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, 2011

Comprehensive Annual

Financial Report

of the

Knowlton Township School District
Board of Education
Knowlton, New Jersey
For the Fiscal Year Ending June 30, 2011

Prepared by
Knowlton Township School District
Board of Education
Finance Department

OUTLINE OF CAFR

INTRODUCTORY SECTION

		Page
	Letter of Transmittal	1
	Organizational Chart	2
	Roster of Officials	3
	Consultants and Advisors	4
	FINANCIAL SECTION	
	Independent Auditor's Report	5-6
	Required Supplementary Information – Part I	
	Management's Discussion and Analysis	7
	Basic Financial Statements	
A.	District-Wide Financial Statements:	
	A-1 Statement of Net Assets	8
	A-2 Statement of Activities	9
B.	Fund Financial Statements:	
	Governmental Funds:	
	B-1 Balance Sheet	10
	B-2 Statement of Revenues, Expenditures and Changes in Fund Balance	11
	B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
	Proprietary Funds:	
	B-4 Statement of Net Assets	13
	B-5 Statement of Revenues, Expenses and Changes in Fund Net Assets	14
	B-6 Statement of Cash Flows	15
	Fiduciary Funds:	
	B-7 Statement of Fiduciary Net Assets	16
	B-8 Statement of Changes in Fiduciary Net Assets	17
	Notes to the Financial Statements	18-36
	Required Supplementary Information – Part II	37
C.	Budgetary Comparison Schedules:	
	C-1 Budgetary Comparison Schedule - General Fund	38-46
	C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	N/A
	C-1b Education Jobs Fund Program – Budget and Actual	N/A
	C-2 Budgetary Comparison Schedule - Special Revenue Fund	47
	Notes to Required Supplementary Information	
	C-3 Budget-to-GAAP Reconciliation	48

OUTLINE OF CAFR

			Page
	Other Supplementary Information		
D.	School Level Schedules:		
	D-1	Combining Balance Sheet	N/A
	D-2	Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
	D-3	Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E.	Special Revenue Fund:		
	E-1	Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund – Budgetary Basis	49
	E-2	Schedule(s) of Preschool Education Aid Expenditures – Preschool-All Programs- Budgetary Basis	N/A
F.	Capital Projects Fund:		
	F-1	Summary Schedule of Project Expenditures	N/A
	F-2	Summary Schedule of Revenues and Expenditures	N/A
G.	Proprietary Funds		
	Enterprise Fund:		
	G-1	Combining Statement of Net Assets	See B-4
	G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	See B-5
	G-3	Combining Statement of Cash Flows	See B-6
	Internal Service Fund:		
	G-4	Combining Statement of Net Assets	N/A
	G-5	Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
	G-6	Combining Statement of Cash Flows	N/A
H.	Fiduciary Funds:		
	H-1	Combining Statement of Fiduciary Net Assets	50
	H-2	Combining Statement of Changes in Fiduciary Net Assets	51
	H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	52
	H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	53
I.	Long-Term Debt:		
	I-1	Schedule of Serial Bonds	54
	I-2	Schedule of Obligations Under Capital Leases	N/A
	I-3	Budgetary Comparison Schedule Debt Service Fund	55

OUTLINE OF CAFR

STATISTICAL SECTION (Unaudited)

		Page
Introduction to the Statistical Section		
Financial Trends		
J-1	Net Assets by Component	56
J-2	Changes in Net Assets	57-58
J-3	Fund Balances - Governmental Funds	59
J-4	Changes in Fund Balances - Governmental Funds	60
J-5	General Fund Other Local Revenue by Source	61
Revenue Capacity		
J-6	Assessed Value and Estimated Actual Value of Taxable Property	62
J-7	Direct and Overlapping Property Tax Rates	63
J-8	Principal Property Taxpayers	64
J-9	Property Tax Levies and Collections	65
Debt Capacity		
J-10	Ratios of Outstanding Debt by Type	66
J-11	Ratios of General Bonded Debt Outstanding	67
J-12	Direct and Overlapping Governmental Activities Debt	68
J-13	Legal Debt Margin Information	69
Demographic and Economic Information		
J-14	Demographic and Economic Statistics	70
J-15	Principal Employers	71
Operating Information		
J-16	Full-time Equivalent District Employees by Function/Program	72
J-17	Operating Statistics	73
J-18	School Building Information	74
J-19	Schedule of Required Maintenance Expenditures by School Facility	75
J-20	Insurance Schedule	76

SINGLE AUDIT SECTION

K-1	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	77-78
K-2	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	79-80
K-3	Schedule of Expenditures of Federal Awards, Schedule A	N/A
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	81
K-5	Notes to the Schedules of Awards and Financial Assistance	82-83
K-6	Schedule of Findings and Questioned Costs	84-86
K-7	Summary Schedule of Prior Audit Findings	87

Introductory Section

KNOWLTON TOWNSHIP
BOARD OF EDUCATION
80 Route 46, P.O. Box 152
Delaware, New Jersey 07833
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Sharon Mooney
Superintendent

Melody McBride
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, 2011, 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-l33, "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 2010-2011 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.

Fiscal Year	Average Daily Enrollment Student Enrollment	Percent Change
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, 2011.

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, 2011, the District's outstanding debt issues consisted of $169,000 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:

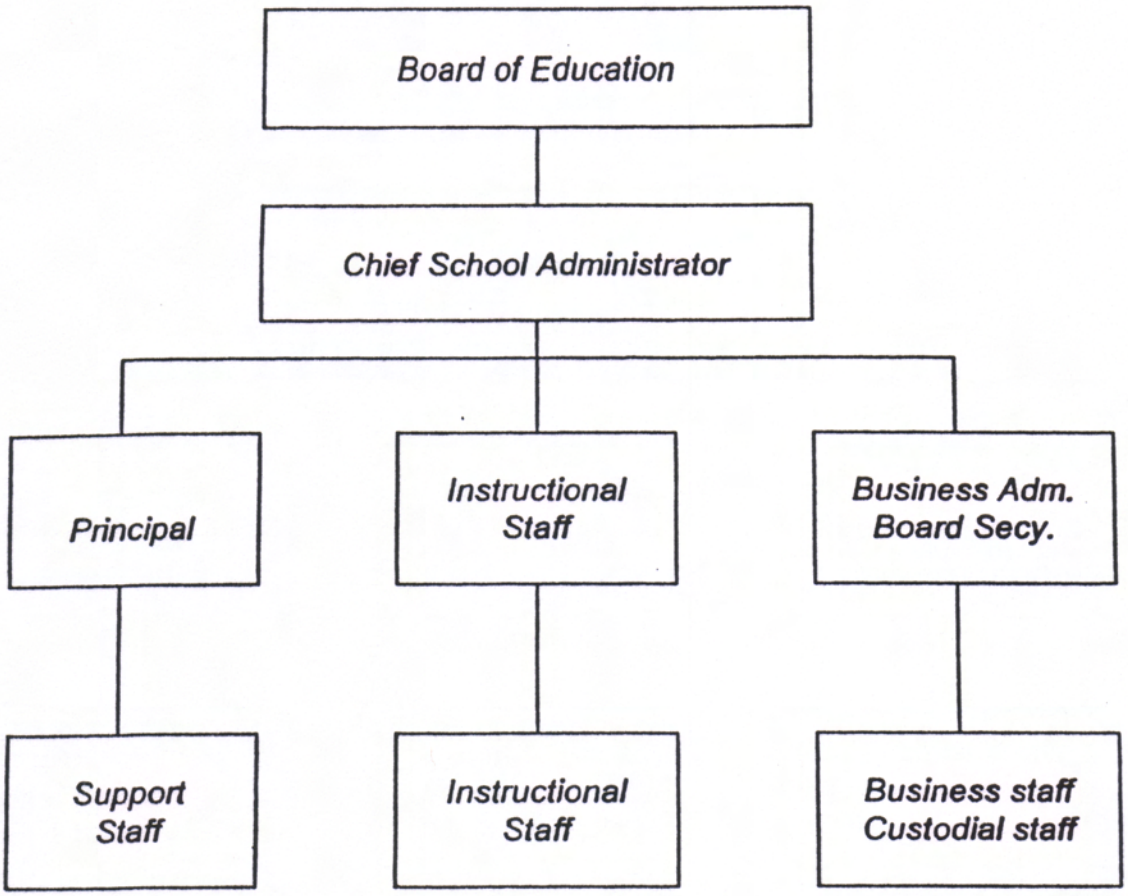
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Co., LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed 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	Melody McBride School Business Administrator

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



KNOWLTON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2011

Members of the Board of Education	Term Expires
Matt Moore, ***President***	2014
Kevin Haycock, ***Vice-President***	2012
Tammy Smith	2013
Bill Maxwell	2013
Dawn Sullivan	2012
Daniella Ferguson	2013
Randy Dolinsky	2014
Bryan Toth	2012
Bethany Summers	2014

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
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Frenchtown, New Jersey 08825

Attorney

Schwartz Simon Edelstein & Celso, LLC
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Morristown, New Jersey 07962

Official Depository

First Hope Bank
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Hope, New Jersey 07844

Financial Section

Independent Auditor's Report

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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, 2011, 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, 2011, 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 September 15, 2011, 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.

Licensed Public School Accountant No. 2369

Date: September 15, 2011

ARDITO & CO., LLP

Required Supplementary Information - Part I

Management's Discussion and Analysis

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, 2011. 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 2011 are as follows:

- In total, net assets increased $213,053, which represents an 8.0 percent increase from 2010.
- General revenues accounted for $2,781,312 in revenue or 58.6 percent of all revenues. Program specific revenues in the form of charges for services, operating grants were $1,965,037 or 41.4 percent of total revenues of $4,746,349.
- Total assets of governmental activities increased by $39,637 as cash and cash equivalents increased by $101,146, receivables decreased by $4,659 and capital assets decreased by $56,443.
- The School District had $4,543,937 in expenses; only $1,965,037 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of $2,781,312 were adequate to provide for these programs.
- Among major funds, the General Fund had $4,348,462 in revenues and $4,274,067 in expenditures. The General Fund's surplus balance increased $74,395 over 2010, which compares favorably to a budgeted decrease of $175,000.

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.

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 2011?" 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.

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 2011 compared to 2010.

Table 1
Net Assets

	2011	2010
Assets		
Current and Other Assets	$ 575,137	$ 479,057
Capital Assets	2,428,977	2,485,420
Total Assets	3,004,114	2,964,477
Liabilities		
Long-Term Liabilities	134,957	323,579
Other Liabilities	203,537	188,331
Total Liabilities	338,494	511,910
Net Assets		
Invested in Capital Assets, Net of Debt	2,259,977	2,146,420
Restricted	141,503	297,336
Unrestricted	264,140	8,811
Total Net Assets	$ 2,665,620	$ 2,452,567

Total assets increased $39,637. Cash and cash equivalents increased by $101,146, receivables decreased by $4,659 and capital assets decreased by $56,443. 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 $255,329 due to additional year end encumbrances not reported as restricted fund balance in accordance with GAAP.

Table 2 shows the changes in net assets from fiscal year 2010.

Table 2
Changes in Net Assets

	2011	2010
Revenues		
Program Revenues:		
Charges for Services	$ 63,302	$ 60,934
Operating Grants and Contributions	1,901,735	2,126,812
General Revenues:		
Property Taxes	2,767,980	2,714,645
State Aid	6,334	7,544
Other	6,998	9,499
Total Revenues	4,746,349	4,919,434
Program Expenses		
Instruction	2,582,795	2,657,047
Support Services:		
Tuition	137,728	126,068
Pupils and Instructional Staff	552,493	610,725
General Administration, School Administration, Business	559,963	565,765
Operations and Maintenance of Facilities	376,523	340,068
Pupil Transportation	242,995	263,046
Business-Type Activities	75,633	71,201
Interest and Fiscal Charges	15,807	26,942
Total Expenses	4,543,937	4,660,862
Increase in Net Assets	$ 202,412	$ 258,572

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 58.2 percent of revenues for governmental activities for the Knowlton Township School District for the fiscal year 2011.

Instruction comprises 56.8 percent of district expenses. Support services expenses make up 41.1 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 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction	$ 2,582,795	$ 1,239,859	$ 2,657,047	$ 1,178,141
Support Services:				
Tuition	137,728	137,728	126,068	126,068
Pupils and Instructional Staff	552,493	400,419	610,725	408,998
General Administration, School Administration, Business	559,963	297,829	565,765	282,235
Operation and Maintenance of Facilities	376,523	307,541	340,068	265,455
Pupil Transportation	242,995	233,115	263,046	252,360
Business-Type Activities	75,633	(1,131)	71,201	(1,898)
Interest and Fiscal Charges	15,807	(36,460)	26,942	(38,243)
Total Expenses	$ 4,543,937	$ 2,578,900	$ 4,660,862	$ 2,473,116

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.

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 48.0 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 73.6 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 $4,669,454 and expenditures of $4,595,059. The net change in fund balance for the year was most significant in the General Fund, an increase of $74,395, mainly due to budget efficiencies in 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 2011 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 $4,015,162, $6,287 over original budgeted estimates of $3,984,415 due to additional tuition revenue.

The General fund revenues and other financing sources of the School District exceeded expenditures by approximately $53,240, again due budget efficiencies in plant maintenenace.

Capital Assets

At the end of the fiscal year 2011, the School District had $2,427,466 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2010 balances compared to 2010.

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

	2011	2010
Land	$ 366	$ 366
Buildings and Improvements	2,288,908	2,364,285
Machinery and Equipment	140,192	131,400
Totals	$ 2,429,466	$ 2,496,051

Overall capital assets decreased $66,585 from fiscal year 2010 to fiscal year 2011. Increases in capital assets (primarily technology equipment) were offset by depreciation expenses for the year.

$28,504 in major capital additions were purchased during fiscal year 2011.

Debt Administration

At June 30, 2011, the School District had $303,957 as outstanding debt. Of this amount $134,957 is for compensated absences and the balance of $169,000 is for bonds for school construction.

At June 30, 2011, the School District's overall legal debt margin was $9,827,275 and the unvoted debt margin was $9,658,27.

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.

The Knowlton Township School District's 2011-2012 school budget was passed in April 2011.

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 Melody McBride, Business Administrator/Board Secretary at Knowlton Township School District, P.O. Box 152, Delaware, NJ, 07833, or via e-mail at mcbridem@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, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 362,532	$ 19,252	$ 381,784
Receivables from Other Governments	102,760	1,698	104,458
Inventory		3,563	3,563
Restricted Assets:			
Capital Reserve Account - Cash	85,332		85,332
Capital Assets, Net (Note 6):	2,428,977		2,428,977
Total Assets	2,979,601	24,513	3,004,114
LIABILITIES			
Accounts Payable	23,870		23,870
Deferred Revenue	4,675	1,809	6,484
Accrued Interest	4,183		4,183
Noncurrent Liabilities (Note 7):			
Due Within One Year	169,000		169,000
Due Beyond One Year	134,957		134,957
Total Liabilities	336,685	1,809	338,494
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,259,977		2,259,977
Restricted for:			
Other Purposes	141,503		141,503
Unrestricted	241,436	22,704	264,140
Total Net Assets	$ 2,642,916	$ 22,704	$ 2,665,620

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, 2011

		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
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular	$ 1,877,330	$ 7,169	$ 908,415		$ (961,746)		$ (961,746)
Special Education	567,799	2,488	281,959		(283,352)		(283,352)
Other Special Instruction	137,666	1,250	141,655		5,239		5,239
Support Services:							
Tuition	137,728				(137,728)		(137,728)
Student & Instruction Related Services	552,493	1,010	151,064		(400,419)		(400,419)
School Administrative Services	146,431	822	93,198		(52,411)		(52,411)
General and Business Admin. Services	413,532	1,471	166,643		(245,418)		(245,418)
Plant Operations and Maintenance	376,523	603	68,379		(307,541)		(307,541)
Pupil Transportation	242,995	87	9,793		(233,115)		(233,115)
Interest on Long-Term Debt	12,557		52,267		39,710		39,710
Unallocated Depreciation	3,250				(3,250)		(3,250)
Total Governmental Activities	4,468,304	14,900	1,873,373		(2,580,031)		(2,580,031)
Business-Type Activities:							
Food Service	75,633	48,402	28,362			$ 1,131	1,131
Total Business-Type Activities	75,633	48,402	28,362			1,131	1,131
Total Primary Government	$ 4,543,937	$ 63,302	$ 1,901,735		$ (2,580,031)	$ 1,131	$ (2,578,900)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes,Net					$ 2,633,483		$ 2,633,483
Taxes Levied for Debt Service					134,497		134,497
Interest Income					6,334		6,334
Miscellaneous Income					6,867	$ 131	6,998
Total General Revenues, Special Items, Extraor. Items and Transfers					2,781,181	131	2,781,312
Change in Net Assets					201,150	1,262	202,412
Net Assets—Beginning (As Restated)					2,441,766	21,442	2,463,208
Net Assets—Ending					$ 2,642,916	$ 22,704	$ 2,665,620

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, 2011

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	$ 447,864		$ 447,864
Interfund Receivable	49,031		49,031
Receivables from Other Governments	48,239	$ 54,521	102,760
TOTAL ASSETS	$ 545,134	$ 54,521	$ 599,655
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 23,055	$ 815	$ 23,870
Interfund Payable		49,031	49,031
Deferred Revenue		4,675	4,675
Total Liabilities	23,055	54,521	77,576
Fund Balances:			
Restricted for:			
Capital Reserve Account	85,332		85,332
Excess Surplus	16,171		16,171
Excess Surplus-Designated for Subsequent Year's Expend.	37,583		37,583
Assigned to:			
Year-End Encumbrances	260,455		260,455
General Fund-Designated for Subsequent Year's Expend.	2,417		2,417
Unassigned:			
General Fund-Undesignated	120,121		120,121
Total Fund Balances	522,079	-	522,079
TOTAL LIABILITIES AND FUND BALANCE	$ 545,134	$ 54,521	$ 599,655

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 $4,574,976 and the accumulated depreciation is $2,145,999.	$ 2,428,977
Accrued Interest on long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilties in the funds (see Note 7)	(4,183)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilties in the funds (see Note 7)	(303,957)
Net assets of governmental activities	$ 2,642,916

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

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Local sources:				
Local Tax Levy	$ 2,633,483		$ 134,497	$ 2,767,980
Tuition	14,900			14,900
Interest on Capital Reserve Funds	579			579
Miscellaneous	11,122	$ 1,500		12,622
Total - Local Sources	2,660,084	1,500	134,497	2,796,081
State Sources	1,688,378	8,393	52,267	1,749,038
Federal Sources		124,335		124,335
Total Revenues	4,348,462	134,228	186,764	4,669,454
EXPENDITURES				
Current:				
Regular Instruction	1,330,065	69,132		1,399,197
Special Education Instruction	405,414			405,414
Other Special Instruction	63,767			63,767
Support services and undistributed costs:				
Tuition	137,728			137,728
Student and Instruction Related Services	439,648	36,592		476,240
School Administrative Services	96,473			96,473
Other Administrative Services	322,010			322,010
Plant Operations and Maintenance	340,660			340,660
Pupil Transportation	237,886			237,886
Unallocated Benefits	900,416			900,416
Transfer to Charter School				-
Debt Service:				
Principal			170,000	170,000
Interest and Other Charges			16,764	16,764
Capital Outlay		28,504		28,504
Total Expenditures	4,274,067	134,228	186,764	4,595,059
Excess (Deficiency) of Revenues Over Expenditures	74,395	-	-	74,395
Net Change in Fund Balances	74,395	-	-	74,395
Fund Balance—July 1	447,684			447,684
Fund Balance—June 30	$ 522,079	-	-	$ 522,079

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, 2011

Total Net Change in Fund Balances - Governmental Funds (from B-2)		$ 74,395
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	$ (95,578)	
Capital Outlays	28,504	(67,074)
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.		19,622
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.		4,207
Change in Net Assets of Governmental Activities		$ 201,150

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, 2011

	Business-Type Activities-Enterprise Funds	
	Food Service	**Totals**
ASSETS		
Current assets:		
Cash and Cash Equivalents	$ 19,252	$ 19,252
Accounts Receivable - Federal	1,611	1,611
Accounts Receivable - State	87	87
Inventories	3,563	3,563
Total Current Assets	24,513	24,513
Total Assets	**$ 24,513**	**$ 24,513**
LIABILITIES		
Current liabilities:		
Deferred Revenue	1,809	1,809
Total Current Liabilities	1,809	1,809
Total Liabilities	**$ 1,809**	**$ 1,809**
NET ASSETS		
Unrestricted	$ 22,704	$ 22,704
Total Net Assets	**$ 22,704**	**$ 22,704**

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

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities-Enterprise Fund	
	Food Service	**Total Enterprise**
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	$ 35,252	$ 35,252
Daily Sales - Non-Reimbursable Programs	13,150	13,150
Miscellaneous	131	131
Total Operating Revenues	48,533	48,533
Operating Expenses:		
Cost of Sales	40,156	40,156
Salaries	19,719	19,719
Employee Benefits	4,639	4,639
Supplies	2,249	2,249
Other Purchased Professional Services	7,462	7,462
Miscellaneous	1,408	1,408
Total Operating Expenses	75,633	75,633
Operating Income (Loss)	(27,100)	(27,100)
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	1,032	1,032
Federal Sources:		
National School Lunch Program	21,349	21,349
Food Distribution Program	5,981	5,981
Total Nonoperating Revenues (Expenses)	28,362	28,362
Income (Loss) Before Contributions and Transfers	1,262	1,262
Transfers In (Out)	-	-
Change in Net Assets	1,262	1,262
Total Net Assets—Beginning	21,442	21,442
Total Net Assets—Ending	$ 22,704	$ 22,704

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, 2011

	Business-Type Activities-Enterprise Funds	
	Food Service	**Total Enterprise**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 48,532	$ 48,532
Payments to Employees	(19,719)	(19,719)
Payments for Employee Benefits	(4,639)	(4,639)
Payments to Suppliers	(44,824)	(44,824)
Net Cash Provided by (used for) Operating Activities	(20,650)	(20,650)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	1,053	1,053
Federal Sources	21,457	21,457
Operating Subsidies and Transfers to Other Funds	11	11
Net Cash Provided by (used for) Non-Capital Financing Activities	22,521	22,521
Net Increase (Decrease) in Cash and Cash Equivalents	1,871	1,871
Balances—Beginning of Year	17,381	17,381
Balances—End of Year	$ 19,252	$ 19,252
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	$ (27,100)	$ (27,100)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Federal Commodities	5,981	5,981
(Increase) Decrease in Accounts Receivable		
(Increase) Decrease in Inventories	469	469
Increase (Decrease) in Accounts Payable		
Total Adjustments	6,450	6,450
Net Cash Provided by (used for) Operating Activities	$ (20,650)	$ (20,650)

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, 2011

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	$12,381	$110,345
Total Assets	$12,381	$110,345
LIABILITIES		
Payroll Deductions and Withholdings		$84,002
Payable to Student Groups		26,343
Total Liabilities		$110,345
NET ASSETS		
Held in Trust for Unemployment Claims & Other Purposes	$12,381	

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

Exhibit B-8

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2011

	Unemployment Compensation Trust
ADDITIONS	
Contributions:	
Plan Member	$4,416
Total Contributions	4,416
Investment Earnings:	
Interest	9
Net Investment Earnings	9
Total Additions	**4,425**
DEDUCTIONS	
Unemployment Claims	1,043
Total Deductions	**1,043**
Change in Net Assets	3,382
Net Assets—Beginning of the Year	8,999
Net Assets—End of the Year	**$12,381**

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

Notes to Financial Statements

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, GASB Statement No. 45, Other Post-retirement Employee Benefits, and GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2010.

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, 2011, of 274 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.

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.

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.

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.

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.

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:

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

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, 2011, but which were levied to finance fiscal year 2012 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.

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.

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.

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: uncollarteralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2011, 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, 2011, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents(A-1)	Cash and Cash Equivalents(B-7)	Total
Checking Accounts	$381,784	$122,726	$504,510
Checking Accounts-Capital Reserve	85,332		85,332
	$467,116	$122,726	$589,842

The carrying amount of the Board’s cash and cash equivalents at June 30, 2011, was $589,842 and the bank balance was $685,577. 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 $435,577 was covered by collateral pool.

NOTE 3: RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Government-Wide Financial Statements
State Aid	$48,239	$48,326
Federal Aid	54,521	56,132
Gross Receivable	102,760	104,458
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	$102,760	$104,458

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2011, consisted of the following:

Food	$1,367
Supplies	2,196
	$3,563

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, 2011, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 366			$ 366
Total Capital Assets Not Being Depreciated	366			366
Capital Assets Being Depreciated:				
Land Improvements	53,950			53,950
Buildings and Building Improvements	4,113,495			4,113,495
Machinery and Equipment	378,661	$ 28,504		407,165
Total at Historical Cost	4,546,106	28,504		4,574,610
Less Accumulated Depreciation for:				
Land Improvements	(54,439)			(54,439)
Building and Improvements	(1,748,721)	(75,866)		(1,824,587)
Equipment	(247,261)	(19,712)		(266,973)
Total Accumulated Depreciation	(2,050,421)	(95,578)		(2,145,999)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	2,495,685	(67,074)		2,428,611
Government Activity Capital Assets, Net	**$ 2,496,051**	**$ (67,074)**		**$ 2,428,977**

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	$ 54,384
Special Education Instruction	15,292
Student/Instruction Related Services	16,535
General Administrative Services	4,588
School Administrative Services	1,338
Maintenance/Custodial	191
Unallocated	3,250
Total	$ 95,578

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, 2011, are as follows:

	Balance 7/1/10	Increases	Decreases	Balance 6/30/11	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	$339,000		($170,000)	$169,000	$169,000
Other Liabilities:					
Compensated Absences Payable	154,579		(19,622)	134,957	
Total	$493,579		($189,622)	$303,957	$169,000

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.

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2011, is as follows at an interest rate of 6.6%:

Year Ending June 30,	Principal	Interest	Total
2012	$ 169,000	$ 5,577	$ 174,577
	$ 169,000	$ 5,577	$ 174,577

As of June 30, 2011, the District had no authorized but not issued bonds.

NOTE 8: OPERATING LEASES

The District maintaned five copy machine leases in effect during fiscal year ended June 30, 2011. The lease term is for 60 months with payments totaling $8,275 annually.

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.

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.

NOTE 9: PENSION PLANS (Continued)

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	$34,353	100 %	-0-
6/30/2010	$23,049	100	-0-
6/30/2009	$18,069	100	-0-

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	-0-	100 %	-0-
6/30/2010	-0-	100	-0-
6/30/2009	-0-	100	-0-

During the fiscal year ended June 30, 2011, the State of New Jersey did contribute $153,205 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 $158,940 during the year ended June 30, 2011, 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, 2010, there were 87,288 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 $126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

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.

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, 2011, no liability existed for compensated absences in the proprietary fund types.

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:

Fiscal Year	Interest Earned	Employee Contributions	Amount Reimbursed	Ending Balance
2010-2011	$9	$4,416	$1,043	$12,381
2009-2010	$9	$4,411	$2,243	$8,999
2008-2009	$9	$5,103	$2,234	$6,822

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.

NOTE 15: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the $522,079 General Fund fund balance at June 30, 2011, $260,455 is reserved for encumbrances; $53,754 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 ($37,583 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2012); $2,417 is reserved and has been appropriated and included as anticipated revenue for the year ended June 30, 2012; $85,332 has been reserved in the Capital Reserve Account; and, $120,121 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, 2010 to June 30, 2011 fiscal year is as follows:

Beginning balance July 1, 2010	$ 84,753
Interest earnings	579
Deposits	-0-
Withdrawals	-0-
Ending balance June 30, 2011	$ 85,332

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, 2011 is $16,171.

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, 2011. The appraisal revealed minor asset activity that that should be recorded as of June 30, 2010. Accordingly, a restatement of net assets as of June 30, 2010 was necessary.

Governmental Activities Net Assets:	
Net Assets (per A-1), June 30, 2010	$ 2,431,135
Restatement of Capital Assets	10,631
Fund balance (per A-1), June 30, 2010, as Restated	$ 2,441,766

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, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	$ 2,633,483		$ 2,633,483	$ 2,633,483	
Tuition	10,000		10,000	14,900	$ 4,900
Interest Earned on Capital Reserve Funds	-	$ 579	579	579	-
Miscellaneous	11,324		11,324	11,122	(202)
Total - Local Sources	2,654,807	579	2,655,386	2,660,084	4,698
State Sources:					
Equalization Aid	1,118,194		1,118,194	1,118,194	
Transportation Aid	33,451		33,451	33,451	
Special Education Aid	138,603		138,603	138,603	
Security Aid	24,360		24,360	24,360	
Extra-ordinary Aid	15,000	23,881	38,881	38,881	
Non- Public Transportation Aid				1,589	1,589
TPAF Pension (On-Behalf - Non-Budgeted)				153,205	153,205
TPAF Social Security (Reimbursed - Non-Budgeted)				158,940	158,940
Total State Sources	1,329,608	23,881	1,353,489	1,667,223	313,734
TOTAL REVENUES	**3,984,415**	**24,460**	**4,008,875**	**4,327,307**	**318,432**

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	15,896	(156)	15,740	15,686	54
Kindergarten - Salaries of Teachers	143,460	1,330	144,790	144,790	
Grades 1-5 - Salaries of Teachers	1,014,560	(41,594)	972,966	972,961	5
Grades 6-8 - Salaries of Teachers	121,885	490	122,375	122,375	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	35,375	(8,230)	27,145	26,135	1,010
Purchased Professional-Educational Services	2,400		2,400	1,620	780
Other Purchased Services (400-500 series)	8,500		8,500	7,530	970
General Supplies	26,150	(8,624)	17,526	15,978	1,548
Textbooks	26,500	(4,250)	22,250	22,250	
Other Objects	1,200		1,200	740	460
TOTAL REGULAR PROGRAMS - INSTRUCTION	**1,395,926**	**(61,034)**	**1,334,892**	**1,330,065**	**4,827**
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	99,635	2,356	101,991	101,975	16
General Supplies	800	(394)	406	406	
Textbooks	500	1,643	2,143	2,143	
Total Learning and/or Language Disabilities	100,935	3,605	104,540	104,524	16
Resource Room/Resource Center:					
Salaries of Teachers	170,783	70	170,853	170,853	
General Supplies	1,200	(616)	584	584	
Textbooks	600	(600)			
Total Resource Room/Resource Center	172,583	(1,146)	171,437	171,437	

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Special Education - Autism					
Salaries of Teachers	45,215	2,030	47,245	47,245	
Other Salaries for Instruction	35,700	5,559	41,259	41,259	
General Supplies	3,400	(2,056)	1,344	1,315	29
TotalSpecial Education - Autism	84,315	5,533	89,848	89,819	29
Preschool Disabilities - Part-Time					
Salaries of Teachers	16,456	560	17,016	17,016	
Other Salaries for Instruction					
General Supplies	400	(334)	66	66	
Total Preschool Disabilities - Part-time	16,856	226	17,082	17,082	
Special Education - Home Instruction:					
Purchased Professional - Educational Services	38,760	(14,000)	24,760	22,552	2,208
Total Special Education - Home Instruction	38,760	(14,000)	24,760	22,552	2,208
TOTAL SPECIAL EDUCATION - INSTRUCTION	**413,449**	**(5,782)**	**407,667**	**405,414**	**2,253**
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	36,020	(3,493)	32,527	32,519	8
General Supplies	400		400	292	108
Textbooks	300	(300)			
Total Basic Skills/Remedial - Instruction	36,720	(3,793)	32,927	32,811	116
School Sponsored Co/Extra Curricular Activities:					
Salaries of Teachers	12,000	148	12,148	12,141	7
Supplies and Materials	500	(148)	352	268	84
Total School Sponsored Cocurricular Activities	12,500		12,500	12,409	91
Other Instructional Programs:					
Purchased Services (300-500 series)	550	(214)	336	291	45
Salaries	17,640	(3,141)	14,499	14,499	
Purchased Professional and Technical Services	8,280	(4,580)	3,700	3,700	
Supplies and Materials	500	(443)	57	57	
Total Other Instructional Programs	26,970	(8,378)	18,592	18,547	45
TOTAL INSTRUCTION	**1,885,565**	**(78,987)**	**1,806,578**	**1,799,246**	**7,332**

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Private Schools for the Disabled-Within State	143,263	(5,535)	137,728	137,728	
Total Instruction	143,263	(5,535)	137,728	137,728	
Health Services:					
Salaries	45,440	4,672	50,112	50,112	
Purchased Professional and Technical Services	800	(800)			
Other Purchased Services (400-500 series)		195	195	195	
Supplies and Materials	1,000	785	1,785	1,785	
Other Objects	700	(11)	689	652	37
Total Health Services	47,940	4,841	52,781	52,744	37
Other Supp. Services Students-Related Services:					
Salaries	88,648	(1,335)	87,313	87,313	
Purchased Professional and Educational Services	46,000	(20,013)	25,987	24,761	1,226
Supplies and Materials	600	319	919	919	
Total Other Supp. Services Students-Related Services	135,248	(21,029)	114,219	112,993	1,226
Other Supp. Services Students-Extra. Services:					
Purchased Professional and Educational Services	56,824	1,300	58,124	58,124	
Total Other Supp. Services Students-Extra Services	56,824	1,300	58,124	58,124	
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	13,634	814	14,448	14,448	
Supplies and Materials	100	6	106	106	
Total Other Supp. Services Students-Regular	13,734	820	14,554	14,554	
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	89,917	56	89,973	89,973	
Other Purchased Professional - Technical Services	2,000	(625)	1,375	1,375	
Misc. Purch. Serv.(400-500 series O/than Resid.Costs)	500	(245)	255	208	47
Supplies and Materials	1,150	138	1,288	916	372
Other Objects	100		100	100	
Total Other Supp. Services Students-Special	93,667	(676)	92,991	92,572	419

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Improvement of Instruction:					
Purchased Professional - Educational Services	5,800	(3,090)	2,710	2,710	
Total Improvement of Instruction	5,800	(3,090)	2,710	2,710	
Educational Media Services/School Library:					
Salaries	70,080		70,080	70,080	
Purchased Professional and Technical Services	13,800	(458)	13,342	13,342	
Supplies and Materials	10,687	9,254	19,941	16,715	3,226
Other Objects	600	(45)	555	495	60
Total Educational Media Services/School Library	95,167	8,751	103,918	100,632	3,286
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	10,000	(4,681)	5,319	5,319	
Total Instructional Staff Training Services	10,000	(4,681)	5,319	5,319	
Supp. Services - General Administration:					
Salaries	162,426	3,074	165,500	165,500	
Legal Services	15,000	(14,096)	904	904	
Audit Fees	13,000	210	13,210	13,210	
Other Purchased Professional Services	1,600	3,895	5,495	5,495	
Communications/Telephone	31,360	1,272	32,632	31,424	1,208
BOE Other Purchased Services	3,150		3,150	3,131	19
Other Purchased Services (400-500 series)	21,132	(43)	21,089	19,180	1,909
General Supplies	3,300	(1,588)	1,712	1,712	
BOE In-House Training/Meeting Supplies	500		500	383	117
Miscellaneous Expenditures	5,775	(1,002)	4,773	4,773	
BOE In-house Training/Meeting Supplies	4,000	(3,940)	60	60	
Total Supp. Services - General Administration	261,243	(12,218)	249,025	245,772	3,253

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	68,356	1,644	70,000	70,000	
Salaries of Secretarial and Clerical Assistants	29,964	(5,568)	24,396	24,046	350
Purchased Professional and Technical Services	800	50	850	850	
Supplies and Materials		1,528	1,528	1,528	
Miscellaneous Expenditures		49	49	49	
Total Support Services - School Administration	99,120	(2,297)	96,823	96,473	350
Central Services:					
Salaries	83,500	(13,000)	70,500	70,500	
Purchased Professional Services	3,190	1,540	4,730	4,730	
Other Purchased Services (400-500 series)	1,500	(1,157)	343	343	
Supplies and Materials	500	808	1,308	515	793
Miscellaneous Expenditures	1,000	(221)	779	150	629
Total Central Services	89,690	(12,030)	77,660	76,238	1,422
Required Maintenance for School Facilities:					
Salaries	57,625	(61)	57,564	57,544	20
Cleaning, Repair and Maintenance Services	69,016	218,686	287,702	52,254	235,448
General Supplies	9,150	588	9,738	9,738	
Total Required Maintenance for School Facilities	135,791	219,213	355,004	119,536	235,468
Other Operations and Maintenance of Plant:					
Salaries	56,080	22,199	78,279	78,191	88
Purchased Professional and Technical Services	7,200	10,209	17,409	7,229	10,180
Cleaning, Repair and Maintenance Services	7,500	(1,814)	5,686	5,686	
Other Purchased Property Services	300	(300)			
Insurance	21,788	(2,372)	19,416	19,416	
Miscellaneous Purchased Services	125	(60)	65	65	
General Supplies	9,800	1,208	11,008	7,299	3,709
Energy (Electricity)	79,800	(3,000)	76,800	72,679	4,121
Energy (Oil)	51,660	(21,101)	30,559	30,559	
Total Other Operations and Maintenance of Plant	234,253	4,969	239,222	221,124	18,098

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch) - Regular	18,813	(3,932)	14,881	14,810	71
Salaries for Pupil Trans (Bet Home & Sch) - Sp. Ed.	10,784	(434)	10,350	10,350	
Cleaning, Repair and Maintenance Services	1,500	(301)	1,199	589	610
Contracted Services-Aid in Lieu Payments-Nonpublic Sch.	7,000	(3,464)	3,536	3,536	
Contracted Services (Between Home and School)-Vendors	160,164	2,359	162,523	162,522	1
Contract.Serv.(Other than Bet. Home and School)-Vendors	5,000	101	5,101	5,101	
Contracted Services (Between Home and School)-Joint Agrmts.	14,200	865	15,065	15,066	(1)
Contracted Services (Special Ed. Students)-Vendors	25,077	(1,714)	23,363	23,363	
Supplies and Materials	2,700		2,700	2,307	393
Other Objects	500		500	242	258
Total Student Transportation Services	245,738	(6,520)	239,218	237,886	1,332
UNALLOCATED BENEFITS					
Social Security Contributions	37,000	3,092	40,092	40,092	
Other Retirement Contributions-Regular	26,000	8,353	34,353	34,353	
Unemployment Compensation	13,000	(12,417)	583		583
Workmen's Compensation	31,354	1,473	32,827	32,827	
Health Benefits	474,750	(34,866)	439,884	439,821	63
Tuition Reimbursement	10,000	5,842	15,842	15,842	
Other Employee Benefits	14,268	11,068	25,336	25,336	
TOTAL UNALLOCATED BENEFITS	606,372	(17,455)	588,917	588,271	646

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
On-behalf TPAF pension Contrib. (non-budgeted)				153,205	(153,205)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				158,940	(158,940)
TOTAL ON-BEHALF CONTRIBUTIONS				312,145	(312,145)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	606,372	(17,455)	588,917	900,416	(311,499)
TOTAL UNDISTRIBUTED EXPENDITURES	**2,273,850**	**154,363**	**2,428,213**	**2,474,821**	**(46,608)**
TOTAL GENERAL CURRENT EXPENSE	**4,159,415**	**75,376**	**4,234,791**	**4,274,067**	**(39,276)**
TOTAL EXPENDITURES	**4,159,415**	**75,376**	**4,234,791**	**4,274,067**	**(39,276)**
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(175,000)	(50,916)	(225,916)	53,240	279,156
Fund Balance, July 1	600,307		600,307	600,307	
Fund Balance, June 30	$ 425,307	$ (50,916)	$ 374,391	$ 653,547	$ 279,156

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Restricted for:					
Capital Reserve				$ 85,332	
Excess Surplus				16,171	
Excess Surplus - Designated for Subsequent Year's Expenditures				37,583	
Assigned to:					
Year-End Encumbrances				260,455	
Designated for Subsequent Year's Expenditures				2,417	
Unassigned:					
Unrestricted Fund Balance				251,589	
Fund Balance per Governmental Funds(Budgetary Basis)				653,547	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				(131,468)	
Fund Balance per Governmental Funds(GAAP Basis)				$ 522,079	

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources	$ 2,900	$ (1,400)	$ 1,500	$ 1,500	
State Sources	6,600	900	7,500	7,500	
Federal Sources	95,900	34,003	129,903	129,903	-
Total Revenues	**105,400**	**33,503**	**138,903**	**138,903**	**-**
EXPENDITURES:					
Instruction					
Salaries of Teachers	22,900	3,915	26,815	26,815	
Other Salaries for Instruction	34,800	3,500	38,300	38,300	
Supplies and Materials	3,400	724	4,124	4,124	
Total Instruction	61,100	8,139	69,239	69,239	
Support Services					
Personal Services - Employee Benefits	3,850	(144)	3,706	3,706	
Purchased Professional - Educational Services	32,000	(1,100)	30,900	30,900	
Other Purchased Professional Services	2,950	(1,372)	1,578	1,578	
Other Purchased Services	5,500	(1,386)	4,114	4,114	
Total Support Services	44,300	(4,002)	40,298	40,298	
Capital Outlay:					
Communications/Technology		29,366	29,366	29,366	
Total Capital Outlay	-	29,366	29,366	29,366	
Total Expenditures	105,400	33,503	138,903	138,903	
Total Outflows	**105,400**	**33,503**	**138,903**	**138,903**	
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	

Exhibit C-3

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2011

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)	$ 4,327,307	$ 138,903
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	(4,675)
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	152,623	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	(131,468)	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	$ 4,348,462	$ 134,228
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	$ 4,274,067	$ 138,903
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for *budgetary* purposes, but in the year the supplies are received for *financial reporting* purposes.		
Prior Year	N/A	N/A
Current Year	N/A	(4,675)
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		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	$ 4,274,067	$ 134,228

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

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2011

	Title I	Title I I Part A	Title I I Part D	IDEA Basic	IDEA Preschool	REAP	NJDA Grow Healthy	NJDCA ROID	Totals
REVENUES									
Local Sources								$ 1,500	$ 1,500
State Sources								7,500	7,500
Federal Sources	$ 19,255	$ 12,307	$ 51	$ 61,500	$ 6,424	$ 29,366	$ 1,000		129,903
TOTAL REVENUES	**19,255**	**12,307**	**51**	**61,500**	**6,424**	**29,366**	**1,000**	**9,000**	**138,903**
EXPENDITURES:									
Instruction:									
Salaries of Teachers	15,116	10,199						1,500	26,815
Other Salaries for Instruction				30,500	6,000			1,800	38,300
Tuition									-
Supplies and Materials				1,000	424		1,000	1,700	4,124
Total Instruction	15,116	10,199	-	31,500	6,424	-	1,000	5,000	69,239
Support Services:									
Personal Services - Employee Bene.	2,213	1,493							3,706
Purchased Profess.-Educ. Serv.				30,000				900	30,900
Other Purchased Professional Serv.	963	615							1,578
Other Purchased Serv.	963		51					3,100	4,114
Total Support Services	4,139	2,108	51	30,000	-	-	-	4,000	40,298
Facilities Acq. and Const. Services:									
Communications/Technology						29,366			29,366
Total Facilities Acq. and Const. Serv.						**29,366**	**-**		**29,366**
TOTAL EXPENDITURES	19,255	12,307	51	61,500	6,424	29,366	1,000	9,000	138,903
Total Outflows	**$ 19,255**	**$ 12,307**	**$ 51**	**$ 61,500**	**$ 6,424**	**$ 29,366**	**$ 1,000**	**$ 9,000**	**$ 138,903**
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

PROPRIETARY FUND
DETAIL STATEMENTS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the district's board is that the costs of providing goods or services be financed through user 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.

FIDUCIARY FUND
DETAIL STATEMENTS

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.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	AGENCY FUNDS STUDENT ACTIVITY	AGENCY FUNDS PAYROLL AGENCY	TOTALS
ASSETS:				
Cash and Cash Equivalents	$12,381	$26,343	$84,002	$122,726
TOTAL ASSETS	$12,381	$26,343	$84,002	$122,726
LIABILITIES:				
Liabilities:				
Payroll Deductions and Withholdings			$84,002	$84,002
Payable to Student Groups		$26,343		26,343
Total Liabilities		26,343	84,002	110,345
NET ASSETS				
Held in Trust for Unemployment Claims and Other Purposes	$12,381			12,381
TOTAL LIABILITIES AND NET ASSETS	$12,381	$26,343	$84,002	$122,726

Exhibit H-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	TOTALS
ADDITIONS		
Contributions:		
Plan Member	$4,416	$4,416
Total Contributions	4,416	4,416
Investment Earnings:		
Interest	9	9
Net Investment Earnings	9	9
Total Additions	4,425	4,425
DEDUCTIONS		
Unemployment Claims	1,043	1,043
Total Deductions	1,043	1,043
Change in Net Assets	3,382	3,382
Net Assets—Beginning of the Year	8,999	8,999
Net Assets—End of the Year	$12,381	$12,381

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

ACTIVITY	BALANCE July 1, 2010	Transfers	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE June 30, 2011
Field Trips		$ 5,152	$ 5,141	$ 10,293	-
Fund Raiser	$ 16,882	(443)	14,961	8,200	$ 23,200
Ski Club	(63)		7,699	7,634	2
Band	(761)	582	2,591	2,412	-
Other	5,741	(5,291)	12,869	10,178	3,141
	$ 21,799	**-**	**$ 43,261**	**$ 38,717**	**$ 26,343**

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	BALANCE July 1, 2010	ADDITIONS	DELETIONS	BALANCE June 30, 2011
ASSETS:				
Cash and Cash Equivalents	$ 104,295	$ 2,999,396	$ 3,019,689	$ 84,002
Total Assets	$ 104,295	$ 2,999,396	$ 3,019,689	$ 84,002
LIABILITIES:				
Salaries & Wages		$ 1,616,045	$ 1,616,045	
Summer Pay	$ 80,899	79,349	80,900	$ 79,348
Payroll Deductions and Withholdings	23,396	1,304,002	1,322,744	4,654
Total Liabilities	$ 104,295	$ 2,999,396	$ 3,019,689	$ 84,002

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, 2011

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit I-3

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive/ (Negative) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 134,497		$ 134,497	$ 134,497	
State Sources:					
Debt Service Aid Type II	52,267		52,267	52,267	
Total - State Sources	52,267		52,267	52,267	
TOTAL REVENUES	**$ 186,764**		**$ 186,764**	**$ 186,764**	
EXPENDITURES:					
Regular Debt Service:					
Interest	$ 16,764		$ 16,764	$ 16,764	
Redemption of Principal	170,000		170,000	170,000	
Total Regular Debt Service	186,764		186,764	186,764	
TOTAL EXPENDITURES	**$ 186,764**		**$ 186,764**	**$ 186,764**	
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

Contents **Page**

Financial Trends (J-1 thru J-5) 56-61
These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.

Revenue Capacity (J-6 thru J-9) 62-65
These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

Debt Capacity (J-10 thru J-13) 66-69
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.

Demographic and Economic Information (J-14 and J-15) 70-71
These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.

Operating Information (J-16 thru J-20) 72-76
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.

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 Eight Fiscal Years

Exhibit J-1

(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
	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	$ 2,259,977
Restricted		108,745	104,966	201,651	148,823	151,472	159,920	297,336	141,503
Unrestricted		(7,643)	(71,542)	(71,769)	20,361	(23,270)	27,384	(12,621)	241,436
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	$ 2,642,916
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	$ 21,442	$ 22,704
Total business-type activities net assets	-	$ 12,563	$ 18,336	$ 16,903	$ 16,132	$ 17,333	$ 19,376	$ 21,442	$ 22,704
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	$ 2,259,977
Restricted		108,745	104,966	201,651	148,823	151,472	159,920	297,336	141,503
Unrestricted		4,920	(53,206)	(54,866)	36,493	(5,937)	46,760	8,821	264,140
Total district net assets	-	$ 1,526,922	$ 1,563,821	$ 1,713,388	$ 1,861,730	$ 2,026,526	$ 2,168,688	$ 2,452,577	$ 2,665,620

Source: CAFR Scehdule A-1

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

Exhibit J-2

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	$ 1,877,330
Special education		431,033	466,872	507,545	539,391	487,558	524,992	528,557	567,799
Other special education		80,891	117,179	120,005	155,728	163,374	138,792	136,695	137,666
Other instruction		12,405							
Support Services:									
Tuition		58,476	52,314	94,750	106,161	97,660	144,705	126,068	137,728
Student & instruction related services		386,095	470,667	457,091	567,008	551,870	578,445	610,725	552,493
General administrative services		308,135	382,577	350,887	422,576	518,758	498,387	420,049	413,532
School administrative services		160,818	166,400	143,216	143,513	147,460	140,287	145,716	146,431
Business administrative services		90,525							
Plant operations and maintenance		286,518	287,456	291,422	314,548	357,569	341,217	340,068	376,523
Pupil transportation		215,672	203,409	236,682	239,681	253,786	276,269	263,046	242,995
Interest on long-term debt		95,304	79,876	68,656	57,436	46,216	34,996	23,776	12,557
Unallocated depreciation		102,159	3,926	3,926	4,175	4,083	4,083	3,166	3,250
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	4,468,304
Business-type activities:									
Food service		80,692	72,952	78,049	83,177	80,489	73,466	71,201	75,633
Total business-type activities expense	-	80,692	72,952	78,049	83,177	80,489	73,466	71,201	75,633
Total district expenses	$ -	$ 3,951,310	$ 4,116,671	$ 4,226,067	$ 4,500,172	$ 4,672,335	$ 4,605,584	$ 4,660,862	$ 4,543,937
Program Revenues									
Governmental activities:									
Charges for services:									
Instruction			$ 10,783	$ 14,272	-	$ 6,698	$ 23,275	$ 11,858	$ 10,907
Support Services			3,947	5,226	$ 13,012	2,452	8,521	4,342	3,993
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	1,873,373
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	1,888,273
Business-type activities:									
Charges for services									
Food service		55,231	54,338	53,397	57,896	56,176	50,689	44,734	48,402
Operating grants and contributions		25,875	24,242	22,349	23,966	24,499	22,238	28,365	28,362
Capital grants and contributions									-
Total business type activities program revenues	-	81,106	78,580	75,746	81,862	80,675	72,927	73,099	76,764
Total district program revenues	$ -	$ 1,654,696	$ 1,867,628	$ 1,929,225	$ 2,061,738	$ 2,165,986	$ 2,102,290	$ 2,187,746	$ 1,965,037
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)	$ (2,580,031)
Business-type activities	-	414	5,628	(2,303)	(1,315)	186	(539)	1,898	1,131
Total district-wide net expense	$ -	$ (2,296,614)	$ (2,249,043)	$ (2,296,842)	$ (2,438,434)	$ (2,506,349)	$ (2,503,294)	$ (2,473,116)	$ (2,578,900)
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	$ 2,633,483
Taxes levied for debt service		177,955	170,429	162,903	155,377	147,851	140,325	132,799	134,497

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

Exhibit J-2

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Unrestricted grants and contributions		121,036							
Investment earnings			10,395	22,032	31,857	21,447	7,797	7,544	6,334
Miscellaneous income		133,580	20,789	20,798	32,434	25,758	21,738	9,331	6,867
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	2,781,181
Business-type activities:									
Miscellaneous Income			145	870	544	1,015	2,582	168	131
Transfers									
Total business-type activities	-	-	145	870	544	1,015	2,582	168	131
Total district-wide	$ -	$ 2,510,611	$ 2,298,215	$ 2,446,409	$ 2,586,776	$ 2,671,145	$ 2,645,456	$ 2,731,688	$ 2,781,312
Change in Net Assets									
Governmental activities	-	$ 213,583	$ 43,399	$ 151,000	$ 149,113	$ 163,595	$ 140,119	$ 256,506	$ 201,150
Business-type activities	-	414	5,773	(1,433)	(771)	1,201	2,043	2,066	1,262
Total district	$ -	$ 213,997	$ 49,172	$ 149,567	$ 148,342	$ 164,796	$ 142,162	$ 258,572	$ 202,412

Source: CAFR Schedule A-2

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

Exhibit J-3

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved		$ 108,745	$ 60,373	$ 77,415	$ 205,540	$ 82,972	$ 231,739	$ 329,865	$ 401,958
Unreserved		108,879	129,150	209,917	132,247	205,936	104,112	117,819	120,121
Total general fund	-	$ 217,624	$ 189,523	$ 287,332	$ 337,787	$ 288,908	$ 335,851	$ 447,684	$ 522,079
All Other Governmental Funds									
Reserved									
Unreserved, reported in:									
Special revenue fund									
Capital projects fund									
Debt service fund									
Permanent fund									
Total all other governmental funds	-	-	-	-	-	-	-	-	-

Source: CAFR Schedule B-1

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

Exhibit J-4

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Tax levy	$ 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	$ 2,767,980
Tuition charges	98,420	93,200	66,305	14,730	19,498	13,012	9,150	31,796	16,200	14,900
Interest earnings					1,432	3,890	2,649	1,000	781	579
Miscellaneous	59,153	42,335	31,304	31,184	41,398	60,401	44,556	28,535	16,094	12,622
State sources	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	1,749,038
Federal sources	81,360	86,699	134,563	157,608	145,018	138,317	127,711	132,468	419,314	124,335
Total revenue	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	4,669,454
Expenditures										
Instruction										
Regular Instruction	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	1,399,197
Special education instruction	248,297	299,411	309,805	323,566	361,797	364,064	304,324	369,198	363,750	405,414
Other special instruction	53,920	58,161	42,827	54,463	56,063	77,510	80,972	70,175	61,382	63,767
Support Services:										
Tuition	37,263	18,211	58,476	52,314	94,750	106,161	97,660	144,705	126,068	137,728
Student & instruction related services	444,111	597,350	326,138	400,012	385,445	482,567	464,504	502,220	533,755	476,240
General administrative services	231,468	266,472	257,077	303,256	270,123	324,670	416,056	411,902	326,981	322,010
School Administrative services	48,752	45,249	124,327	123,522	99,531	90,334	91,564	93,461	94,861	96,473
Business administrative services			72,493							
Plant operations and maintenance	243,974	250,749	252,372	256,951	260,325	276,546	317,552	307,855	303,527	340,660
Pupil transportation	207,832	203,320	211,875	199,073	232,262	234,274	248,090	271,526	257,840	237,886
Unallocated employee benefits	570,730	527,880	735,579	737,694	736,862	906,760	967,932	807,035	879,024	900,416
Charter Schools					19,705	10,153	17,906	18,753	-	-
Capital outlay	128,605	16,568	35,963	22,558	36,228	62,544	154,668	31,108	95,870	28,504
Debt service:										
Principal	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000
Interest and other charges	117,744	106,524	95,304	84,084	72,864	61,644	50,424	39,204	27,984	16,764
Total expenditures	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	4,595,059
Excess (Deficiency) of revenues over (under) expenditures	(81,411)	11,787	92,650	(28,101)	97,809	50,455	(48,879)	46,943	111,833	74,395
Other Financing Sources (uses)										
Transfers in										
Transfers out	(3,000)									
Total other financing sources (uses)	(3,000)	-	-	-	-	-	-	-	-	-
Net change in fund balances	$ (84,411)	$ 11,787	$ 92,650	$ (28,101)	$ 97,809	$ 50,455	$ (48,879)	$ 46,943	$ 111,833	$ 74,395
Debt service as a percentage of noncapital expenditures	7.8%	7.3%	6.8%	6.2%	5.8%	5.2%	4.7%	4.6%	4.3%	4.1%

Source: CAFR Schedule B-2

KNOWLTON TOWNSHIP SCHOOL DISTRICT

GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

Fiscal Year Ended June 30,	Interest on Investments	Tuition	Contributions from Private Sources	Rentals	Miscellaneous	Total
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
2011	6,334	14,900	5,361		6	26,601

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)
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
2011	6,838,700	193,045,800	35,542,500	2,796,040	20,636,900	-	665,700	285,676,867	25,515,900	635,327	260,160,967	1.064	396,818,747

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)

	Knowlton Board of Education			Overlapping Rates				
Fiscal Year Ended June 30,	Basic Rate [a]	General Obligation Debt Service [b]	Total Direct	Regional High School District	Knowlton Township	Warren County	Library	Total Direct and Overlapping Tax Rate
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
2011	0.992	0.072	1.064	0.896	0.353	0.860	0.074	3.247

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

	2011			2002		
Taxpayer	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%
			4.45%	$ 9,179,100		5.77%

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	
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%	-
2011	2,633,483	2,633,483	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

	Governmental Activities				Business-Type Activities			
Fiscal Year Ended June 30,	General Obligation Bonds [b]	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Percentage of Personal Income [a]	Per Capita [a]
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	0.503%	$216
2009	$509,000					$509,000	0.381%	$162
2010	$339,000					$339,000	0.254%	$108
2011	$169,000					$169,000	0.127%	$54

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 **Exhibit J-11**
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

	General Bonded Debt Outstanding				
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value [a] of Property	Per Capita [b]
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
2011	$ 169,000	-0-	$ 169,000	0.06%	$ 54

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, 2011

Exhibit J-12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Township of Knowlton	$ 2,362,850	100.0%	$ 2,362,850
Other debt			
Warren County	7,775,000	2.9%	224,805
Subtotal, overlapping debt			2,587,655
Knowlton Township School District Direct Debt			169,000
Total direct and overlapping debt			$ 2,756,655

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 2011

		Equalized valuation basis	
		2010	$ 367,808,447
		2009	393,401,581
		2008	418,063,003
		[A]	$ 1,179,273,031
Average equalized valuation of taxable property	**[A/3]**	$	393,091,010
Debt limit (2.5% of average equalization value)	**[B]**		9,827,275
Net bonded school debt	**[C]**		169,000
Legal debt margin	**[B-C]**	$	9,658,275

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	$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	9,827,275
Total net debt applicable to limit	1,699,000	1,529,000	1,359,000	1,189,000	1,019,000	1,019,000	679,000	509,000	339,000	169,000
Legal debt margin	$3,212,450	$4,831,366	$5,719,564	$5,454,550	$6,441,072	$7,402,453	$8,675,171	$9,548,348	$9,833,951	$9,658,275
Total net debt applicable to the limit as a percentage of debt limit	34.59%	24.04%	19.20%	17.90%	13.66%	12.10%	7.26%	5.06%	3.33%	1.72%

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 **Exhibit J-14**
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population [a]	Personal Income (thousands of dollars) [b]	Per Capita Personal Income [c]	Unemployment Rate [d]
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	$ 135,067,282	$42,974 R	6.80%
2009	3,136	$ 133,690,816	$42,631 P	11.80%
2010	3,127	$ 133,307,137	$42,631 *	12.20%
2011	3,127 *	$ 133,307,137	$42,631 *	*

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

	2011			2002		
Employer	**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 **Exhibit J-16**
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction										
Regular	30.5	27.2	28.6	28.6	23.4	23.4	23.8	23.9	23.7	22.7
Special education	5.0	3.5	5.9	5.9	5.7	5.7	5.0	6.0	6.0	6.0
Other special education	3.0	3.0	3.0	2.5	2.0	2.0	3.5	5.0	5.0	5.0
Other instruction	1.0	1.0	1.0	1.0	1.0	2.5	1.0	1.0	1.0	1.0
Support Services:										
Student & instruction related services	3.5	4.6	4.6	4.8	4.8	4.8	4.4	3.4	3.7	3.7
General adminsitrative 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 adminsitrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.1
Plant operations and maintenance	3.0	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Pupil transportation	0.5	0.5	0.5	0.6	0.6	0.3	0.3	0.3	0.6	0.6
Total	51.6	48.4	52.2	51.5	45.6	46.8	46.1	47.7	48.2	47.2

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 Elementary	Average Daily Enrollment (ADE) [c]	Average Daily Attendance (ADA) [c]	% Change in Average Daily Enrollment	Student Attendance Percentage
2002	369	$3,401,708	$9,219	5.12%	30	1:12.3	370.0	355.0	1.29%	95.71%
2003	331	$3,498,858	$10,571	14.66%	28	1:11.8	368.0	351.0	-0.65%	95.38%
2004	354	$3,658,001	$10,333	-2.24%	30	1:11.8	354.0	339.0	-3.80%	95.76%
2005	347	$3,838,576	$11,062	7.05%	27	1:12.9	347.0	332.0	-1.98%	95.68%
2006	319	$3,922,119	$12,295	11.14%	30	1:10.6	320.3	306.4	-7.69%	95.66%
2007	324	$4,221,465	$13,029	5.97%	30	1:10.8	324.4	310.2	1.28%	95.62%
2008	306	$4,429,228	$14,475	11.09%	29	1:10.6	304.6	290.6	-6.10%	95.40%
2009	290	$4,384,982	$15,121	4.46%	33	1:8.8	289.8	277.2	-4.86%	95.65%
2010	282	$4,440,480	$15,746	4.14%	30	1:9.4	280.0	265.9	-3.38%	94.96%
2011	274	$4,379,791	$15,985	1.51%	30	1:9.1	274.0	261.0	-2.14%	95.26%

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

District Building	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Elementary										
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	369	331	351	347	319	324	306	290	282	274

Number of Schools at June 30, 2011

Elementary = 1

Source: District records, ASSA

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 Nine Fiscal Years Ending June 30, 2011

Exhibit J-19

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

School Facilities	Project #	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Elementary School- Grades K-6	N/A	$ 63,354	$ 69,259	$ 75,432	$ 72,968	$ 76,965	$ 86,937	$ 85,310	$ 84,348	$119,536	$ 734,109
Total School Facilities		63,354	69,259	75,432	72,968	76,965	86,937	85,310	84,348	119,536	281,013
Other Facilities											
Grand Total		**$ 63,354**	**$ 69,259**	**$ 75,432**	**$ 72,968**	**$ 76,965**	**$ 86,937**	**$ 85,310**	**$ 84,348**	**$119,536**	**$ 281,013**

KNOWLTON TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE
June 30, 2011
UNAUDITED

Exhibit J-20

POLICY TYPE	COVERAGE	DEDUCTIBLE
SCHOOL PACKAGE POLICY - NJSBAIG		
Property	$ 300,000,000	1,000
Commercial General Liability - (Blanket)	50,000,000	1,000
Commercial Automotive Liability	10,000,000	-
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	250,000	1,000
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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Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, 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, 2011, and have issued our report thereon dated September 15, 2011. 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.

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.

-Continued-

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: September 15, 2011

ARDITO & CO., LLP

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

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011. 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 could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011.

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

Date: September 15, 2011

ARDITO & CO., LLP

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2011

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/10	CARRY-OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2011 (ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	MEMO BUDGETARY RECEIVABLE	MEMO CUMULATIVE TOTAL EXPENDITURES
State Department of Education														
General Fund:														
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	$ 1,118,194			$ 1,118,194	$ (1,118,194)						$ 111,826	$ 1,118,194
Transportation Aid	11-495-034-5120-014	7/1/10-6/30/11	33,451			33,451	(33,451)						3,345	33,451
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	138,603			138,603	(138,603)						13,861	138,603
Security Aid	11-495-034-5120-084	7/1/10-6/30/11	24,360			24,360	(24,360)						2,436	24,360
Extra-Ordinary Aid	11-495-034-5120-044	7/1/10-6/30/11	38,881				(38,881)			$ (38,881)				38,881
Extra-Ordinary Aid	10-495-034-5120-044	7/1/09-6/30/10		$ (41,467)		41,467								
Non-Public Transportation Aid	11-100-034-5120-068	7/1/10-6/30/11	1,589				(1,589)			(1,589)				1,589
Non-Public Transportation Aid	10-100-034-5120-068	7/1/09-6/30/10		(1,475)		1,475								
TPAF Pension	11-495-034-5095-001	7/1/10-6/30/11	153,205			153,205	(153,205)							153,205
Reimb.TPAF Soc.Sec.Contrib.	11-495-034-5095-002	7/1/10-6/30/11	158,940			151,171	(158,940)			(7,769)				158,940
Total General Fund				(42,942)		1,661,926	(1,667,223)			(48,239)			131,468	1,667,223
Special Revenue Fund:														
NJ Dept. Agriculture - Grow Healthy	041-02470	4/30/11-6/30/12	7,500			1,000	(1,000)							1,000
NJDCA ROID - Indiv. with Disabilities	N/A	7/1/10-6/30/11	7,500			7,500	(7,500)							7,500
				-	-	8,500	(8,500)	-	-	-	-	-	-	8,500
Debt Service Fund:														
Debt Service Aid	11-495-034-5120-017	7/1/10-6/30/11	52,267			52,267	(52,267)							52,267
State Department of Agriculture:														
Enterprise Fund:														
Nat.School Lunch Prog.(State Share)	10-100-034-5120-122	7/1/09-6/30/10		(108)		108								
Nat.School Lunch Prog.(State Share)	11-100-034-5120-122	7/1/10-6/30/11	1,032			945	(1,032)			(87)				1,032
Total Enterprise Fund				(108)		1,053	(1,032)			(87)				1,032
Total State Financial Assistance				**$ (43,050)**	**-**	**$ 1,723,746**	**$ (1,729,022)**	**-**	**-**	**$ (48,326)**	**-**	**-**	**$ 131,468**	**$ 1,729,022**

The accompanyiing 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, 2011

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 $21,155 for the general fund and ($4,675) 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, 2011

NOTE 3. (Continued)

	Federal	State	Total
General Fund		$ 1,688,378	$ 1,688,378
Special Revenue Fund	$ 124,335	8,393	132,728
Debt Service Fund		52,267	52,267
Food Service Fund	27,330	1,032	28,362
Total Financial Assistance	$ 151,665	$ 1,750,070	$ 1,901,735

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, 2011. 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, 2011.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011

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
11-495-034-5120-078	Equalization Aid
11-495-034-5120-089	Special Education Aid
11-495-034-5095-002	Reimb. TPAF Soc. Sec.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011

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