

SCHOOL DISTRICT
OF
KNOWLTON TOWNSHIP

Knowlton Township School District
Board of Education
Knowlton, Warren County
New Jersey

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

Comprehensive Annual

Financial Report

of the

Knowlton Township School District

Board of Education

Knowlton, New Jersey

For the Fiscal Year Ending June 30, 2010

Prepared by

Knowlton Township School District

Board of Education

Finance Department

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Introductory Section

KNOWLTON TOWNSHIP
BOARD OF EDUCATION

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Delaware, New Jersey 07833
(908) 475-3544
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Sharon Mooney
Superintendent

Rachelle Tjalma
Business Administrator

The Honorable President and Members of
the Board of Education
Knowlton Township School District
County of Warren, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Knowlton Township School District (the "District") for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported 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 introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes Management's Discussion and Analysis basic financial statements and supplementary 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 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations", and the State Treasury Circular Letter NJOMB 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditors' reports on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Knowlton Township School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds and account groups of the District are included in this report. The Knowlton Township School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Preschool through 6 for the students residing in Knowlton Township. These include regular, vocational as well as

special education for handicapped youngsters. The District completed the 2009-2010 fiscal year with an enrollment of 282 students, which is a decrease of 8 students from the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2009-2010	282	(2.76%)
2008-2009	290	(5.23%)
2007-2008	306	(5.55%)
2006-2007	324	1.56%
2005-2006	319	(8.07%)
2004-2005	347	(1.97%)
2003-2004	354	(3.80%)
2002-2003	368	(0.54%)
2001-2002	370	1.09%
2000-2001	366	3.22%

2) ECONOMIC CONDITION AND OUTLOOK: Although Knowlton Township, with its large tracts of undeveloped (but developer owned) land must be considered a "sleeping giant", the Township has taken steps to control growth through zoning ordinances and "open space" regulations. Notwithstanding this fact, there is still a potential for a significant impact on school enrollment if even one large subdivision is approved. As of now, the rate of new housing starts can best be described as slow.

There has been no appreciable change in the growth of business/industry in Knowlton Township. Other than Truck Stops of America and McDonald's, there are few new "name" businesses.

3) MAJOR INITIATIVES: The District is continuing its five-year cycle of curriculum review and revision, cooperating with the other districts in our "cluster" in order to promote curriculum articulation.

The Strategic Management Plan has been revised and formerly approved by the Board of Education and will be in effect 2008-2015. Over 60 representatives from the Board, administration, faculty, parents, and community participated on various committees to develop goals and objectives designed to carry out the Plan and achieve the District's Mission. The Board of Education uses the plan to develop yearly goals and objectives in the areas of: Instructional Plan, Facilities, Safety, Technology, Community Involvement and Finance.

The District is committed to enhancing and improving the ever-changing technology needs by providing reliable technology in the classrooms and improving student access from any computer in the school, community or from home.

A plan to consider District transitions stemming from inevitable changes at Board, administration, and faculty levels is under review. It is important that the District's Mission Statement and Strategic Plan be broad enough to accommodate future changes, but detailed enough to keep the District on a course that has proven to be meaningful and effective over the years. A referendum was presented to the voters to replace the temporary classrooms with a permanent structure, but was defeated. The superintendents and Boards of Education within the cluster will continue to examine the pros and cons of K-12 regionalization as well as the facility needs in each district.

We continue to focus on expanding parental involvement in their children's education. Many activities and events are planned to keep parents informed and involved in all facets of the school program; efforts are also directed at bringing senior citizens into more frequent contact with the school.

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 recognizes 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's 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 and the special revenue 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 either canceled or are included as reappropriations of fund balance in the subsequent year. Those 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 GASB. The accounting system of the District is

organized on the basis of funds. These funds are explained in "Notes to Basic Financial Statements", Note 1.

7) DEBT ADMINISTRATION: As of June 30, 2010, the District's outstanding debt issues consisted of \$339,000 of general obligation bonds for the addition to the school.

8) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental 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.

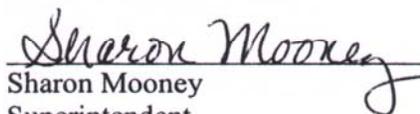
9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

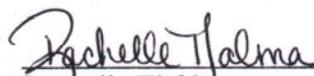
10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Co., LLP was selected by the Board. 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 1996 and the related Federal OMB Circular A-133 and State Treasury Circular Letter NJOMB 04-04. The 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 auditors' reports related specifically to the single audit are included in the single audit section of this report.

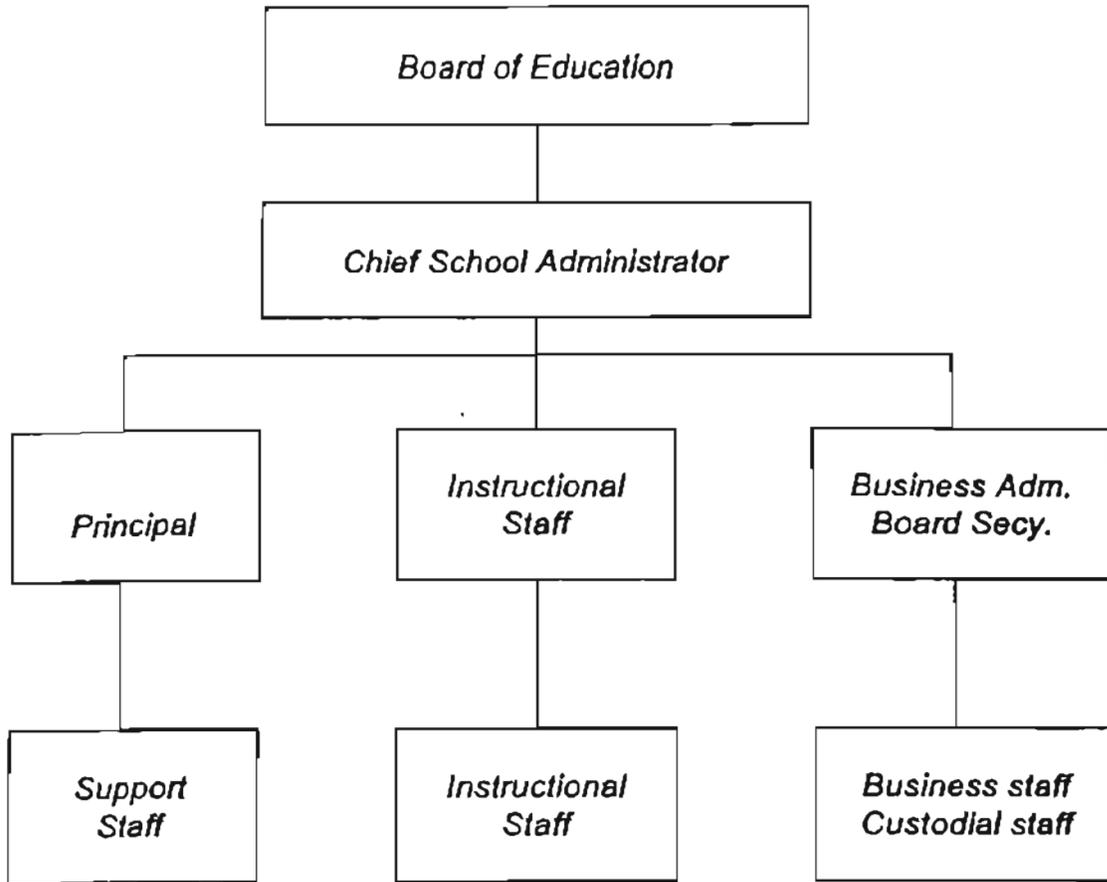
11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Knowlton Township School Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and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

Respectfully submitted,


Sharon Mooney
Superintendent


Rachelle Tjalma
School Business Administrator/Board Secretary

KNOWLTON TOWNSHIP SCHOOL BOARD OF EDUCATION
Organization Chart
(Unit Control)



**KNOWLTON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

JUNE 30, 2010

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Matt Moore, <i>President</i>	2011
Kevin Haycock, <i>Vice-President</i>	2012
Tammy Smith	2013
Bill Maxwell	2013
Dawn Sullivan	2012
Daniella Ferguson	2013
Laurie Burns	2012
Melissa Norwicke	201
Bethany Summers	2011

Other Officials

Sharon Mooney, *Superintendent*

Rachelle Tjalma, CPA, *School Business Administrator*

Melody McBride, *Board Secretary*

Randy Wilson, *Treasurer*

**KNOWLTON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

Architect

CAM Design Group
155 State Route 94
Blairstown, New Jersey 07825

Audit Firm

Ardito & Co., LLP
1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825

Attorney

Broschious, Fischer & Zaiter
111 West Washington Avenue, P.O. Box 230
Washington, New Jersey 07882

Official Depository

First Hope Bank
P.O. Box 296
Hope, New Jersey 07844

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

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Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA
Anthony F. Ardito, PA, RMA, PSA

UNQUALIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY SCHEDULE OF STATE AWARDS AND OTHER SUPPLEMENTARY INFORMATION-GOVERNMENTAL ENTITY

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Knowlton Township School District
County of Warren
Delaware, New Jersey 07833

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Knowlton Township School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Knowlton Township School District Board of Education'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 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 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, and each major fund, and the aggregate remaining fund information of the Knowlton Township School District Board of Education in the County of Warren, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2010, on our consideration of the Knowlton Township School District Board of Education's internal control over financial reporting and on 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 Management Discussion and Analysis and Budgetary Comparison Information on pages 7 through 7.8, and 37 through 48 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 principally 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 Knowlton Township School District Board of Education's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt 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 information 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.

The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Date: August 24, 2010



Licensed Public School Accountant No. 2369
ARDITO & CO., LLP

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The discussion and analysis of Knowlton Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- ◆ In total, net assets increased \$258,562, which represents an 11.9 percent increase from 2009.
- ◆ General revenues accounted for \$2,731,688 in revenue or 55.5 percent of all revenues. Program specific revenues in the form of charges for services, operating grants were \$2,187,736 or 44.5 percent of total revenues of \$4,919,424.
- ◆ Total assets of governmental activities increased by \$117,413 as cash and cash equivalents increased by \$44,584, receivables increased by \$59,340 and capital assets increased by \$14,412.
- ◆ The School District had \$4,660,862 in expenses; only \$2,187,736 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of \$2,731,688 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$4,439,024 in revenues and \$4,327,191 in expenditures. The General Fund's surplus balance increased \$111,833 over 2009, which compares favorably to a budgeted decrease of \$68,500.

Using this Generally Accepted Accounting Principals Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Knowlton Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Knowlton Township School District, the General Fund is by far the most significant fund.

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

	<u>2010</u>	<u>2009</u>
Table 1		
Net Assets		
Assets		
Current and Other Assets	\$ 479,057	\$ 376,056
Capital Assets	<u>2,485,420</u>	<u>2,471,008</u>
Total Assets	<u>2,964,477</u>	<u>2,847,064</u>
 Liabilities		
Long-Term Liabilities	323,579	474,949
Other Liabilities	<u>188,331</u>	<u>203,427</u>
Total Liabilities	<u>511,910</u>	<u>678,376</u>
 Net Assets		
Invested in Capital Assets, Net of Debt	2,146,420	1,962,008
Restricted	297,336	159,920
Unrestricted	<u>8,811</u>	<u>46,760</u>
Total Net Assets	<u>\$ 2,452,567</u>	<u>\$ 2,168,688</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Total assets increased \$117,413. Cash and cash equivalents increased by \$44,584, receivables increased by \$59,340 and capital assets increased by \$14,412. Unrestricted net assets, the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District decreased by \$37,949 due to additional surplus anticipated as revenue in the 2011 budget.

Table 2 shows the changes in net assets from fiscal year 2009.

Table 2
Changes in Net Assets

	<u>2010</u>	<u>2009</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 60,934	\$ 82,485
Operating Grants and Contributions	2,126,802	2,019,805
General Revenues:		
Property Taxes	2,714,645	2,613,339
State Aid	7,544	7,797
Other	9,499	24,320
Total Revenues	<u>4,919,424</u>	<u>4,747,746</u>
Program Expenses		
Instruction	2,657,047	2,513,729
Support Services:		
Tuition	126,068	144,705
Pupils and Instructional Staff	610,725	578,445
General Administration, School Administration, Business	565,765	638,674
Operations and Maintenance of Facilities	340,068	341,217
Pupil Transportation	263,046	276,269
Business-Type Activities	71,201	73,466
Interest and Fiscal Charges	26,942	39,079
Total Expenses	<u>4,660,862</u>	<u>4,605,584</u>
Increase in Net Assets	<u>\$ 258,562</u>	<u>\$ 142,162</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 55.2 percent of revenues for governmental activities for the Knowlton Township School District for the fiscal year 2010.

Instruction comprises 57.0 percent of district expenses. Support services expenses make up 40.9 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Instruction	\$ 2,657,047	\$ 1,178,141	\$ 2,513,729	\$ 1,103,811
Support Services:				
Tuition	126,068	126,068	144,705	144,705
Pupils and Instructional Staff	610,725	408,998	578,445	393,847
General Administration, School				
Administration, Business	565,765	282,235	638,674	357,343
Operation and Maintenance of Facilities	340,068	265,455	341,217	267,182
Pupil Transportation	263,046	252,360	276,269	265,667
Business-Type Activities	71,201	(1,888)	73,466	539
Interest and Fiscal Charges	<u>26,942</u>	<u>(38,243)</u>	<u>39,079</u>	<u>(29,800)</u>
Total Expenses	<u>\$ 4,660,862</u>	<u>\$ 2,473,126</u>	<u>\$ 4,605,584</u>	<u>\$ 2,503,294</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service and child care.

Interest and fiscal charges involve the transactions associated with payment of interest and other related charges to debt of the school district and unallocated depreciation.

The dependence upon tax revenues is apparent. Over 44.3 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 70.1 percent. The community, as a whole, is the primary support for the Knowlton Township School District.

The School District's Funds

Information about the School District's major funds starts on page 10 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,846,167 and expenditures of \$4,734,334. The net change in fund balance for the year was most significant in the General Fund, an increase of \$111,833, mainly due to budget efficiencies in benefits and plant maintenance.

General Fund Budgeting Highlights

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal 2010 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$4,137,837, \$29,355 under original budgeted estimates of \$4,166,411 due to the State of New Jersey's statewide withholding of state aid in the amount of \$44,175.

The General fund revenues and other financing sources of the School District exceeded expenditures by approximately \$116,573, again due budget efficiencies in benefits and plant maintenance.

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Capital Assets

At the end of the fiscal year 2010, the School District had \$2,471,008 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2009 balances compared to 2009.

**Table 4
Capital Assets (Net of Depreciation) at June 30,**

	<u>2010</u>	<u>2009</u>
Land	\$ 366	\$ 366
Buildings and Improvements	2,339,948	2,415,905
Machinery and Equipment	<u>145,106</u>	<u>80,054</u>
Totals	<u>\$ 2,485,420</u>	<u>\$ 2,496,325</u>

Overall capital assets decreased \$10,905 from fiscal year 2009 to fiscal year 2010. Increases in capital assets (primarily technology equipment) were offset by depreciation expenses for the year.

\$82,211 in major capital additions were purchased during fiscal year 2010.

Debt Administration

At June 30, 2010, the School District had \$493,579 as outstanding debt. Of this amount \$154,579 is for compensated absences and the balance of \$339,000 is for bonds for school construction.

At June 30, 2010, the School District's overall legal debt margin was \$10,172,951 and the unvoted debt margin was \$9,833,951.

For the Future

The Knowlton Township School District is in very good financial condition presently. Future finances will present challenges if the student community grows, state funding does not increase, and school districts are not allowed to retain reserves above a small threshold.

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The Knowlton Township School District's 2010-2011 school budget was passed in April 2010.

In conclusion, the Knowlton Township School District has committed itself to financial excellence for many years, and the School District's systems 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.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Rachelle Tjalma, School Business Administrator/Board Secretary at Knowlton Township School District, P.O. Box 152, Delaware, NJ, 07833, or via e-mail at tjalmar@knowltonschool.com.

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.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 263,836	\$ 17,381	\$ 281,217
Accounts Receivables	1,999		1,999
Receivables from Other Governments	105,290	1,828	107,118
Inventory		3,970	3,970
Restricted Assets:			
Capital Reserve Account - Cash	84,753		84,753
Capital Assets, Net (Note 6):	2,485,420		2,485,420
Total Assets	2,941,298	23,179	2,964,477
LIABILITIES			
Accounts Payable	8,194		8,194
Deferred Revenue		1,747	1,747
Accrued Interest	8,390		8,390
Noncurrent Liabilities (Note 7):			
Due Within One Year	170,000		170,000
Due Beyond One Year	323,579		323,579
Total Liabilities	510,163	1,747	511,910
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,146,420		2,146,420
Restricted for:			
Other Purposes	297,336		297,336
Unrestricted	(12,621)	21,432	8,811
Total Net Assets	\$ 2,431,135	\$ 21,432	\$ 2,452,567

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
Instruction:							
Regular	\$ 1,991,795	\$ 7,794	\$ 1,008,879		\$ (975,122)		\$ (975,122)
Special Education	528,557	2,705	304,959		(220,893)		(220,893)
Other Special Instruction	136,695	1,359	153,210		17,874		17,874
Support Services:							
Tuition	126,068				(126,068)		(126,068)
Student & Instruction Related Services	610,725	1,098	200,629		(408,998)		(408,998)
School Administrative Services	145,716	894	100,801		(44,021)		(44,021)
General and Business Admin. Services	420,049	1,599	180,236		(238,214)		(238,214)
Plant Operations and Maintenance	340,068	656	73,957		(265,455)		(265,455)
Pupil Transportation	263,046	95	10,591		(252,360)		(252,360)
Interest on Long-Term Debt	23,776		65,185		41,409		41,409
Unallocated Depreciation	3,166				(3,166)		(3,166)
Total Governmental Activities	4,589,661	16,200	2,098,447		(2,475,014)		(2,475,014)
Business-Type Activities:							
Food Service	71,201	44,734	28,355			\$ 1,888	1,888
Total Business-Type Activities	71,201	44,734	28,355			1,888	1,888
Total Primary Government	\$ 4,660,862	\$ 60,934	\$ 2,126,802		\$ (2,475,014)	\$ 1,888	\$ (2,473,126)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 2,581,846		\$ 2,581,846
Taxes Levied for Debt Service					132,799		132,799
Interest Income					7,544		7,544
Miscellaneous Income					9,331	\$ 168	9,499
Total General Revenues, Special Items, Extraor. Items and Transfers					2,731,520	168	2,731,688
Change in Net Assets					256,506	2,056	258,562
Net Assets—Beginning (As Restated)					2,174,629	19,376	2,194,005
Net Assets—Ending					\$ 2,431,135	\$ 21,432	\$ 2,452,567

The accompanying Notes to 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.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 348,589		\$ 348,589
Receivables, net	1,999		1,999
Interfund Receivable	61,104		61,104
Receivables from Other Governments	42,942	\$ 62,348	105,290
TOTAL ASSETS	<u>\$ 454,634</u>	<u>\$ 62,348</u>	<u>\$ 516,982</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 6,950	\$ 1,244	\$ 8,194
Interfund Payable		61,104	61,104
Total Liabilities	<u>6,950</u>	<u>62,348</u>	<u>69,298</u>
Fund Balances:			
Reserved for:			
Encumbrances	32,529		32,529
Capital Reserve Account	84,753		84,753
Excess Surplus	37,583		37,583
Excess Surplus-Designated for Subsequent Year's Expend.	7,448		7,448
Unreserved, Reported in:			
General Fund-Designated for Subsequent Year's Expend.	167,552		167,552
General Fund-Undesignated	117,819		117,819
Total Fund Balances	<u>447,684</u>	<u>-</u>	<u>447,684</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 454,634</u>	<u>\$ 62,348</u>	<u>\$ 516,982</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 \$4,535,841 and the accumulated depreciation is \$2,050,421. \$ 2,485,420

Accrued Interest on 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 (see Note 7) (8,390)

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 (see Note 7) (493,579)

Net assets of governmental activities \$ 2,431,135

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
Local Tax Levy	\$ 2,581,846		\$ 132,799	\$ 2,714,645
Tuition	16,200			16,200
Interest on Capital Reserve Funds	781			781
Miscellaneous	14,094	\$ 2,000		16,094
Total - Local Sources	2,612,921	2,000	132,799	2,747,720
State Sources	1,603,948	10,000	65,185	1,679,133
Federal Sources	222,155	197,159		419,314
Total Revenues	4,439,024	209,159	197,984	4,846,167
EXPENDITURES				
Current:				
Regular Instruction	1,390,465	102,827		1,493,292
Special Education Instruction	363,750			363,750
Other Special Instruction	61,382			61,382
Support services and undistributed costs:				
Tuition	126,068			126,068
Student and Instruction Related Services	456,936	76,819		533,755
School Administrative Services	94,861			94,861
Other Administrative Services	326,981			326,981
Plant Operations and Maintenance	303,527			303,527
Pupil Transportation	257,840			257,840
Unallocated Benefits	879,024			879,024
Transfer to Charter School	-			-
Debt Service:				
Principal			170,000	170,000
Interest and Other Charges			27,984	27,984
Capital Outlay	66,357	29,513		95,870
Total Expenditures	4,327,191	209,159	197,984	4,734,334
Excess (Deficiency) of Revenues Over Expenditures	111,833	-	-	111,833
Net Change in Fund Balances	111,833	-	-	111,833
Fund Balance—July 1	335,851			335,851
Fund Balance—June 30	\$ 447,684	-	-	\$ 447,684

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 111,833

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

Capital outlays are reported in governmental funds as expenditures. However, in 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 outlays exceeded depreciation in the period.

Depreciation Expense	\$ (93,116)	
Capital Outlays	<u>82,211</u>	(10,905)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 170,000

In the statement of activities, compensated absences and other non-current liabilities are accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned. (18,630)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 4,208

Change in Net Assets of Governmental Activities \$ 256,506

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS
 PROPRIETARY FUNDS

June 30, 2010

		Business-Type Activities- Enterprise Funds	
		Food	
		<u>Service</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 17,381	\$ 17,381
Accounts Receivable - Federal		1,720	1,720
Accounts Receivable - State		108	108
Inventories		3,970	3,970
Total Current Assets		<u>23,179</u>	<u>23,179</u>
Total Assets		<u>\$ 23,179</u>	<u>\$ 23,179</u>
LIABILITIES			
Current liabilities:			
Deferred Revenue		1,747	1,747
Total Current Liabilities		<u>1,747</u>	<u>1,747</u>
Total Liabilities		<u>\$ 1,747</u>	<u>\$ 1,747</u>
NET ASSETS			
Unrestricted		\$ 21,432	\$ 21,432
Total Net Assets		<u>\$ 21,432</u>	<u>\$ 21,432</u>

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities- Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 31,151	\$ 31,151
Daily Sales - Non-Reimbursable Programs	13,583	13,583
Miscellaneous	168	168
Total Operating Revenues	<u>44,902</u>	<u>44,902</u>
Operating Expenses:		
Cost of Sales	36,461	36,461
Salaries	20,787	20,787
Employee Benefits	4,603	4,603
Supplies	378	378
Other Purchased Professional Services	7,462	7,462
Miscellaneous	1,510	1,510
Total Operating Expenses	<u>71,201</u>	<u>71,201</u>
Operating Income (Loss)	<u>(26,299)</u>	<u>(26,299)</u>
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	1,252	1,252
Federal Sources:		
National School Lunch Program	20,114	20,114
Food Distribution Program	6,989	6,989
Total Nonoperating Revenues (Expenses)	<u>28,355</u>	<u>28,355</u>
Income (Loss) Before Contributions and Transfers	2,056	2,056
Transfers In (Out)	-	-
Change in Net Assets	<u>2,056</u>	<u>2,056</u>
Total Net Assets—Beginning	19,376	19,376
Total Net Assets—Ending	<u>\$ 21,432</u>	<u>\$ 21,432</u>

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2010

	Business-Type Activities- Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 45,036	\$ 45,036
Payments to Employees	(20,787)	(20,787)
Payments for Employee Benefits	(4,603)	(4,603)
Payments to Suppliers	(38,923)	(38,923)
Net Cash Provided by (used for) Operating Activities	(19,277)	(19,277)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	1,219	1,219
Federal Sources	19,395	19,395
Operating Subsidies and Transfers to Other Funds		
Net Cash Provided by (used for) Non-Capital Financing Activities	20,614	20,614
Net Increase (Decrease) in Cash and Cash Equivalents	1,337	1,337
Balances—Beginning of Year	16,044	16,044
Balances—End of Year	\$ 17,381	\$ 17,381
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (26,299)	\$ (26,299)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Federal Commodities	6,989	6,989
(Increase) Decrease in Accounts Receivable		
(Increase) Decrease in Inventories	33	33
Increase (Decrease) in Accounts Payable		
Total Adjustments	7,022	7,022
Net Cash Provided by (used for) Operating Activities	\$ (19,277)	\$ (19,277)

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2010

	Unemployment Compensation <u>Trust</u>	Agency <u>Fund</u>
ASSETS		
Cash and Cash Equivalents	<u>\$8,999</u>	<u>\$126,094</u>
Total Assets	<u>\$8,999</u>	<u>\$126,094</u>
LIABILITIES		
Payroll Deductions and Withholdings		\$104,295
Payable to Student Groups		<u>21,799</u>
Total Liabilities		<u>\$126,094</u>
NET ASSETS		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$8,999</u>	<u> </u>

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

For the Year Ended June 30, 2010

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Contributions:	
Plan Member	<u>\$4,411</u>
Total Contributions	<u>4,411</u>
Investment Earnings:	
Interest	<u>9</u>
Net Investment Earnings	<u>9</u>
Total Additions	<u>4,420</u>
DEDUCTIONS	
Unemployment Claims	<u>2,243</u>
Total Deductions	<u>2,243</u>
Change in Net Assets	2,177
Net Assets—Beginning of the Year	<u>6,822</u>
Net Assets—End of the Year	<u>\$8,999</u>

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

Notes to Financial Statements

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of the Knowlton Township School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, and Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2009.

A. Reporting Entity:

The Knowlton Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-6. The Knowlton Township School District had an approximate enrollment at June 30, 2010, of 282 students.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

The School District's basic financial statements consist of District-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.

Basis of Presentation

District-wide Statements: The statement of net assets and the statement of activities display information about the District as a whole. 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 activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net assets presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental

activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment 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. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—*governmental, proprietary, and fiduciary*—are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No.34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

GOVERNMENTAL FUNDS (Continued)

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

PROPRIETARY FUNDS

The District reports the following proprietary fund:

Enterprise (Food Service) Fund - The Enterprise Fund accounts for all revenues and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds - The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, Payroll Agency Fund and Unemployment Compensation Trust Fund.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

District-wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey 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 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 District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval 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, except for the special revenue funds. 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. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

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 generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment 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 grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting 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.

D. 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 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.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Interfund Transactions:

Transfers between governmental and business-type activities on the District-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 the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Capital Assets:

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50 Years
Building Improvements	20 Years
Furniture and Equipment	10-15 Years
Computer and Related Technology	8
Vehicles	8 Years

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Compensated Absences:

The 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.

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

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities and long-term obligations are reported on the District-wide 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, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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 borrowing 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. The School District's policy is to first 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 those 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 or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues—Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. 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 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. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest and tuition.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses:

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense, that could not be attributed to a specific function, is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2010, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2010, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents(A-1)</u>	<u>Cash and Cash Equivalents(B-7)</u>	<u>Total</u>
Checking Accounts	\$281,217	\$135,093	\$416,310
Checking Accounts-Capital Reserve	84,753		84,753
	<u>\$365,970</u>	<u>\$135,093</u>	<u>\$501,063</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2010, was \$501,063 and the bank balance was \$686,055. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$436,055 was covered by collateral pool.

NOTE 3: RECEIVABLES

Receivables at June 30, 2010, consisted of intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>Government-Wide Financial Statements</u>
State Aid	\$42,942	\$43,050
Federal Aid	62,348	64,068
Other-Election Expense	1,999	1,999
Gross Receivable	<u>107,289</u>	<u>109,117</u>
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	<u>\$107,289</u>	<u>\$109,117</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2010, consisted of the following:

Food	\$1,715
Supplies	<u>2,255</u>
	<u>\$3,970</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

NOTE 5: DEFERRED BOND ISSUANCE COSTS

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized straight-line over the life of the specific bonds (18 to 20 years). The costs associated with the issued of the various bonds are immaterial and are not amortized on the District-wide financial statements.

NOTE 6: CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 366			\$ 366
Total Capital Assets Not Being Depreciated	<u>366</u>			<u>366</u>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	52,400			52,400
Buildings and Building Improvements	4,091,670			4,091,670
Machinery and Equipment	309,194	\$ 82,211		391,405
Total at Historical Cost	<u>4,453,264</u>	<u>82,211</u>		<u>4,535,475</u>
Less Accumulated Depreciation for:				
Land Improvements	(51,090)	(1,310)		(52,400)
Building and Improvements	(1,677,075)	(74,647)		(1,751,722)
Equipment	(229,140)	(17,159)		(246,299)
Total Accumulated Depreciation	<u>(1,957,305)</u>	<u>(93,116)</u>		<u>(2,050,421)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>2,495,959</u>	<u>(10,905)</u>		<u>2,485,054</u>
Government Activity Capital Assets, Net	<u>\$ 2,496,325</u>	<u>\$ (10,905)</u>		<u>\$ 2,485,420</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6: CAPITAL ASSETS (Continued)

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 52,982
Special Education Instruction	14,899
Student/Instruction Related Services	16,109
General Administrative Services	4,470
School Administrative Services	1,304
Maintenance/Custodial	186
Unallocated	<u>3,166</u>
Total	<u>\$ 93,116</u>

NOTE 7: LONG-TERM OBLIGATIONS

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2010, are as follows:

	Balance			Balance	Amounts
	<u>7/1/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/10</u>	<u>Due Within</u>
					<u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$509,000		(\$170,000)	\$339,000	\$170,000
Other Liabilities:					
Compensated Absences Payable	135,949	\$18,630		154,579	
Total	<u>\$644,949</u>	<u>\$18,630</u>	<u>(\$170,000)</u>	<u>\$493,579</u>	<u>\$170,000</u>

Compensated absences and capital leases have ben liquidated in the General Fund.

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2010, is as follows at an interest rate of 6.6%:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 170,000	\$ 16,764	\$ 186,764
2012	<u>169,000</u>	<u>5,577</u>	<u>174,577</u>
	<u>\$ 339,000</u>	<u>\$ 22,341</u>	<u>\$ 361,341</u>

As of June 30, 2010, the District had no authorized but not issued bonds.

NOTE 8: OPERATING LEASES

The District had no leases in effect during fiscal year ended June 30, 2010.

NOTE 9: PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A.18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9: PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement

after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - Legislation enacted during the year ended June 30, 1997, (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9: PENSION PLANS (Continued)

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2010	\$23,049	100 %	-0-
6/30/2009	\$18,069	100	-0-
6/30/2008	\$13,302	100	-0-

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2010	-0-	100 %	-0-
6/30/2009	-0-	100	-0-
6/30/2008	-0-	100	-0-

During the fiscal year ended June 30, 2010, the State of New Jersey did contribute \$140,510 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$165,417 during the 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 been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

NOTE 10: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 the 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.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide any post-employment benefits other than pension.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11: DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits 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 plan administrators are as follows:

Equitable Life Assurance
Metropolitan Life
Siracusa Benefits Program

NOTE 12: COMPENSATED ABSENCES

The 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.

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

In the district-wide *Statement of Assets*, the liabilities whose average maturities are greater than one year should be reported in two components--the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2010, no liability existed for compensated absences in the proprietary fund types.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the *Benefit 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 previous two years:

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009-2010	\$9	\$4,411	\$2,243	\$8,999
2008-2009	\$9	\$5,103	\$2,234	\$6,822
2007-2008	\$4	\$4,027	\$2,177	\$2,090

NOTE 14: CONTINGENT LIABILITIES

GRANT PROGRAMS

The Board participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Board is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

LITIGATION

The Board is not involved in claims and lawsuits incidental to its operations.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15: FUND BALANCE APPROPRIATED

General Fund - Of the \$447,684 General Fund fund balance at June 30, 2010, \$32,529 is reserved for encumbrances; \$45,031 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$7,448 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2011); \$167,552 is reserved and has been appropriated and included as anticipated revenue for the year ended June 30, 2011; \$84,753 has been reserved in the Capital Reserve Account; and, \$117,819 is unreserved and undesignated.

NOTE 16: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Knowlton Township School District Board of Education by inclusion of \$1. on September 26, 2000, 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 district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A 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:23-2.13(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:

Beginning balance July 1, 2009	\$ 83,972
Interest earnings	781
Deposits	-0-
Withdrawals	-0-
Ending balance June 30, 2010	<u>\$ 84,753</u>

NOTE 17: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2010 is \$37,583.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 18: RETROACTIVE RESTATEMENT OF NET ASSETS

Restatement of Prior Period:

As an ongoing process of maintaining records in accordance with GASB#34, the district conducted a physical appraisal of capital assets as of June 30, 2010. The appraisal revealed minor asset activity that should be recorded as of June 30, 2009. Accordingly, a restatement of net assets as of June 30, 2009 was necessary.

<u>Governmental Activities Net Assets:</u>	
Net Assets (per A-1), June 30, 2009	\$2,149,312
Restatement of Capital Assets	<u>25,317</u>
Fund balance (per A-1), June 30, 2009, as Restated	<u><u>\$2,174,629</u></u>

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**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>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,581,846		\$ 2,581,846	\$ 2,581,846	
Tuition	25,000		25,000	16,200	\$ (8,800)
Interest Earned on Capital Reserve Funds	-	\$ 781	781	781	-
Miscellaneous	10,916		10,916	14,094	3,178
Total - Local Sources	<u>2,617,762</u>	<u>781</u>	<u>2,618,543</u>	<u>2,612,921</u>	<u>(5,622)</u>
State Sources:					
Equalization Aid	1,224,362	(222,155)	1,002,207	958,032	(44,175)
Transportation Aid	127,197		127,197	127,197	
Special Education Aid	145,710		145,710	145,710	
Security Aid	22,403		22,403	22,403	
Adjustment Aid	6,477		6,477	6,477	
Extra-ordinary Aid	22,500		22,500	41,467	18,967
Non- Public Transportation Aid				1,475	1,475
TPAF Pension (On-Behalf - Non-Budgeted)				140,510	140,510
TPAF Social Security (Reimbursed - Non-Budgeted)				165,417	165,417
Total State Sources	<u>1,548,649</u>	<u>(222,155)</u>	<u>1,326,494</u>	<u>1,608,688</u>	<u>282,194</u>
Federal Sources:					
ARRA-ESF		213,876	213,876	213,876	
ARRA-GSF		8,279	8,279	8,279	
Total Federal Sources		<u>222,155</u>	<u>222,155</u>	<u>222,155</u>	
TOTAL REVENUES	<u>4,166,411</u>	<u>781</u>	<u>4,167,192</u>	<u>4,443,764</u>	<u>276,572</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**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>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	6,124	9,308	15,432	15,382	50
Kindergarten - Salaries of Teachers	139,020	70	139,090	138,730	360
Grades 1-5 - Salaries of Teachers	1,052,435	(3,075)	1,049,360	1,045,511	3,849
Grades 6-8 - Salaries of Teachers	117,659		117,659	117,588	71
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	32,342	(6,612)	25,730	22,334	3,396
Purchased Professional-Educational Services	1,800	358	2,158	2,152	6
Other Purchased Services (400-500 series)	15,000	(187)	14,813	8,215	6,598
General Supplies	32,250	(229)	32,021	22,597	9,424
Textbooks	39,800		39,800	17,104	22,696
Other Objects	1,500		1,500	852	648
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,437,930	(367)	1,437,563	1,390,465	47,098
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	95,117	1,438	96,555	96,555	
General Supplies	800		800	697	103
Textbooks	500		500		500
Total Learning and/or Language Disabilities	96,417	1,438	97,855	97,252	603
Resource Room/Resource Center:					
Salaries of Teachers	166,189	696	166,885	166,818	67
General Supplies	1,200		1,200	758	442
Textbooks	600		600		600
Total Resource Room/Resource Center	167,989	696	168,685	167,576	1,109

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**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>	Variance Final to Actual Favorable/ (Unfavorable)
Special Education - Autism					
Salaries of Teachers	44,278	(428)	43,850	43,850	
Other Salaries for Instruction	18,000	4,583	22,583	21,850	733
General Supplies	2,400	4,323	6,723	6,720	3
Total Special Education - Autism	64,678	8,478	73,156	72,420	736
Preschool Disabilities - Part-Time					
Salaries of Teachers	25,264	(8,954)	16,310	16,073	237
Other Salaries for Instruction					
General Supplies	400	(122)	278		278
Total Preschool Disabilities - Part-time	25,664	(9,076)	16,588	16,073	515
Preschool Disabilities - Full-Time					
General Supplies		404	404	404	
Total Preschool Disabilities - Full-time		404	404	404	
Special Education - Home Instruction:					
Purchased Professional - Educational Services		13,305	13,305	10,025	3,280
Total Special Education - Home Instruction		13,305	13,305	10,025	3,280
TOTAL SPECIAL EDUCATION - INSTRUCTION	354,748	15,245	369,993	363,750	6,243
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	35,036		35,036	31,390	3,646
General Supplies	400		400	284	116
Textbooks	300		300		300
Total Basic Skills/Remedial - Instruction	35,736		35,736	31,674	4,062
School Sponsored Co/Extra Curricular Activities:					
Salaries of Teachers	18,000		18,000	13,409	4,591
Supplies and Materials	900	130	1,030	988	42
Total School Sponsored Cocurricular Activities	18,900	130	19,030	14,397	4,633
Other Instructional Programs:					
Purchased Services (300-500 series)	550		550	266	284
Salaries	19,700		19,700	12,383	7,317
Purchased Professional and Technical Services	3,000		3,000	2,432	568
Supplies and Materials	1,000		1,000	230	770
Total Other Instructional Programs	24,250		24,250	15,311	8,939
TOTAL INSTRUCTION	1,871,564	15,008	1,886,572	1,815,597	70,975

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**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>	Variance Final to Actual Favorable/ (Unfavorable)
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Special	52,000	(21,066)	30,934	22,793	8,141
Tuition to Private Schools for the Disabled-Within State	85,212	18,066	103,278	103,275	3
Total Instruction	137,212	(3,000)	134,212	126,068	8,144
Health Services:					
Salaries	75,258	630	75,888	75,785	103
Purchased Professional and Technical Services	800	(630)	170		170
Supplies and Materials	1,000		1,000	948	52
Other Objects	700		700	568	132
Total Health Services	77,758		77,758	77,301	457
Other Supp. Services Students-Related Services:					
Salaries	83,653	97	83,750	83,750	
Purchased Professional and Educational Services	56,620	(743)	55,877	36,795	19,082
Supplies and Materials	600	1,061	1,661	1,661	
Total Other Supp. Services Students-Related Services	140,873	415	141,288	122,206	19,082
Other Supp. Services Students-Extra. Services:					
Other Salaries for Instruction	36,000	(22,032)	13,968	11,600	2,368
Purchased Professional and Educational Services	32,200	21,624	53,824	53,824	
Supplies and Materials		408	408	408	
Total Other Supp. Services Students-Extra Services	68,200		68,200	65,832	2,368
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	13,376		13,376	13,262	114
Supplies and Materials	100		100		100
Total Other Supp. Services Students-Regular	13,476		13,476	13,262	214
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	81,415	(4,050)	77,365	76,017	1,348
Purchased Professional and Educational Services		4,050	4,050	4,050	
Other Purchased Professional - Technical Services	2,000		2,000	1,195	805
Misc. Purch. Serv.(400-500 series O/than Resid.Costs)	500		500	237	263
Supplies and Materials	1,150		1,150	558	592
Other Objects	100		100	100	
Total Other Supp. Services Students-Special	85,165		85,165	82,157	3,008

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**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>	Variance Final to Actual Favorable/ (Unfavorable)
Improvement of Instruction:					
Purchased Professional - Educational Services	6,000	(225)	5,775	5,579	196
Total Improvement of Instruction	<u>6,000</u>	<u>(225)</u>	<u>5,775</u>	<u>5,579</u>	<u>196</u>
Educational Media Services/School Library:					
Salaries	67,049	(134)	66,915	66,670	245
Purchased Professional and Technical Services	9,000	134	9,134	9,134	
Supplies and Materials	9,300	11,410	20,710	11,437	9,273
Other Objects	600		600	530	70
Total Educational Media Services/School Library	<u>85,949</u>	<u>11,410</u>	<u>97,359</u>	<u>87,771</u>	<u>9,588</u>
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	11,000	(950)	10,050	2,828	7,222
Total Instructional Staff Training Services	<u>11,000</u>	<u>(950)</u>	<u>10,050</u>	<u>2,828</u>	<u>7,222</u>
Supp. Services - General Administration:					
Salaries	156,120	880	157,000	157,000	
Legal Services	17,500	(525)	16,975	11,973	5,002
Audit Fees	12,800	352	13,152	13,152	
Other Purchased Professional Services	3,000	525	3,525	600	2,925
Communications/Telephone	63,292	(15,178)	48,114	29,075	19,039
BOE Other Purchased Services	3,500		3,500	979	2,521
Other Purchased Services (400-500 series)	22,978	4,785	27,763	25,867	1,896
General Supplies	3,000	(132)	2,868	1,764	1,104
BOE In-House Training/Meeting Supplies	500		500	249	251
Miscellaneous Expenditures	5,500	132	5,632	5,632	
BOE In-house Training/Meeting Supplies	4,000		4,000	3,058	942
Total Supp. Services - General Administration	<u>292,190</u>	<u>(9,161)</u>	<u>283,029</u>	<u>249,349</u>	<u>33,680</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**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>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	65,520	480	66,000	66,000	
Salaries of Secretarial and Clerical Assistants	29,229	(594)	28,635	28,545	90
Purchased Professional and Technical Services	1,250	(1,000)	250	250	
Supplies and Materials		1,555	1,555	27	1,528
Miscellaneous Expenditures		39	39	39	
Total Support Services - School Administration	95,999	480	96,479	94,861	1,618
Central Services:					
Salaries	83,720	(1,360)	82,360	72,800	9,560
Purchased Professional Services	3,110		3,110	3,110	
Other Purchased Services (400-500 series)	1,500	(53)	1,447	869	578
Supplies and Materials	500	53	553	553	
Miscellaneous Expenditures	1,050		1,050	300	750
Total Central Services	89,880	(1,360)	88,520	77,632	10,888
Required Maintenance for School Facilities:					
Salaries	55,800	864	56,664	56,411	253
Cleaning, Repair and Maintenance Services	21,766	11,046	32,812	24,413	8,399
General Supplies	9,950		9,950	3,524	6,426
Total Required Maintenance for School Facilities	87,516	11,910	99,426	84,348	15,078
Other Operations and Maintenance of Plant:					
Salaries	71,250	(864)	70,386	67,836	2,550
Purchased Professional and Technical Services	7,700	528	8,228	8,228	
Cleaning, Repair and Maintenance Services	9,025	600	9,625	9,505	120
Other Purchased Property Services	300		300		300
Insurance	27,489	(3,314)	24,175	18,784	5,391
Miscellaneous Purchased Services	100		100	82	18
General Supplies	9,850		9,850	5,104	4,746
Energy (Electricity)	90,000	(8,187)	81,813	73,925	7,888
Energy (Oil)	52,500	(1,128)	51,372	35,715	15,657
Total Other Operations and Maintenance of Plant	268,214	(12,365)	255,849	219,179	36,670

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**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>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch) - Regular	18,346		18,346	18,165	181
Salaries for Pupil Trans (Bet Home & Sch) - Sp. Ed.	12,910	(1,827)	11,083	7,188	3,895
Cleaning, Repair and Maintenance Services	1,500		1,500	794	706
Contracted Services-Aid in Lieu Payments-Nonpublic Sch.	8,275		8,275	4,420	3,855
Contracted Services (Between Home and School)-Vendors	200,499	(20,000)	180,499	179,595	904
Contract.Serv.(Other than Bet. Home and School)-Vendors	7,000		7,000	5,381	1,619
Contracted Services (Between Home and School)-Joint Agrmts.	14,220		14,220	14,025	195
Contracted Services (Special Ed. Students)-Vendors	27,090	641	27,731	26,907	824
Supplies and Materials	3,500	(641)	2,859	1,135	1,724
Other Objects	500		500	230	270
Total Student Transportation Services	293,840	(21,827)	272,013	257,840	14,173
UNALLOCATED BENEFITS					
Social Security Contributions	37,000		37,000	35,701	1,299
Other Retirement Contributions-Regular	24,650		24,650	23,049	1,601
Unemployment Compensation	10,000		10,000		10,000
Workmen's Compensation	25,425	3,739	29,164	29,164	
Health Benefits	464,750	10,970	475,720	462,544	13,176
Tuition Reimbursement	10,000	418	10,418	10,418	
Other Employee Benefits	18,250		18,250	12,221	6,029
TOTAL UNALLOCATED BENEFITS	590,075	15,127	605,202	573,097	32,105

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**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>	Variance Final to Actual Favorable/ (Unfavorable)
On-behalf TPAF pension Contrib. (non-budgeted)				140,510	(140,510)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				165,417	(165,417)
TOTAL ON-BEHALF CONTRIBUTIONS				305,927	(305,927)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	590,075	15,127	605,202	879,024	(273,822)
TOTAL UNDISTRIBUTED EXPENDITURES	2,343,347	(9,546)	2,333,801	2,445,237	(111,436)
TOTAL GENERAL CURRENT EXPENSE	4,214,911	5,462	4,220,373	4,260,834	(40,461)
Equipment					
Undistributed Expenditures-Instruction		66,357	66,357	66,357	
Total Equipment		66,357	66,357	66,357	
TOTAL CAPITAL OUTLAY		66,357	66,357	66,357	
Transfer of Funds to Charter Schools	20,000		20,000		20,000
TOTAL EXPENDITURES	4,234,911	71,819	4,306,730	4,327,191	(20,461)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)					
	(68,500)	(71,038)	(139,538)	116,573	256,111
Fund Balance, July 1	483,734		483,734	483,734	
Fund Balance, June 30	\$ 415,234	\$ (71,038)	\$ 344,196	\$ 600,307	\$ 256,111

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**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>	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Capital Reserve				\$ 84,753	
Reserve for Encumbrances				32,529	
Excess Surplus				37,583	
Excess Surplus - Designated for Subsequent Year's Expenditures				7,448	
Designated for Subsequent Year's Expenditures				167,552	
Unrestricted Fund Balance				<u>270,442</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				600,307	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(152,623)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 447,684</u>	

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1b

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND-ARRA
 Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
ARRA-ESF		\$ 213,876	\$ 213,876	\$ 213,876	
ARRA-GSF		8,279	8,279	8,279	
Total Federal Sources		222,155	222,155	222,155	
TOTAL REVENUES		\$ 222,155	\$ 222,155	\$ 222,155	
EXPENDITURES:					
Current Expense:					
ARRA:					
ARRA - ESF - Salaries of Teachers Grades 1-5		\$ 213,876	\$ 213,876	\$ 213,876	
ARRA - GSF - Salaries of Teachers Grades 1-5		8,279	8,279	8,279	
Total ARRA		222,155	222,155	222,155	
TOTAL EXPENDITURES		\$ 222,155	\$ 222,155	\$ 222,155	
Excess (Deficiency) of Revenues Over (Under) Expenditures					

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources		\$ 2,000	\$ 2,000	\$ 2,000	
State Sources		10,000	10,000	10,000	
Federal Sources	\$ 91,675	105,484	197,159	197,159	-
Total Revenues	91,675	117,484	209,159	209,159	-
EXPENDITURES:					
Instruction					
Salaries of Teachers	18,500	6,014	24,514	24,514	
Other Salaries for Instruction	32,500	3,800	36,300	36,300	
Tuition		33,881	33,881	33,881	
Supplies and Materials	1,400	6,732	8,132	8,132	
Total Instruction	52,400	50,427	102,827	102,827	
Support Services					
Personal Services - Employee Benefits	4,625	(1,467)	3,158	3,158	
Purchased Professional - Educational Services	32,000	28,084	60,084	60,084	
Other Purchased Professional Services	1,000	4,485	5,485	5,485	
Other Purchased Services	1,650	6,442	8,092	8,092	
Total Support Services	39,275	37,544	76,819	76,819	
Capital Outlay:					
Communications/Technology		29,513	29,513	29,513	
Total Capital Outlay	-	29,513	29,513	29,513	
Total Expenditures	91,675	117,484	209,159	209,159	
Total Outflows	91,675	117,484	209,159	209,159	
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)					None
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis					None
Fund Balance per Governmental Funds(GAAP Basis)					None

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-3

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2010

**Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures**

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 4,443,764	\$ 209,159
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year	N/A	N/A
Current Year	N/A	N/A
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	147,883	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(152,623)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 4,439,024</u>	<u>\$ 209,159</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 4,327,191	\$ 209,159
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year	N/A	N/A
Current Year	N/A	N/A
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 4,327,191</u>	<u>\$ 209,159</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2010

	Title I	ARRA Title I	Title II Part A	Title II Part D	Title IV	IDEA Basic	IDEA Preschool	ARRA IDEA Basic	ARRA IDEA Preschool	REAP	NJDCA SAGE	Totals
REVENUES												
Local Sources											\$ 2,000	\$ 2,000
State Sources											10,000	10,000
Federal Sources	\$ 17,722	\$ 4,945	\$ 12,170	\$ 167	\$ 598	\$ 61,584	\$ 6,343	\$ 61,881	\$ 2,236	\$ 29,513		197,159
TOTAL REVENUES	17,722	4,945	12,170	167	598	61,584	6,343	61,881	2,236	29,513	12,000	209,159
EXPENDITURES:												
Instruction:												
Salaries of Teachers	14,180		7,434								2,900	24,514
Other Salaries for Instruction						28,500	6,000				1,800	36,300
Tuition								33,881				33,881
Supplies and Materials		2,000			598	1,000	343		2,236		1,955	8,132
Total Instruction	14,180	2,000	7,434	-	598	29,500	6,343	33,881	2,236	-	6,655	102,827
Support Services:												
Personal Services - Employee Bene.	2,072		1,086									3,158
Purchased Profess.-Educ. Serv.						32,084		28,000				60,084
Other Purchased Professional Serv.	584	2,698	608								1,595	5,485
Other Purchased Serv.	886	247	3,042	167							3,750	8,092
Total Support Services	3,542	2,945	4,736	167	-	32,084	-	28,000	-	-	5,345	76,819
Facilities Acq. and Const. Services:												
Communications/Technology										29,513		29,513
Total Facilities Acq. and Const. Serv.										29,513		29,513
TOTAL EXPENDITURES	17,722	4,945	12,170	167	598	61,584	6,343	61,881	2,236	29,513	12,000	209,159
Total Outflows	\$ 17,722	\$ 4,945	\$ 12,170	\$ 167	\$ 598	\$ 61,584	\$ 6,343	\$ 61,881	\$ 2,236	\$ 29,513	\$ 12,000	\$ 209,159
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)												

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

N/A

<p style="text-align: center;">PROPRIETARY FUND DETAIL STATEMENTS</p>
--

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 charges.

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

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.

<p style="text-align: center;">FIDUCIARY FUND DETAIL STATEMENTS</p>
--

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

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

Student Activity Fund - This agency fund is used to account for student funds held at the schools.

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

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010**

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	AGENCY FUNDS STUDENT ACTIVITY	PAYROLL AGENCY	TOTALS
ASSETS:				
Cash and Cash Equivalents	\$8,999	\$21,799	\$104,295	\$135,093
TOTAL ASSETS	<u>\$8,999</u>	<u>\$21,799</u>	<u>\$104,295</u>	<u>\$135,093</u>
LIABILITIES:				
Liabilities:				
Payroll Deductions and Withholdings			\$104,295	\$104,295
Payable to Student Groups		\$21,799		21,799
Total Liabilities		<u>21,799</u>	<u>104,295</u>	<u>126,094</u>
NET ASSETS				
Held in Trust for Unemployment Claims and Other Purposes	\$8,999			8,999
TOTAL LIABILITIES AND NET ASSETS	<u>\$8,999</u>	<u>\$21,799</u>	<u>\$104,295</u>	<u>\$135,093</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010**

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	<u>\$4,411</u>	<u>\$4,411</u>
Total Contributions	<u>4,411</u>	<u>4,411</u>
Investment Earnings:		
Interest	<u>9</u>	<u>9</u>
Net Investment Earnings	<u>9</u>	<u>9</u>
Total Additions	<u>4,420</u>	<u>4,420</u>
DEDUCTIONS		
Unemployment Claims	<u>2,243</u>	<u>2,243</u>
Total Deductions	<u>2,243</u>	<u>2,243</u>
Change in Net Assets	2,177	2,177
Net Assets—Beginning of the Year	<u>6,822</u>	<u>6,822</u>
Net Assets—End of the Year	<u>\$8,999</u>	<u>\$8,999</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>ACTIVITY</u>	<u>BALANCE July 1, 2009</u>	<u>Transfers</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE June 30, 2010</u>
Field Trips	\$ -	\$ 5,346	\$ 6,655	\$ 12,001	-
Fund Raiser	18,955	(5,346)	8,885	5,612	\$ 16,882
Ski Club	255		5,309	5,627	(63)
Band	(899)		4,605	4,467	(761)
Other	3,621		13,594	11,474	5,741
	\$ 21,932	-	\$ 39,048	\$ 39,181	\$ 21,799

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>BALANCE</u> July 1, 2009	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> June 30, 2010
ASSETS:				
Cash and Cash Equivalents	\$ 82,769	\$ 3,097,404	\$ 3,075,878	\$ 104,295
Total Assets	<u>\$ 82,769</u>	<u>\$ 3,097,404</u>	<u>\$ 3,075,878</u>	<u>\$ 104,295</u>
LIABILITIES:				
Salaries & Wages		\$ 1,583,435	\$ 1,583,435	
Summer Pay	\$ 78,116	80,899	78,116	\$ 80,899
Payroll Deductions and Withholdings	4,653	1,433,070	1,414,327	23,396
Total Liabilities	<u>\$ 82,769</u>	<u>\$ 3,097,404</u>	<u>\$ 3,075,878</u>	<u>\$ 104,295</u>

LONG-TERM DEBT SCHEDULES

The Long-Term 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.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2010**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE July 1, 2009</u>	<u>RETIRED</u>	<u>BALANCE June 30, 2010</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Addition to School	8/15/1991	\$ 2,999,000	8/15/2010	\$ 170,000	6.60%			
			8/15/2011	169,000	6.60%			
						\$ 509,000	\$ 170,000	\$ 339,000
Total						\$ 509,000	\$ 170,000	\$ 339,000

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 132,799		\$ 132,799	\$ 132,799	
State Sources:					
Debt Service Aid Type II	65,185		65,185	65,185	
Total - State Sources	65,185		65,185	65,185	
TOTAL REVENUES	197,984		197,984	197,984	
EXPENDITURES:					
Regular Debt Service:					
Interest	27,984		27,984	27,984	
Redemption of Principal	170,000		170,000	170,000	
Total Regular Debt Service	197,984		197,984	197,984	
TOTAL EXPENDITURES	197,984		197,984	197,984	
Fund Balance, July 1					
Fund Balance, June 30					
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance					

Knowlton Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	56-61
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	62-65
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	66-69
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	70-71
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	72-76

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.

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

Exhibit J-1

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
	N/A							
Governmental activities								
Invested in capital assets, net of related debt		\$ 1,413,257	\$ 1,512,061	\$ 1,566,603	\$ 1,676,414	\$ 1,880,991	\$ 1,962,008	\$ 2,146,420
Restricted		108,745	104,966	201,651	148,823	151,472	159,920	297,336
Unrestricted		(7,643)	(71,542)	(71,769)	20,361	(23,270)	27,384	(12,621)
Total governmental activities net assets	-	\$ 1,514,359	\$ 1,545,485	\$ 1,696,485	\$ 1,845,598	\$ 2,009,193	\$ 2,149,312	\$ 2,431,135
Business-type activities								
Invested in capital assets, net of related debt								
Restricted		-	-	-	-	-	-	
Unrestricted		\$ 12,563	\$ 18,336	\$ 16,903	\$ 16,132	\$ 17,333	\$ 19,376	\$ 21,432
Total business-type activities net assets	-	\$ 12,563	\$ 18,336	\$ 16,903	\$ 16,132	\$ 17,333	\$ 19,376	\$ 21,432
District-wide								
Invested in capital assets, net of related debt		\$ 1,413,257	\$ 1,512,061	\$ 1,566,603	\$ 1,676,414	\$ 1,880,991	\$ 1,962,008	\$ 2,146,420
Restricted		108,745	104,966	201,651	148,823	151,472	159,920	297,336
Unrestricted		4,920	(53,206)	(54,866)	36,493	(5,937)	46,760	8,811
Total district net assets	-	\$ 1,526,922	\$ 1,563,821	\$ 1,713,388	\$ 1,861,730	\$ 2,026,526	\$ 2,168,688	\$ 2,452,567

Source: CAFR Schedule A-1

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

Exhibit J-2

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses	N/A							
Governmental activities								
Instruction								
Regular		\$ 1,642,587	\$ 1,813,043	\$ 1,873,838	\$ 1,866,778	\$ 1,963,512	\$ 1,849,945	\$ 1,991,795
Special education		431,033	466,872	507,545	539,391	487,558	524,992	528,557
Other special education		80,891	117,179	120,005	155,728	163,374	138,792	136,695
Other instruction		12,405						
Support Services:								
Tuition		58,476	52,314	94,750	106,161	97,660	144,705	126,068
Student & instruction related services		386,095	470,667	457,091	567,008	551,870	578,445	610,725
General administrative services		308,135	382,577	350,887	422,576	518,758	498,387	420,049
School administrative services		160,818	166,400	143,216	143,513	147,460	140,287	145,716
Business administrative services		90,525						
Plant operations and maintenance		286,518	287,456	291,422	314,548	357,569	341,217	340,068
Pupil transportation		215,672	203,409	236,682	239,681	253,786	276,269	263,046
Interest on long-term debt		95,304	79,876	68,656	57,436	46,216	34,996	23,776
Unallocated depreciation		102,159	3,926	3,926	4,175	4,083	4,083	3,166
Total governmental activities expenses	-	3,870,618	4,043,719	4,148,018	4,416,995	4,591,846	4,532,118	4,589,661
Business-type activities:								
Food service		80,692	72,952	78,049	83,177	80,489	73,466	71,201
Total business-type activities expense	-	80,692	72,952	78,049	83,177	80,489	73,466	71,201
Total district expenses	\$ -	\$ 3,951,310	\$ 4,116,671	\$ 4,226,067	\$ 4,500,172	\$ 4,672,335	\$ 4,605,584	\$ 4,660,862
Program Revenues								
Governmental activities:								
Charges for services:								
Instruction			\$ 10,783	\$ 14,272	-	\$ 6,698	\$ 23,275	\$ 11,858
Support Services			3,947	5,226	\$ 13,012	2,452	8,521	4,342
Operating grants and contributions		\$ 1,573,590	1,774,318	1,833,981	1,966,864	2,076,161	1,997,567	2,098,447
Capital grants and contributions								-
Total governmental activities program revenues	-	1,573,590	1,789,048	1,853,479	1,979,876	2,085,311	2,029,363	2,114,647
Business-type activities:								
Charges for services:								
Food service		55,231	54,338	53,397	57,896	56,176	50,689	44,734
Operating grants and contributions		25,875	24,242	22,349	23,966	24,499	22,238	28,355
Capital grants and contributions								-
Total business type activities program revenues	-	81,106	78,580	75,746	81,862	80,675	72,927	73,089
Total district program revenues	\$ -	\$ 1,654,696	\$ 1,867,628	\$ 1,929,225	\$ 2,061,738	\$ 2,165,986	\$ 2,102,290	\$ 2,187,736
Net (Expense)/Revenue								
Governmental activities	-	\$(2,297,028)	\$(2,254,671)	\$(2,294,539)	\$(2,437,119)	\$(2,506,535)	\$(2,502,755)	\$(2,475,014)
Business-type activities	-	414	5,628	(2,303)	(1,315)	186	(539)	1,888
Total district-wide net expense	\$ -	\$(2,296,614)	\$(2,249,043)	\$(2,296,842)	\$(2,438,434)	\$(2,506,349)	\$(2,503,294)	\$(2,473,126)

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

Exhibit J-2

			Fiscal Year Ending June 30,					
	2003	2004	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes levied for general purposes, net		\$ 2,078,040	\$ 2,096,457	\$ 2,239,806	\$ 2,366,564	\$ 2,475,074	\$ 2,473,014	\$ 2,581,846
Taxes levied for debt service		177,955	170,429	162,903	155,377	147,851	140,325	132,799
Unrestricted grants and contributions		121,036						
Investment earnings			10,395	22,032	31,857	21,447	7,797	7,544
Miscellaneous income		133,580	20,789	20,798	32,434	25,758	21,738	9,331
Transfers								
Total governmental activities	-	2,510,611	2,298,070	2,445,539	2,586,232	2,670,130	2,642,874	2,731,520
Business-type activities:								
Miscellaneous Income			145	870	544	1,015	2,582	168
Transfers								
Total business-type activities	-	-	145	870	544	1,015	2,582	168
Total district-wide	\$ -	\$ 2,510,611	\$ 2,298,215	\$ 2,446,409	\$ 2,586,776	\$ 2,671,145	\$ 2,645,456	\$ 2,731,688
Change in Net Assets								
Governmental activities	-	\$ 213,583	\$ 43,399	\$ 151,000	\$ 149,113	\$ 163,595	\$ 140,119	\$ 256,506
Business-type activities	-	414	5,773	(1,433)	(771)	1,201	2,043	2,056
Total district	\$ -	\$ 213,997	\$ 49,172	\$ 149,567	\$ 148,342	\$ 164,796	\$ 142,162	\$ 258,562

Source: CAFR Schedule A-2

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

Exhibit J-3

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Fiscal Year Ending June 30,</u>		<u>2008</u>	<u>2009</u>	<u>2010</u>
				<u>2006</u>	<u>2007</u>			
General Fund								
Reserved		\$ 108,745	\$ 60,373	\$ 77,415	\$ 205,540	\$ 82,972	\$ 231,739	\$ 329,865
Unreserved		108,879	129,150	209,917	132,247	205,936	104,112	117,819
Total general fund	<u>-</u>	<u>\$ 217,624</u>	<u>\$ 189,523</u>	<u>\$ 287,332</u>	<u>\$ 337,787</u>	<u>\$ 288,908</u>	<u>\$ 335,851</u>	<u>\$ 447,684</u>
All Other Governmental Funds								
Reserved								
Unreserved, reported in:								
Special revenue fund								
Capital projects fund								
Debt service fund								
Permanent fund								
Total all other governmental funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Source: CAFR Schedule B-1

**Knowlton Township School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	<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>
Revenues										
Tax levy	\$ 1,902,826	\$ 2,023,437	\$ 2,165,485	\$ 2,255,995	\$ 2,266,886	\$ 2,402,709	\$ 2,521,941	\$ 2,622,925	\$ 2,613,339	\$ 2,714,645
Tuition charges	51,988	98,420	93,200	66,305	14,730	19,498	13,012	9,150	31,796	16,200
Interest earnings						1,432	3,890	2,649	1,000	781
Miscellaneous	57,020	59,153	42,335	31,304	31,184	41,398	60,401	44,556	28,535	16,094
State sources	1,390,875	1,474,276	1,416,018	1,563,751	1,616,709	1,688,965	1,828,547	1,948,450	1,865,099	1,679,133
Federal sources	63,027	81,360	86,699	134,563	157,608	145,018	138,317	127,711	132,468	419,314
Total revenue	3,465,736	3,736,646	3,803,737	4,051,918	4,087,117	4,299,020	4,566,108	4,755,441	4,672,237	4,846,167
Expenditures										
Instruction										
Regular Instruction	1,276,947	1,315,361	1,232,055	1,267,032	1,387,725	1,405,256	1,348,426	1,422,668	1,388,152	1,493,292
Special education instruction	230,592	248,297	299,411	309,805	323,566	361,797	364,064	304,324	369,198	363,750
Other special instruction	65,315	53,920	58,161	42,827	54,463	56,063	77,510	80,972	70,175	61,382
Support Services:										
Tuition	33,758	37,263	18,211	58,476	52,314	94,750	106,161	97,660	144,705	126,068
Student & instruction related services	350,596	444,111	597,350	326,138	400,012	385,445	482,567	464,504	502,220	533,755
General administrative services	211,951	231,468	266,472	257,077	303,256	270,123	324,670	416,056	411,902	326,981
School Administrative services	43,745	48,752	45,249	124,327	123,522	99,531	90,334	91,564	93,461	94,861
Business administrative services				72,493						
Plant operations and maintenance	234,067	243,974	250,749	252,372	256,951	260,325	276,546	317,552	307,855	303,527
Pupil transportation	194,152	207,832	203,320	211,875	199,073	232,262	234,274	248,090	271,526	257,840
Unallocated employee benefits	507,239	570,730	527,880	735,579	737,694	736,862	906,760	967,932	807,035	879,024
Charter Schools						19,705	10,153	17,906	18,753	-
Capital outlay	66,920	128,605	16,568	35,963	22,558	36,228	62,544	154,668	31,108	95,870
Debt service:										
Principal	165,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000
Interest and other charges	128,799	117,744	106,524	95,304	84,084	72,864	61,644	50,424	39,204	27,984
Total expenditures	3,509,081	3,818,057	3,791,950	3,959,268	4,115,218	4,201,211	4,515,653	4,804,320	4,625,294	4,734,334
Excess (Deficiency) of revenues over (under) expenditures	(43,345)	(81,411)	11,787	92,650	(28,101)	97,809	50,455	(48,879)	46,943	111,833
Other Financing Sources (uses)										
Transfers in										
Transfers out	(3,000)	(3,000)								
Total other financing sources (uses)	(3,000)	(3,000)	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (46,345)	\$ (84,411)	\$ 11,787	\$ 92,650	\$ (28,101)	\$ 97,809	\$ 50,455	\$ (48,879)	\$ 46,943	\$ 111,833
Debt service as a percentage of noncapital expenditures	8.5%	7.8%	7.3%	6.8%	6.2%	5.8%	5.2%	4.7%	4.6%	4.3%

Source: CAFR Schedule B-2

KNOWLTON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Contributions</u> <u>from Private</u> <u>Sources</u>	<u>Rentals</u>	<u>Miscellaneous</u>	<u>Total</u>
2001	\$ 7,479	\$ 51,988	\$ 22,338	\$ 12,875	\$ 12,867	\$ 107,547
2002	2,847	98,420	30,285	12,875	11,739	156,166
2003	794	93,200	12,692	12,875	11,926	131,487
2004	1,843	66,305	9,585	13,261	6,615	97,609
2005	10,395	14,730	5,314	13,261	2,214	45,914
2006	22,032	19,498	6,705	13,659	434	62,328
2007	27,967		5,421	13,659	13,354	60,401
2008	21,447	9,150	5,421	14,205	6,132	56,355
2009	7,797	31,796	5,221	14,205	2,312	61,331
2010	7,544	16,200	4,124		3,207	31,075

SOURCE: District Records

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

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2001	\$10,773,600	\$116,613,900	\$19,448,500	\$1,994,720	\$17,720,900	-	\$498,900	\$185,363,121	\$17,121,700	\$1,190,901	\$168,241,421	\$1.133	\$193,475,310
2002	9,681,400	119,967,400	20,360,300	1,970,600	17,681,100	-	498,900	188,685,839	17,357,300	1,168,839	171,328,539	1.182	198,446,776
2003	11,430,000	168,604,500	28,763,400	2,771,800	20,416,000	-	743,600	255,223,514	21,138,500	1,355,714	234,085,014	0.927	213,196,852
2004	10,078,300	169,536,900	29,955,900	2,978,500	20,516,600	-	665,700	257,796,937	22,850,700	1,214,337	234,946,237	0.961	239,314,516
2005	10,090,200	170,723,800	30,709,900	2,905,500	20,357,200	-	665,700	260,797,337	24,130,700	1,214,337	236,666,637	0.958	268,768,026
2006	9,306,100	176,446,500	31,166,700	2,990,340	20,910,100	-	665,700	266,621,798	24,201,700	934,658	242,420,098	0.992	307,433,521
2007	8,668,400	179,653,700	34,141,300	2,882,540	20,910,100	-	665,700	272,130,042	24,388,300	820,002	247,741,742	1.018	343,622,549
2008	7,542,800	188,221,300	33,892,600	2,861,540	21,066,700	-	665,700	280,198,580	25,222,900	725,040	254,975,680	1.029	393,172,896
2009	6,989,700	191,098,100	33,738,600	2,839,240	21,066,700	-	665,700	282,709,906	25,590,700	721,166	257,119,206	1.017	415,241,400
2010	6,937,700	192,927,900	34,386,100	2,797,640	21,143,200	-	665,700	285,095,449	25,649,200	588,009	259,446,249	1.046	415,241,400

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

**Knowlton Township School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Knowlton Board of Education			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Regional High School District	Knowlton Township	Warren County	Library	
2001	\$ 1.133		\$ 1.133	\$ 0.712	\$ 0.230	\$ 0.853	\$ 0.072	\$ 3.000
2002	1.182		1.182	0.736	0.199	0.821	0.072	3.010
2003	0.862	\$ 0.065	0.927	0.597	0.146	0.595	0.055	2.320
2004	0.903	0.058	0.961	0.681	0.161	0.633	0.054	2.490
2005	0.883	0.075	0.958	0.764	0.171	0.697	0.060	2.650
2006	0.922	0.070	0.992	0.784	0.198	0.751	0.065	2.790
2007	0.924	0.094	1.018	0.863	0.219	0.798	0.072	2.970
2008	0.943	0.086	1.029	0.860	0.246	0.863	0.082	3.080
2009	0.936	0.081	1.017	0.892	0.270	0.898	0.085	3.162
2010	0.970	0.076	1.046	0.930	0.307	0.911	0.085	3.279

Source: District Records and 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.

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

Exhibit J-8

Taxpayer	2010			1999		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
TA Operating Corporation	\$ 4,209,700	1	1.62%	\$ 3,562,300	1	2.19%
Columbia Associates	1,124,500	2	0.43%			
The Labarre Family Limited Partnership	981,400	3	0.38%			
Taylor Family Limited Partnership	942,000	4	0.36%	601,900	6	0.37%
United Telephone Company	817,191	5	0.31%			
Ullman Family Partnership, LP	796,900	6	0.31%			
Delaware River Family Campground, Inc.	794,700	7	0.31%	775,000	3	0.61%
Individual Taxpayer #1	712,600	8	0.27%	1,000,000	2	0.61%
Individual Taxpayer #2	612,300	9	0.24%	719,000	4	0.44%
Individual Taxpayer #3	576,200	10	0.22%	708,000	5	0.43%
Northwest Farming, Inc.				481,600	7	0.30%
Individual Taxpayer #4				451,100	8	0.28%
Individual Taxpayer #5				442,500	9	0.27%
K.A.K.S.				437,700	10	0.27%
			<u>4.46%</u>	<u>\$ 9,179,100</u>		<u>5.77%</u>

Source: District CAFR & Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	\$ 1,902,826	\$ 1,902,826	100.00%	-
2002	2,023,437	2,023,437	100.00%	-
2003	2,165,485	2,165,485	100.00%	-
2004	2,255,995	2,255,995	100.00%	-
2005	2,096,457	2,096,457	100.00%	-
2006	2,239,806	2,239,806	100.00%	-
2007	2,366,564	2,366,564	100.00%	-
2008	2,475,074	2,475,074	100.00%	-
2009	2,473,014	2,473,014	100.00%	-
2010	2,581,846	2,581,846	100.00%	-

Source: District records including the Certificate and Report of School Taxes (A4F form)

Note: 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 is the amount voted upon or certified prior to the end of the school year.

**Knowlton Township School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2001	\$1,869,000					\$1,869,000	1.889%	\$627
2002	\$1,699,000					\$1,699,000	1.664%	\$563
2003	\$1,529,000					\$1,529,000	1.455%	\$502
2004	\$1,359,000					\$1,359,000	1.241%	\$442
2005	\$1,189,000					\$1,189,000	1.038%	\$383
2006	\$1,019,000					\$1,019,000	0.823%	\$325
2007	\$849,000					\$849,000	0.644%	\$270
2008	\$679,000					\$679,000	0.504%	\$216
2009	\$509,000					\$509,000	0.378%	\$162
2010	\$339,000					\$339,000	0.253%	\$108

Source: District CAFR Schedules I-1, I-2

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

Knowlton Township School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

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	\$ 1,869,000	-0-	\$ 1,869,000	1.11%	\$ 627
2002	\$ 1,699,000	-0-	\$ 1,699,000	0.99%	\$ 563
2003	\$ 1,529,000	-0-	\$ 1,529,000	0.65%	\$ 502
2004	\$ 1,359,000	-0-	\$ 1,359,000	0.58%	\$ 442
2005	\$ 1,189,000	-0-	\$ 1,189,000	0.50%	\$ 383
2006	\$ 1,019,000	-0-	\$ 1,019,000	0.42%	\$ 325
2007	\$ 849,000	-0-	\$ 849,000	0.34%	\$ 270
2008	\$ 679,000	-0-	\$ 679,000	0.27%	\$ 216
2009	\$ 509,000	-0-	\$ 509,000	0.20%	\$ 162
2010	\$ 339,000	-0-	\$ 339,000	0.13%	\$ 108

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.
a See Exhibit NJ J-6 for property tax data.
b Population data can be found in Exhibit NJ J-14.

**Knowlton Township School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2010**

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 Knowlton	\$ 2,692,986	100.0%	\$ 2,692,986
Other debt Warren County	7,775,000	3.0%	<u>229,434</u>
Subtotal, overlapping debt			2,922,420
Knowlton Township School District Direct Debt			<u>339,000</u>
Total direct and overlapping debt			<u><u>\$ 3,261,420</u></u>

Sources: Township Finance Officer, Warren County Finance Office and Utility Authorities

Note: 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 the district. 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.

**Knowlton Township School District
Legal Debt Margin Information,
Last Ten Fiscal Years**

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2010

	Equalized valuation basis
2009	\$ 393,401,581
2008	418,063,003
2007	409,289,504
[A]	\$ 1,220,754,088
Average equalized valuation of taxable property	[A/3] \$ 406,918,029
Debt limit (2.5% of average equalization value)	[B] 10,172,951
Net bonded school debt	[C] 339,000
Legal debt margin	[B-C] \$ 9,833,951

	Fiscal Year									
	<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>
Debt limit	\$4,660,543	\$4,911,450	\$6,360,366	\$7,078,564	\$6,643,550	\$7,460,072	\$8,421,453	\$9,354,171	\$10,057,348	10,172,951
Total net debt applicable to limit	1,869,000	1,699,000	1,529,000	1,359,000	1,189,000	1,019,000	1,019,000	679,000	509,000	339,000
Legal debt margin	<u>\$2,791,543</u>	<u>\$3,212,450</u>	<u>\$4,831,366</u>	<u>\$5,719,564</u>	<u>\$5,454,550</u>	<u>\$6,441,072</u>	<u>\$7,402,453</u>	<u>\$8,675,171</u>	<u>\$9,548,348</u>	<u>\$9,833,951</u>
Total net debt applicable to the limit as a percentage of debt limit	40.10%	34.59%	24.04%	19.20%	17.90%	13.66%	12.10%	7.26%	5.06%	3.33%

Source: Abstract of Ratables and District Records CAFR Schedule J-6

a Limit set by NJSA 18A:24-19 for a K through 6 district; other % limits would be applicable for other districts

**Knowlton 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	2,983	\$ 98,958,042	\$33,174 R	3.10%
2002	3,017	\$ 102,110,365	\$33,845 R	4.70%
2003	3,044	\$ 105,063,660	\$34,515 R	5.10%
2004	3,077	\$ 109,473,506	\$35,578 R	3.80%
2005	3,106	\$ 114,555,492	\$36,882 R	5.10%
2006	3,138	\$ 123,787,824	\$39,448 R	5.50%
2007	3,142	\$ 131,737,776	\$41,928 R	5.10%
2008	3,143	\$ 134,825,271	\$42,897	6.80%
2009	3,136	\$ 134,524,992	\$42,897 *	11.80%
2010	3,127	\$ 134,138,919	\$42,897 *	*

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Per Capita information provided by U.S. Dept of Commerce.

^c Per Capita information provided by U.S. Dept of Commerce.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

R =Revised

* Current data unavailable

Knowlton Township School District
Principal Employers,
Current Year and Nine Years Ago

Exhibit J-15

N/A

Employer	2010			2001		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
		10	0.00%	-		0.00%
	-			-		
	-		0.00%	-		0.00%

Source:
No reliable information is available at the local or county level.

**Knowlton 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	29.6	30.5	27.2	28.6	28.6	23.4	23.4	23.8	23.9	23.7
Special education	4.0	5.0	3.5	5.9	5.9	5.7	5.7	5.0	6.0	6.0
Other special education	3.0	3.0	3.0	3.0	2.5	2.0	2.0	3.5	5.0	5.0
Other instruction		1.0	1.0	1.0	1.0	1.0	2.5	1.0	1.0	1.0
Support Services:										
Student & instruction related services	3.5	3.5	4.6	4.6	4.8	4.8	4.8	4.4	3.4	3.7
General administrative services	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
School administrative services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Business administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1
Plant operations and maintenance	3.0	3.0	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0
Pupil transportation	0.5	0.5	0.5	0.5	0.6	0.6	0.3	0.3	0.3	0.6
Total	<u>48.7</u>	<u>51.6</u>	<u>48.4</u>	<u>52.2</u>	<u>51.5</u>	<u>45.6</u>	<u>46.8</u>	<u>46.1</u>	<u>47.7</u>	<u>48.2</u>

Source: District Personnel Records

**Knowlton 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	359	\$3,148,362	\$8,770	6.40%	28	1:13	366.0	350.0	3.22%	95.65%
2002	369	\$3,401,708	\$9,219	5.12%	30	1:12	370.0	355.0	1.29%	95.71%
2003	331	\$3,498,858	\$10,571	14.66%	28	1:12	368.0	351.0	-0.65%	95.38%
2004	354	\$3,658,001	\$10,333	-2.24%	30	1:12	354.0	339.0	-3.80%	95.76%
2005	347	\$3,838,576	\$11,062	7.05%	27	1:12	347.0	332.0	-1.98%	95.68%
2006	319	\$3,922,119	\$12,295	11.14%	30	1:11	320.3	306.4	-7.69%	95.66%
2007	324	\$4,221,465	\$13,029	5.97%	30	1:11	324.4	310.2	1.28%	95.62%
2008	306	\$4,429,228	\$14,475	11.09%	29	1:11	304.6	290.6	-6.10%	95.40%
2009	290	\$4,384,982	\$15,121	4.46%	33	1:12	289.8	277.2	-4.86%	95.65%
2010	282	\$4,440,480	\$15,746	4.14%	30	1:10	280.0	265.9	-3.38%	94.96%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- 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)

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

Exhibit J-18

<u>District Building</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>
<u>Elementary</u>										
Knowlton School (1935)										
Square Feet	42,562	42,562	42,562	42,562	42,562	42,562	42,562	42,562	42,562	42,562
Capacity (students)	353	353	353	353	353	353	353	353	353	353
Enrollment	359	369	331	351	347	319	324	306	290	282

Number of Schools at June 30, 2010

Source: District records, ASSA

Elementary = 1

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Eight Fiscal Years Ending June 30, 2010

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</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>	<u>Total</u>
Elementary School- Grades K-6	N/A	\$ 63,354	\$ 69,259	\$ 75,432	\$ 72,968	\$ 76,965	\$ 86,937	\$ 85,310	\$ 84,348	\$ 614,573
Total School Facilities		63,354	69,259	75,432	72,968	76,965	86,937	85,310	84,348	281,013
Other Facilities										
Grand Total		\$ 63,354	\$ 69,259	\$ 75,432	\$ 72,968	\$ 76,965	\$ 86,937	\$ 85,310	\$ 84,348	\$ 281,013

KNOWLTON TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2010

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
SCHOOL PACKAGE POLICY - NJSBAIG		
Property	\$ 300,000,000	5,000
Commercial General Liability - (Blanket)	50,000,000	5,000
Commercial Automotive Liability	10,000,000	1,000
Comprehensive Crime Coverage, Employee Dishonesty	100,000/400,000	1,000
Comprehensive Crime Coverage, Monies and Securities	50,000	1,000
Comprehensive Crime Coverage, Forgery or Alteration	50,000	1,000
SCHOOL LEADER PROFESSIONAL LIABILITY INSURANCE and BOARD OF EDUCATION LEGAL LIABILITY		
	10,000,000	5,000
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE BLANKET POSITION BOND		
	5,000	
Treasurer of School Monies	147,000	
Business Administrator/Board Secretary	25,000	
FUND BLANKET BUILDING & CONTENTS LIMIT		
	6,800,000,000	

Property Insurance including Buildings, Contents, Boiler and Machinery, Extra Expense, Valuable Papers and EDP Equipment/Media/Extra Expense with a limit of the total appraised value of the property and contents with a deductible of \$1,000.

SOURCE: District Records

Single Audit Section



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 Douglas R. Williams, CPA, RMA, PSA
 Anthony F. Ardito, PA, RMA, PSA

**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**

Honorable President and
 Members of the Board of Education
 Knowlton Township School District
 County of Warren
 Delaware, New Jersey 07833

We have audited the financial statements of the Board of Education of the Knowlton Township School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated August 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Knowlton Township School District Board of Education'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 Knowlton Township School District Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Knowlton Township School District Board of Education's internal control over financial reporting.

-Continued-

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

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 Knowlton Township School District Board of Education'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.

This report is intended solely for the information and use of the audit committee, management, the Knowlton Township School District Board of Education, the New Jersey State Department of Education, and other 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.



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: August 24, 2010



ARDITO & Co., LLP

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

Honorable President and
 Members of the Board of Education
 Knowlton Township School District
 County of Warren
 Delaware, New Jersey 07833

Compliance

We have audited the compliance of the Knowlton Township School District in the County of Warren, State of New Jersey, with the types of compliance requirements described in the New Jersey State Aid/Grant Compliance Supplement that are applicable to each of its major state programs for the fiscal year ended June 30, 2010. The Knowlton Township School District Board of Education's major 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 state programs is the responsibility of the Knowlton Township School District Board of Education's management. Our responsibility is to express an opinion on the Knowlton Township School District Board of Education'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, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

-Continued-

An audit includes examining, on a test basis, evidence about the Knowlton Township School District Board of Education'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 Knowlton Township School District Board of Education's compliance with those requirements.

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

Internal Control Over Financial Reporting

The management of the Board of Education of the Knowlton Township School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Knowlton Township School District of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Knowlton Township School District Board of Education'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 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 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 the audit committee, management, the Knowlton Township School District Board of Education, the New Jersey State Department of Education, and other 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.



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: August 24, 2010

KNOWLTON TOWNSHIP SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2010

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/09	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2010			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES	
State Department of Education															
General Fund:															
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	\$ 958,032			\$ 958,032	\$ (958,032)							\$ 122,443	\$ 958,032
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	127,197			127,197	(127,197)							12,720	127,197
Special Education Aid	10-495-034-5120-089	7/1/09-6/30/10	145,710			145,710	(145,710)							14,572	145,710
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	22,403			22,403	(22,403)							2,240	22,403
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	6,477			6,477	(6,477)							648	6,477
Extra-Ordinary Aid	10-495-034-5120-044	7/1/09-6/30/10	41,467				(41,467)			\$ (41,467)					41,467
Extra-Ordinary Aid	09-495-034-5120-044	7/1/08-6/30/09		\$ (37,411)		37,411									
Non-Public Transportation Aid	10-100-034-5120-068	7/1/09-6/30/10	1,475				(1,475)			(1,475)					1,475
Non-Public Transportation Aid	09-100-034-5120-068	7/1/08-6/30/09		(1,995)		1,995									
TPAF Pension	10-495-034-5095-001	7/1/09-6/30/10	140,510			140,510	(140,510)								140,510
Reimb.TPAF Soc.Sec.Contrib.	10-495-034-5095-002	7/1/09-6/30/10	165,417			165,417	(165,417)								165,417
Total General Fund				<u>(39,406)</u>		<u>1,605,152</u>	<u>(1,608,688)</u>			<u>(42,942)</u>				<u>152,623</u>	<u>1,608,688</u>
Special Revenue Fund:															
NJDCA SAGE - Indiv. with Disabilities	N/A	7/1/09-6/30/10	10,000			10,000	(10,000)								10,000
Debt Service Fund:															
Debt Service Aid	10-495-034-5120-017	7/1/09-6/30/10	65,185			65,185	(65,185)								65,185
State Department of Agriculture:															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	09-100-034-5120-122	7/1/08-6/30/09		(75)		75									
Nat.School Lunch Prog.(State Share)	10-100-034-5120-122	7/1/09-6/30/10	1,252			1,144	(1,252)			(108)					1,252
Total Enterprise Fund				<u>(75)</u>		<u>1,219</u>	<u>(1,252)</u>			<u>(108)</u>					<u>1,252</u>
Total State Financial Assistance				\$ (39,481)		\$ 1,681,556	\$ (1,685,125)			\$ (43,050)				\$ 152,623	\$ 1,685,125

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2010

NOTE 1. GENERAL

The accompanying schedule of expenditures of state financial assistance includes state award activity of the Board of Education, Knowlton Township School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditure of state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on 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 Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE 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 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 from the budgetary basis to the GAAP basis is (\$4,740) for the general fund and \$-0- for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2010

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 222,155	\$ 1,603,948	\$ 1,826,103
Special Revenue Fund	197,159	10,000	207,159
Debt Service Fund		65,185	65,185
Food Service Fund	<u>27,103</u>	<u>1,252</u>	<u>28,355</u>
Total Financial Assistance	<u>\$ 446,417</u>	<u>\$ 1,680,385</u>	<u>\$ 2,126,802</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related state financial reports.

NOTE 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 district for the year ended June 30, 2010. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Part I - Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified

- B) Internal control over financial reporting:
 - 1) Material weakness(es) identified? ___ Yes x No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes
x None
Reported

- C) Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards Section

N/A

- D) Dollar threshold used to determine Type A programs: \$300,000

- E) Auditee qualified as low-risk auditee? ___ Yes ___ No

- F) Type of auditor's report on compliance for major programs: Unqualified

- G) Internal Control over compliance:
 - 1) Material weakness(es) identified? ___ Yes ___ No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ No

- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? ___ Yes ___ No

- I) Identification of major programs:

CFDA NUMBER(S)

NAME OF FEDERAL PROGRAM OR CLUSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Part I - Summary of Auditor's Results

State Financial Assistance Section

- J) Dollar threshold used to determine Type A programs: \$300,000
- K) Auditee qualified as low-risk auditee? (1) x_yes__no
- L) Type of auditor's report on compliance for major programs: Unqualified
- M) Internal Control over compliance:
 1) Material weakness(es) identified? ___yes x no
 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___yes x none reported
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? ___yes x no
- O) Identification of major programs:

GMIS Number(s)

Name of State Program

10-495-034-5120-078

Equalization Aid

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Section II-Financial Statement Findings

There were no matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with Government Auditing Standards.

Section III - State Financial Assistance Findings and Questioned Costs

STATE FINANCIAL ASSISTANCE-There were no state financial assistance findings or questioned costs noted, that are required to be reported in accordance with NJOMB Circular 04-04.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. There were no prior year findings.