

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, 2015

Comprehensive Annual

Financial Report

of the

Knowlton Township School District

Board of Education

Knowlton, New Jersey

For the Fiscal Year Ending June 30, 2015

Prepared by

Knowlton Township School District

Board of Education

Finance Department

OUTLINE OF CAFR

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Introductory Section

KNOWLTON TOWNSHIP
BOARD OF EDUCATION

80 Route 46, P.O. Box 152
Delaware, New Jersey 07833
(908) 475-3544
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Jeannine DeFalco
Superintendent

Michael Brennan
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, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes Management's Discussion and Analysis basic financial statements and supplementary schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations", and the State Treasury Circular Letter NJOMB 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditors' reports on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels Preschool through 6 for the students residing in Knowlton Township.

These educational services include regular and special education programs. The District completed the 2014-2015 fiscal year with an enrollment of 229 students, which is a decrease of 14 students from the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2014-2015	229	(5.76%)
2013-2014	243	(1.62%)
2012-2013	247	(8.52 %)
2011-2012	270	(1.46%)
2010-2011	274	(2.84%)
2009-2010	282	(2.76%)
2008-2009	290	(5.23%)
2007-2008	306	(5.56%)
2006-2007	324	1.57%
2005-2006	319	(8.07%)

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 with curriculum review, appropriate benchmarks have been implemented which measure and track student achievement.

A Strategic Management Planning Committee has been formed and a new plan will be developed for January 2016- 2020. Representatives from the Board, administration, faculty, parents and community have been 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 next five 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 programs.

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, 2015.

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, 2015, 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.

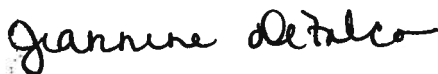
9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

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:

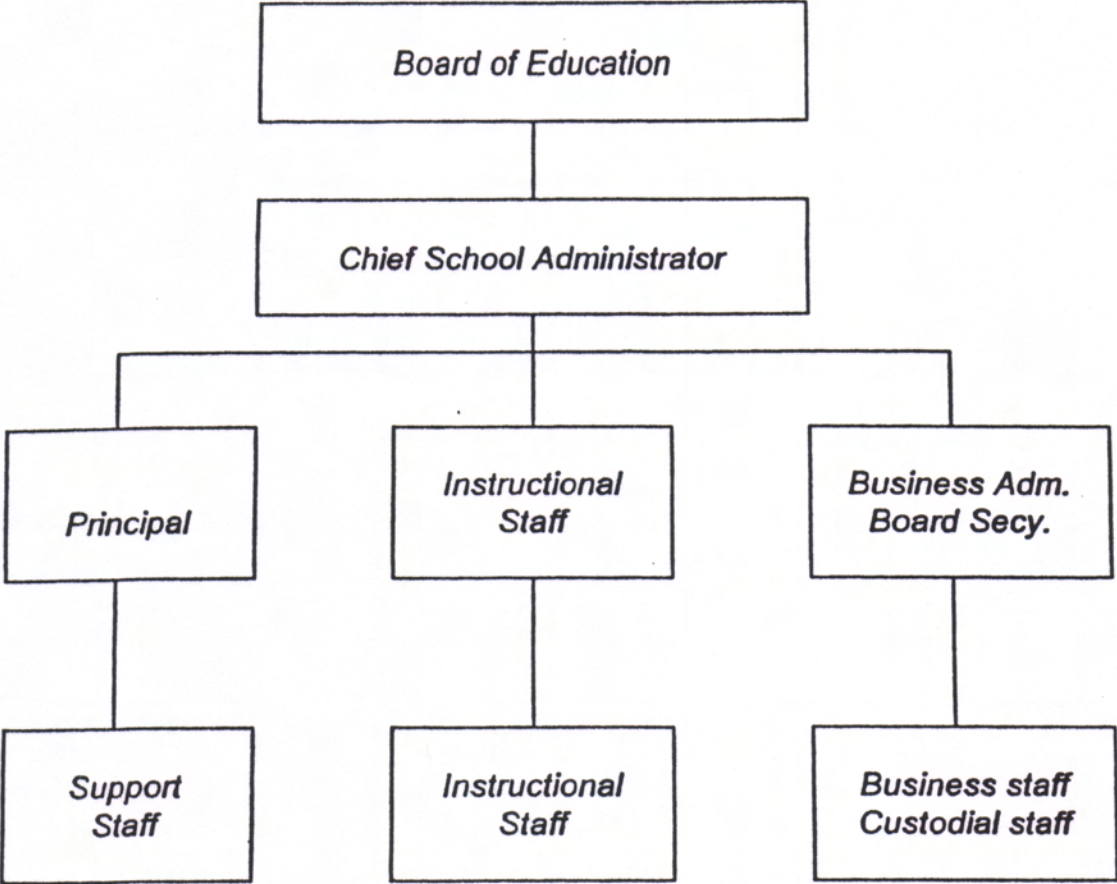


Jeannine DeFalco
Superintendent



Michael Brennan, MBA
Business Administrator

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



**KNOWLTON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

JUNE 30, 2015

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Bethany Summers, <i>President</i>	2018
Tammy Smith, <i>Vice-President</i>	2017
Dawn Sullivan	2016
Rhonda Moritz	2016
Randy Dolinsky	2018
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

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

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

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Frenchtown, New Jersey 08825-1192
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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, 2015, 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, 2015, 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, budgetary comparison information, and pension trend information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 circulars 04-04 and 15-08, 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.

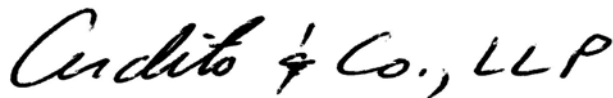
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are the responsibility 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 circulars 04-04 and 15-08, *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.

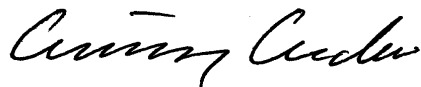
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, 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
November 16, 2015



Licensed Public School Accountant No. 2369

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

The discussion and analysis of Knowlton Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- ◆ In total, Net Position increased \$237,220 which represents a 10.1% increase from 2014.
- ◆ General revenues accounted for \$2,788,957 in revenue or 50.0% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,677,193 or 50.0% of total revenues of \$5,466,150.
- ◆ Total assets of governmental activities increased by \$223,713, as cash and cash equivalents increased by \$205,735, receivables decreased by \$28,736, and capital assets increased by \$45,416.
- ◆ The School District had \$5,228,930 in expenses; only \$2,677,193 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$2,788,957 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$4,685,295 in revenues and \$4,419,616 in expenditures. The General Fund's surplus balance increased \$182,972 over 2014, which compares favorably to the budgeted decrease of \$129,700.

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.

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

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 2015?" 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. Nonfinancial 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 25. 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, and Capital Projects Fund.

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net 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 2015 compared to 2014.

	<u>2015</u>	<u>2014</u>
Table 1 Net Position		
Assets		
Current and Other Assets	\$ 709,368	\$ 531,071
Capital Assets	<u>2,813,629</u>	<u>2,768,213</u>
Total Assets	<u>3,522,997</u>	<u>3,299,284</u>
Deferred Outflows of Resources	<u>86,030</u>	<u>36,944</u>
Liabilities		
Long-Term Liabilities	944,741	952,133
Other Liabilities	<u>38,857</u>	<u>49,390</u>
Total Liabilities	<u>983,598</u>	<u>1,001,523</u>
Deferred Inflows of Resources	<u>49,975</u>	<u>-</u>
Net Position		
Invested in Capital Assets, Net of Debt	2,813,629	2,768,213
Restricted	540,403	346,630
Unrestricted	<u>(771,329)</u>	<u>(769,360)</u>
Total Net Position	<u>\$ 2,582,703</u>	<u>\$ 2,345,483</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Total assets of governmental activities increased by \$223,713, as cash and cash equivalents increased by \$205,735, receivables decreased by \$28,736, and capital assets increased by \$45,416.

The cash increase was mainly due operational efficiency towards budget, net of capital addition spending, and the increase in capital assets was due to capital outlay (fund 12) spending and capital project fund spending for the unit ventilator replacement.

Table 2 shows the changes in Net Position from fiscal year 2014.

Table 2
Changes in Net Position

	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 169,901	\$ 125,629
Operating Grants and Contributions	2,507,292	1,948,466
General Revenues:		
Property Taxes	2,686,000	2,633,483
Federal & State Aid on Capital Asset Projects	55,087	3,273
Investment Earnings	2,584	
Other	<u>45,286</u>	<u>20,874</u>
Total Revenues	<u>5,466,150</u>	<u>4,731,725</u>
Program Expenses		
Instruction	3,348,929	2,961,956
Support Services:		
Tuition	57,727	-
Pupils and Instructional Staff	489,342	415,552
General Administration, School Administration, Business	638,050	571,312
Operations and Maintenance of Facilities	385,436	381,720
Pupil Transportation	240,021	205,084
Business-Type Activities	65,022	64,635
Interest and Fiscal Charges	<u>4,403</u>	<u>3,917</u>
Total Expenses	<u>5,228,930</u>	<u>4,604,176</u>
Increase in Net Position	<u>\$ 237,220</u>	<u>\$ 127,549</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 49.1% percent of revenues for governmental activities for the KnowltonTownship School District for the fiscal year 2015.

Instruction comprises 64.0% of district expenses. Support services expenses make up 34.6% 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 compared to 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>	<u>Total Cost of Services 2014</u>	<u>Net Cost of Services 2014</u>
Instruction	\$ 3,348,929	\$ 1,445,512	\$ 2,961,956	\$ 1,490,016
Support Services:				
Tuition	57,727	57,727	-	-
Pupils and Instructional Staff	489,342	278,452	415,552	251,035
General Admin., School Admin., Business	638,050	254,902	571,312	282,578
Operation and Maintenance of Facilities	385,436	284,608	381,720	305,738
Pupil Transportation	240,021	225,581	205,084	194,202
Business-Type Activities	65,022	552	64,635	2,595
Interest and Fiscal Charges	4,403	4,403	3,917	3,917
Total Expenses	<u>\$ 5,228,930</u>	<u>\$ 2,551,737</u>	<u>\$ 4,604,176</u>	<u>\$ 2,530,081</u>

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

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

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

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

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.

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

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.

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

The dependence upon tax revenues is apparent. Over 43.2% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 60.8%. 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 25. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$4,867,316 and expenditures of \$4,684,344. The General Fund's surplus balance increased \$182,972 over 2014, which compares favorably to the budgeted decrease of \$129,700.

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 2015 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 on-behalf payments, was \$4,249,908, \$124,408 over original budgeted estimates of \$4,125,500. This difference was due primarily to an increases in tuition based programs.

General fund revenues exceeded expenditures by \$183,418. Again this surplus compares to a budgeted deficit of \$129,700, which was due to the budgeted use of surplus and capital reserve needed to balance the 2014-2015 budget. The budgeted deficit was reduced due revenue increases and cost savings in the areas of instruction, maintenance, and benefits.

Overall general fund balance (budget basis) was \$799,913, and amounts ear-marked and reserved for future purposes were \$548,523, creating a surplus in unreserved fund balance of \$251,390. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Capital Assets

At the end of the fiscal year 2015, the School District had \$2,813,629 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2015 balances compared to 2014.

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

	<u>2015</u>	<u>2014</u>
Land	\$ 366	\$ 366
Land Improvements	(799)	(721)
Buildings and Improvements	2,704,306	2,671,518
Machinery and Equipment	<u>109,756</u>	<u>97,050</u>
Totals	<u>\$ 2,813,629</u>	<u>\$ 2,768,213</u>

Overall capital assets increased \$45,416 from fiscal year 2014 to fiscal year 2015. The increase in capital assets was due to capital additions, net of depreciation expense for the year.

Capital improvements of \$174,925 were purchased during fiscal year 2015.

Debt Administration

At June 30, 2015, the School District had \$106,155 as outstanding long term debt. Of this amount, \$106,155 is for compensated absences.

At June 30, 2015, the School District's overall legal debt margin was \$7,722,244 and the unvoted debt margin was the same.

KNOWLTON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

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 Michael Brennan, 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, 2015

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and Cash Equivalents	\$ 336,131	\$ 20,941	\$ 357,072
Receivables from Other Governments	62,864	1,928	64,792
Other Receivables	1,735		1,735
Interfund Receivables		7,249	
Inventory		3,790	3,790
Restricted Assets:			
Capital Reserve Account - Cash	281,979		281,979
Capital Assets, Net (Note 6):	2,813,629		2,813,629
Total Assets	<u>3,496,338</u>	<u>33,908</u>	<u>3,522,997</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows	<u>86,030</u>		<u>86,030</u>
LIABILITIES			
Accounts Payable	1,762	14,798	16,560
Interfund Payables	7,249		7,249
Unearned Revenue	12,272	2,776	15,048
Net Pension Liability (Note 8)	838,586		838,586
Noncurrent Liabilities (Note 7):			
Due Within One Year	-		-
Due Beyond One Year	106,155		106,155
Total Liabilities	<u>966,024</u>	<u>17,574</u>	<u>983,598</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows	<u>49,975</u>		<u>49,975</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	2,813,629		2,813,629
Restricted for:			
Other Purposes	540,403		540,403
Unrestricted	(787,663)	16,334	(771,329)
Total Net Position	<u>\$ 2,566,369</u>	<u>\$ 16,334</u>	<u>\$ 2,582,703</u>

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, 2015

Functions/Programs	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
Governmental Activities:							
Instruction:							
Regular	\$ 2,568,707	\$ 65,613	\$ 1,213,166		\$ (1,289,928)		\$ (1,289,928)
Special Education	634,307	22,776	392,986		(218,545)		(218,545)
Other Special Instruction	145,915	11,442	197,434		62,961		62,961
Support Services:							
Tuition	57,727				(57,727)		(57,727)
Student & Instruction Related Services	489,342	9,247	201,643		(278,452)		(278,452)
School Administrative Services	175,327	7,528	129,897		(37,902)		(37,902)
General and Business Admin. Services	462,723	13,461	232,262		(217,000)		(217,000)
Plant Operations and Maintenance	385,436	5,523	95,305		(284,608)		(284,608)
Pupil Transportation	240,021	791	13,649		(225,581)		(225,581)
Unallocated Depreciation	4,403				(4,403)		(4,403)
Total Governmental Activities	5,163,908	136,381	2,476,342		(2,551,185)		(2,551,185)
Business-Type Activities:							
Food Service	65,022	33,520	30,950			\$ (552)	(552)
Total Business-Type Activities	65,022	33,520	30,950			(552)	(552)
Total Primary Government	\$ 5,228,930	\$ 169,901	\$ 2,507,292		\$ (2,551,185)	\$ (552)	\$ (2,551,737)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 2,686,000		\$ 2,686,000
Interest Income					2,584		2,584
State and Federal Aid for Capital Asset Projects					55,087		55,087
Miscellaneous Income					42,405	\$ 2,881	45,286
Total General Revenues, Special Items, Extraor. Items and Transfers					2,786,076	2,881	2,788,957
Change in Net Position					234,891	2,329	237,220
Net Position—Beginning (As Restated)					2,331,478	14,005	2,345,483
Net Position—Ending					\$ 2,566,369	\$ 16,334	\$ 2,582,703

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, 2015

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 598,835	\$ 19,275		\$ 618,110
Interfund Receivable	55,087	1,358	\$ 55,087	111,532
Other Accounts Receivables	1,735			1,735
Receivables from Other Governments	16,138	46,726		62,864
TOTAL ASSETS	\$ 671,795	\$ 67,359	\$ 55,087	\$ 794,241
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,762			\$ 1,762
Interfund Payable	8,607	55,087	\$ 55,087	118,781
Deferred Revenue		12,272		12,272
Total Liabilities	10,369	67,359	55,087	132,815
Fund Balances:				
<u>Restricted for:</u>				
Capital Reserve Account	281,979			281,979
Excess Surplus	195,035			195,035
Excess Surplus-Designated for Subsequent Year's Expend.	21,944			21,944
<u>Assigned to:</u>				
Year-End Encumbrances	8,120			8,120
General Fund-Designated for Subsequent Year's Expend.	41,445			41,445
<u>Unassigned:</u>				
General Fund-Undesignated	112,903			112,903
Total Fund Balances	661,426	-	-	661,426
TOTAL LIABILITIES AND FUND BALANCE	\$ 671,795	\$ 67,359	\$ 55,087	\$ 794,241

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 \$5,418,648 and the accumulated depreciation is \$2,605,019.

\$ 2,813,629

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 8)

86,030

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 8)

(49,975)

Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8)

(838,586)

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)

(106,155)

Net position of governmental activities

\$ 2,566,369

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
Local Tax Levy	\$ 2,686,000			\$ 2,686,000
Tuition	136,381			136,381
Miscellaneous	41,186	\$ 3,803		44,989
Total - Local Sources	<u>2,863,567</u>	<u>3,803</u>	-	<u>2,867,370</u>
State Sources	1,821,728	-	\$ 55,087	1,876,815
Federal Sources		123,131		123,131
Total Revenues	<u>4,685,295</u>	<u>126,934</u>	<u>55,087</u>	<u>4,867,316</u>
EXPENDITURES				
Current:				
Regular Instruction	1,643,388	65,433		1,708,821
Special Education Instruction	340,681			340,681
Other Special Instruction	8,809			8,809
Support services and undistributed costs:				
Tuition	57,727			57,727
Student and Instruction Related Services	314,046	42,095		356,141
School Administrative Services	83,308			83,308
Other Administrative Services	295,215			295,215
Plant Operations and Maintenance	318,994			318,994
Pupil Transportation	230,543			230,543
Unallocated Benefits	1,097,152			1,097,152
Transfer to Charter School	12,028			12,028
Debt Service:				
Principal				-
Interest and Other Charges				-
Capital Outlay	17,725	19,406	137,794	174,925
Total Expenditures	<u>4,419,616</u>	<u>126,934</u>	<u>137,794</u>	<u>4,684,344</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>265,679</u>	<u>-</u>	<u>(82,707)</u>	<u>182,972</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Capital Fund	(82,707)		82,707	-
Total Other Financing Sources and Uses	<u>(82,707)</u>	<u>-</u>	<u>82,707</u>	<u>-</u>
Net Change in Fund Balances	182,972	-	-	182,972
Fund Balance—July 1	478,454			478,454
Fund Balance—June 30	<u>\$ 661,426</u>	<u>-</u>	<u>-</u>	<u>\$ 661,426</u>

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, 2015**

Total Net Change in Fund Balances - Governmental Funds (from B-2) **\$ 182,972**

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	\$ (129,509)	
	Capital Outlays	<u>174,925</u>	45,416

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. (10,370)

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. 16,873

Change in Net Position of Governmental Activities **\$ 234,891**

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, 2015

		<u>Business-Type Activities-</u> <u>Enterprise Funds</u>	
		<u>Food</u>	
		<u>Service</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 20,941	\$ 20,941
Accounts Receivable - Federal		1,872	1,872
Accounts Receivable - State		56	56
Interfund Receivables		7,249	7,249
Inventories		3,790	3,790
Total Current Assets		<u>33,908</u>	<u>33,908</u>
Total Assets		<u>\$ 33,908</u>	<u>\$ 33,908</u>
LIABILITIES			
Current liabilities:			
Accounts Payable		14,798	14,798
Deferred Revenue		2,776	2,776
Total Current Liabilities		<u>17,574</u>	<u>2,776</u>
Total Liabilities		<u>\$ 17,574</u>	<u>\$ 2,776</u>
NET POSITION			
Unrestricted		\$ 16,334	\$ 16,334
Total Net Position		<u>\$ 16,334</u>	<u>\$ 16,334</u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities-	
	Enterprise Fund	
	Food	Total
	Service	Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 29,957	\$ 29,957
Daily Sales - Non-Reimb Programs	3,563	3,563
Miscellaneous	2,881	2,881
Total Operating Revenues	<u>36,401</u>	<u>36,401</u>
Operating Expenses:		
Cost of Sales	32,060	32,060
Salaries	18,389	18,389
Employee Benefits	4,780	4,780
Other Purchased Professional Services	7,721	7,721
Miscellaneous	2,072	2,072
Total Operating Expenses	<u>65,022</u>	<u>65,022</u>
Operating Income (Loss)	<u>(28,621)</u>	<u>(28,621)</u>
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	761	761
Federal Sources:		
National School Lunch Program	23,693	23,693
National School Breakfast Program	1,119	1,119
Food Distribution Program	5,377	5,377
Total Nonoperating Revenues (Expenses)	<u>30,950</u>	<u>30,950</u>
Income (Loss) Before Contributions and Transfers	2,329	2,329
Transfers In (Out)	-	-
Change in Net Position	<u>2,329</u>	<u>2,329</u>
Total Net Position—Beginning	14,005	14,005
Total Net Position—Ending	<u>\$ 16,334</u>	<u>\$ 16,334</u>

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2015

	Business-Type Activities- Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 36,402	\$ 36,402
Payments to Employees	(18,389)	(18,389)
Payments for Employee Benefits	(4,781)	(4,781)
Payments to Suppliers	(46,186)	(46,186)
Net Cash Provided by (used for) Operating Activities	(32,954)	(32,954)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	862	862
Federal Sources	27,691	27,691
Operating Subsidies and Transfers to Other Funds	8,926	8,926
Net Cash Provided by (used for) Non-Capital Financing Activities	37,479	37,479
Net Increase (Decrease) in Cash and Cash Equivalents	4,525	4,525
Balances—Beginning of Year	16,416	16,416
Balances—End of Year	\$ 20,941	\$ 20,941
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (28,621)	\$ (28,621)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Federal Commodities	5,377	5,377
(Increase) Decrease in Accounts Receivable	2,980	2,980
(Increase) Decrease in Inventories	(1,298)	(1,298)
Increase (Decrease) in Accounts Payable	(11,392)	(11,392)
Total Adjustments	(4,333)	(4,333)
Net Cash Provided by (used for) Operating Activities	\$ (32,954)	\$ (32,954)

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, 2015

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 29,003	\$ 75,763
Total Assets	<u>\$ 29,003</u>	<u>\$ 75,763</u>
LIABILITIES		
Payroll Deductions and Withholdings		\$ 29,963
Summer Pay		40,779
Interfund Payable		-
Payable to Student Groups	-	<u>5,021</u>
Total Liabilities	<u>-</u>	<u>\$ 75,763</u>
NET POSITION		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 29,003</u>	<u> </u>

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

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

For the Year Ended June 30, 2015

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Contributions:	
Plan Member	\$ 4,739
Total Contributions	<u>4,739</u>
Investment Earnings:	
Interest	<u>13</u>
Net Investment Earnings	<u>13</u>
Total Additions	<u>4,752</u>
DEDUCTIONS	
Unemployment Claims	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Position	4,752
Net Position—Beginning of the Year	<u>24,251</u>
Net Position—End of the Year	<u>\$ 29,003</u>

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

Notes to Financial Statements

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 Liabilities, and GAASB No. 68, Accounting for Pensions, and amendment of GASB No. 27. The implementation of these statements effected net position balances as previously reported for the fiscal year ended June 30, 2014 as noted in Note 18.

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, 2015, of 229 students.

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Measurement Focus-Basis of Accounting

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

District-wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year.

The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

D. Encumbrance Accounting:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the District has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015, but which were levied to finance fiscal year 2016 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2015, 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, 2015, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents(A-1)</u>	<u>Cash and Cash Equivalents(B-7)</u>	<u>Total</u>
Checking Accounts	\$357,072	\$104,766	\$461,838
Checking Accounts-Capital Reserve	281,979		281,979
	<u>\$639,051</u>	<u>\$104,766</u>	<u>\$743,817</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2015, was \$743,817 and the bank balance was \$844,002. 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 \$594,002 was covered by collateral pool.

NOTE 3: RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>Government-Wide Financial Statements</u>
State Aid	16,138	\$16,194
Federal Aid	46,726	48,598
Local	1,735	1,735
Gross Receivable	<u>64,599</u>	<u>66,527</u>
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	<u>\$64,599</u>	<u>\$66,527</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2015, consisted of the following:

Food	\$771
Supplies	<u>3,019</u>
	<u>\$3,790</u>

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

NOTE 5: DEFERRED BOND ISSUANCE COSTS

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

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 366			\$ 366
Total Capital Assets Not Being Depreciated	<u>366</u>			<u>366</u>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	53,950			53,950
Buildings and Building Improvements	4,753,889	\$ 137,794		4,891,683
Machinery and Equipment	435,518	37,131		472,649
Total at Historical Cost	<u>5,243,357</u>	<u>174,925</u>		<u>5,418,282</u>
Less Accumulated Depreciation for:				
Land Improvements	(54,671)	(78)		(54,749)
Building and Improvements	(2,082,371)	(105,006)		(2,187,377)
Equipment	(338,468)	(24,425)		(362,893)
Total Accumulated Depreciation	<u>(2,475,510)</u>	<u>(129,509)</u>		<u>(2,605,019)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>2,767,847</u>	<u>45,416</u>		<u>2,813,263</u>
Government Activity Capital Assets, Net	<u>\$ 2,768,213</u>	<u>\$ 45,416</u>		<u>\$ 2,813,629</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	\$ 73,692
Special Education Instruction	20,721
Student/Instruction Related Services	22,405
General Administrative Services	6,216
School Administrative Services	1,813
Maintenance/Custodial	259
Unallocated	4,403
Total	<u>\$ 129,509</u>

NOTE 7: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2015, are as follows:

	Balance <u>7/1/14</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/15</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences Payable	\$ 123,028		\$ (16,873)	\$ 106,155	
Total	<u>\$ 123,028</u>	<u>\$ -</u>	<u>\$ (16,873)</u>	<u>\$ 106,155</u>	<u>-</u>

Compensated absences have been liquidated in the General Fund.

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

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, 100% of 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.

Summary of Significant Accounting Policies - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$11,941,791 as measured on June 30, 2014 and \$10,535,626 as measured on June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$642,580 and revenue of \$642,580 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2015 is based upon changes in the collective net pension liability with a measurement period of June 30, 2013 through June 30, 2014. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2013 and June 30, 2014.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>6/30/2013</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	-	\$2,306,623,861
Collective deferred inflows of resources	-	\$1,763,205,593
Collective net pension liability (Nonemployer-State of New Jersey)	\$50,539,213,484	\$53,446,745,367
State's portion of the net pension liability that was associated with the district	\$10,535,626	\$11,941,791
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.020846%	0.022343%

Actuarial assumptions - The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.5%
Salary Increases:	Varies based on experience
Investment Rate of Return:	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds / Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

Discount rate. The discount rate used to measure the State's total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Since the District's has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf15.pdf>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

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.

Summary of Significant Accounting Policies - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$838,586 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2014 and 2013. At June 30, 2014, the District's proportion was 0.00448% which was an increase of 0.00014% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$47294. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	-	-
Changes of assumptions	\$ 26,370	
Net difference between projected and actual earnings on pension plan investments		\$ 49,975
Changes in proportion and differences between District contributions and proportionate share of contributions	22,736	
District contributions subsequent to the measurement date	36,924	
Total	<u>\$ 86,030</u>	<u>\$ 49,975</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

\$36,924 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability measured as of June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>	
	2015	(\$281)
	2016	(\$281)
	2017	(\$281)
	2018	(\$281)
	2019	\$178
	Thereafter	<u>\$79</u>
	Total	<u>(\$869)</u>
	<u>6/30/2013</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	-	\$ 952,194,675
Collective deferred inflows of resources	-	1,479,224,662
Collective net pension liability (Non State - Local Group)	\$19,111,986,911	\$18,722,735,003
District's portion of net pension liability	\$829,105	\$838,586
District's proportion %	0.00433814%	0.00447897%

Actuarial assumptions . The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.01%
Salary Increases:	
2012-2012	2.15%-4.40% based on age
Thereafter	3.15%-5.40% based on age
Investment Rate of Return:	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount rate. The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability measured as of June 30, 2014, calculated using the discount rate of 5.39%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39%) or 1-percentage-point higher (6.39%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(4.39%)</u>	<u>(5.39%)</u>	<u>(6.39%)</u>
District's proportionate share of the net pension liability	\$ 1,054,970	\$ 838,586	\$ 656,879

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Defined Contribution Retirement Plan (DCRP). - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

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

PERS and TPAF 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:6C 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 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

Chapter 78’s provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member’s final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PERS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee’s annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78’s effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems’ unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

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 (PERS) and N.J.S.A. 18:66 (TPAF) 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 6.5% of employees’ annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2015	\$36,924	100 %	-0-
6/30/2014	\$32,687	100	-0-
6/30/2013	\$39,439	100	-0-

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

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2015	\$111,097	100 %	-0-
6/30/2014	\$94,522	100	-0-
6/30/2013	\$134,702	100	-0-

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: PENSION PLANS (Continued)

During the fiscal year ended June 30, 2015, the State of New Jersey did contribute \$287,464 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 \$148,369 during the year ended June 30, 2015, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

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, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 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 free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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.

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, 2015, 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:

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014-2015	\$13	\$4,739	\$0	\$29,003
2013-2014	\$10	\$5,677	\$55	\$24,251
2012-2013	\$9	\$2,603	\$892	\$18,619

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 \$661,426 General Fund fund balance at June 30, 2015, \$8,120 is reserved for encumbrances; \$216,979 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$21,944 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2016); \$41,445 is reserved and has been appropriated and included as anticipated revenue for the year ended June 30, 2016; \$281,979 has been reserved in the Capital Reserve Account; and, \$112,903 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, 2014 to June 30, 2015 fiscal year is as follows:

Beginning balance July 1, 2014	\$ 264,686
Withdrawal - Local Share Capital Projects	(82,707)
Deposits (PL 2007 c.62 (A1)): Board Res. 6/22/15	100,000
Ending balance June 30, 2015	<u>\$ 281,979</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015 is \$195,035.

NOTE 17: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2015:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 46,480	
Special Revenue Fund		\$ 53,729
Food Service Fund	7,249	-
	<u>\$ 53,729</u>	<u>\$ 53,729</u>

The infund balances represent cash advances to the special revenue fund for federal grants not yet received, and federal and state lunch subsidies not yet paid to the food service fund.

NOTE 18: RETROACTIVE RESTATEMENT OF NET POSITION

Restatement of Prior Period:

The District adopted GASB No. 68 *-Accounting and Financial Reporting for Pensions - An amendment of GASB No. 27* during the 2015 fiscal year as required by the pronouncement. The pronouncement requires the district to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of June 30, 2015 and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning Net Position of the district was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014 (as described in Note 8), the restatement adjustments to Net Position relate to the *beginning* net pension liability measured as of June 30, 2013. Also, in accordance with GASB No. 71 *-Pension Transition for Contributions Made Subsequent to the Measurement Date*, The district restated its Net Position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

<u>Governmental Activities Net Position:</u>	
Net Position (per A-1), June 30, 2014	\$ 3,123,639
Restatement of Net Pension Liability	(829,105)
Restatement of Deferred Outflows-Pension	<u>36,944</u>
Net Position (per A-1), June 30, 2015, as Restated	<u>\$ 2,331,478</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,686,000		\$ 2,686,000	\$ 2,686,000	
Tuition	48,000		48,000	136,381	\$ 88,381
Miscellaneous	6,549		6,549	41,186	34,637
Total - Local Sources	<u>2,740,549</u>		<u>2,740,549</u>	<u>2,863,567</u>	<u>123,018</u>
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	
PARCC Readiness Aid	2,230		2,230	2,230	
Per Pupil Growth Aid	2,230		2,230	2,230	
Non- Public Transportation Aid				1,390	1,390
TPAF Pension (On-Behalf - Non-Budgeted)				111,097	111,097
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				176,367	176,367
TPAF Social Security (Reimbursed - Non-Budgeted)				148,369	148,369
Total State Sources	<u>1,384,951</u>		<u>1,384,951</u>	<u>1,822,174</u>	<u>437,223</u>
TOTAL REVENUES	<u>4,125,500</u>		<u>4,125,500</u>	<u>4,685,741</u>	<u>560,241</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	46,475	(6,714)	39,761	39,761	
Kindergarten - Salaries of Teachers	155,300		155,300	155,300	
Grades 1-5 - Salaries of Teachers	1,149,198	23,642	1,172,840	1,172,818	22
Grades 6-8 - Salaries of Teachers	136,635	(1,700)	134,935	134,882	53
Regular Programs - Home Instruction:					
Salaries of Teachers	2,500	(2,500)			
Purchased Professional-Educational Services	3,500		3,500	3,024	476
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction		4,550	4,550	4,526	24
Purchased Professional-Educational Services	5,000		5,000	3,119	1,881
Other Purchased Services (400-500 series)	66,750	(9,300)	57,450	50,192	7,258
General Supplies	60,000	1,526	61,526	57,243	4,283
Textbooks	20,000	2,758	22,758	22,418	340
Other Objects	3,500	(2,200)	1,300	105	1,195
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,648,858	10,062	1,658,920	1,643,388	15,532
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	114,000	2,409	116,409	113,253	3,156
General Supplies	1,000	201	1,201	547	654
Textbooks	500	842	1,342	1,336	6
Total Learning and/or Language Disabilities	115,500	3,452	118,952	115,136	3,816

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Resource Room/Resource Center:					
Salaries of Teachers	153,000	(40,627)	112,373	107,791	4,582
General Supplies	1,000	124	1,124	1,090	34
Textbooks	500		500	500	
Total Resource Room/Resource Center	154,500	(40,503)	113,997	109,381	4,616
Special Education - Autism					
Salaries of Teachers	55,500	1,190	56,690	56,035	655
Other Salaries for Instruction		18,900	18,900	18,388	512
General Supplies	500		500	357	143
Total Special Education - Autism	56,000	20,090	76,090	74,780	1,310
Preschool Disabilities - Part-Time					
Salaries of Teachers	38,500		38,500	35,673	2,827
Other Salaries for Instruction		5,400	5,400	5,390	10
General Supplies	500	284	784	321	463
Total Preschool Disabilities - Part-time	39,000	5,684	44,684	41,384	3,300
TOTAL SPECIAL EDUCATION - INSTRUCTION	365,000	(11,277)	353,723	340,681	13,042

KNOWLTON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	16,100	(5,450)	10,650		10,650
General Supplies	400		400	266	134
Textbooks	500		500	117	383
Total Basic Skills/Remedial - Instruction	17,000	(5,450)	11,550	383	11,167
School Sponsored Co/Extra Curricular Activities:					
Salaries of Teachers	4,000	2,350	6,350	6,316	34
Supplies and Materials	500	1,644	2,144	2,044	100
Total School Sponsored Cocurricular Activities	4,500	3,994	8,494	8,360	134
Other Instructional Programs:					
Purchased Services (300-500 series)		100	100	66	34
Total Other Instructional Programs		100	100	66	34
TOTAL INSTRUCTION	2,035,358	(2,571)	2,032,787	1,992,878	39,909

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Private Schools for the Disabled-Within State		60,060	60,060	57,727	2,333
Total Instruction		60,060	60,060	57,727	2,333
Health Services:					
Salaries	58,300	3,050	61,350	58,799	2,551
Purchased Professional and Technical Services	700		700	32	668
Other Purchased Services (400-500 series)	200		200		200
Supplies and Materials	1,400	396	1,796	817	979
Other Objects		600	600	550	50
Total Health Services	60,600	4,046	64,646	60,198	4,448
Other Supp. Services Students-Related Services:					
Salaries	76,400		76,400	75,913	487
Purchased Professional and Educational Services		27,200	27,200	27,109	91
Supplies and Materials	400		400		400
Total Other Supp. Services Students-Related Services	76,800	27,200	104,000	103,022	978
Other Supp. Services Students-Extra Services:					
Salaries	105,500	(55,240)	50,260	46,303	3,957
Total Other Supp. Services Students-Extra Services	105,500	(55,240)	50,260	46,303	3,957
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	10,200	(100)	10,100	10,007	93
Supplies and Materials	100		100		100
Total Other Supp. Services Students-Regular	10,300	(100)	10,200	10,007	193

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	65,550	100	65,650	64,561	1,089
Purchased Professional - Educational Services	5,500	(300)	5,200	3,750	1,450
Other Purchased Professional - Technical Services					
Other Purch. Serv.(400-500 series)		200	200	147	53
Misc. Purch. Serv.(400-500 series O/than Resid.Costs)		300	300	253	47
Supplies and Materials	3,000	(189)	2,811	2,204	607
Other Objects	100		100	100	
Total Other Supp. Services Students-Special	74,150	111	74,261	71,015	3,246
Improvement of Instruction:					
Salaries of Other Professional Staff		10,000	10,000	10,000	
Purchased Professional - Educational Services	3,000		3,000	2,200	800
Total Improvement of Instruction	3,000	10,000	13,000	12,200	800
Educational Media Services/School Library:					
Salaries	3,000		3,000		3,000
Purchased Professional and Technical Services	5,000	(2,000)	3,000	2,478	522
Supplies and Materials	5,000	2,008	7,008	5,924	1,084
Total Educational Media Services/School Library	13,000	8	13,008	8,402	4,606
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	10,000	(500)	9,500	2,899	6,601
Total Instructional Staff Training Services	10,000	(500)	9,500	2,899	6,601

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Supp. Services - General Administration:					
Salaries	161,100	425	161,525	161,500	25
Legal Services	5,000	(4,225)	775	105	670
Audit Fees	15,000		15,000	14,864	136
Other Purchased Professional Services	1,000		1,000	635	365
Communications/Telephone	20,000	(5,000)	15,000	13,442	1,558
BOE Other Purchased Services	1,200		1,200	1,089	111
Other Purchased Services (400-500 series)	10,000	2,000	12,000	11,745	255
General Supplies	2,000	300	2,300	2,055	245
BOE In-House Training/Meeting Supplies	500		500	234	266
Miscellaneous Expenditures	4,000		4,000	3,591	409
BOE In-house Training/Meeting Supplies	3,000		3,000	2,923	77
Total Supp. Services - General Administration	222,800	(6,500)	216,300	212,183	4,117
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	67,900	(9,200)	58,700	58,638	62
Salaries of Secretarial and Clerical Assistants	21,400	(500)	20,900	20,900	
Purchased Professional and Technical Services	1,500	(1,500)			
Other Purchased Services (400-500 series)	700	1,900	2,600	2,594	6
Supplies and Materials	500	(300)	200	176	24
Miscellaneous Expenditures	1,000		1,000	1,000	
Total Support Services - School Administration	93,000	(9,600)	83,400	83,308	92

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Central Services:					
Salaries	60,000	11,950	71,950	71,909	41
Purchased Professional Services	7,500	2,950	10,450	10,438	12
Other Purchased Services (400-500 series)	4,500	(4,500)			
Supplies and Materials	500		500	488	12
Miscellaneous Expenditures	800	(400)	400	197	203
Total Central Services	73,300	10,000	83,300	83,032	268
Required Maintenance for School Facilities:					
Salaries	58,000	400	58,400	58,072	328
Cleaning, Repair and Maintenance Services	42,000	3,123	45,123	27,825	17,298
General Supplies	18,000	(5,000)	13,000	4,123	8,877
Total Required Maintenance for School Facilities	118,000	(1,477)	116,523	90,020	26,503
Other Operations and Maintenance of Plant:					
Salaries	72,000	(400)	71,600	70,858	742
Purchased Professional and Technical Services	7,000		7,000	6,939	61
Cleaning, Repair and Maintenance Services	9,000	2,000	11,000	10,021	979
Other Purchased Property Services	500	(150)	350	65	285
Insurance	22,000		22,000	21,548	452
Miscellaneous Purchased Services	100		100	58	42
General Supplies	12,000	3,155	15,155	8,828	6,327
Energy (Electricity)	72,000		72,000	54,591	17,409
Energy (Oil)	95,000	(25,450)	69,550	56,066	13,484
Total Other Operations and Maintenance of Plant	289,600	(20,845)	268,755	228,974	39,781

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Salaries for Pupil Trans (Bet Home & Sch) - Regular	14,500		14,500	14,500	
Salaries for Pupil Trans (Bet Home & Sch) - Sp. Ed.	9,317		9,317	8,803	514
Other Purchased Prof. and Technical Services	500		500		500
Cleaning, Repair and Maintenance Services	2,000	1,000	3,000	2,337	663
Contracted Services-Aid in Lieu Payments-Nonpublic Sch.	3,000		3,000	1,768	1,232
Contracted Services (Between Home and School)-Vendors	180,000	(1,000)	179,000	169,895	9,105
Contract Services - (Spl. Ed. Students) - Vendors		31,400	31,400	31,004	396
Supplies and Materials	3,000		3,000	1,994	1,006
Other Objects	300		300	242	58
Total Student Transportation Services	212,617	31,400	244,017	230,543	13,474
UNALLOCATED BENEFITS					
Social Security Contributions	43,000	11,200	54,200	54,150	50
Other Retirement Contributions-Regular	42,000	(3,200)	38,800	38,778	22
Unemployment Compensation	5,000	(4,000)	1,000		1,000
Workmen's Compensation	27,000	(4,000)	23,000	21,759	1,241
Health Benefits	580,000	(42,400)	537,600	511,331	26,269
Tuition Reimbursement	10,000		10,000	9,861	139
Other Employee Benefits	10,000	17,198	27,198	25,440	1,758
TOTAL UNALLOCATED BENEFITS	717,000	(25,202)	691,798	661,319	30,479
On-behalf TPAF pension Contrib. (non-budgeted)				111,097	(111,097)
On-behalf TPAF PRM Contrib. (non-budgeted)				176,367	(176,367)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				148,369	(148,369)
TOTAL ON-BEHALF CONTRIBUTIONS				435,833	(435,833)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	717,000	(25,202)	691,798	1,097,152	(405,354)
TOTAL UNDISTRIBUTED EXPENDITURES	2,079,667	23,361	2,103,028	2,396,985	(293,957)

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
TOTAL GENERAL CURRENT EXPENSE	4,115,025	20,790	4,135,815	4,389,863	(254,048)
CAPITAL OUTLAY					
Equipment					
Grades 1 - 5	4,400	13,600	18,000	17,725	275
Total Equipment	4,400	13,600	18,000	17,725	275
Facilities Acquisition and Construction Services					
Construction Services	107,775	(107,775)			
Total Facilities Acquisition and Construction Services	107,775	(107,775)			
TOTAL CAPITAL OUTLAY	112,175	(94,175)	18,000	17,725	275
Transfer of Funds to Charter Schools	28,000	(15,970)	12,030	12,028	2
TOTAL EXPENDITURES	4,255,200	(89,355)	4,165,845	4,419,616	(253,771)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(129,700)	89,355	(40,345)	266,125	306,470
Other Financing Sources:					
Operating Transfer In/(Out):					
Capital Reserve - Transfer to Capital Projects		(107,775)	(107,775)	(82,707)	25,068
Total Other Financing Sources:		(107,775)	(107,775)	(82,707)	25,068
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(129,700)	(18,420)	(148,120)	183,418	331,538
Fund Balance, July 1	616,495		616,495	616,495	
Fund Balance, June 30	\$ 486,795	\$ (18,420)	\$ 468,375	\$ 799,913	\$ 331,538

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 281,979	
Excess Surplus				195,035	
Excess Surplus - Designated for Subsequent Year's Expenditures				21,944	
Assigned to:					
Year-End Encumbrances				8,120	
Designated for Subsequent Year's Expenditures				41,445	
Unassigned:					
Unrestricted Fund Balance				<u>251,390</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				799,913	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(138,487)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 661,426</u>	

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources		\$ 554	\$ 554	\$ 536	\$ (18)
Federal Sources	\$ 99,300	30,072	129,372	122,951	(6,421)
Total Revenues	99,300	30,626	129,926	123,487	(6,439)
EXPENDITURES:					
Instruction					
Salaries of Teachers	35,300	(9,128)	26,172	26,172	
Other Salaries for Instruction	14,000	17,050	31,050	31,050	
Supplies and Materials		4,430	4,430	4,410	20
Total Instruction	49,300	12,352	61,652	61,632	20
Support Services					
Personal Services - Employee Benefits	4,500	10,313	14,813	8,394	6,419
Purchased Professional - Educational Services	45,500	(15,724)	29,776	29,776	
Other Purchased Services		4,279	4,279	4,279	
Total Support Services	50,000	(1,132)	48,868	42,449	6,419
Capital Outlay:					
Communications/Technology		19,406	19,406	19,406	
Total Capital Outlay	-	19,406	19,406	19,406	
Total Expenditures	99,300	30,626	129,926	123,487	6,439
Total Outflows	99,300	30,626	129,926	123,487	6,439
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, 2015

**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)	\$ 4,685,741	\$ 123,487
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	9,280
Current Year	N/A	(5,833)
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	<u>(138,487)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 4,685,295</u>	<u>\$ 126,934</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 4,419,616	\$ 123,487
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year	N/A	9,280
Current Year	N/A	(5,833)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 4,419,616</u>	<u>\$ 126,934</u>

Knowlton School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years *

Exhibit L-3

Teachers' Pension and Annuity Fund (TPAF)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
District's proportion of the net pension liability (asset) **	N/A	N/A								
District's proportionate share of the net pension liability (asset) **	N/A	N/A								
State's proportionate share of the net pension liability (asset) associated with the District	\$ 11,941,791	\$ 10,535,626								
Total	\$ 11,941,791	\$ 10,535,626								
District's covered employee payroll	\$ 4,229,000	\$ 4,356,381								
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A								
Plan fiduciary net position as a percentage of the total pension liability	33.64%	33.76%								

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the district (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the district.

Public Employees' Retirement System (PERS)

Exhibit L-1

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
District's proportion of the net pension liability (asset)	0.00447897%	0.00433814%								
District's proportionate share of the net pension liability (asset)	\$ 838,586	\$ 829,105								
District's covered employee payroll	\$ 1,424,061	\$ 1,283,928								
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	58.89%	64.58%								
Plan fiduciary net position as a percentage of the total pension liability (Local)	52.08%	48.72%								

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

**Knowlton School District
Schedule of District Contributions
Last Ten Fiscal Years ***

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Contractually required contribution **	N/A	N/A								
Contributions in relation to the contractually required contribution **	N/A	N/A								
Contribution deficiency (excess)	N/A	N/A								
District's covered employee payroll	\$ 4,229,000	\$ 4,356,381								
Contributions as a percentage of covered-employee payroll	N/A	N/A								

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. The district (employer) does not contribute to the plan.

Public Employees' Retirement System (PERS)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Contractually required contribution	\$ 32,687	\$ 39,439								
Contributions in relation to the contractually required contribution	<u>(32,687)</u>	<u>(39,439)</u>								
Contribution deficiency (excess)	<u>-</u>	<u>-</u>								
District's covered employee payroll	\$ 1,424,061	\$ 1,283,928								
Contributions as a percentage of covered-employee payroll	2.30%	3.07%								

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

KNOWLTON SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Pension Schedules

For the Fiscal Year Ended June 30, 2015

Teachers' Pension and Annuity Fund (TPAF)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Changes of assumptions. Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

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, 2015

	Title I	Title I I Part A	IDEA Basic	IDEA Preschool	REAP	Century Link	Totals
REVENUES							
Local Sources						\$ 536	\$ 536
Federal Sources	\$ 26,207	\$ 12,638	\$ 58,462	\$ 6,238	\$ 19,406		122,951
TOTAL REVENUES	26,207	12,638	58,462	6,238	19,406	536	123,487
EXPENDITURES:							
Instruction:							
Salaries of Teachers	20,479	5,693					26,172
Other Salaries for Instruction			25,050	6,000			31,050
Supplies and Materials			3,636	238		536	4,410
Total Instruction	20,479	5,693	28,686	6,238	-	536	61,632
Support Services:							
Personal Services - Employee Bene.	5,728	2,666					8,394
Purchased Profess.-Educ. Serv.			29,776				29,776
Other Purchased Serv.		4,279					4,279
Total Support Services	5,728	6,945	29,776	-	-	-	42,449
Facilities Acq. and Const. Services:							
Communications/Technology					19,406		19,406
Total Facilities Acq. and Const. Serv.					19,406		19,406
TOTAL EXPENDITURES	26,207	12,638	58,462	6,238	19,406	536	123,487
Total Outflows	\$ 26,207	\$ 12,638	\$ 58,462	\$ 6,238	\$ 19,406	\$ 536	\$ 123,487
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.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit F-1

**CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES**

For the Fiscal Year Ended June 30, 2015

	<u>Original Date</u>	<u>Approval</u>	<u>Original Appropriations</u>	<u>Revised Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2015</u>
					<u>Prior Years</u>	<u>Current Year</u>	
Unit Ventilator Replacement (HVAC)							
State of New Jersey	6/10/14	School Development Authority	\$ 71,850	\$ 55,087		\$ 55,087	-
Capital Outlay Budget-Capital Reserve	6/10/14	Board of Education	107,775	82,707	-	82,707	-
			<u>179,625</u>	<u>137,794</u>	-	<u>137,794</u>	-
				<u>\$ 137,794</u>	-	<u>\$ 137,794</u>	-
						Fund Balance - June 30, 2015	<u>-</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit F-2

**CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2015

**Revenues and Other Financing
Sources**

Transfer from Capital Reserve	\$ 82,707
State Sources - SDA Grant	55,087
Total Revenues	<u>137,794</u>

**Expenditures and Other Financing
Sources**

Purchased Professional Services	9,942
Construction Services	127,852
Total Expenditures	<u>\$ 137,794</u>

Excess(deficiency) of revenues over(under) expenditures	-
--	---

Fund Balance - Beginning	<u>-</u>
--------------------------	----------

Fund Balance - Ending	<u><u>-</u></u>
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KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit F-2a

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
UNIT VENTILATOR REPLACEMENT

From Inception and for the Fiscal Year Ended June 30, 2015

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant		\$ 55,087	\$ 55,087	\$ 55,087
Transfer from Capital Reserve		82,707	82,707	82,707
Total Revenues	-	137,794	137,794	137,794
Expenditures and Other Financing Sources				
Purchase Professional & Technical Services		9,942	9,942	9,942
Construction Services		127,852	127,852	127,852
Total Expenditures	-	137,794	137,794	137,794
Excess(deficiency) of revenues over(under) expenditures	-	-	-	
			Project Fund Balance, 6/30/15	-

Additional project information:

SDA Project Number	2470-040-13-2001 (G2TU)
Grant Date	6/10/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$179,625
Additional Authorized Cost	-\$41,831
Revised Authorized Cost	\$137,794
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.0%
Original Target Completion Date	6/30/2015
Revised Target Completion Date	6/30/2015

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

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

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

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

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

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

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015**

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>		<u>AGENCY FUNDS</u> STUDENT <u>ACTIVITY</u>		PAYROLL <u>AGENCY</u>	<u>TOTALS</u>		
ASSETS:								
Cash and Cash Equivalents	\$	29,003	\$	5,021	\$	70,742	\$	104,766
TOTAL ASSETS	\$	29,003	\$	5,021	\$	70,742	\$	104,766
LIABILITIES:								
Liabilities:								
Payroll Deductions and Withholdings					\$	29,963	\$	29,963
Summer Pay						40,779		40,779
Interfund Payable						-		-
Payable to Student Groups			\$	5,021				5,021
Total Liabilities				\$	5,021	70,742		75,763
NET POSITION								
Held in Trust for Unemployment Claims and Other Purposes	\$	29,003						29,003
TOTAL LIABILITIES AND NET POSITION	\$	29,003	\$	5,021	\$	70,742	\$	104,766

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015**

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 4,739	\$ 4,739
Total Contributions	<u>4,739</u>	<u>4,739</u>
Investment Earnings:		
Interest	13	13
Net Investment Earnings	<u>13</u>	<u>13</u>
Total Additions	<u>4,752</u>	<u>4,752</u>
DEDUCTIONS		
Unemployment Claims	-	-
Total Deductions	<u>-</u>	<u>-</u>
Change in Net Position	4,752	4,752
Net Position—Beginning of the Year	<u>24,251</u>	<u>24,251</u>
Net Position—End of the Year	<u>\$ 29,003</u>	<u>\$ 29,003</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>ACTIVITY</u>	<u>BALANCE July 1, 2014</u>	<u>Transfers</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE June 30, 2015</u>
All Activites	\$ 14,328	-	\$ 27,751	\$ 37,058	\$ 5,021

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>BALANCE</u> July 1, 2014	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> June 30, 2015
ASSETS:				
Cash and Cash Equivalents	\$ 78,361	\$ 2,974,037	\$ 2,981,656	\$ 70,742
Total Assets	<u>\$ 78,361</u>	<u>\$ 2,974,037</u>	<u>\$ 2,981,656</u>	<u>\$ 70,742</u>
LIABILITIES:				
Salaries & Wages		\$ 1,598,684	\$ 1,598,684	
Summer Pay	\$ 34,162	40,779	34,162	\$ 40,779
Interfund Payable	10,778		10,778	-
Payroll Deductions and Withholdings	33,421	1,334,574	1,338,032	29,963
Total Liabilities	<u>\$ 78,361</u>	<u>\$ 2,974,037</u>	<u>\$ 2,981,656</u>	<u>\$ 70,742</u>

LONG-TERM DEBT SCHEDULES

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

N/A

Knowlton Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	93-98
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	99-102
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	103-106
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	107-108
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	109-113

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

	2006	2007	2008	2009	Fiscal Year Ending June 30,		2012	2013	2014	2015
					2010	2011				
Governmental activities										
Invested in capital assets, net of related debt	\$ 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	\$ 2,813,629
Restricted	201,651	148,823	151,472	159,920	297,336	141,503	129,174	228,476	346,630	540,403
Unrestricted	(71,769)	20,361	(23,270)	27,384	(12,621)	241,436	213,060	131,322	8,796	(787,663)
Total governmental activities net position	<u>\$ 1,696,485</u>	<u>\$ 1,845,598</u>	<u>\$ 2,009,193</u>	<u>\$ 2,149,312</u>	<u>\$ 2,431,135</u>	<u>\$ 2,642,916</u>	<u>\$ 2,876,901</u>	<u>\$ 3,009,544</u>	<u>\$ 3,123,639</u>	<u>\$ 2,566,369</u>
Business-type activities										
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	\$ 16,903	\$ 16,132	\$ 17,333	\$ 19,376	\$ 21,442	\$ 22,704	\$ 19,766	\$ 15,421	\$ 14,005	\$ 16,334
Total business-type activities net position	<u>\$ 16,903</u>	<u>\$ 16,132</u>	<u>\$ 17,333</u>	<u>\$ 19,376</u>	<u>\$ 21,442</u>	<u>\$ 22,704</u>	<u>\$ 19,766</u>	<u>\$ 15,421</u>	<u>\$ 14,005</u>	<u>\$ 16,334</u>
District-wide										
Invested in capital assets, net of related debt	\$ 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	\$ 2,813,629
Restricted	201,651	148,823	151,472	159,920	297,336	141,503	129,174	228,476	346,630	540,403
Unrestricted	(54,866)	36,493	(5,937)	46,760	8,821	264,140	232,826	146,743	22,801	(771,329)
Total district net position	<u>\$ 1,713,388</u>	<u>\$ 1,861,730</u>	<u>\$ 2,026,526</u>	<u>\$ 2,168,688</u>	<u>\$ 2,452,577</u>	<u>\$ 2,665,620</u>	<u>\$ 2,896,667</u>	<u>\$ 3,024,965</u>	<u>\$ 3,137,644</u>	<u>\$ 2,582,703</u>

Source: CAFR Schedule 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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities										
Instruction										
Regular	\$ 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	\$ 2,568,707
Special education	507,545	539,391	487,558	524,992	528,557	567,799	567,414	593,477	597,081	634,307
Other special education	120,005	155,728	163,374	138,792	136,695	137,666	146,534	146,281	144,661	145,915
Other instruction										
Support Services:										
Tuition	94,750	106,161	97,660	144,705	126,068	137,728	74,258	7,770	-	57,727
Student & instruction related services	457,091	567,008	551,870	578,445	610,725	552,493	529,270	438,360	415,552	489,342
General administrative services	350,887	422,576	518,758	498,387	420,049	413,532	447,110	421,676	438,089	462,723
School administrative services	143,216	143,513	147,460	140,287	145,716	146,431	148,070	150,867	133,223	175,327
Business administrative services										
Plant operations and maintenance	291,422	314,548	357,569	341,217	340,068	376,523	430,174	391,241	381,720	385,436
Pupil transportation	236,682	239,681	253,786	276,269	263,046	242,995	230,051	216,337	205,084	240,021
Interest on long-term debt	68,656	57,436	46,216	34,996	23,776	12,557	1,394	-	-	-
Unallocated depreciation	3,926	4,175	4,083	4,083	3,166	3,250	3,511	3,511	3,917	4,403
Total governmental activities expenses	<u>4,148,018</u>	<u>4,416,995</u>	<u>4,591,846</u>	<u>4,532,118</u>	<u>4,589,661</u>	<u>4,468,304</u>	<u>4,637,078</u>	<u>4,530,640</u>	<u>4,539,541</u>	<u>5,163,908</u>
Business-type activities:										
Food service										
	78,049	83,177	80,489	73,466	71,201	75,633	80,433	71,065	64,635	65,022
Total business-type activities expense	<u>78,049</u>	<u>83,177</u>	<u>80,489</u>	<u>73,466</u>	<u>71,201</u>	<u>75,633</u>	<u>80,433</u>	<u>71,065</u>	<u>64,635</u>	<u>65,022</u>
Total district expenses	<u>\$ 4,226,067</u>	<u>\$ 4,500,172</u>	<u>\$ 4,672,335</u>	<u>\$ 4,605,584</u>	<u>\$ 4,660,862</u>	<u>\$ 4,543,937</u>	<u>\$ 4,717,511</u>	<u>\$ 4,601,705</u>	<u>\$ 4,604,176</u>	<u>\$ 5,228,930</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction	\$ 14,272	-	\$ 6,698	\$ 23,275	\$ 11,858	\$ 10,907	\$ 55,095	\$ 41,380	\$ 66,458	\$ 99,831
Support Services	5,226	\$ 13,012	2,452	8,521	4,342	3,993	20,172	15,150	24,333	36,550
Operating grants and contributions	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	2,476,342
Capital grants and contributions								-	-	55,087
Total governmental activities program revenues	<u>1,853,479</u>	<u>1,979,876</u>	<u>2,085,311</u>	<u>2,029,363</u>	<u>2,114,647</u>	<u>1,888,273</u>	<u>2,101,653</u>	<u>2,020,459</u>	<u>2,012,055</u>	<u>2,667,810</u>
Business-type activities:										
Charges for services										
Food service	53,397	57,896	56,176	50,689	44,734	48,402	39,215	35,650	34,838	33,520
Operating grants and contributions	22,349	23,966	24,499	22,238	28,365	28,362	38,179	31,017	27,202	30,950
Capital grants and contributions								-	-	-
Total business type activities program revenues	<u>75,746</u>	<u>81,862</u>	<u>80,675</u>	<u>72,927</u>	<u>73,099</u>	<u>76,764</u>	<u>77,394</u>	<u>66,667</u>	<u>62,040</u>	<u>64,470</u>
Total district program revenues	<u>\$ 1,929,225</u>	<u>\$ 2,061,738</u>	<u>\$ 2,165,986</u>	<u>\$ 2,102,290</u>	<u>\$ 2,187,746</u>	<u>\$ 1,965,037</u>	<u>\$ 2,179,047</u>	<u>\$ 2,087,126</u>	<u>\$ 2,074,095</u>	<u>\$ 2,732,280</u>
Net (Expense)/Revenue										
Governmental activities										
	\$ (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)	\$(2,496,098)
Business-type activities										
	(2,303)	(1,315)	186	(539)	1,898	1,131	(3,039)	(4,398)	(2,595)	(552)
Total district-wide net expense	<u>\$ (2,296,842)</u>	<u>\$(2,438,434)</u>	<u>\$(2,506,349)</u>	<u>\$(2,503,294)</u>	<u>\$(2,473,116)</u>	<u>\$(2,578,900)</u>	<u>\$(2,538,464)</u>	<u>\$(2,514,579)</u>	<u>\$(2,530,081)</u>	<u>\$(2,496,650)</u>

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 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	\$ 2,686,000
Taxes levied for debt service	162,903	155,377	147,851	140,325	132,799	134,497	125,721	-	-	-
Unrestricted grants and contributions										
Investment earnings	22,032	31,857	21,447	7,797	7,544	6,334	5,104	2,272	3,273	2,584
Miscellaneous income	20,798	32,434	25,758	21,738	9,331	6,867	5,102	7,069	19,695	42,405
Transfers										
Total governmental activities	<u>2,445,539</u>	<u>2,586,232</u>	<u>2,670,130</u>	<u>2,642,874</u>	<u>2,731,520</u>	<u>2,781,181</u>	<u>2,769,410</u>	<u>2,642,824</u>	<u>2,656,451</u>	<u>2,730,989</u>
Business-type activities:										
Miscellaneous Income	870	544	1,015	2,582	168	131	101	53	1,179	2,881
Transfers										
Total business-type activities	<u>870</u>	<u>544</u>	<u>1,015</u>	<u>2,582</u>	<u>168</u>	<u>131</u>	<u>101</u>	<u>53</u>	<u>1,179</u>	<u>2,881</u>
Total district-wide	<u>\$ 2,446,409</u>	<u>\$ 2,586,776</u>	<u>\$ 2,671,145</u>	<u>\$ 2,645,456</u>	<u>\$ 2,731,688</u>	<u>\$ 2,781,312</u>	<u>\$ 2,769,511</u>	<u>\$ 2,642,877</u>	<u>\$ 2,657,630</u>	<u>\$ 2,733,870</u>
Change in Net Position										
Governmental activities	\$ 151,000	\$ 149,113	\$ 163,595	\$ 140,119	\$ 256,506	\$ 201,150	\$ 233,985	\$ 132,643	\$ 128,965	\$ 234,891
Business-type activities	(1,433)	(771)	1,201	2,043	2,066	1,262	(2,938)	(4,345)	(1,416)	2,329
Total district	<u>\$ 149,567</u>	<u>\$ 148,342</u>	<u>\$ 164,796</u>	<u>\$ 142,162</u>	<u>\$ 258,572</u>	<u>\$ 202,412</u>	<u>\$ 231,047</u>	<u>\$ 128,298</u>	<u>\$ 127,549</u>	<u>\$ 237,220</u>

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 77,415	\$ 205,540	\$ 82,972	\$ 231,739	\$ 329,865	\$ 401,958	\$ 351,901	\$ 363,850	\$ 365,050	\$ 548,523
Unreserved	209,917	132,247	205,936	104,112	117,819	120,131	111,930	113,968	113,404	112,903
Total general fund	<u>\$ 287,332</u>	<u>\$ 337,787</u>	<u>\$ 288,908</u>	<u>\$ 335,851</u>	<u>\$ 447,684</u>	<u>\$ 522,089</u>	<u>\$ 463,831</u>	<u>\$ 477,818</u>	<u>\$ 478,454</u>	<u>\$ 661,426</u>
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue fund										
Capital projects fund										
Debt service fund										
Permanent fund										
Total all other governmental funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Source: CAFR Schedule B-1

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

Exhibit J-4

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Tax levy	\$ 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	\$ 2,686,000
Tuition charges	19,498	13,012	9,150	31,796	16,200	14,900	75,267	56,530	90,791	136,381
Interest earnings	1,432	3,890	2,649	1,000	781	579	107	-	-	-
Miscellaneous	41,398	60,401	44,556	28,535	16,094	12,622	10,099	9,341	22,968	44,989
State sources	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	1,876,815
Federal sources	145,018	138,317	127,711	132,468	419,314	124,335	184,125	127,195	128,445	123,131
Total revenue	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	4,867,316
Expenditures										
Instruction										
Regular Instruction	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	1,708,821
Special education instruction	361,797	364,064	304,324	369,198	363,750	405,414	381,617	387,869	392,846	340,681
Other special instruction	56,063	77,510	80,972	70,175	61,382	63,767	61,491	51,286	51,314	8,809
Support Services:										
Tuition	94,750	106,161	97,660	144,705	126,068	137,728	74,258	7,770	-	57,727
Student & instruction related services	385,445	482,567	464,504	502,220	533,755	476,240	442,682	343,729	320,190	356,141
General administrative services	270,123	324,670	416,056	411,902	326,981	322,010	342,109	304,966	322,747	295,215
School Administrative services	99,531	90,334	91,564	93,461	94,861	96,473	90,672	86,921	70,195	83,308
Business administrative services										
Plant operations and maintenance	260,325	276,546	317,552	307,855	303,527	340,660	578,915	345,178	336,430	318,994
Pupil transportation	232,262	234,274	248,090	271,526	257,840	237,866	224,172	209,770	198,631	230,543
Unallocated employee benefits	736,862	906,760	967,932	807,035	879,024	900,416	1,015,053	1,116,419	1,080,926	1,097,152
Charter Schools	19,705	10,153	17,906	18,753	-	-	11,925	19,404	26,663	12,028
Capital outlay	36,228	62,544	154,668	31,108	95,870	28,504	44,974	241,259	270,187	174,925
Debt service:										
Principal	170,000	170,000	170,000	170,000	170,000	170,000	169,000	-	-	-
Interest and other charges	72,864	61,644	50,424	39,204	27,984	16,764	5,577	-	-	-
Total expenditures	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	4,684,344
Excess (Deficiency) of revenues over (under) expenditures	97,809	50,455	(48,879)	46,943	111,833	74,415	(58,248)	13,987	636	182,972
Other Financing Sources (uses)										
Transfers in										
Transfers out										
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 97,809	\$ 50,455	\$ (48,879)	\$ 46,943	\$ 111,833	\$ 74,415	\$ (58,248)	\$ 13,987	\$ 636	\$ 182,972
Debt service as a percentage of noncapital expenditures	5.8%	5.2%	4.7%	4.6%	4.3%	4.1%	3.6%	0.0%	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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Contributions</u> <u>from Private</u> <u>Sources</u>	<u>Rentals</u>	<u>Miscellaneous</u>	<u>Total</u>
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
2015	2,584	136,381			38,602	177,567

SOURCE: District Records

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

Exhibit J-6

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2006	\$9,306,100	\$176,446,500	\$31,166,700	\$2,990,340	\$20,910,100	\$0	\$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
2015	6,051,000	195,127,800	33,526,200	2,756,940	20,654,700	-	665,700	286,246,112	26,683,700	780,072	259,562,412	1.035	306,839,048

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Knowlton Board of Education			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Regional High School District	Knowlton Township	Warren County	Library	
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
2015	1.035	-	1.035	0.812	0.429	0.848	0.063	3.187

Source: District Records and Municipal Tax Collector

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

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

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

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

Exhibit J-8

Taxpayer	2014			2002		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
TA Operating Corporation	\$ 4,209,700	1	1.62%	\$ 3,562,300	1	2.19%
Columbia Associates	1,124,500	2	0.43%			
The Labarre Family Limited Partnership	981,400	3	0.38%			
Taylor Family Limited Partnership	942,000	4	0.36%	601,900	6	0.37%
United Telephone Company	817,191	5	0.31%			
Ullman Family Partnership, LP	796,900	6	0.31%			
Delaware River Family Campground, Inc.	794,700	7	0.31%	775,000	3	0.61%
Individual Taxpayer #1	712,600	8	0.27%	1,000,000	2	0.61%
Individual Taxpayer #2	612,300	9	0.24%	719,000	4	0.44%
Individual Taxpayer #3	576,200	10	0.22%	708,000	5	0.43%
Northwest Farming, Inc.				481,600	7	0.30%
Individual Taxpayer #4				451,100	8	0.28%
Individual Taxpayer #5				442,500	9	0.27%
K.A.K.S.				437,700	10	0.27%
			<u>4.46%</u>	<u>\$ 9,179,100</u>		<u>5.77%</u>

Source: District CAFR & Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
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%	-
2015	2,686,000	2,686,000	100.00%	-

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

Note: School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in is the amount voted upon or certified prior to the end of the school year.

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2006	\$1,019,000					\$1,019,000	0.800%	\$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	0.247%	\$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
2015	\$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
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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%	-
2015	-	-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, 2015**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Township of Knowlton	\$ 1,298,687	100.0%	\$ 1,298,687
Other debt Warren County	5,310,000	2.8%	<u>149,130</u>
Subtotal, overlapping debt			1,447,817
Knowlton Township School District Direct Debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 1,447,817</u></u>

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2015

	Equalized valuation basis
	2014 \$ 299,274,130
	2013 \$ 304,237,156
	2012 \$ 323,157,971
	[A] \$ <u>926,669,257</u>
Average equalized valuation of taxable property	[A/3] \$ 308,889,752
Debt limit (2.5% of average equalization value)	[B] 7,722,244
Net bonded school debt	[C] -
Legal debt margin	[B-C] \$ <u>7,722,244</u>

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$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	7,722,244
Total net debt applicable to limit	1,019,000	1,019,000	679,000	509,000	339,000	169,000	-	-	-	-
Legal debt margin	<u>\$6,441,072</u>	<u>\$7,402,453</u>	<u>\$8,675,171</u>	<u>\$9,548,348</u>	<u>\$9,833,951</u>	<u>\$9,658,275</u>	<u>\$9,293,227</u>	<u>\$8,707,864</u>	<u>\$8,178,103</u>	<u>\$7,722,244</u>
Total net debt applicable to the limit as a percentage of debt limit	13.66%	12.10%	7.26%	5.06%	3.33%	1.72%	0.00%	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
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2006	3,138	\$ 127,421,628	\$40,606 R	5.50%
2007	3,142	\$ 134,609,564	\$42,842 R	5.10%
2008	3,143	\$ 138,669,160	\$44,120 R	6.80%
2009	3,136	\$ 137,557,504	\$43,864 R	11.80%
2010	3,127	\$ 137,469,174	\$43,962 R	12.20%
2011	3,052	\$ 140,605,640	\$46,070 R	11.30%
2012	3,043	\$ 146,413,945	\$48,115 R	11.00%
2013	3,025	\$ 148,346,000	\$49,040 R	4.00%
2014	3,003	\$ 147,267,120	\$49,040 *	6.50%
2015	2,996	\$ 146,923,840	\$49,040 *	*

Source:

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

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

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

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

R =Revised

* Current data unavailable

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

Exhibit J-15

N/A

Employer	2015			2006		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
		10	0.00%	-		0.00%
	-			-		
	-		0.00%	-		0.00%

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

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

Exhibit J-16

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction										
Regular	23.4	23.4	23.8	23.9	23.7	22.7	23.2	23.7	25.2	23.9
Special education	5.7	5.7	5.0	6.0	6.0	6.0	6.0	6.0	8.5	7.3
Other special education	2.0	2.0	3.5	5.0	5.0	5.0	5.5	5.5	3.0	2.8
Other instruction	1.0	2.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Support Services:										
Student & instruction related services	4.8	4.8	4.4	3.4	3.7	3.7	3.6	3.6	2.4	2.2
General administrative services	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0
School administrative services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.5	2.0
Business administrative services	1.0	1.0	1.0	1.0	1.1	1.1	1.0	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	0.3	0.3	0.3	0.6	0.6	0.6	0.6	0.5	0.5
Total	45.6	46.8	46.1	47.7	48.2	47.2	48.0	48.5	48.2	45.7

Source: District Personnel Records

Knowlton Township School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
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%
2015	229	\$4,509,419	\$19,692	8.81%	31	1:7.4	217.6	207.8	-10.30%	95.50%

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

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

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

Exhibit J-18

<u>District Building</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>
<u>Elementary</u>										
Knowlton School (1935)										
Square Feet	42,562	42,562	42,562	42,562	42,562	42,562	42,562	42,562	42,562	42,562
Capacity (students)	353	353	353	353	353	353	353	353	353	353
Enrollment	319	324	306	290	282	274	271	247	243	229

Number of Schools at June 30, 2015

Source: District records, ASSA

Elementary = 1

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Ten Fiscal Years Ending June 30, 2015

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Elementary School- Grades K-6	N/A	\$ 72,968	\$ 76,965	\$ 86,937	\$ 85,310	\$ 84,348	\$ 119,536	\$ 329,504	\$ 131,737	\$ 92,517	\$ 90,020	\$ 1,169,842
Total School Facilities		72,968	76,965	86,937	85,310	84,348	119,536	329,504	131,737	92,517	90,020	322,180
Other Facilities												
Grand Total		\$ 72,968	\$ 76,965	\$ 86,937	\$ 85,310	\$ 84,348	\$ 119,536	\$ 329,504	\$ 131,737	\$ 92,517	\$ 90,020	\$ 322,180

KNOWLTON TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2015

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
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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Anthony Ardito, CPA, RMA, CMFO, PSA
 Douglas R. Williams, CPA, RMA, PSA

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

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, 2015, 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 November 16, 2015.

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.

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. 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

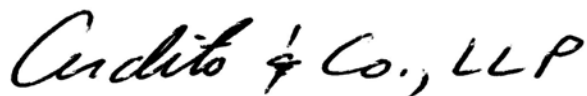
We also noted certain matters that we reported to management of the Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance" dated November 16, 2015.

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
November 16, 2015



Licensed Public School Accountant No.2369



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 Douglas R. Williams, CPA, RMA, PSA

Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB circulars 04-04 and 15-08

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 circulars 04-04 and 15-08 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, 2015. 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 Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circulars 04-04 and 15-08 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, 2015.

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 Circulars 04-04 and 15-08, 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 circulars 04-04 and 15-08, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

Ardito & Co., LLP

ARDITO & CO., LLP
November 16, 2015

Anthony Ardit

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, 2015

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2014	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2015			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES	
State Department of Education															
General Fund:															
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	\$ 1,083,113			\$ 1,083,113	\$ (1,083,113)							*	
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	114,628			114,628	(114,628)							*	\$ 108,305 \$ 1,083,113
Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	144,464			144,464	(144,464)							*	11,462 114,628
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	24,644			24,644	(24,644)							*	14,446 144,464
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	13,642			13,642	(13,642)							*	2,464 24,644
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	2,230			2,230	(2,230)							*	1,364 13,642
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	2,230			2,230	(2,230)							*	223 2,230
Non-Public Transportation Aid	15-100-034-5120-068	7/1/14-6/30/15	1,390				(1,390)			\$ (1,390)				*	223 2,230
Non-Public Transportation Aid	14-100-034-5120-068	7/1/13-6/30/14		\$ (1,445)		1,445								*	1,390 1,390
TPAF Pension	15-495-034-5094-006	7/1/14-6/30/15	111,097			111,097	(111,097)							*	
Reimb.TPAF Soc.Sec.Contrib.	15-495-034-5094-003	7/1/14-6/30/15	148,369	(7,460)		141,081	(148,369)				(14,748)			*	111,097
Total General Fund				(8,905)		1,638,574	(1,645,807)				(16,138)			*	148,369
														*	138,487 1,645,807
Capital Projects Fund:															
SDA Grant - Unit Ventilator Replacement	2470-040-13-2001 (G2TU)	7/1/14-6/30/15	55,087			55,087	(55,087)							*	
Total Special Revenue Fund				-	-	55,087	(55,087)	-	-	-	-	-	-	*	55,087
														*	- 55,087
State Department of Agriculture:															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	14-100-034-5120-122	7/1/13-6/30/14		(157)		157								*	
Nat.School Lunch Prog.(State Share)	15-100-034-5120-122	7/1/15-6/30/15	761			705	(761)				(56)			*	761
Total Enterprise Fund				(157)		862	(761)				(56)			*	761
														*	
Total State Financial Assistance				\$ (9,062)	-	\$ 1,694,523	\$ (1,701,655)	-	-	\$ (16,194)	-	-	-	*	\$ 138,487 \$ 1,701,655

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2015

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 (\$446) for the general fund and \$3,447 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, 2015

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 1,821,728	\$ 1,821,728
Special Revenue Fund	\$ 123,131	-	123,131
Food Service Fund	<u>30,189</u>	<u>761</u>	<u>30,950</u>
Total Financial Assistance	<u>\$ 153,320</u>	<u>\$ 1,822,489</u>	<u>\$ 1,975,809</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2015. 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, 2015.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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? __Yes x No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? __Yes
x None
Reported

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

Federal Awards Section

N/A

- D) Dollar threshold used to determine Type A programs: 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, 2015

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

15-495-034-5120-078
15-495-034-5120-014

Equalization Aid
Transportation Aid

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 *Government Auditing Standards*.

Section III - State Financial Assistance Findings and Questioned Costs

STATE FINANCIAL ASSISTANCE-There were no state financial assistance findings or questioned costs noted, that are required to be reported in accordance with NJOMB Circular 04-04 or 15-08.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. All findings were cleared and recommendations implemented.