Day Care Program	2010	2009
Cash flows from operating activities:				
Cash receipts from customers	\$382,149	\$325,218	\$707,367	\$770,268
Cash payments to employees for services	(473,418)	(303,743)	(777,161)	(756,537)
Cash payments to suppliers for goods and services	(438,749)	(32,369)	(471,118)	(501,278)
Net cash used by operating activities	(530,018)	(10,894)	(540,912)	(487,547)
Cash flows from noncapital financing activities:				
Board subsidies				
Cash received from state and federal reimbursements	651,340		651,340	674,288
Net cash provided by noncapital financing activities	651,340		651,340	674,288
Cash flows from capital financing activities:				
Purchases of fixed assets				
Net cash used by capital financing activities				
Cash flows from investing activities:				
Interest on investments	1,572		1,572	1,751
Net cash provided by investing activities	1,572		1,572	1,751
Net increase (decrease) in cash and cash equivalents	122,894	(10,894)	112,000	188,492
Cash and cash equivalents, July 1	214,200	29,481	243,681	55,189
Cash and cash equivalents, June 30	\$337,094	\$18,587	\$355,681	\$243,681
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(\$748,521)	(\$13,286)	(\$761,807)	(\$715,263)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	4,437		4,437	5,126
Federal commodities	46,323		46,323	56,969
ARRA - National school lunch equipment	9,355			
Operating transfer in	170,000		170,000	169,702
Change in assets and liabilities:				
(Increase)/decrease in accounts receivable	(25,926)	4,648	(21,278)	(8,348)
(Increase)/decrease in inventory	1,689		1,689	(771)
Increase/(decrease) in accounts payable	4,486			
Increase/(decrease) in interfund payable, net				962
Increase/(decrease) in deferred revenue		(2,256)	(2,256)	2,712
Increase/(decrease) in compensated absences	8,139		8,139	1,364
Net cash used by operating activities	(530,018)	(10,894)	(554,753)	(487,547)

Fiduciary Funds Detail Statements

Fiduciary Funds are used to account for funds received by the district for a specific purpose.

Unemployment Compensation Insurance Fund - This fiduciary fund is used to pay unemployment compensation claims.

Agency Funds are used to account for assets held by the district as an agent for individuals, private organizations, or other governments and/or other funds.

Payroll Fund - This agency fund is used to account for the payroll transactions of the district.

Student Activity Fund - This agency fund is used to account for the funds held by the district to be used for student related projects.

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
 Combining Statement of Net Assets
 June 30, 2010
 (With comparative totals for June 30, 2009)

	<u>Agency Funds</u>		Unemployment Compensation Insurance Trust	Totals	
	<u>Student Activity</u>	<u>Payroll</u>		<u>2010</u>	<u>2009</u>
ASSETS:					
Cash and cash equivalents	\$4,796	\$42,714	\$134,024	\$181,534	\$129,451
Interfund receivable					
TOTAL ASSETS	<u>\$4,796</u>	<u>\$42,714</u>	<u>\$134,024</u>	<u>\$181,534</u>	<u>\$129,451</u>
LIABILITIES:					
Accounts payable			23,716	23,716	19,747
Interfund payable		42,714	31,231	73,945	50,363
Payroll deductions and withholdings					4,578
Due to student groups	4,796			4,796	8,401
Total liabilities	<u>4,796</u>	<u>42,714</u>	<u>54,947</u>	<u>102,457</u>	<u>83,089</u>
NET ASSETS:					
Restricted for:					
Unemployment claims			79,077	79,077	46,362
Total net assets	<u>---</u>	<u>---</u>	<u>\$79,077</u>	<u>\$79,077</u>	<u>\$46,362</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
 Comparative Statement of Changes in Fiduciary Net Assets
 for the Fiscal Years ended June 30, 2010 and 2009

	Unemployment Compensation Insurance Trust Fund	Totals 2010	Totals 2009
REVENUES:			
Local sources:			
Board Contributions	\$30,000	\$30,000	\$30,000
Other Contributions	47,660	47,660	47,076
Interest on Investments	678	678	1,262
Total Revenues	78,338	78,338	78,338
EXPENDITURES:			
Current Expense:			
Undistributed Expenditures:			
Unemployment payments	45,623	45,623	53,050
Total Expenditures	45,623	45,623	53,050
Change in net assets	32,715	32,715	25,288
Total net assets - July 1	46,362	46,362	21,074
Total net assets - June 30	\$79,077	\$79,077	\$46,362

LOWER TOWNSHIP SCHOOL DISTRICT
Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u> <u>June 30, 2010</u>	<u>Balance</u> <u>June 30, 2010</u>
Elementary Schools - All	\$8,401	\$4,325	\$7,930		\$4,796
Total	<u>\$8,401</u>	<u>\$4,325</u>	<u>\$7,930</u>	<u>-</u>	<u>\$4,796</u>

LOWER TOWNSHIP SCHOOL DISTRICT
Payroll Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
ASSETS:				
Cash and cash equivalents	\$23,709	\$19,018,189	\$18,999,184	\$42,714
Total assets	<u>\$23,709</u>	<u>\$19,018,189</u>	<u>\$18,999,184</u>	<u>\$42,714</u>
LIABILITIES:				
Payroll deductions and withholdings	\$4,578	\$7,606,563	\$7,611,141	
Interfund payable	19,131	23,583		\$42,714
Net payroll		<u>11,388,043</u>	<u>11,388,043</u>	
Total liabilities	<u>\$23,709</u>	<u>\$19,018,189</u>	<u>\$18,999,184</u>	<u>\$42,714</u>

Long-Term Debt Schedules

The Long-Term Debt Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

LOWER TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local sources:					
Local tax levy	\$472,801		\$472,801	\$472,801	
Miscellaneous revenue					
Total revenues - local sources	<u>472,801</u>		<u>472,801</u>	<u>472,801</u>	
State sources:					
Debt service aid type II	<u>218,491</u>		<u>218,491</u>	<u>218,491</u>	
Total revenues - state sources	<u>218,491</u>		<u>218,491</u>	<u>218,491</u>	
Total Revenues	<u>691,292</u>		<u>691,292</u>	<u>691,292</u>	
EXPENDITURES:					
Regular debt service:					
Interest on lease purchase agreement	36,386		36,386	36,386	
Principal on lease purchase agreement	<u>655,000</u>		<u>655,000</u>	<u>655,000</u>	
Total Expenditures	<u>691,386</u>		<u>691,386</u>	<u>691,386</u>	
Excess (Deficiency) of revenues over (under) expenditures	(94)		(94)	(94)	
Other financing sources (uses):					
Operating transfer in					
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(94)		(94)	(94)	
Fund Balances, July 1	<u>94</u>		<u>94</u>	<u>94</u>	
Fund Balances, June 30	<u>---</u>		<u>---</u>	<u>---</u>	
Recapitulation of Excess (Deficiency) or revenues over (under) expenditures					
Budgeted Fund Balance	<u>(\$94)</u>	<u>---</u>	<u>(\$94)</u>	<u>(\$94)</u>	<u>---</u>

LOWER TOWNSHIP SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Certificates of Participation
June 30, 2010

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Rate of Interest</u>	<u>Balance July 1, 2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2010</u>
			<u>Date</u>	<u>Amount</u>					
School District Improvements	11/1/00	\$4,155,000				\$655,000		\$655,000	
						<u>\$655,000</u>	<u>-</u>	<u>\$655,000</u>	<u>-</u>

Statistical Section

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

Exhibit J-1

Fiscal Year Ending June 30,

	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:								
Invested in capital assets, net of related debt	\$ 8,520,218	\$ 9,284,435	\$ 9,821,537	\$ 10,024,958	\$ 10,136,099	\$ 10,255,861	\$ 10,586,124	\$ 10,714,210
Restricted for:								
Capital projects	337,260	1	1	1	1	1	1	61,193
Special revenue			(80,053)	(82,562)	(82,562)	(101,812)	(34,033)	(34,765)
Debt service	127,236	(51,829)	(73,538)	(9,863)	(4,164)	(168)	(2,938)	-
Other purposes	755,262	1,559,035	2,036,696	2,199,342	2,645,302	2,704,163	3,561,030	2,417,242
Unrestricted	(106,066)	(66,071)	(855,991)	(847,139)	(781,005)	(1,513,921)	(2,083,868)	(2,218,265)
Total governmental activities net assets	\$ 9,633,910	\$ 10,725,571	\$ 10,848,652	\$ 11,284,737	\$ 11,913,671	\$ 11,344,124	\$ 12,026,316	\$ 10,939,615
Business-type activities:								
Invested in capital assets, net of related debt	\$ 38,555	\$ 33,734	\$ 39,981	\$ 44,389	\$ 36,220	\$ 31,094	\$ 25,968	\$ 21,531
Unrestricted	(13,042)	(57,245)	(39,009)	91,315	122,457	117,976	257,527	404,132
Total business-type activities net assets	\$ 25,513	\$ (23,511)	\$ 972	\$ 135,704	\$ 158,677	\$ 149,070	\$ 283,495	\$ 425,663
District-wide:								
Invested in capital assets, net of related debt	\$ 8,558,773	\$ 9,318,169	\$ 9,861,518	\$ 10,069,347	\$ 10,172,319	\$ 10,286,955	\$ 10,612,092	\$ 10,735,741
Restricted:								
Capital projects	337,260	1	1	1	1	1	1	61,193
Special revenue			(80,053)	(82,562)	(82,562)	(101,812)	(34,033)	(34,765)
Debt service		(51,829)	(73,538)	(9,863)	(4,164)	(168)	(2,938)	-
Other purposes	755,262	1,559,035	2,036,696	2,199,342	2,645,302	2,704,163	3,561,030	2,417,242
Unrestricted	(119,108)	(123,316)	(895,000)	(755,824)	(658,548)	(1,395,945)	(1,826,341)	(1,814,133)
Total district net assets	\$ 9,532,187	\$ 10,702,060	\$ 10,849,624	\$ 11,420,441	\$ 12,072,348	\$ 11,493,194	\$ 12,309,811	\$ 11,365,278

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

Exhibit J-2

Fiscal Year Ending June 30,

	2003	2004	2005	2006	2007	2008	2009	2010
Expenses:								
Governmental activities:								
Instruction:								
Regular	\$ 9,440,775	\$ 7,522,781	\$ 10,694,139	\$ 9,098,943	\$ 9,098,158	\$ 9,822,955	\$ 9,085,370	\$ 9,514,262
Special education	1,930,063	4,780,560	2,750,400	2,396,143	2,473,287	2,615,030	2,520,758	2,642,703
Other instruction	14,452	13,459	13,222	10,512	10,512	10,512	2,226	91,224
Support Services:								
Tuition	248,408	95,894	147,586	255,684	337,307	247,578	472,665	449,787
Student & instruction related services	3,742,766	4,060,671	3,777,740	3,053,827	2,777,703	2,842,790	2,911,069	3,071,712
School administrative services	952,719	989,412	897,529	668,873	726,108	794,739	848,452	883,487
General and business administrative services	1,060,382	905,606	959,448	770,082	796,065	779,555	807,776	808,646
Plant operations and maintenance	3,348,431	3,436,349	3,177,338	2,995,420	2,649,551	3,037,863	2,735,170	3,644,913
Pupil transportation	1,323,780	1,239,783	1,309,747	1,145,572	1,208,360	1,258,081	1,166,298	1,195,005
Unallocated employee benefits				5,149,668	6,641,039	7,028,477	6,123,656	6,726,801
Interest on long-term debt	282,012	235,911	213,147	120,992	129,131	105,601	67,956	33,353
Unallocated depreciation	86,585	88,919	24,245	24,729	24,302	24,651	21,728	23,122
Total governmental activities expenses	<u>22,430,373</u>	<u>23,347,345</u>	<u>23,964,541</u>	<u>25,690,445</u>	<u>26,871,523</u>	<u>28,667,832</u>	<u>26,763,124</u>	<u>29,085,015</u>
Business-type activities:								
After-school program	246,542	263,503	256,430	272,258	327,852	333,869	352,947	336,113
Food service	1,052,408	1,077,827	1,052,391	1,069,776	1,133,185	1,154,226	1,138,221	1,154,673
Total business-type activities expense	<u>1,298,950</u>	<u>1,341,330</u>	<u>1,308,821</u>	<u>1,342,034</u>	<u>1,461,037</u>	<u>1,488,095</u>	<u>1,491,168</u>	<u>1,490,786</u>
Total district expenses	<u>\$ 23,729,323</u>	<u>\$ 24,688,675</u>	<u>\$ 25,273,362</u>	<u>\$27,032,479.00</u>	<u>\$28,332,560.00</u>	<u>\$30,155,927.00</u>	<u>\$28,254,292.00</u>	<u>\$30,575,801.00</u>
Program Revenues:								
Governmental activities:								
Charges for services:								
Instruction (tuition)	\$ 12,831	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants and contributions	6,487,585	6,910,535	4,038,689	3,088,266	5,117,331	5,489,695	3,234,644	3,873,067
Total governmental activities program revenues	<u>6,500,416</u>	<u>6,910,535</u>	<u>4,038,689</u>	<u>3,088,266</u>	<u>5,117,331</u>	<u>5,489,695</u>	<u>3,234,644</u>	<u>3,873,067</u>

(Continued)

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

Fiscal Year Ending June 30,

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Business-type activities:								
Charges for services:								
After-school program	271,395	251,801	289,033	290,973	340,307	296,648	387,080	322,827
Food service	381,655	391,689	395,464	387,563	394,241	394,997	408,825	406,152
Operating grants and contributions	450,297	448,579	429,262	514,973	538,406	584,316	678,235	732,403
Capital grants and contributions								
Total business type activities program revenues	<u>1,103,347</u>	<u>1,092,069</u>	<u>1,094,759</u>	<u>1,193,509</u>	<u>1,272,954</u>	<u>1,275,961</u>	<u>1,454,140</u>	<u>1,461,382</u>
Total district program revenues	<u>\$ 7,603,763</u>	<u>\$ 8,002,604</u>	<u>\$ 5,133,448</u>	<u>\$ 4,281,775</u>	<u>\$ 6,390,285</u>	<u>\$ 6,765,656</u>	<u>\$ 4,688,784</u>	<u>\$ 5,334,449</u>
Net (Expense)/Revenue:								
Governmental activities	\$ (15,929,957)	\$ (16,436,810)	\$ (19,925,852)	\$ (22,602,179)	\$ (21,754,192)	\$ (23,178,137)	\$ (23,528,480)	\$ (25,211,948)
Business-type activities	(195,603)	(249,261)	(214,062)	(148,525)	(188,083)	(212,134)	(37,028)	(29,404)
Total district-wide net expense	<u>\$ (16,125,560)</u>	<u>\$ (16,686,071)</u>	<u>\$ (20,139,914)</u>	<u>\$ (22,750,704)</u>	<u>\$ (21,942,275)</u>	<u>\$ (23,390,271)</u>	<u>\$ (23,565,508)</u>	<u>\$ (25,241,352)</u>
General Revenues and Other Changes in Net Assets:								
Governmental activities:								
Property taxes levied for general purposes, net	\$ 11,989,447	\$ 12,755,123	\$ 11,631,420	\$ 12,907,390	\$ 13,606,146	\$ 13,364,508	\$ 13,899,088	\$ 13,899,088
Taxes levied for debt service			473,074	494,484	471,558	474,410	470,775	472,801
Unrestricted grants and contributions	4,596,468	4,987,253	7,953,699	9,568,438	8,133,435	8,628,209	9,883,607	9,777,601
Tuition	63,079	50,821		124,821	87,688	39,737	26,299	37,015
Investment earnings	100,542	34,175	65,606	146,934	183,368	127,189	67,208	25,595
Miscellaneous income	46,911	64,931	157,134	75,340	109,136	174,864	33,397	83,147
Loss on Disposal of Capital Assets	(47,281)	(163,832)						
Transfers	(230,000)	(200,000)	(232,000)	(279,143)	(208,205)	(200,327)	(169,702)	(170,000)
Total governmental activities	<u>16,519,166</u>	<u>17,528,471</u>	<u>20,048,933</u>	<u>23,038,264</u>	<u>22,383,126</u>	<u>22,608,590</u>	<u>24,210,672</u>	<u>24,125,247</u>
Business-type activities:								
Investment earnings	815	236	362	4,114	2,851	2,200	1,751	1,572
Miscellaneous income			6,183					
Loss on Disposal of Capital Assets		(2,904)						
Transfers	230,000	200,000	232,000	279,143	208,205	200,327	169,702	170,000
Total business-type activities	<u>230,815</u>	<u>197,332</u>	<u>238,545</u>	<u>283,257</u>	<u>211,056</u>	<u>202,527</u>	<u>171,453</u>	<u>171,572</u>
Total district-wide	<u>\$ 16,749,981</u>	<u>\$ 17,725,803</u>	<u>\$ 20,287,478</u>	<u>\$ 23,321,521</u>	<u>\$ 22,594,182</u>	<u>\$ 22,811,117</u>	<u>\$ 24,382,125</u>	<u>\$ 24,296,819</u>
Change in Net Assets:								
Governmental activities	\$ 589,209	\$ 1,091,661	\$ 123,081	\$ 436,085	\$ 628,934	\$ (569,547)	\$ 682,192	\$ (1,086,701)
Business-type activities	35,212	(51,929)	24,483	134,732	22,973	(9,607)	134,425	142,168
Total district-wide	<u>\$ 624,421</u>	<u>\$ 1,039,732</u>	<u>\$ 147,564</u>	<u>\$ 570,817</u>	<u>\$ 651,907</u>	<u>\$ (579,154)</u>	<u>\$ 816,617</u>	<u>\$ (944,533)</u>

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

Exhibit J-3

		Fiscal Year Ending June 30,							
		2003	2004	2005	2006	2007	2008	2009	2010
General Fund:									
Reserved for:									
Encumbrances		\$ 56,670	\$ 31,582	\$ 499,735	\$ 42,780	\$ 167,854	\$ 30,194	\$ 6,592	\$ 23,368
Maintenance reserve			400,000	400,000	700,000	1,000,000	1,292,246	1,292,246	1,292,246
Capital reserve		1	1	1	1	1	1	1	1
Excess surplus		698,592	1,127,453	482,941	973,621	503,827	681,254	514,138	323,150
Excess surplus - designated for subsequent years expenditures				439,432	482,941	973,621	503,827	681,254	514,138
Unreserved - designated for subsequent years expenditures							196,642	1,066,800	200,000
Unreserved		764,425	807,780	250,659	45,893	64,212	59,565	(470,872)	(476,683)
Total general fund		<u>\$ 1,519,688</u>	<u>\$ 2,366,816</u>	<u>\$ 2,072,768</u>	<u>\$ 2,245,236</u>	<u>\$ 2,709,515</u>	<u>\$ 2,763,729</u>	<u>\$ 3,090,159</u>	<u>\$ 1,876,220</u>
All Other Governmental Funds									
Reserved:									
Encumbrances									
Unreserved, reported in:									
Special revenue fund		\$ (85,882)	\$ (81,954)	\$ (80,053)	\$ (82,562)	\$ (82,562)	\$ (101,812)	\$ (34,033)	\$ (34,765)
Capital projects fund		337,259							125,532
Debt service fund		147,477	(19,888)	(19,455)	1,340	1,738	1,832	94	-
Total all other governmental funds		<u>\$ 398,854</u>	<u>\$ (101,842)</u>	<u>\$ (99,508)</u>	<u>\$ (81,222)</u>	<u>\$ (80,824)</u>	<u>\$ (99,980)</u>	<u>\$ (33,939)</u>	<u>\$ 90,767</u>

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

Exhibit J-4

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Tax levy	\$ 9,717,809	\$ 11,074,886	\$ 11,989,447	\$ 12,755,123	\$ 12,104,494	\$ 13,401,874	\$ 14,077,704	\$ 13,838,918	\$ 14,369,863	\$ 14,371,889
Tuition charges	7,862	18,807	63,079	50,821	62,398	124,821	87,688	39,737	26,299	37,015
Interest earnings	279,398	71,919			65,606	146,934	183,368	127,189	67,208	25,595
Miscellaneous	71,230	76,626	161,136	100,562	96,704	81,340	110,132	176,339	35,397	89,144
State sources	9,751,989	10,169,700	9,944,661	10,684,668	10,799,221	11,496,486	12,171,222	13,082,136	12,092,683	12,799,561
Federal sources	946,173	1,029,900	1,138,539	1,211,664	1,191,199	1,154,218	1,078,548	1,034,293	1,023,568	1,356,310
Total revenue	20,774,461	22,441,838	23,296,862	24,802,838	24,319,622	26,405,673	27,708,662	28,298,612	27,615,018	28,679,514
Expenditures										
Instruction										
Regular Instruction	7,195,667	7,525,844	7,796,130	5,762,128	8,232,672	8,751,768	8,805,744	8,749,568	8,741,665	9,319,145
Special education instruction	1,279,074	1,381,508	1,461,641	3,594,069	2,186,748	2,396,143	2,473,287	2,615,030	2,520,758	2,642,703
Other special instruction	11,481	4,557	10,932	10,237	10,512	10,512	10,512	10,512	2,226	91,224
Other instruction										
Support Services:										
Tuition	589,097	238,422	248,408	95,894	147,586	255,684	337,307	247,578	472,665	449,787
Student & instruction related services	2,789,253	3,181,465	3,071,027	3,259,806	3,003,551	3,053,827	2,777,703	2,942,790	2,911,069	3,071,712
School administrative services	714,407	734,912	875,007	737,666	675,042	619,415	677,504	745,437	807,776	837,244
General and business admin.services	678,882	707,546	731,007	749,349	762,863	770,082	796,065	779,555	804,996	808,646
Plant operations and maintenance	1,914,124	2,300,994	2,607,291	3,000,035	2,698,718	2,937,838	2,595,257	2,606,225	2,631,538	2,542,554
Pupil transportation	941,409	1,002,491	978,770	1,003,249	1,041,335	1,145,572	1,208,360	1,258,081	1,166,298	1,195,005
Other support services	3,086,758	3,158,125	3,772,861	4,467,404	4,696,391	5,149,668	6,641,039	7,028,477	6,123,656	6,726,801
Capital outlay	4,119,128	870,104	345,243	272,358	232,271	151,394	23,571	386,373	179,371	1,222,540
Debt service:										
Principal	995,000	760,000	790,000	1,080,000	500,000	530,000	555,000	590,000	620,000	655,000
Interest and other charges	282,725	296,037	261,772	224,210	191,647	163,873	134,431	103,601	70,827	36,386
Total expenditures	24,597,005	22,162,005	22,950,089	24,256,405	24,379,336	25,935,776	27,035,780	28,063,227	27,052,845	29,598,747
Excess (Deficiency) of revenues over (under) expenditures	(3,822,544)	279,833	346,773	546,433	(59,714)	469,897	672,882	235,385	562,173	(919,233)
Other Financing sources (uses)										
Proceeds from borrowing	4,155,000		-	-	-	-	-	-	-	-
Loss on sale of securities	-		(47,281)	-	-	-	-	-	-	-
Transfers in	-									766,800
Transfers out	(185,000)	(180,000)	(230,000)	(200,000)	(232,000)	(279,143)	(208,205)	(200,327)	(169,702)	(936,800)
Total other financing sources (uses)	3,970,000	(180,000)	(277,281)	(200,000)	(232,000)	(279,143)	(208,205)	(200,327)	(169,702)	(170,000)
Net change in fund balances	\$ 147,456	\$ 99,833	\$ 69,492	\$ 346,433	\$ (291,714)	\$ 190,754	\$ 464,677	\$ 35,058	\$ 392,471	\$ (1,089,233)
Debt service as a percentage of noncapital expenditures	6.24%	4.96%	4.65%	5.44%	2.86%	2.69%	2.55%	2.51%	2.57%	2.44%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

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

Exhibit J-5

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<u>Fiscal Year Ending June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Insurance Refunds</u>	<u>Refunds</u>	<u>Rentals</u>	<u>Contracted Services</u>	<u>Sale of Used Equipment</u>	<u>Miscellaneous</u>	<u>Total</u>
2001	\$ 72,502	\$ 7,862	\$ 466	\$ 23,630	\$ 16,400	\$ 6,500	\$ 455	\$ 22,055	\$ 149,870
2002	48,043	18,807			19,156	6,800	200	1,359	94,365
2003	43,168	63,079		24,818	19,800	12,831	725	1,568	165,989
2004	33,875	50,821		31,298	21,780			11,853	149,627
2005	65,285	62,398		38,334	23,960			32,331	222,308
2006	146,934	124,821		41,957	26,360			6,116	346,188
2007	183,368	87,688		79,523	28,200			1,015	379,794
2008	127,189	39,737		140,529	30,160			4,081	341,696
2009	67,208	26,299		290	32,260			847	126,904
2010	25,595	37,015		47,897	33,500			1,750	145,757
	<u>\$ 813,167</u>	<u>\$ 518,527</u>	<u>\$ 466</u>	<u>\$ 428,276</u>	<u>\$ 251,576</u>	<u>\$ 26,131</u>	<u>\$ 1,380</u>	<u>\$ 82,975</u>	<u>\$ 2,122,498</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.	Ofarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2001	\$ 38,431,200	\$ 1,207,006,600	\$ 4,206,000	\$ 866,700	\$ 131,836,400	\$ 1,124,800	\$ 6,069,200	\$ 1,389,530,900	\$ 6,223,406	\$ 1,395,754,306	\$ 95,822,300	\$ 0.746	\$ 1,529,595,831
2002	35,425,800	1,236,449,100	3,474,700	813,500	131,250,300	1,124,800	6,069,200	1,414,597,400	5,963,833	1,420,561,233	107,024,400	0.813	1,675,885,313
2003	35,040,300	1,266,401,200	3,400,100	753,900	130,424,000	1,124,800	6,069,200	1,443,203,500	5,349,591	1,448,553,091	107,642,800	0.654	1,905,719,623
2004	31,868,200	1,292,620,600	3,200,800	890,000	130,204,600	1,124,800	6,069,200	1,465,968,200	4,245,714	1,470,213,914	109,210,500	0.847	2,346,825,587
2005	30,765,500	1,320,048,900	3,564,400	946,700	131,287,900	1,124,800	6,069,200	1,493,797,400	3,535,783	1,497,333,183	110,162,100	0.652	2,913,105,728
2006	29,777,500	1,347,706,100	3,489,700	899,200	130,801,500		6,069,200	1,518,733,200	2,738,571	1,521,471,771	114,453,300	0.905	3,530,553,715
2007	139,126,300	4,221,414,400	10,553,100	1,188,000	310,577,500		13,262,500	4,896,123,800	6,437,653	4,702,681,453	324,196,400	0.297	4,114,474,564
2008	133,431,600	4,217,537,900	9,472,800	1,092,000	309,843,800		13,262,500	4,684,640,600	6,343,694	4,690,984,294	325,244,700	0.301	4,419,878,070
2009	135,540,800	4,236,664,100	5,612,800	951,900	309,691,200		14,165,900	4,702,826,500	6,790,522	4,709,617,022	319,776,100	0.306	4,503,993,506
2010	98,832,700	3,693,867,300	6,757,300	967,900	275,537,400		13,375,400	4,089,336,000	6,782,972	4,096,120,972	261,510,700	0.351	4,418,591,951

Source: Municipal Tax Assessor

Notes:

Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

a Taxable Value of Machinery, Improvements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100

**Lower Township School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**
(rate per \$100 of assessed value)

Exhibit J-7

Fiscal Year Ended June 30,	Lower Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Township of Lower	Regional School	Cape May County	
2001	\$ 0.710	\$ 0.036	\$ 0.746	\$ 0.775	\$ 0.475	\$ 0.444	\$ 2.440
2002	0.761	0.052	0.813	0.776	0.512	0.439	2.540
2003	0.803	0.051	0.854	0.776	0.541	0.439	2.610
2004	0.797	0.050	0.847	0.772	0.557	0.464	2.640
2005	0.791	0.061	0.852	0.799	0.599	0.480	2.730
2006	0.874	0.031	0.905	0.844	0.642	0.489	2.880
2007	0.287	0.010	0.297	0.324	0.229	0.170	1.020
2008	0.291	0.010	0.301	0.349	0.230	0.181	1.061
2009	0.296	0.010	0.306	0.366	0.247	0.193	1.112
2010	0.351	-	0.351	0.433	0.285	0.230	1.299

Source: Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

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

Exhibit J-8

67

Taxpayer	2009-2010		Taxpayer	2000-2001	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Diamond Beach	\$ 91,829,400	2.24%	New Jersey Bell	10,599,557	0.79%
Achristavest Pier 6600, LLC	9,700,000	0.24%	Michael Belansen	9,970,000	0.74%
Bayshore Mall 1A, LLC	8,795,000	0.21%	Cape May Mall	8,500,000	0.63%
Lake Laurie RV Resort, LLC	7,000,000	0.17%	Chas. & Margaret Masciarella	5,050,000	0.38%
Verizon - New Jersey	6,782,972	0.17%	North Cape Convalescent Center	4,927,000	0.37%
Seashore Campsites Inc.	6,500,000	0.16%	Victoria Health Corp.	4,700,000	0.35%
Channels Apartments	6,242,600	0.15%	Beer World, Inc.	3,755,500	0.28%
Victoria Health Corp.	6,203,800	0.15%	Snows/Doxsee, Inc.	3,591,000	0.27%
Jenio Corporation	5,942,400	0.15%	Channels Apartments	3,450,000	0.26%
Beachcomber Campground Inc.	5,932,800	0.14%	Cold Spring Fish & Supply Co., Inc.	2,762,500	0.21%
Total	\$ 154,928,972	3.78%		\$ 57,305,557	4.26%

Source: Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	\$ 9,367,175	\$ 9,367,175	100.00%	-
2002	10,396,347	10,396,347	100.00%	-
2003	11,532,166	11,532,166	100.00%	-
2004	12,372,285	12,372,285	100.00%	-
2005	12,429,809	12,429,809	100.00%	-
2006	12,753,184	12,753,184	100.00%	-
2007	13,739,789	13,739,789	100.00%	-
2008	13,958,311	13,958,311	100.00%	-
2009	14,104,390	14,104,390	100.00%	-
2010	14,371,889	14,371,889	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		
2001			\$ 6,972,542	\$ -	\$ -	\$ 6,972,542	0.88%	307
2002			5,959,359	-	-	5,959,359	0.74%	265
2003			4,965,537	-	-	4,965,537	0.61%	222
2004			3,675,303	-	-	3,675,303	0.44%	169
2005			3,042,702	-	-	3,042,702	0.36%	143
2006			2,475,581	-	-	2,475,581	0.28%	119
2007			1,876,327	-	-	1,876,327	0.21%	92
2008			1,275,000	-	-	1,275,000	0.14%	63
2009			655,000	-	-	655,000	c	32
2010			-	-	-	-	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		
2001	\$ -	\$ -	\$ -	0.00%	\$ -
2002	-	-	-	0.00%	-
2003	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2005	-	-	-	0.00%	-
2006	-	-	-	0.00%	-
2007	-	-	-	0.00%	-
2008	-	-	-	0.00%	-
2009	-	-	-	0.00%	-
2010	-	-	-	0.00%	-

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

a See Exhibit J-6 for property tax data.

b Population data can be found in Exhibit J-14.

**Lower Township School District
Ratios of Overlapping Governmental Activities Debt
As of December 31, 2009**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Township of Lower	\$ 19,839,119	100.000%	\$ 19,839,119
Cape May County General Obligation Debt	93,109,837	8.074%	7,517,781
Lower Cape May Regional School District Debt	10,315,000	57.772%	<u>5,959,139</u>
Subtotal, overlapping debt			33,316,039
Lower Township School District Direct Debt			<u> </u>
Total direct and overlapping debt			<u><u>\$ 33,316,039</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 2009

	Equalized valuation basis	
	2009	\$ 4,307,012,089
	2008	4,466,667,239
	2007	4,411,577,078
	[A]	<u>\$ 13,185,256,406</u>
Average equalized valuation of taxable property	[A/3]	\$ 4,395,085,469
Debt limit (2.5% of average equalized valuation)	[B]	109,877,137 ^a
Net bonded school debt	[C]	-
Legal debt margin	[B-C]	<u>\$ 109,877,137</u>

Fiscal Year

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 35,289,278	\$ 37,657,207	\$ 49,759,395	\$ 57,885,480	\$ 70,013,070	\$ 86,048,330	\$ 86,462,457	\$ 99,504,432	\$ 107,897,776	\$ 109,877,137
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 35,289,278</u>	<u>\$ 37,657,207</u>	<u>\$ 49,759,395</u>	<u>\$ 57,885,480</u>	<u>\$ 70,013,070</u>	<u>\$ 86,048,330</u>	<u>\$ 86,462,457</u>	<u>\$ 99,504,432</u>	<u>\$ 107,897,776</u>	<u>\$ 109,877,137</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

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

Exhibit J-14

<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>
2001	22,693	\$ 794,028,070	\$34,990	8.70%
2002	22,478	810,399,334	36,053	10.10%
2003	22,337	815,121,804	36,492	10.50%
2004	21,777	843,640,980	38,740	7.20%
2005	21,216	855,344,256	40,316	7.90%
2006	20,731	877,377,382	42,322	8.40%
2007	20,329	906,165,175	44,575	8.00%
2008	20,369	936,994,369	46,001	9.90%
2009	20,239	e	e	13.90%
2010	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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction										
Regular	129	128	125	121	116	116	116	112	112	112
Special education	26	25	26	26	26	26	26	30	30	30
Other special education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Nonpublic school programs	1	1	1	1	1	1	1	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services:										
Student & instruction related services	37	37	37	37	37	37	37	38	38	38
School administrative services	12	12	12	12	12	12	12	12	12	12
General and business administrative services	3	3	3	3	3	3	7	2	2	2
Plant operations and maintenance	20	20	20	20	20	20	16	26	26	25
Pupil transportation	20	20	20	20	20	20	20	20	20	20
Business and other support services	4	4	4	4	4	4	4	4	4	4
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	11	11	11	16	16	16	16	14	14	13
Child Care	2	2	2	2	2	2	2	2	2	2
Total	265	263	261	262	257	257	257	260	260	258

Source: District Personnel Records

**Lower Township School District
Operating Statistics,
Last Ten Fiscal Years**

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2001	2,030	\$ 19,200,152	\$ 9,458	9.60%	155	1:13	2,024	1,910	-0.88%	94.37%
2002	2,077	20,235,864	9,743	3.00%	153	1:14	2,058	1,948	1.68%	94.66%
2003	1,975	21,553,074	10,913	12.00%	151	1:13	1,977	1,866	-3.94%	94.39%
2004	1,940	22,679,837	11,691	7.13%	147	1:13	1,908	1,801	-3.49%	94.39%
2005	1,882	23,455,418	12,463	6.60%	142	1:13	1,900	1,789	-0.42%	94.16%
2006	1,934	25,090,509	12,973	4.09%	142	1:14	1,919	1,801	0.67%	93.85%
2007	1,905	26,322,778	13,818	6.51%	142	1:14	1,892	1,779	-1.40%	94.03%
2008	1,837	26,983,253	14,689	6.30%	142	1:13	1,827	1,732	-3.43%	94.80%
2009	1,874	26,182,647	13,972	4.88%	142	1:13	1,857	1,763	1.64%	94.94%
2010	1,897	27,684,821	14,594	4.88%	142	1:13	1,885	1,763	1.51%	93.53%

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 Nine Fiscal Years**

Exhibit J-18

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>District Building</u>									
<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
Capacity (students)	581	581	581	581	581	581	581	581	581
Enrollment	549	584	572	561	560	492	480	505	517
Maud Abrams (1966)									
Square Feet	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
Enrollment	597	553	538	503	470	486	488	477	467
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
Capacity (students)	305	395	395	395	395	395	395	395	395
Enrollment	289	364	392	404	382	421	425	417	442
106 Carl T Mitnick (1989)									
Square Feet	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
Enrollment	595	576	473	472	470	489	444	458	459
<u>Other</u>									
Central Administration (1938)									
Square Feet	3,469	3,469	3,469	3,469	3,469	3,469	3,469	3,469	3,469
Maintenance (1930)									
Square Feet	3,848	3,848	3,848	3,848	3,848	3,848	3,848	3,848	3,848
Transportation(1999)									
Square Feet	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880	2,880
Curriculum Trailer (1995)									
Square Feet	938	938	938	938	938	938	938	938	938
Special Programs Trailer (1986)									
Square Feet	684	684	684	684	684	684	684	684	684
Number of Schools at June 30, 2009									
Elementary = 4									
Middle School = 0									
Senior High School = 0									
Other = 5									

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the annual October district count.

Lower Township School District
 Schedule of Required Maintenance
 Last Ten Fiscal Years

Exhibit J-19

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-xxx

* School Facilities	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Sandman Consolidated School	\$ 105,784	\$ 105,920	\$ 193,364	\$ 111,712	\$ 140,485	\$ 294,797	\$ 113,129	\$ 111,112	\$ 106,353	\$ 115,268	\$ 1,397,924
Maud Abrams School	100,528	124,077	122,151	120,258	199,172	209,298	97,525	106,997	102,414	110,998	1,293,418
Carl T. Mitnick School	115,517	77,154	193,096	214,915	194,178	89,495	62,416	69,959	66,963	72,576	1,156,269
Memorial School	67,511	136,773	73,040	113,229	123,985	79,765	117,029	123,457	118,170	128,075	1,081,034
Other Facilities			37,216	73,808		65,574					176,598
Total School Facilities	\$ 389,340	\$ 443,924	\$ 618,867	\$ 633,922	\$ 657,820	\$ 738,929	\$ 390,099	\$ 411,525	\$ 393,900	\$ 426,917	\$ 5,105,243

**Lower Township School District
Insurance Schedule
June 30, 2010**

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	\$ 42,115,339	\$ 200,000	\$ 500
Boiler and Machinery	100,000,000		1,000
Crime coverage	500,000	200,000	500
General and automobile liability	10,000,000	150,000	
Workers' compensation	Statutory	250,000	
Educator's legal liability	10,000,000	100,000	
Public Employee Dishonesty	500,000	200,000	500
Pollution legal liability	3,000,000		25,000
Student accident (2)	1,000,000		
Surety Bonds (3)			
Treasurer	275,000		
Board Secretary	100,000		

- (1) Atlantic & Cape May Counties Joint Insurance Fund
- (2) Peoples Benefit Life Insurance Company
- (3) Selective Insurance Company

Source: District records

Single Audit Section

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

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

Compliance

We have audited the compliance of the Board of Education of the Township of Lower School District (School District), in the County of Cape May, State of New Jersey, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the *New Jersey State Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our 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; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of State, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we 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 we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Board of Education of the Township of Lower School District, in the County of Cape May, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

Management of the Township of Lower School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

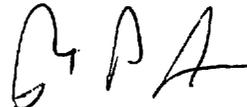
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

Our 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education of the Township of Lower School District, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Public School Accountant

Marlton, New Jersey
October 18, 2010

LOWER TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2009			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2010		
					Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
U.S. Department of Education														
General Fund:														
ARRA - Education Stabilization Funds	84.394	N/A	\$862,742	7/1/09 - 6/30/10					\$862,742	(\$862,742)				
ARRA - Governmental Services Fund	84.397	N/A	33,398	7/1/09 - 6/30/10					33,398	(33,398)				
Medical Assistance Program	93.778	N/A	110,506	7/1/09 - 6/30/10					100,433	(110,506)		(\$10,073)		
Total General Fund					---	---	---	---	996,573	(1,006,646)	---	(10,073)	---	
U.S. Department of Education														
Special Revenue Fund:														
No Child Left Behind(N.C.I.B.)														
Title I - Current Year	84.010A	NCLB-2840-10	308,055	9/1/09 - 8/31/10					\$243,272	(\$308,055)		(\$84,783)		
Title I - Prior Year	84.010A	NCLB-2840-09	349,083	9/1/08 - 8/31/09	(\$115,083)				115,083					
Title I - Carryover	84.010A	NCLB-2840-09	1,015	9/1/08 - 8/31/09		\$426				(426)				
Title I - ARRA	84.389	ARRA-2840-10	199,090	7/1/09 - 6/30/11					163,388	(199,090)		(35,704)		
Title II - Part A	84.367A	NCLB-2840-10	124,740	9/1/09 - 8/31/10					93,555	(124,740)		(31,185)		
Title II - Part A	84.367A	NCLB-2840-09	125,860	9/1/08 - 8/31/09	(35,241)				35,241					
Title II - Part D	84.318X	NCLB-2840-10	3,041	9/1/09 - 8/31/10						(3,041)		(3,041)		
Title II - Part D	84.318X	NCLB-2840-09	2,898	9/1/08 - 8/31/09	(2,898)				2,898					
Title III	84.365A	NCLB-2840-10	11,245	9/1/09 - 8/31/10					10,216	(11,245)		(1,029)		
Title III	84.365A	NCLB-2840-09	15,025	9/1/08 - 8/31/09	(8,155)				8,155					
Title IV	84.186A	NCLB-2840-10	5,905	9/1/09 - 8/31/10					4,937	(5,905)		(968)		
Title IV	84.186A	NCLB-2840-09	6,709	9/1/08 - 8/31/09	(1,100)				1,100					
Individuals With Disabilities Act (I.D.E.A.)														
Part B - Basic	84.027	FT-2840-10	477,583	9/1/09 - 8/31/10					429,824	(477,583)		(47,759)		
Part B - Basic	84.027	FT-2840-09	472,412	9/1/08 - 8/31/09	(47,241)				47,241					
ARRA - Part B - Basic	84.391	ARRA-2840-10	464,683	7/1/09 - 6/30/11					366,821	(464,683)		(97,862)		
Part B - Preschool	84.173	PS-2840-10	28,173	9/1/09 - 8/31/10					23,556	(26,173)		(2,617)		
Part B - Preschool	84.173	PS-2840-09	26,102	9/1/08 - 8/31/09	(2,610)				2,610					
ARRA - Part B - Preschool	84.392	ARRA-2840-10	16,712	7/1/09 - 6/30/11					6,094	(16,712)		(10,618)		
Total Special Revenue Fund					(212,328)	426	---	---	1,553,989	(1,637,653)	---	(295,666)	---	
U.S. Department of Agriculture														
Enterprise Fund:														
Food Distribution Program	10.550	N/A	46,323	9/1/09 - 6/30/10					46,323	(46,323)				
National School Lunch Program	10.555	N/A	381,675	9/1/09 - 6/30/10					345,169	(381,675)		(36,506)		
National School Lunch Program	10.555	N/A	349,554	9/1/08 - 6/30/09	(\$21,759)				21,759					
School Breakfast Program	10.553	N/A	242,224	9/1/09 - 6/30/10					219,393	(242,224)		(22,831)		
School Breakfast Program	10.553	N/A	223,854	9/1/08 - 6/30/09	(13,707)				13,707					
After School Snack Program	10.554	N/A	12,751	9/1/09 - 6/30/10					12,551	(12,751)		(200)		
After School Snack Program	10.554	N/A	8,263	9/1/08 - 6/30/09	(65)				65					
ARRA - Nat'l School Lunch Equipment	10.579	N/A	9,355	7/1/09 - 6/30/11					9,355	(9,355)				
Total Enterprise Fund					(35,531)	---	---	---	668,322	(692,328)	---	(59,537)	---	
Total Federal Awards					(\$247,859)	\$426	---	---	\$3,218,884	(\$3,336,627)	---	(\$385,176)	---	

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, 2010

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2009			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2010		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education													
General Fund:													
Equalization Aid	10-495-034-5120-078	\$4,938,877	7/1/09 - 6/30/10					\$3,594,010	(\$4,042,737)		(\$448,727)		
Equalization Aid	09-495-034-5120-078	4,144,412	7/1/08 - 6/30/09	(\$362,995)				362,995					
School Choice Aid	10-495-034-5120-068	550,260	7/1/09 - 6/30/10					489,183	(550,260)		(61,077)		
School Choice Aid	09-495-034-5120-068	556,625	7/1/08 - 6/30/09	(50,409)				50,409					
Transportation Aid	10-495-034-5120-014	729,349	7/1/09 - 6/30/10					648,394	(729,349)		(80,955)		
Transportation Aid	09-495-034-5120-014	616,970	7/1/08 - 6/30/09	(55,874)				55,874					
Special Education Categorical Aid	10-495-034-5120-089	822,314	7/1/09 - 6/30/10					731,041	(822,314)		(91,273)		
Special Education Categorical Aid	09-495-034-5120-089	779,896	7/1/08 - 6/30/09	(70,629)				70,629					
Security Aid	10-495-034-5120-084	405,761	7/1/09 - 6/30/10					360,723	(405,761)		(45,038)		
Security Aid	09-495-034-5120-084	379,780	7/1/08 - 6/30/09	(34,394)				34,394					
Adjustment Aid	10-495-034-5120-085	3,097,228	7/1/09 - 6/30/10					2,005,069	(2,255,410)		(250,341)		
Adjustment Aid	09-495-034-5120-085	4,066,106	7/1/08 - 6/30/09	(368,234)				368,234					
On Behalf TPAF NCGI	09-495-034-5095-007	39,666	7/1/09 - 6/30/10					39,666	(39,666)				
On Behalf TPAF Medical	09-495-034-5095-001	744,985	7/1/09 - 6/30/10					744,985	(744,985)				
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	877,343	7/1/09 - 6/30/10					790,053	(877,343)		(87,290)		
Reimbursed TPAF Social Security Contributions	09-495-034-5095-002	853,663	7/1/08 - 6/30/09	(42,457)				42,457					
Total General Fund				(984,992)	---	---	---	10,388,116	(10,467,825)	---	(1,064,701)	---	---
Special Revenue Fund:													
Preschool Education Aid	10-495-034-5120-086	347,652	7/1/09 - 6/30/10					312,887	(347,652)		(34,765)		
Preschool Education Aid	09-495-034-5120-086	340,330	7/1/08 - 6/30/09	(34,033)				34,033					
Early Childhood SE Study	10-100-034-5065-086	2,012	7/1/09 - 6/30/10						(2,012)		(2,012)		
Total Special Revenue Fund				(34,033)	---	---	---	346,920	(349,664)	---	(38,777)	---	---
New Jersey Schools Development Authority													
Capital Projects Fund													
Sandman Consolidated Elementary School	2840-050-09-1001	511,200	7/1/09 - 6/30/10						(511,200)		(511,200)		
Total Capital Projects Fund				---	---	---	---	---	(511,200)	---	(511,200)	---	---
State Department of Education													
Debt Service Fund:													
Debt Service Aid Type II	10-495-034-5120-017	218,491	7/1/09 - 6/30/10					218,491	(218,491)				
Total Capital Projects Fund				---	---	---	---	218,491	(218,491)	---	---	---	---
State Department of Agriculture													
Enterprise Fund:													
State School Lunch Program	10-100-010-3350-023	17,702	7/1/09 - 6/30/10					16,002	(17,703)		(1,701)		
State School Lunch Program	09-100-010-3350-023	17,476	7/1/08 - 6/30/09	(1,085)				1,085					
School Breakfast Program	10-100-010-3350-021	22,372	7/1/09 - 6/30/10					20,296	(22,372)		(2,076)		
School Breakfast Program	09-100-010-3350-021	22,319	7/1/08 - 6/30/09	(1,313)				1,313					
Total Enterprise Fund				(2,398)	---	---	---	38,696	(40,075)	---	(3,777)	---	---
Total State Financial Assistance				(\$1,021,423)	---	---	---	\$10,992,223	(\$11,587,255)	---	(\$1,616,455)	---	---

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, 2010**

I. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of the Board of Education, Township of Lower School District. The Board of Education is defined in Note 1 to the School Districts basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment 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 last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is (\$34,876) for the general fund and (\$732) for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Expenditures from awards and financial assistance revenues are reported in the School District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$1,006,646	\$10,432,949	\$11,439,595
Special Revenue Fund	1,637,653	348,932	1,986,585
Capital Projects Fund		511,200	511,200
Debt Service Fund		218,491	218,491
Food Service Fund	<u>692,328</u>	<u>40,075</u>	<u>732,403</u>
Total Awards & Financial Assistance	<u>\$3,336,627</u>	<u>\$11,551,647</u>	<u>\$14,888,274</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, 2010
(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, 2010. 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, 2010.

6. MAJOR PROGRAMS

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

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNQUALIFIED

Internal control over financial reporting:

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

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to general-purpose financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:

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

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 ? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.394</u>	<u>ARRA - Education Stabilization Funds</u>
<u>84.397</u>	<u>ARRA - Government Services Funds</u>
<u>84.027</u>	<u>I.D.E.A. - Part B - Basic</u>
<u>84.391</u>	<u>ARRA - I.D.E.A. - Part B Basic</u>
<u>84.010A</u>	<u>N.C.L.B. - Title I</u>
<u>84.389</u>	<u>ARRA - N.C.L.B. - Title I</u>
<u>84.173</u>	<u>I.D.E.A. - Preschool</u>
<u>84.392</u>	<u>ARRA - I.D.E.A. - Preschool</u>
<u>10.579</u>	<u>ARRA - National School Lunch Equipment</u>
<u>10.555</u>	<u>National School Lunch Program</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

No findings were identified.

**LOWER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

This section identifies audit findings required to be reported by section .510(a) Circular A-133 and NJOMB Circular Letter 04-04.

FEDERAL AWARDS

No findings and/or questioned costs were identified.

STATE AWARDS

No findings and/or questioned costs were 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 basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, OMB Circular A-133 and State of NJOMB's Circular 04-04.

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings.

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

There were no prior year audit findings.