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, 2014

Comprehensive Annual

Financial Report

of the

Knowlton Township School District
Board of Education
Knowlton, New Jersey
For the Fiscal Year Ending June 30, 2014

Prepared by
Knowlton Township School District
Board of Education
Finance Department

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Introductory Section

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

Judy Favino
Interim 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, 2014, 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 2013-2014 fiscal year with an enrollment of 243 students, which is a decrease of 4 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
2013-2014	243	(1.6%)
2012-2013	247	(9.00 %)
2011-2012	270	(1.53%)
2010-2011	274	(2.14%)
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%)

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 continues to engage with cluster districts in curriculum review. Curriculum articulation is headed by a shared cluster curriculum coordinator. Along the curriculum review, appropriate benchmarks have been implemented which measure and track student achievement.

A Strategic Management Planning Committee will be formed and a new plan developed for Fall 2015-2022. Representatives from the Board, administration, faculty, parents and community will be invited to participate on various committees to develop goals and objectives designed to carry out the Plan and achieve the District’s mission.

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. The Superintendents and Boards of Education within the cluster will continue to examine the opportunities that exist for shared services.

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, 2014.

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, 2014, the District did not have outstanding debt issues.

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.

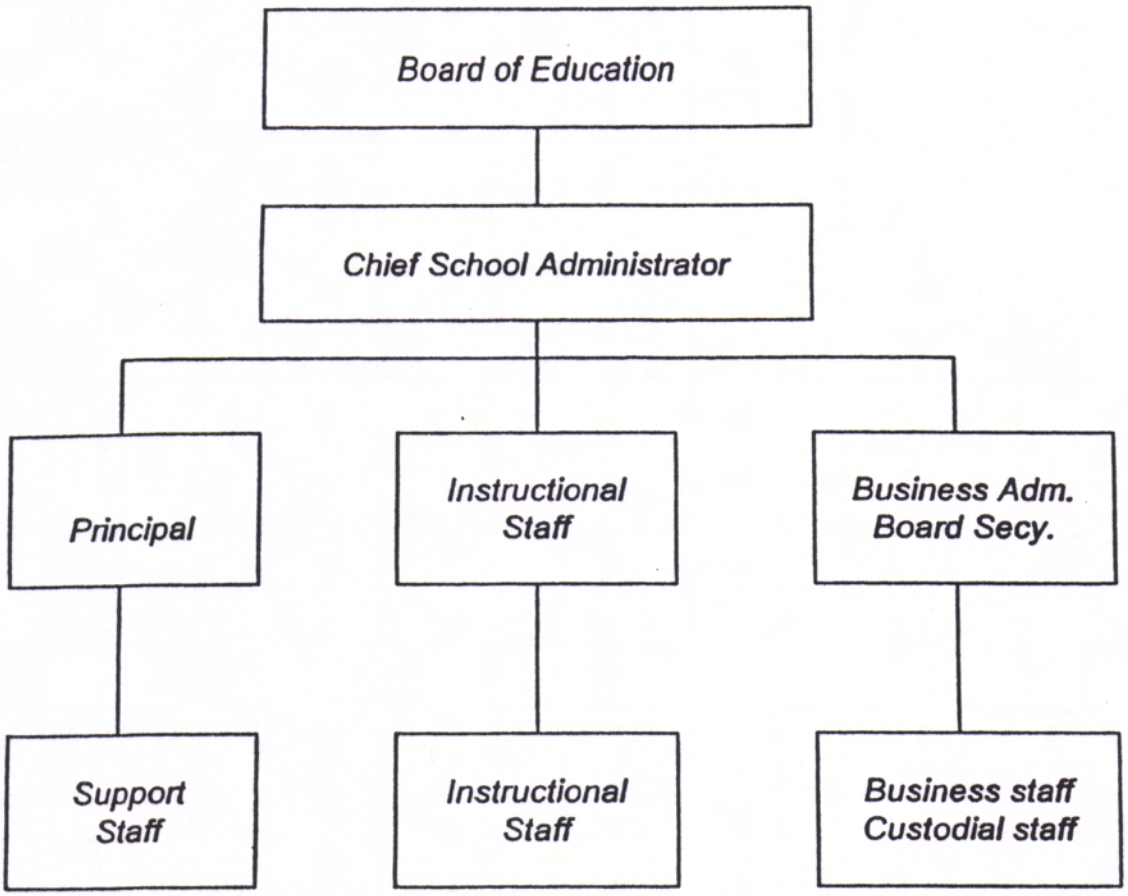
11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Knowlton Township School Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and 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:

Jeannine DeFalco
Superintendent

Judy Favino
Interim Board Secretary/Bus. Adm.

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



KNOWLTON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2014

Members of the Board of Education	Term Expires
Bethany Summers, ***President***	2015
Dawn Sullivan, ***Vice-President***	2016
Tammy Smith	2015
Bill Maxwell	2017
Matt Moore	2015
Daniella Ferguson	2017
Randy Dolinsky	2015
Kate McGuinness	2016
Eric Erickson	2016

Other Officials

Jeannine DeFalco, ***Superintendent***

Judy Favino, ***Interim School Business Administrator/Board Secretary***

Randy Wilson, ***Treasurer***

KNOWLTON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Architect

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

Audit Firm

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

Attorney

Schwartz Simon Edelstein & Celso, LLC
100 South Jefferson Road, Suite 200
Whippany, New Jersey 07981

Official Depository

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Hope, New Jersey 07844

Financial Section

Independent Auditor's Report

ARDITO & CO., LLP

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Knowlton Township School District Board of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 Office of School 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

-Continued-

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Knowlton Township School District Board of Education, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 8.8 and 37 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

-Continued-

The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circular 04-04, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's Circular 04-04, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated October 15, 2014, 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*** in considering the District's internal control over financial reporting and compliance.

Ardito & Co., LLP

ARDITO & CO., LLP
October 15, 2014

Licensed Public School Accountant No. 2369

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, 2014. 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 2014 are as follows:

- In total, net position increased $127,549 which represents an 4.2 percent increase from 2013.
- General revenues accounted for $2,657,630 in revenue or 55.7 percent of all revenues. Program specific revenues in the form of charges for services, operating grants were $2,074,095 or 44.3 percent of total revenues of $4,731,725.
- Total assets of governmental activities increased by $157,715 as cash and cash equivalents decreased by $11,130, receivables increased by $35,955, and capital assets increased by $133,337.
- The School District had $4,604,176 in expenses; only $2,074,095 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of $2,657,630 were adequate to provide for these programs.
- Among major funds, the General Fund had $4,531,803 in revenues and $4,531,167 in expenditures. The General Fund's surplus balance increased $636 over 2013, which compares favorably to a budgeted decrease of $59,700.

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 Position 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 Position 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 2014?" The Statement of Net Position 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 position and changes in those assets. This change in net position 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 Position 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 Position 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 Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table 1
Net Position

	2014	2013
Assets		
Current and Other Assets	$ 531,071	$ 506,693
Capital Assets	2,768,213	2,649,746
Total Assets	3,299,284	3,156,439
Liabilities		
Long-Term Liabilities	123,028	118,020
Other Liabilities	49,390	13,454
Total Liabilities	172,418	131,474
Net Position		
Invested in Capital Assets, Net of Debt	2,768,213	2,649,746
Restricted	346,630	228,476
Unrestricted	22,801	146,743
Total Net Position	$ 3,137,644	$ 3,024,965

Total assets increased $157,715. Cash and cash equivalents decreased by $11,130, receivables increased by $35,955, and capital assets increased by $133,337. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District decreased by $123,942 due to additional year end reserves of $100,000 earmarked for capital reserve.

Table 2 shows the changes in net position from fiscal year 2013.

Table 2
Changes in Net Position

	2014	2013
Revenues		
Program Revenues:		
Charges for Services	$ 125,629	$ 92,180
Operating Grants and Contributions	1,948,466	1,994,946
General Revenues:		
Property Taxes	2,633,483	2,633,483
State Aid	3,273	2,272
Other	20,874	7,122
Total Revenues	4,731,725	4,730,003
Program Expenses		
Instruction	2,961,956	2,900,878
Support Services:		
Tuition	-	7,770
Pupils and Instructional Staff	415,552	438,360
General Administration, School Administration, Business	571,312	572,543
Operations and Maintenance of Facilities	381,720	391,241
Pupil Transportation	205,084	216,337
Business-Type Activities	64,635	71,065
Interest and Fiscal Charges	3,917	3,511
Total Expenses	4,604,176	4,601,705
Increase in Net Position	$ 127,549	$ 128,298

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 55.7 percent of revenues for governmental activities for the Knowlton Township School District for the fiscal year 2014.

Instruction comprises 64.3 percent of district expenses. Support services expenses make up 34.2 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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Instruction	$ 2,961,956	$ 1,490,016	$ 2,900,878	$ 1,423,662
Support Services:				
Tuition	-	-	7,770	7,770
Pupils and Instructional Staff	415,552	251,035	438,360	272,647
General Administration, School Administration, Business	571,312	282,578	572,543	282,324
Operation and Maintenance of Facilities	381,720	305,738	391,241	314,868
Pupil Transportation	205,084	194,202	216,337	205,399
Business-Type Activities	64,635	2,595	71,065	4,398
Interest and Fiscal Charges	3,917	3,917	3,511	3,511
Total Expenses	$ 4,604,176	$ 2,530,081	$ 4,601,705	$ 2,514,579

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 50.3 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 65.7 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 11 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $4,668,506 and expenditures of $4,667,870. The net change in fund balance for the year was most significant in the General Fund, an increase of $636, which compares favorably to the budgeted use of surplus of over $195,074 to pay for prior year encumbrances ($135,374) and to balance the 2014 budget ($59,700).

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 2014 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 $4,128,420, $59,230 over original budgeted estimates of $4,669,190 due to additional tuition revenue and miscellaneous revenue.

The General fund revenues and other financing sources of the School District exceeded expenditures by approximately $636, which again compares favorably to the budgeted use surplus of over $195,074 to pay for prior year encumbrances ($135,374) and to balance the 2014 budget ($59,700).

Capital Assets

At the end of the fiscal year 2014, the School District had $2,768,213 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2013 balances compared to 2013.

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

	2014	2013
Land	$ 366	$ 366
Buildings and Improvements	2,670,797	2,532,491
Machinery and Equipment	97,050	102,019
Totals	$ 2,768,213	$ 2,634,876

Overall capital assets increased $133,337 from fiscal year 2013 to fiscal year 2014. Increases in capital assets (primarily HVAC upgrades) were offset by depreciation expenses for the year.

$248,530 in major capital additions were purchased during fiscal year 2014.

Debt Administration

At June 30, 2014, the School District had $123,028 as outstanding debt. Of this amount $123,028 is for compensated absences. The district has no other outstanding debt.

At June 30, 2014, the School District's overall legal debt margin was $8,178,103 and the unvoted debt margin was the same at $8,178,103.

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.

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 Judy Favino, Interim Business Administrator/Board Secretary at Knowlton Township School District, P.O. Box 152, Delaware, NJ, 07833, or via e-mail at favinoj@knowltonschool.com.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position 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 POSITION
June 30, 2014

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 157,282	$ 11,348	$ 168,630
Receivables from Other Governments	90,165	4,908	95,073
Other Receivables	190		190
Interfund Receivables	10,778		
Inventory		2,492	2,492
Restricted Assets:			
Capital Reserve Account - Cash	264,686		264,686
Capital Assets, Net (Note 6):	2,768,213		2,768,213
Total Assets	3,291,314	18,748	3,299,284
LIABILITIES			
Accounts Payable	33,302	3,406	36,708
Unearned Revenue	11,345	1,337	12,682
Noncurrent Liabilities (Note 7):			
Due Within One Year	-		-
Due Beyond One Year	123,028		123,028
Total Liabilities	167,675	4,743	172,418
NET POSITION			
Invested in Capital Assets, Net of Related Debt	2,768,213		2,768,213
Restricted for:			
Other Purposes	346,630		346,630
Unrestricted	8,796	14,005	22,801
Total Net Position	$ 3,123,639	$ 14,005	$ 3,137,644

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, 2014

		PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular	$ 2,220,214	$ 43,679	$ 957,546		$ (1,218,989)		$ (1,218,989)
Special Education	597,081	15,162	298,148		(283,771)		(283,771)
Other Special Instruction	144,661	7,617	149,788		12,744		12,744
Support Services:							
Tuition	-				-		-
Student & Instruction Related Services	415,552	6,156	158,361		(251,035)		(251,035)
School Administrative Services	133,223	5,012	98,550		(29,661)		(29,661)
General and Business Admin. Services	438,089	8,961	176,211		(252,917)		(252,917)
Plant Operations and Maintenance	381,720	3,677	72,305		(305,738)		(305,738)
Pupil Transportation	205,084	527	10,355		(194,202)		(194,202)
Unallocated Depreciation	3,917				(3,917)		(3,917)
Total Governmental Activities	4,539,541	90,791	1,921,264		(2,527,486)		(2,527,486)
Business-Type Activities:							
Food Service	64,635	34,838	27,202			$ (2,595)	(2,595)
Total Business-Type Activities	64,635	34,838	27,202			(2,595)	(2,595)
Total Primary Government	$ 4,604,176	$ 125,629	$ 1,948,466		$ (2,527,486)	$ (2,595)	$ (2,530,081)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes,Net					$ 2,633,483		$ 2,633,483
Interest Income					3,273		3,273
Miscellaneous Income					19,695	$ 1,179	20,874
Total General Revenues, Special Items, Extraor. Items and Transfers					2,656,451	1,179	2,657,630
Change in Net Position					128,965	(1,416)	127,549
Net Position—Beginning (As Restated)					2,994,674	15,421	3,010,095
Net Position—Ending					$ 3,123,639	$ 14,005	$ 3,137,644

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, 2014

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	$ 421,968		$ 421,968
Interfund Receivable	79,043	$ 1,188	80,231
Other Accounts Receivables	190		190
Receivables from Other Governments	8,905	81,260	90,165
TOTAL ASSETS	$ 510,106	$ 82,448	$ 592,554
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 30,464	2,838	$ 33,302
Interfund Payable	1,188	68,265	69,453
Deferred Revenue		11,345	11,345
Total Liabilities	31,652	82,448	114,100
Fund Balances:			
Restricted for:			
Capital Reserve Account	264,686		264,686
Excess Surplus	21,944		21,944
Excess Surplus-Designated for Subsequent Year's Expend.	3,790		3,790
Assigned to:			
Year-End Encumbrances	18,420		18,420
General Fund-Designated for Subsequent Year's Expend.	56,210		56,210
Unassigned:			
General Fund-Undesignated	113,404		113,404
Total Fund Balances	478,454	-	478,454
TOTAL LIABILITIES AND FUND BALANCE	$ 510,106	$ 82,448	$ 592,554

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $5,243,723 and the accumulated depreciation is $2,475,510.	$ 2,768,213
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(123,028)
Net position of governmental activities	$ 3,123,639

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, 2014

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local sources:			
Local Tax Levy	$ 2,633,483		$ 2,633,483
Tuition	90,791		90,791
Miscellaneous	22,210	$ 758	22,968
Total - Local Sources	2,746,484	758	2,747,242
State Sources	1,785,319	7,500	1,792,819
Federal Sources		128,445	128,445
Total Revenues	4,531,803	136,703	4,668,506
EXPENDITURES			
Current:			
Regular Instruction	1,520,011	77,730	1,597,741
Special Education Instruction	392,846		392,846
Other Special Instruction	51,314		51,314
Support services and undistributed costs:			
Tuition			-
Student and Instruction Related Services	282,874	37,316	320,190
School Administrative Services	70,195		70,195
Other Administrative Services	322,747		322,747
Plant Operations and Maintenance	336,430		336,430
Pupil Transportation	198,631		198,631
Unallocated Benefits	1,080,926		1,080,926
Transfer to Charter School	26,663		26,663
Debt Service:			
Principal			-
Interest and Other Charges			-
Capital Outlay	248,530	21,657	270,187
Total Expenditures	4,531,167	136,703	4,667,870
Excess (Deficiency) of Revenues Over Expenditures	636	-	636
Net Change in Fund Balances	636	-	636
Fund Balance—July 1	477,818		477,818
Fund Balance—June 30	$ 478,454	-	$ 478,454

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, 2014

Total Net Change in Fund Balances - Governmental Funds (from B-2)		$ 636
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	$ (115,193)	
Capital Outlays	248,530	133,337
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.		(5,008)
Change in Net Position of Governmental Activities		$ 128,965

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 POSITION
PROPRIETARY FUNDS

June 30, 2014

	Business-Type Activities-Enterprise Funds	
	Food Service	**Totals**
ASSETS		
Current assets:		
Cash and Cash Equivalents	$ 11,348	$ 11,348
Accounts Receivable - Federal	4,751	4,751
Accounts Receivable - State	157	157
Inventories	2,492	2,492
Total Current Assets	18,748	18,748
Total Assets	**$ 18,748**	**$ 18,748**
LIABILITIES		
Current liabilities:		
Accounts Payable	3,406	3,406
Deferred Revenue	1,337	1,337
Total Current Liabilities	4,743	1,337
Total Liabilities	**$ 4,743**	**$ 1,337**
NET POSITION		
Unrestricted	$ 14,005	$ 14,005
Total Net Position	**$ 14,005**	**$ 14,005**

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Fund	
	Food Service	**Total Enterprise**
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	$ 32,700	$ 32,700
Daily Sales - Non-Reimb Programs	2,138	2,138
Miscellaneous	1,179	1,179
Total Operating Revenues	36,017	36,017
Operating Expenses:		
Cost of Sales	33,145	33,145
Salaries	17,770	17,770
Employee Benefits	4,577	4,577
Supplies	544	544
Other Purchased Professional Services	7,721	7,721
Miscellaneous	878	878
Total Operating Expenses	64,635	64,635
Operating Income (Loss)	(28,618)	(28,618)
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	784	784
Federal Sources:		
National School Lunch Program	23,615	23,615
Food Distribution Program	2,803	2,803
Total Nonoperating Revenues (Expenses)	27,202	27,202
Income (Loss) Before Contributions and Transfers	(1,416)	(1,416)
Transfers In (Out)	-	-
Change in Net Position	(1,416)	(1,416)
Total Net Position—Beginning	15,421	15,421
Total Net Position—Ending	$ 14,005	$ 14,005

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, 2014

	Business-Type Activities-Enterprise Funds	
	Food Service	**Total Enterprise**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 35,257	$ 35,257
Payments to Employees	(17,770)	(17,770)
Payments for Employee Benefits	(4,577)	(4,577)
Payments to Suppliers	(42,783)	(42,783)
Net Cash Provided by (used for) Operating Activities	(29,873)	(29,873)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	688	688
Federal Sources	20,595	20,595
Operating Subsidies and Transfers to Other Funds	3,522	3,522
Net Cash Provided by (used for) Non-Capital Financing Activities	24,805	24,805
Net Increase (Decrease) in Cash and Cash Equivalents	(5,068)	(5,068)
Balances—Beginning of Year	16,416	16,416
Balances—End of Year	$ 11,348	$ 11,348
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	$ (28,618)	$ (28,618)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Federal Commodities	2,803	2,803
(Increase) Decrease in Accounts Receivable	(3,116)	(3,116)
(Increase) Decrease in Inventories	(447)	(447)
Increase (Decrease) in Accounts Payable	(495)	(495)
Total Adjustments	(1,255)	(1,255)
Net Cash Provided by (used for) Operating Activities	$ (29,873)	$ (29,873)

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 POSITION
FIDUCIARY FUNDS

June 30, 2014

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	$ 24,251	$ 92,689
Total Assets	$ 24,251	$ 92,689
LIABILITIES		
Payroll Deductions and Withholdings		$ 33,421
Summer Pay		34,162
Interfund Payable		10,778
Payable to Student Groups	-	14,328
Total Liabilities	-	$ 92,689
NET POSITION		
Held in Trust for Unemployment Claims & Other Purposes	$ 24,251	

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

Exhibit B-8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2014

	Unemployment Compensation Trust
ADDITIONS	
Contributions:	
Plan Member	$ 5,677
Total Contributions	5,677
Investment Earnings:	
Interest	10
Net Investment Earnings	10
Total Additions	**5,687**
DEDUCTIONS	
Unemployment Claims	55
Total Deductions	**55**
Change in Net Position	5,632
Net Position—Beginning of the Year	18,619
Net Position—End of the Year	**$ 24,251**

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, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liablities. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2013.

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, 2014, of 243 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 position 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 position 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 position 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, 2014, but which were levied to finance fiscal year 2015 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 Position:
Net position represent the difference between assets and liabilities. Net position 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 position 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 position 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, 2014, 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, 2014, 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	$168,630	$116,940	$285,570
Checking Accounts-Capital Reserve	264,686		264,686
	$433,316	$116,940	$550,256

The carrying amount of the Board’s cash and cash equivalents at June 30, 2014, was $550,256 and the bank balance was $572,773 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 $322,773 was covered by collateral pool.

NOTE 3: RECEIVABLES

Receivables at June 30, 2014, 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	8,905	$9,062
Federal Aid	81,260	86,011
Local	190	190
Gross Receivable	90,355	95,263
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	$90,355	$95,263

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2014, consisted of the following:

Food	$1,155
Supplies	1,337
	$2,492

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, 2014, 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	4,517,389	$ 236,500		4,753,889
Machinery and Equipment	423,488	12,030		435,518
Total at Historical Cost	4,994,827	248,530		5,243,357
Less Accumulated Depreciation for:				
Land Improvements	(54,593)	(78)		(54,671)
Building and Improvements	(1,984,255)	(98,116)		(2,082,371)
Equipment	(321,469)	(16,999)		(338,468)
Total Accumulated Depreciation	(2,360,317)	(115,193)		(2,475,510)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	2,634,510	133,337		2,767,847
Government Activity Capital Assets, Net	**$ 2,634,876**	**$ 133,337**		**$ 2,768,213**

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 their useful lives.

Depreciation expense was charged to functions as follows:

Regular Instruction	$ 65,545
Special Education Instruction	18,431
Student/Instruction Related Services	19,928
General Administrative Services	5,529
School Administrative Services	1,613
Maintenance/Custodial	230
Unallocated	3,917
Total	$ 115,193

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, 2014, are as follows:

	Balance 7/1/13	Increases	Decreases	Balance 6/30/14	Amounts Due Within One Year
Governmental Activities:					
Other Liabilities:					
Compensated Absences Payable	$ 118,020	$ 12,708	$ (7,700)	$ 123,028	
Total	$ 118,020	$ 12,708	$ (7,700)	$ 123,028	-

Compensated absences have been liquidated in the General Fund.

The district has no outstanding bond debt and no authorized but not issued bonds.

NOTE 8: 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.

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.

NOTE 8: PENSION PLANS (Continued)

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.

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	$34,200	100 %	-0-
6/30/2013	$39,439	100	-0-
6/30/2012	$38,280	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
6/30/2014	-0-	100 %	-0-
6/30/2013	-0-	100	-0-
6/30/2012	-0-	100	-0-

During the fiscal year ended June 30, 2014, the State of New Jersey did contribute $249,503 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 $153,880 during the year ended June 30, 2014, 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 9: 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, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed $1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid $173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

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 10: 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 11: 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 twelve days of vacation and sick leave per year 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.

NOTE 12: COMPENSATED ABSENCES (Continued)

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, 2014, no liability existed for compensated absences in the proprietary fund types.

NOTE 12: 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
2013-2014	$10	$5,677	$55	$24,251
2012-2013	$9	$2,603	$892	$18,619
2011-2012	$8	$4,580	$70	$16,889

NOTE 13: 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 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the $478,454 General Fund fund balance at June 30, 2014, $18,420 is reserved for encumbrances; $25,734 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 ($3,790 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2015); $56,210 is reserved and has been appropriated and included as anticipated revenue for the year ended June 30, 2015; $264,686 has been reserved in the Capital Reserve Account; and, $113,404 is unreserved and undesignated.

NOTE 15: 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, 2013 to June 30, 2014 fiscal year is as follows:

Beginning balance July 1, 2013	$ 164,686
Deposits (PL 2007 c.62 (A1)): Board Res. 6/16/14	100,000
Ending balance June 30, 2014	$ 264,686

NOTE 16: 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, 2014 is $21,944.

NOTE 17: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2014:

	Interfund Receivable	Interfund Payable
General Fund	$ 77,855	
Special Revenue Fund		$ 67,077
Payroll Agency Fund		10,778
	$ 77,855	$ 77,855

The infund balances represent cash advances to the special revenue fund for federal grants not yet received, and cash advances to the payroll agency fund.

NOTE 18: RETROACTIVE RESTATEMENT OF NET POSITION

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, 2014. The appraisal revealed asset activity that that should be recorded as of June 30, 2013. Accordingly, a restatement of Net Position as of June 30, 2013 was necessary.

Governmental Activities Net Position:	
Net Position (per A-1), June 30, 2013	$ 3,009,544
Restatement of Capital Assets	(14,870)
Fund balance (per A-1), June 30, 2013, as Restated	$ 2,994,674

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, 2014

	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	48,392		48,392	90,791	$ 42,399
Miscellaneous	6,824		6,824	22,210	15,386
Total - Local Sources	2,688,699		2,688,699	2,746,484	57,785
State Sources:					
Equalization Aid	1,083,113		1,083,113	1,083,113	
Transportation Aid	114,628		114,628	114,628	
Special Education Aid	144,464		144,464	144,464	
Security Aid	24,644		24,644	24,644	
Adjustment Aid	13,642		13,642	13,642	
Non- Public Transportation Aid				1,445	1,445
TPAF Pension and PRM (On-Behalf - Non-Budgeted)				249,503	249,503
TPAF Social Security (Reimbursed - Non-Budgeted)				153,880	153,880
Total State Sources	1,380,491		1,380,491	1,785,319	404,828
TOTAL REVENUES	**4,069,190**		**4,069,190**	**4,531,803**	**462,613**

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, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	43,340	(5,000)	38,340	37,560	780
Kindergarten - Salaries of Teachers	153,510	(1,450)	152,060	152,058	2
Grades 1-5 - Salaries of Teachers	1,090,378	7,318	1,097,696	1,097,513	183
Grades 6-8 - Salaries of Teachers	135,165	(1,150)	134,015	133,370	645
Regular Programs - Home Instruction:					
Salaries of Teachers		1,282	1,282	849	433
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	24,880	22,150	47,030	38,400	8,630
Purchased Professional-Educational Services	6,500	(2,600)	3,900	2,115	1,785
Other Purchased Services (400-500 series)	11,550	7,250	18,800	18,049	751
General Supplies	23,900	(1,765)	22,135	18,916	3,219
Textbooks	29,600	(6,900)	22,700	20,671	2,029
Other Objects	1,200	(640)	560	510	50
TOTAL REGULAR PROGRAMS - INSTRUCTION	**1,520,023**	**18,495**	**1,538,518**	**1,520,011**	**18,507**
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	108,060		108,060	105,226	2,834
General Supplies	600		600	296	304
Textbooks	1,000		1,000	218	782
Total Learning and/or Language Disabilities	109,660		109,660	105,740	3,920

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, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Resource Room/Resource Center:					
Salaries of Teachers	150,175		150,175	150,151	24
General Supplies	800		800		800
Textbooks	500	174	674	581	93
Total Resource Room/Resource Center	151,475	174	151,649	150,732	917
Special Education - Autism					
Salaries of Teachers	53,050		53,050	50,860	2,190
Other Salaries for Instruction	34,500		34,500	31,742	2,758
General Supplies	400	178	578	342	236
Textbooks	500	(500)			
TotalSpecial Education - Autism	88,450	(322)	88,128	82,944	5,184
Preschool Disabilities - Part-Time					
Salaries of Teachers	35,300	2,000	37,300	36,689	611
Other Salaries for Instruction	2,200	2,200	4,400	4,386	14
General Supplies	400		400	100	300
Total Preschool Disabilities - Part-time	37,900	4,200	42,100	41,175	925
Preschool Disabilities - Full-Time					
Other Salaries for Instruction		12,300	12,300	12,255	45
Total Preschool Disabilities - Full-time		12,300	12,300	12,255	45
TOTAL SPECIAL EDUCATION - INSTRUCTION	**387,485**	**16,352**	**403,837**	**392,846**	**10,991**

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, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	36,035	(2,500)	33,535	33,052	483
General Supplies	400		400	317	83
Textbooks	300	157	457		457
Total Basic Skills/Remedial - Instruction	36,735	(2,343)	34,392	33,369	1,023
School Sponsored Co/Extra Curricular Activities:					
Salaries of Teachers	4,500	1,530	6,030	6,030	
Supplies and Materials	500	700	1,200	152	1,048
Other Objects	300	(300)			
Total School Sponsored Cocurricular Activities	5,300	1,930	7,230	6,182	1,048
Other Instructional Programs:					
Purchased Services (300-500 series)		300	300	215	85
Salaries	12,000	(2,000)	10,000	9,913	87
Purchased Professional and Technical Services	2,500	(830)	1,670	1,635	35
Supplies and Materials	300	(300)			
Total Other Instructional Programs	14,800	(2,830)	11,970	11,763	207
TOTAL INSTRUCTION	**1,964,343**	**31,604**	**1,995,947**	**1,964,171**	**31,776**

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, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
UNDISTRIBUTED EXPENDITURES					
Health Services:					
Salaries	55,355	2,100	57,455	55,705	1,750
Purchased Professional and Technical Services	700		700		700
Other Purchased Services (400-500 series)	200		200		200
Supplies and Materials	1,400		1,400	879	521
Other Objects	700		700	210	490
Total Health Services	58,355	2,100	60,455	56,794	3,661
Other Supp. Services Students-Related Services:					
Salaries	75,155		75,155	74,988	167
Purchased Professional and Educational Services	17,000	8,000	25,000	24,975	25
Supplies and Materials	400		400	252	148
Total Other Supp. Services Students-Related Services	92,555	8,000	100,555	100,215	340
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	9,780	3,550	13,330	13,329	1
Supplies and Materials	100		100		100
Total Other Supp. Services Students-Regular	9,880	3,550	13,430	13,329	101

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, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	65,557	(4,850)	60,707	60,697	10
Purchased Professional - Educational Services	3,250		3,250	3,250	
Other Purchased Professional - Technical Services	1,000		1,000		1,000
Other Purch. Serv.(400-500 series)		100	100	61	39
Misc. Purch. Serv.(400-500 series O/than Resid.Costs)	500		500	215	285
Supplies and Materials	3,170	55	3,225	2,732	493
Other Objects	100		100	100	
Total Other Supp. Services Students-Special	73,577	(4,695)	68,882	67,055	1,827
Improvement of Instruction:					
Purchased Professional - Educational Services	5,000		5,000	2,330	2,670
Total Improvement of Instruction	5,000		5,000	2,330	2,670
Educational Media Services/School Library:					
Salaries	32,052		32,052	26,628	5,424
Purchased Professional and Technical Services	8,338	(1,000)	7,338	4,570	2,768
Supplies and Materials	13,650	(3,206)	10,444	5,901	4,543
Other Objects	500		500		500
Total Educational Media Services/School Library	54,540	(4,206)	50,334	37,099	13,235
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	21,865	(9,720)	12,145	6,052	6,093
Total Instructional Staff Training Services	21,865	(9,720)	12,145	6,052	6,093

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, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Supp. Services - General Administration:					
Salaries	156,604	3,700	160,304	157,900	2,404
Legal Services	2,500	1,500	4,000	3,607	393
Audit Fees	13,800	500	14,300	14,292	8
Architectural/Engineering		120	120	118	2
Other Purchased Professional Services	3,475	(2,800)	675	668	7
Communications/Telephone	29,700	14,575	44,275	43,767	508
BOE Other Purchased Services	1,150		1,150	815	335
Other Purchased Services (400-500 series)	15,685	500	16,185	16,086	99
General Supplies	2,250	(200)	2,050	1,441	609
BOE In-House Training/Meeting Supplies	500	(300)	200		200
Miscellaneous Expenditures	4,789	200	4,989	4,944	45
BOE In-house Training/Meeting Supplies	2,950	100	3,050	2,959	91
Total Supp. Services - General Administration	233,403	17,895	251,298	246,597	4,701
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	66,495	(14,800)	51,695	51,687	8
Salaries of Secretarial and Clerical Assistants	18,039		18,039	16,571	1,468
Purchased Professional and Technical Services	1,000	(1,000)			
Other Purchased Services (400-500 series)	500	975	1,475	1,052	423
Supplies and Materials	500	(315)	185	85	100
Miscellaneous Expenditures	75	725	800	800	
Total Support Services - School Administration	86,609	(14,415)	72,194	70,195	1,999

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, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Central Services:					
Salaries	75,000	2,600	77,600	64,587	13,013
Purchased Professional Services	7,500	300	7,800	7,718	82
Other Purchased Services (400-500 series)	700	3,800	4,500	3,192	1,308
Supplies and Materials	500		500	453	47
Miscellaneous Expenditures	300		300	200	100
Total Central Services	84,000	6,700	90,700	76,150	14,550
Required Maintenance for School Facilities:					
Salaries	62,273	(14,550)	47,723	47,261	462
Cleaning, Repair and Maintenance Services	40,544	2,600	43,144	38,967	4,177
General Supplies	11,000	(281)	10,719	6,289	4,430
Total Required Maintenance for School Facilities	113,817	(12,231)	101,586	92,517	9,069
Other Operations and Maintenance of Plant:					
Salaries	78,329	6,500	84,829	79,030	5,799
Purchased Professional and Technical Services	7,495	1,000	8,495	8,434	61
Cleaning, Repair and Maintenance Services	7,220		7,220	5,806	1,414
Other Purchased Property Services	500	1,600	2,100	2,100	
Insurance	23,870	(1,600)	22,270	21,847	423
Miscellaneous Purchased Services	100		100	32	68
General Supplies	12,400	(2,300)	10,100	4,593	5,507
Energy (Electricity)	66,000	2,350	68,350	59,698	8,652
Energy (Oil)	64,000	8,100	72,100	62,373	9,727
Total Other Operations and Maintenance of Plant	259,914	15,650	275,564	243,913	31,651

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

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch) - Regular	11,479		11,479	11,479	
Salaries for Pupil Trans (Bet Home & Sch) - Sp. Ed.	3,820	5,400	9,220	8,967	253
Cleaning, Repair and Maintenance Services	2,000		2,000	1,288	712
Contracted Services-Aid in Lieu Payments-Nonpublic Sch.	6,000	(3,850)	2,150	1,768	382
Contracted Services (Between Home and School)-Vendors	149,859	17,800	167,659	167,531	128
Contract.Serv.(Other than Bet. Home and School)-Vendors		5,500	5,500	5,007	493
Contracted Services (Between Home and School)-Joint Agrmts.	15,000	(15,000)			
Supplies and Materials	2,900	(450)	2,450	2,419	31
Other Objects	350		350	172	178
Total Student Transportation Services	191,408	9,400	200,808	198,631	2,177
UNALLOCATED BENEFITS					
Social Security Contributions	42,000	2,800	44,800	44,704	96
Other Retirement Contributions-Regular	41,080	(6,700)	34,380	34,200	180
Unemployment Compensation	5,000	(3,000)	2,000	2,000	
Workmen's Compensation	25,200	(2,000)	23,200	22,979	221
Health Benefits	612,505	(63,442)	549,063	544,727	4,336
Tuition Reimbursement	10,000		10,000	9,950	50
Other Employee Benefits	16,730	3,900	20,630	18,983	1,647
TOTAL UNALLOCATED BENEFITS	752,515	(68,442)	684,073	677,543	6,530
On-behalf TPAF pension and PRM Contrib. (non-budgeted)				249,503	(249,503)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				153,880	(153,880)
TOTAL ON-BEHALF CONTRIBUTIONS				403,383	(403,383)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	752,515	(68,442)	684,073	1,080,926	(396,853)
TOTAL UNDISTRIBUTED EXPENDITURES	**2,037,438**	**(50,414)**	**1,987,024**	**2,291,803**	**(304,779)**
TOTAL GENERAL CURRENT EXPENSE	**4,001,781**	**(18,810)**	**3,982,971**	**4,255,974**	**(273,003)**

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, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
CAPITAL OUTLAY					
Equipment					
Grades 1 - 5	3,000	5,955	8,955	8,955	
Undistributed Expenditures-General Admin.	4,000	(925)	3,075	3,075	
Total Equipment	7,000	5,030	12,030	12,030	
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	8,000		8,000	6,400	1,600
Construction Services	100,000	134,600	234,600	230,100	4,500
Total Facilities Acquisition and Construction Services	108,000	134,600	242,600	236,500	6,100
TOTAL CAPITAL OUTLAY	**115,000**	**139,630**	**254,630**	**248,530**	**6,100**
Transfer of Funds to Charter Schools	12,109	14,554	26,663	26,663	
TOTAL EXPENDITURES	**4,128,890**	**135,374**	**4,264,264**	**4,531,167**	**(266,903)**
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(59,700)	(135,374)	(195,074)	636	195,710
Fund Balance, July 1	615,859		615,859	615,859	
Fund Balance, June 30	$ 556,159	$ (135,374)	$ 420,785	$ 616,495	$ 195,710

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, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Restricted for:					
Capital Reserve				$ 264,686	
Excess Surplus				21,944	
Excess Surplus - Designated for Subsequent Year's Expenditures				3,790	
Assigned to:					
Year-End Encumbrances				18,420	
Designated for Subsequent Year's Expenditures				56,210	
Unassigned:					
Unrestricted Fund Balance				251,445	
Fund Balance per Governmental Funds(Budgetary Basis)				616,495	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				(138,041)	
Fund Balance per Governmental Funds(GAAP Basis)				$ 478,454	

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, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources		$ 4,579	$ 4,579	$ 4,025	$ (554)
State Sources	$ 7,500	-	7,500	7,500	
Federal Sources	138,383	(10,142)	128,241	126,732	(1,509)
Total Revenues	**145,883**	**(5,563)**	**140,320**	**138,257**	**(2,063)**
EXPENDITURES:					
Instruction					
Salaries of Teachers	35,732	2,233	37,965	37,965	
Other Salaries for Instruction	35,000	(100)	34,900	34,900	
Supplies and Materials	4,794	4,328	9,122	8,568	554
Total Instruction	75,526	6,461	81,987	81,433	554
Support Services					
Personal Services - Employee Benefits	10,805	(2,843)	7,962	6,852	1,110
Purchased Professional - Educational Services	33,200	(6,626)	26,574	26,574	
Other Purchased Services	4,695	(2,555)	2,140	2,140	
Total Support Services	48,700	(12,024)	36,676	35,566	1,110
Capital Outlay:					
Communications/Technology	21,657	-	21,657	21,258	399
Total Capital Outlay	21,657	-	21,657	21,258	399
Total Expenditures	145,883	(5,563)	140,320	138,257	2,063
Total Outflows	**145,883**	**(5,563)**	**140,320**	**138,257**	**2,063**
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)				None	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				None	
Fund Balance per Governmental Funds(GAAP Basis)				None	

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-3

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2014

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)	$ 4,531,803	$ 138,257
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	7,726
Current Year	N/A	(9,280)
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	138,041	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	(138,041)	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	$ 4,531,803	$ 136,703
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	$ 4,531,167	$ 138,257
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	7,726
Current Year	N/A	(9,280)
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)	$ 4,531,167	$ 136,703

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, 2014

	Title I	Title I I Part A	IDEA Basic	IDEA Preschool	REAP	NJDCA ROID	Century Link	Totals
REVENUES								
Local Sources							$ 4,025	$ 4,025
State Sources						$ 7,500		7,500
Federal Sources	$ 25,233	$ 17,589	$ 56,409	$ 6,243	$ 21,258			126,732
TOTAL REVENUES	**25,233**	**17,589**	**56,409**	**6,243**	**21,258**	**7,500**	**4,025**	**138,257**
EXPENDITURES:								
Instruction:								
Salaries of Teachers	20,101	13,729				4,135		37,965
Other Salaries for Instruction			29,000	5,900				34,900
Supplies and Materials			2,200	343		2,000	4,025	8,568
Total Instruction	20,101	13,729	31,200	6,243	-	6,135	4,025	81,433
Support Services:								
Personal Services - Employee Bene.	3,871	2,981						6,852
Purchased Profess.-Educ. Serv.			25,209			1,365		26,574
Other Purchased Serv.	1,261	879						2,140
Total Support Services	5,132	3,860	25,209	-	-	1,365	-	35,566
Facilities Acq. and Const. Services:								
Communications/Technology					21,258			21,258
Total Facilities Acq. and Const. Serv.					**21,258**			**21,258**
TOTAL EXPENDITURES	25,233	17,589	56,409	6,243	21,258	7,500	4,025	138,257
Total Outflows	**$ 25,233**	**$ 17,589**	**$ 56,409**	**$ 6,243**	**$ 21,258**	**$ 7,500**	**$ 4,025**	**$ 138,257**
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 POSITION
FIDUCIARY FUNDS
June 30, 2014

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	AGENCY FUNDS STUDENT ACTIVITY	AGENCY FUNDS PAYROLL AGENCY	TOTALS
ASSETS:				
Cash and Cash Equivalents	$ 24,251	$ 14,328	$ 78,361	$ 116,940
TOTAL ASSETS	$ 24,251	$ 14,328	$ 78,361	$ 116,940
LIABILITIES:				
Liabilities:				
Payroll Deductions and Withholdings			$ 33,421	$ 33,421
Summer Pay			34,162	34,162
Interfund Payable			10,778	10,778
Payable to Student Groups		$ 14,328		14,328
Total Liabilities		14,328	78,361	92,689
NET POSITION				
Held in Trust for Unemployment Claims and Other Purposes	$ 24,251			24,251
TOTAL LIABILITIES AND NET POSITION	$ 24,251	$ 14,328	$ 78,361	$ 116,940

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	TOTALS
ADDITIONS		
Contributions:		
Plan Member	$ 5,677	$ 5,677
Total Contributions	5,677	5,677
Investment Earnings:		
Interest	10	10
Net Investment Earnings	10	10
Total Additions	5,687	5,687
DEDUCTIONS		
Unemployment Claims	55	55
Total Deductions	55	55
Change in Net Position	5,632	5,632
Net Position—Beginning of the Year	18,619	18,619
Net Position—End of the Year	$ 24,251	$ 24,251

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

ACTIVITY	BALANCE July 1, 2013	Transfers	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE June 30, 2014
All Activites	**$ 21,609**	**-**	**$ 28,562**	**$ 35,843**	**$ 14,328**

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	BALANCE July 1, 2013	ADDITIONS	DELETIONS	BALANCE June 30, 2014
ASSETS:				
Cash and Cash Equivalents	$ 27,697	$ 2,990,580	$ 2,939,916	$ 78,361
Total Assets	$ 27,697	$ 2,990,580	$ 2,939,916	$ 78,361
LIABILITIES:				
Salaries & Wages		$ 1,551,121	$ 1,551,121	
Summer Pay	$ 121	83,668	49,627	$ 34,162
Interfund Payable		10,778		10,778
Payroll Deductions and Withholdings	27,576	1,345,013	1,339,168	33,421
Total Liabilities	$ 27,697	$ 2,990,580	$ 2,939,916	$ 78,361

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.

N/A

Knowlton Township School District
Statistical Section

Contents **Page**

Financial Trends (J-1 thru J-5) 55-60
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) 61-64
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) 65-68
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) 69-70
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) 71-75
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 Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Invested in capital assets, net of related debt	$ 1,512,061	$ 1,566,603	$ 1,676,414	$ 1,880,991	$ 1,962,008	$ 2,146,420	$ 2,259,977	$ 2,534,667	$ 2,649,746	$ 2,768,213
Restricted	104,966	201,651	148,823	151,472	159,920	297,336	141,503	129,174	228,476	346,630
Unrestricted	(71,542)	(71,769)	20,361	(23,270)	27,384	(12,621)	241,436	213,060	131,322	8,796
Total governmental activities net position	$ 1,545,485	$ 1,696,485	$ 1,845,598	$ 2,009,193	$ 2,149,312	$ 2,431,135	$ 2,642,916	$ 2,876,901	$ 3,009,544	$ 3,123,639
Business-type activities										
Invested in capital assets, net of related debt										
Restricted	-	-	-	-	-	-	-	-		
Unrestricted	$ 18,336	$ 16,903	$ 16,132	$ 17,333	$ 19,376	$ 21,442	$ 22,704	$ 19,766	$ 15,421	$ 14,005
Total business-type activities net position	$ 18,336	$ 16,903	$ 16,132	$ 17,333	$ 19,376	$ 21,442	$ 22,704	$ 19,766	$ 15,421	$ 14,005
District-wide										
Invested in capital assets, net of related debt	$ 1,512,061	$ 1,566,603	$ 1,676,414	$ 1,880,991	$ 1,962,008	$ 2,146,420	$ 2,259,977	$ 2,534,667	$ 2,649,746	$ 2,768,213
Restricted	104,966	201,651	148,823	151,472	159,920	297,336	141,503	129,174	228,476	346,630
Unrestricted	(53,206)	(54,866)	36,493	(5,937)	46,760	8,821	264,140	232,826	146,743	22,801
Total district net position	$ 1,563,821	$ 1,713,388	$ 1,861,730	$ 2,026,526	$ 2,168,688	$ 2,452,577	$ 2,665,620	$ 2,896,667	$ 3,024,965	$ 3,137,644

Source: CAFR Scehdule A-1

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
Instruction										
Regular	$ 1,813,043	$ 1,873,838	$ 1,866,778	$ 1,963,512	$ 1,849,945	$ 1,991,795	$ 1,877,330	$ 2,059,292	$ 2,161,120	$ 2,220,214
Special education	466,872	507,545	539,391	487,558	524,992	528,557	567,799	567,414	593,477	597,081
Other special education	117,179	120,005	155,728	163,374	138,792	136,695	137,666	146,534	146,281	144,661
Other instruction										
Support Services:										
Tuition	52,314	94,750	106,161	97,660	144,705	126,068	137,728	74,258	7,770	-
Student & instruction related services	470,667	457,091	567,008	551,870	578,445	610,725	552,493	529,270	438,360	415,552
General administrative services	382,577	350,887	422,576	518,758	498,387	420,049	413,532	447,110	421,676	438,089
School administrative services	166,400	143,216	143,513	147,460	140,287	145,716	146,431	148,070	150,867	133,223
Business administrative services										
Plant operations and maintenance	287,456	291,422	314,548	357,569	341,217	340,068	376,523	430,174	391,241	381,720
Pupil transportation	203,409	236,682	239,681	253,786	276,269	263,046	242,995	230,051	216,337	205,084
Interest on long-term debt	79,876	68,656	57,436	46,216	34,996	23,776	12,557	1,394	-	-
Unallocated depreciation	3,926	3,926	4,175	4,083	4,083	3,166	3,250	3,511	3,511	3,917
Total governmental activities expenses	4,043,719	4,148,018	4,416,995	4,591,846	4,532,118	4,589,661	4,468,304	4,637,078	4,530,640	4,539,541
Business-type activities:										
Food service	72,952	78,049	83,177	80,489	73,466	71,201	75,633	80,433	71,065	64,635
Total business-type activities expense	72,952	78,049	83,177	80,489	73,466	71,201	75,633	80,433	71,065	64,635
Total district expenses	$ 4,116,671	$ 4,226,067	$ 4,500,172	$ 4,672,335	$ 4,605,584	$ 4,660,862	$ 4,543,937	$ 4,717,511	$ 4,601,705	$ 4,604,176
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	$ 10,783	$ 14,272	-	$ 6,698	$ 23,275	$ 11,858	$ 10,907	$ 55,095	$ 41,380	$ 66,458
Support Services	3,947	5,226	$ 13,012	2,452	8,521	4,342	3,993	20,172	15,150	24,333
Operating grants and contributions	1,774,318	1,833,981	1,966,864	2,076,161	1,997,567	2,098,447	1,873,373	2,026,386	1,963,929	1,921,264
Capital grants and contributions									-	-
Total governmental activities program revenues	1,789,048	1,853,479	1,979,876	2,085,311	2,029,363	2,114,647	1,888,273	2,101,653	2,020,459	2,012,055
Business-type activities:										
Charges for services										
Food service	54,338	53,397	57,896	56,176	50,689	44,734	48,402	39,215	35,650	34,838
Operating grants and contributions	24,242	22,349	23,966	24,499	22,238	28,365	28,362	38,179	31,017	27,202
Capital grants and contributions									-	-
Total business type activities program revenues	78,580	75,746	81,862	80,675	72,927	73,099	76,764	77,394	66,667	62,040
Total district program revenues	$ 1,867,628	$ 1,929,225	$ 2,061,738	$ 2,165,986	$ 2,102,290	$ 2,187,746	$ 1,965,037	$ 2,179,047	$ 2,087,126	$ 2,074,095
Net (Expense)/Revenue										
Governmental activities	$ (2,254,671)	$(2,294,539)	$(2,437,119)	$(2,506,535)	$(2,502,755)	$(2,475,014)	$(2,580,031)	$(2,535,425)	$(2,510,181)	$(2,527,486)
Business-type activities	5,628	(2,303)	(1,315)	186	(539)	1,898	1,131	(3,039)	(4,398)	(2,595)
Total district-wide net expense	$ (2,249,043)	$(2,296,842)	$(2,438,434)	$(2,506,349)	$(2,503,294)	$(2,473,116)	$(2,578,900)	$(2,538,464)	$(2,514,579)	$(2,530,081)

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	$ 2,096,457	$ 2,239,806	$ 2,366,564	$ 2,475,074	$ 2,473,014	$ 2,581,846	$ 2,633,483	$ 2,633,483	$ 2,633,483	$ 2,633,483
Taxes levied for debt service	170,429	162,903	155,377	147,851	140,325	132,799	134,497	125,721	-	-
Unrestricted grants and contributions										
Investment earnings	10,395	22,032	31,857	21,447	7,797	7,544	6,334	5,104	2,272	3,273
Miscellaneous income	20,789	20,798	32,434	25,758	21,738	9,331	6,867	5,102	7,069	19,695
Transfers										
Total governmental activities	2,298,070	2,445,539	2,586,232	2,670,130	2,642,874	2,731,520	2,781,181	2,769,410	2,642,824	2,656,451
Business-type activities:										
Miscellaneous Income	145	870	544	1,015	2,582	168	131	101	53	1,179
Transfers										
Total business-type activities	145	870	544	1,015	2,582	168	131	101	53	1,179
Total district-wide	$ 2,298,215	$ 2,446,409	$ 2,586,776	$ 2,671,145	$ 2,645,456	$ 2,731,688	$ 2,781,312	$ 2,769,511	$ 2,642,877	$ 2,657,630
Change in Net Position										
Governmental activities	$ 43,399	$ 151,000	$ 149,113	$ 163,595	$ 140,119	$ 256,506	$ 201,150	$ 233,985	$ 132,643	$ 128,965
Business-type activities	5,773	(1,433)	(771)	1,201	2,043	2,066	1,262	(2,938)	(4,345)	(1,416)
Total district	$ 49,172	$ 149,567	$ 148,342	$ 164,796	$ 142,162	$ 258,572	$ 202,412	$ 231,047	$ 128,298	$ 127,549

Source: CAFR Schedule A-2

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

Exhibit J-3

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	$ 60,373	$ 77,415	$ 205,540	$ 82,972	$ 231,739	$ 329,865	$ 401,958	$ 351,901	$ 363,850	$ 365,050
Unreserved	129,150	209,917	132,247	205,936	104,112	117,819	120,131	111,930	113,968	113,404
Total general fund	$ 189,523	$ 287,332	$ 337,787	$ 288,908	$ 335,851	$ 447,684	$ 522,089	$ 463,831	$ 477,818	$ 478,454
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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Tax levy	$ 2,266,886	$ 2,402,709	$ 2,521,941	$ 2,622,925	$ 2,613,339	$ 2,714,645	$ 2,767,980	$ 2,759,204	$ 2,633,483	$ 2,633,483
Tuition charges	14,730	19,498	13,012	9,150	31,796	16,200	14,900	75,267	56,530	90,791
Interest earnings		1,432	3,890	2,649	1,000	781	579	107	-	-
Miscellaneous	31,184	41,398	60,401	44,556	28,535	16,094	12,622	10,099	9,341	22,968
State sources	1,616,709	1,688,965	1,828,547	1,948,450	1,865,099	1,679,133	1,749,038	1,842,261	1,836,734	1,792,819
Federal sources	157,608	145,018	138,317	127,711	132,468	419,314	124,335	184,125	127,195	128,445
Total revenue	4,087,117	4,299,020	4,566,108	4,755,441	4,672,237	4,846,167	4,669,454	4,871,063	4,663,283	4,668,506
Expenditures										
Instruction										
Regular Instruction	1,387,725	1,405,256	1,348,426	1,422,668	1,388,152	1,493,292	1,399,197	1,486,866	1,534,725	1,597,741
Special education instruction	323,566	361,797	364,064	304,324	369,198	363,750	405,414	381,617	387,869	392,846
Other special instruction	54,463	56,063	77,510	80,972	70,175	61,382	63,767	61,491	51,286	51,314
Support Services:										
Tuition	52,314	94,750	106,161	97,660	144,705	126,068	137,728	74,258	7,770	-
Student & instruction related services	400,012	385,445	482,567	464,504	502,220	533,755	476,240	442,682	343,729	320,190
General administrative services	303,256	270,123	324,670	416,056	411,902	326,981	322,010	342,109	304,966	322,747
School Administrative services	123,522	99,531	90,334	91,564	93,461	94,861	96,473	90,672	86,921	70,195
Business administrative services										
Plant operations and maintenance	256,951	260,325	276,546	317,552	307,855	303,527	340,660	578,915	345,178	336,430
Pupil transportation	199,073	232,262	234,274	248,090	271,526	257,840	237,866	224,172	209,770	198,631
Unallocated employee benefits	737,694	736,862	906,760	967,932	807,035	879,024	900,416	1,015,053	1,116,419	1,080,926
Charter Schools		19,705	10,153	17,906	18,753	-	-	11,925	19,404	26,663
Capital outlay	22,558	36,228	62,544	154,668	31,108	95,870	28,504	44,974	241,259	270,187
Debt service:										
Principal	170,000	170,000	170,000	170,000	170,000	170,000	170,000	169,000	-	-
Interest and other charges	84,084	72,864	61,644	50,424	39,204	27,984	16,764	5,577	-	-
Total expenditures	4,115,218	4,201,211	4,515,653	4,804,320	4,625,294	4,734,334	4,595,039	4,929,311	4,649,296	4,667,870
Excess (Deficiency) of revenues over (under) expenditures	(28,101)	97,809	50,455	(48,879)	46,943	111,833	74,415	(58,248)	13,987	636
Other Financing Sources (uses)										
Transfers in										
Transfers out										
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	$ (28,101)	$ 97,809	$ 50,455	$ (48,879)	$ 46,943	$ 111,833	$ 74,415	$ (58,248)	$ 13,987	$ 636
Debt service as a percentage of noncapital expenditures	6.2%	5.8%	5.2%	4.7%	4.6%	4.3%	4.1%	3.6%	0.0%	0.0%

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
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
2012	5,104	75,267			5,102	85,473
2013	2,272	56,530	4,910		2,159	65,871
2014	3,273	90,791	100		18,837	113,001

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)
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
2012	6,815,100	193,748,800	34,475,500	2,732,840	20,638,000	-	665,700	286,035,174	26,280,800	678,434	259,754,374	1.062	369,513,265
2013	6,627,600	194,646,300	33,953,200	2,734,840	20,642,000	-	665,700	286,246,017	26,280,800	695,577	259,965,217	1.013	356,512,227
2014	6,230,100	195,036,500	33,034,500	2,731,740	20,720,500	-	665,700	285,904,453	26,769,700	715,713	259,134,753	1.028	324,354,292

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
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
2012	0.995	0.067	1.062	0.862	0.370	0.836	0.069	3.199
2013	1.013	-	1.013	0.793	0.421	0.860	0.065	3.152
2014	1.028	-	1.028	0.827	0.430	0.893	0.063	3.241

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

	2013			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	0.32%			
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%
			4.46%	$ 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	
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%	-
2012	2,633,483	2,633,483	100.00%	-
2013	2,633,483	2,633,483	100.00%	-
2014	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]
2005	$1,189,000					$1,189,000	1.005%	$383
2006	$1,019,000					$1,019,000	0.801%	$325
2007	$849,000					$849,000	0.631%	$270
2008	$679,000					$679,000	0.490%	$216
2009	$509,000					$509,000	0.370%	$162
2010	$339,000					$339,000	0.246%	$108
2011	$169,000					$169,000	0.120%	$55
2012	$0					$0	0.000%	$0
2013	$0					$0	0.000%	$0
2014	$0					$0	0.000%	$0

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]
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%	$ 55
2012	-	-0-	-	0.00%	-
2013	-	-0-	-	0.00%	-
2014	-	-0-	-	0.00%	-

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, 2014

Exhibit J-12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Township of Knowlton	$ 1,522,548	100.0%	$ 1,522,548
Other debt			
Warren County	6,500,000	2.9%	186,373
Subtotal, overlapping debt			1,708,921
Knowlton Township School District Direct Debt			-
Total direct and overlapping debt			$ 1,708,921

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 2014

		Equalized valuation basis	
		2013	$ 304,237,156
		2012	$ 323,157,971
		2011	353,977,237
		[A]	$ 981,372,364
Average equalized valuation of taxable property	**[A/3]**	$	327,124,121
Debt limit (2.5% of average equalization value)	**[B]**		8,178,103
Net bonded school debt	**[C]**		-
Legal debt margin	**[B-C]**	$	8,178,103

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	$6,643,550	$7,460,072	$8,421,453	$9,354,171	$10,057,348	$10,172,951	$9,827,275	$9,293,227	$8,707,864	8,178,103
Total net debt applicable to limit	1,189,000	1,019,000	1,019,000	679,000	509,000	339,000	169,000	-	-	-
Legal debt margin	$5,454,550	$6,441,072	$7,402,453	$8,675,171	$9,548,348	$9,833,951	$9,658,275	$9,293,227	$8,707,864	$8,178,103
Total net debt applicable to the limit as a percentage of debt limit	17.90%	13.66%	12.10%	7.26%	5.06%	3.33%	1.72%	0.00%	0.00%	0.00%

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]
2005	3,106	$ 118,326,176	$38,096 R	5.10%
2006	3,138	$ 127,283,556	$40,562 R	5.50%
2007	3,142	$ 134,537,298	$42,819 R	5.10%
2008	3,143	$ 138,540,297	$44,079 R	6.80%
2009	3,136	$ 137,544,960	$43,860 R	11.80%
2010	3,127	$ 137,581,746	$43,998 R	12.20%
2011	3,055	$ 140,563,605	$46,011 R	11.30%
2012	3,044	$ 144,803,080	$47,570 R	11.00%
2013	3,016	$ 143,471,120	$47,570 *	4.00%
2014	3,016	$ 143,471,120	$47,570 *	*

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

	2014			2005		
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	2005	2006	2007	2008	2009	2010	2011	2013	2014	2014
Instruction										
Regular	28.6	23.4	23.4	23.8	23.9	23.7	22.7	23.2	23.7	25.2
Special education	5.9	5.7	5.7	5.0	6.0	6.0	6.0	6.0	6.0	8.5
Other special education	2.5	2.0	2.0	3.5	5.0	5.0	5.0	5.5	5.5	3.0
Other instruction	1.0	1.0	2.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Support Services:										
Student & instruction related services	4.8	4.8	4.8	4.4	3.4	3.7	3.7	3.6	3.6	2.4
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	1.5
Business adminsitrative services	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.0	1.0	1.0
Plant operations and maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Pupil transportation	0.6	0.6	0.3	0.3	0.3	0.6	0.6	0.6	0.6	0.5
Total	51.5	45.6	46.8	46.1	47.7	48.2	47.2	48.0	48.5	48.2

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
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%
2012	271	$4,709,760	$17,379	8.72%	30	1:9.0	269.8	257.6	-1.53%	95.48%
2013	247	$4,408,037	$17,846	2.69%	32	1:7.2	244.7	231.7	-9.30%	94.69%
2014	243	$4,397,683	$18,097	1.41%	32	1:7.6	242.6	230.4	-0.87%	94.97%

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	347	319	324	306	290	282	274	271	247	243

Number of Schools at June 30, 2014

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 Ten Fiscal Years Ending June 30, 2014

Exhibit J-19

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

School Facilities	Project #	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Elementary School-												
Grades K-6	N/A	$ 75,432	$ 72,968	$ 76,965	$ 86,937	$ 85,310	$ 84,348	$119,536	$ 329,504	$ 131,737	$ 92,517	$ 1,155,254
Total School Facilities		75,432	72,968	76,965	86,937	85,310	84,348	119,536	329,504	131,737	92,517	312,302
Other Facilities												
Grand Total		**$ 75,432**	**$ 72,968**	**$ 76,965**	**$ 86,937**	**$ 85,310**	**$ 84,348**	**$119,536**	**$ 329,504**	**$ 131,737**	**$ 92,517**	**$ 312,302**

KNOWLTON TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE
June 30, 2014
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	250,000	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	152,000	
Business Administrator/Board Secretary	25,000	

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

SOURCE: District Records

Single Audit Section

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Douglas R. Williams, CPA, RMA, PSA

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the 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 Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Knowlton Township School District Board of Education in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Knowlton Township School District Board of Education's basic financial statements, and have issued our report thereon dated October 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

-Continued-

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-002 and 2014-003 to be significant deficiencies.

Compliance and Other Matters

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

We also noted certain matters that we reported to management of the Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance" dated October 15, 2014.

Knowlton Township Board of Education Responses to Findings

The Knowlton Township Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Knowlton Township Board of Education's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and for New Jersey Department of Education use, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ardito & Co., LLP

ARDITO & CO., LLP
October 15, 2014

Anthony Ardito

Licensed Public School Accountant No.2369

ARDITO & CO., LLP

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Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB Circular 04-04

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

Report on Compliance for Each Major State Program

We have audited the Knowlton Township School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 04-04 ***State Aid/Grant Compliance Supplement*** that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

-Continued-

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major State Program

In our opinion, the Knowlton Township School District Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Knowlton Township School District Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB Circular 04-04, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

Ardito & Co., LLP

ARDITO & CO., LLP
October 15, 2014

Licensed Public School Accountant No.2369

KNOWLTON TOWNSHIP SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2014

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2013	CARRY-OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2014 (ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	MEMO BUDGETARY RECEIVABLE	MEMO CUMULATIVE TOTAL EXPENDITURES
State Department of Education														
General Fund:														
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	$ 1,083,113			$ 1,083,113	$ (1,083,113)						$ 108,305	$ 1,083,113
Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	114,628			114,628	(114,628)						11,462	114,628
Special Education Aid	14-495-034-5120-089	7/1/13-6/30/14	144,464			144,464	(144,464)						14,446	144,464
Security Aid	14-495-034-5120-084	7/1/13-6/30/14	24,644			24,644	(24,644)						2,464	24,644
Adjustment Aid	14-495-034-5120-085	7/1/13-6/30/14	13,642			13,642	(13,642)						1,364	13,642
Non-Public Transportation Aid	14-100-034-5120-068	7/1/13-6/30/14	1,445				(1,445)			$ (1,445)				1,445
Non-Public Transportation Aid	13-100-034-5120-068	7/1/12-6/30/13		(2,009)		2,009								
TPAF Pension	14-495-034-5095-001	7/1/13-6/30/14	249,503			249,503	(249,503)							249,503
Reimb.TPAF Soc.Sec.Contrib.	14-495-034-5095-002	7/1/13-6/30/14	153,880	$ (7,361)		153,781	(153,880)			(7,460)				153,880
Total General Fund				(9,370)		1,785,784	(1,785,319)			(8,905)			138,041	1,785,319
Special Revenue Fund:														
NJDCA ROID - Indiv. with Disabilities	N/A	7/1/13-6/30/14	7,500			7,500	(7,500)							7,500
				-	-	7,500	(7,500)	-	-	-	-	-	-	7,500
State Department of Agriculture:														
Enterprise Fund:														
Nat.School Lunch Prog.(State Share)	13-100-034-5120-122	7/1/12-6/30/13		(61)		61								
Nat.School Lunch Prog.(State Share)	14-100-034-5120-122	7/1/13-6/30/14	784			627	(784)			(157)				784
Total Enterprise Fund				(61)		688	(784)			(157)				784
Total State Financial Assistance				**$ (9,431)**	**-**	**$ 1,793,972**	**$ (1,793,603)**	**-**	**-**	**$ (9,062)**	**-**	**-**	**$ 138,041**	**$ 1,793,603**

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, 2014

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 zero for the general fund and ($1,554) 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, 2014

NOTE 3. (Continued)

	Federal	State	Total
General Fund	-	$ 1,785,319	$ 1,785,319
Special Revenue Fund	$ 128,445	7,500	135,945
Food Service Fund	26,418	784	27,202
Total Financial Assistance	$ 154,863	$ 1,793,603	$ 1,948,466

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, 2014. 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, 2014.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Part I - Summary of Auditor's Results

Financial Statement Section

A) Type of auditor's report issued: Unmodified

B) Internal control over financial reporting:
1) Material weakness(es) identified? _x_Yes__No
2) Were significant deficiencies identified that were not considered to be material weaknesses? _x_Yes __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: N/A

E) Auditee qualified as low-risk auditee? __Yes __No

F) Type of auditor's report on compliance for major programs: N/A

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, 2014

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:	Unmodified
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**
14-495-034-5120-078	Equalization Aid
14-495-034-5120-089	Special Education Aid

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section II-Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, noncompliance, and abuse related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards.*

Finding 2014-1:

The former Board Secretary/Business Administrator misappropriated $71,602.43 by issuing checks made payable to himself, using board of education funds to pay for his back pension deductions, issuing a check to an individual for personal debts, arbitrarily increasing premium waiver benefits amounts payable to himself, and overpaying himself for four contracted days prior to his July 1, 2014 start date.

Criteria or specific requirement:

State of New Jersey Statues and GAAP Technical Systems Manual

Condition:

During the period July 2013 through December 2013, the former Board Secretary/Business Administrator misappropriated $66,550.76 by issuing four checks made payable to himself, while recording the checks in the accounting records as payable to various district approved vendors and posting the payments to various general fund appropriation line items. He removed the cancelled check copies returned with the bank statement before forwarding the bank statement to the Treasurer for bank reconciliation purposes. He falsified documentation and received board approval on the bills list for these payments.

The former Board Secretary/Business Administrator also used $1,581.92 of board of education funds to pay for his back pension deductions, issued a check to an individual in the amount of $1,000 for personal debts, arbitrarily increased premium waiver benefit amounts payable to himself by $1,869.75, and overpaid himself $600 for four contracted days prior to his July 1, 2013 hire date.

Unrelated to the misappropriation, the former Board Secretary/Business Administrator voluntarily resigned in December 2013. Subsequently while examining the December 2013 bank statement cancelled checks, district office personnel discovered a December 2013 check written to the Board Secretary/Business Administrator for $10,362.15.

Section II-Financial Statement Findings - (Continued)

Finding 2014-1 (Continued):

Condition-(Continued):

On May 27, 2014, the district received reimbursement from their insurance company in the amount of $69,020.51. The accounting records were restated and appropriately corrected.

Questioned Costs:

$71,602.43

Context:

$71,602.43 represents 1.8% of the Board of Education's annual general fund budget.

Effect:

Theft of $71,602.43 in Board of Education cash, and misstatement of expenditures.

Cause:

Lack of adequate internal controls over cash and expenditures.

Recommendation:

The Board of Education should implement internal controls over cash and expenditures to ensure proper safeguarding of district assets. These controls should include proper segregation of duties, security of district blank checks and signature stamps, and proper approval levels for transactions.

Management's Response

Checks are prepared and maintained by the Board Secretary. Checks are required to be signed by the Treasurer and Board President. Signature stamps are kept in a locked drawer, separate from any checks, in the Superintendent’s Office. The Superintendent must approve any payments being made before allowing signature stamps to be used.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Section II-Financial Statement Findings - (Continued)

Finding 2014-1: (Continued)

Management's Response - (Continued)

Physical checks/check numbers are compared to vendor invoice, receipts and assigned PO by Superintendent using the check register list. The same information is reviewed by the Board President prior to the checks on the monthly check register being signed. After the checks are signed, the School Secretary/Administrative Clerk mails the checks.

The Business Administrator must submit copies of all canceled checks to the Treasurer on a monthly basis. The Treasurer accounts for all cancelled checks and reconciles them to the check register ensuring the vendors are the same. The Treasurer also reconciles the bank accounts to the accounting records.

The district's software company has been requested to implement additional security measures to monitor any changes made to vendor's remittance names that are changed after a check has been printed.

Finding 2014-2:

A subsidiary detail of the payroll agency account is not maintained.

Criteria or specific requirement:

GAAP Technical Systems Manual

Condition:

A detail of the payroll agency cash balance is not maintained (unremitted balances). Payroll deductions are deposited into the account and Federal, State, and other agencies are paid from the account, however the balance of the account is not maintained by deduction type, such as Federal Income Tax, FICA, Medicare, State Income Tax, Local income tax, Dues, Pension, Insurance, and other deductions.

Questioned Costs:

None

Section II-Financial Statement Findings - (Continued)

Finding 2014-2: (Continued)

Context:

Of the $43,946.24 payroll agency cash balance as of June 30, 2014, $24,847.98 is estimated to be related to subsequent period payments for pension and dues, $10,778.39 is related to cash advances due to the current fund, and $8,319.87 is unknown.

Effect:

It is unknown what payroll deductions are outstanding and have not been paid to Federal, State, or other agencies. The month end cash balance in the payroll agency account is unsubstantiated.

Cause:

Maintenance of the detail ledger has not been updated since fiscal year 2013.

Recommendation:

The Board should maintain a subsidiary detail of the payroll agency account on a monthly basis to ensure deductions are paid to the proper agencies and the unremitted balance of the account is maintained by deduction type.

Finding 2014-3:

A subsidiary detail of the student activity account was not properly maintained by activity type.

Criteria or specific requirement:

GAAP Technical Systems Manual and N.J.A.C. 6A:23A-16.12©

Condition:

Receipts and disbursements were not properly classified by activity type and therefore the balance by activity type is unknown. An excel spreadsheet was maintained for receipts and disbursements, however activity was not spread to the proper student activity categories.

Questioned Costs:

None

Section II-Financial Statement Findings - (Continued)

Finding 2014-3: (Continued)

Context:

The $14,328.01 student activity cash balance as of June 30, 2014 is not maintained by activity type.

Effect:

The balance in each student activity (field trips, fund raiser, ski club, band, yearbook, and others) is unknown.

Cause:

Maintenance of the detail ledger was not properly maintained during the 2014 fiscal year.

Recommendation:

The Board should maintain a subsidiary detail of the student activity account on a monthly basis by activity type.

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, 2014

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