

KITTATINNY
REGIONAL SCHOOL DISTRICT

Kittatinny Regional School District
Board of Education
Hampton, Sussex County
New Jersey

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2016

Comprehensive Annual

Financial Report

of the

Kittatinny Regional School District

Board of Education

Hampton, Sussex County

For the Fiscal Year Ending June 30, 2016

Prepared by

Kittatinny Regional School District

Board of Education

Finance Department

OUTLINE OF CAFR

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Introductory Section



Kittatinny Regional High School

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Web Site: www.krhs.net

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Craig Hutcheson

Superintendent - Ext. 1160
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Kathy Kane

School Business Administrator
Board Secretary - Ext. 1540
kkane@krhs.net

August 31, 2016

The Honorable President and Members
of the Board of Education
Kittatinny Regional School District
County of Sussex, New Jersey

Dear Board Members:

Presented herewith is the Comprehensive Annual Financial Report (CAFR) of the Kittatinny Regional School District for the fiscal year ended June 30, 2016. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Kittatinny Regional Board of Education.

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

To facilitate the understanding of the district's financial status, the Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The Introductory Section includes a table of contents, this transmittal letter, the District's organizational chart and a list of principal officials. The Financial Section of the CAFR includes the basic financial statements and schedules, as well as the independent auditor's report thereon. Selected financial and demographic data relative to the district's constituent municipalities are included in the Statistical Section. Although this information is not part of the District's financial statement, it is required to be included in the CAFR. This information is generally presented on a multi-year basis and will eventually encompass ten years of historical data.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendment of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of State, Local Governments, Non-profit Organization," and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES: The Kittatinny Regional School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Kittatinny Regional School Board of Education and its school constitute the District's reporting entity.

The Kittatinny Regional School District encompasses a geographic area of approximately 128 square miles. Students attend grades Pre-K-6 in the elementary school districts of Sandyston-Walpack, Fredon, Stillwater and Hampton, then attend KRHS for the remainder of their secondary education. The District provides a full range of educational services appropriate to grade levels 7 through 12. These include a strong academic program of basic education, a comprehensive special education for handicapped students, and many special programs designed for all levels of students, covering the spectrum from remedial through enrichment to gifted and talented students. In addition to educational programs, transportation services are provided for all resident public and nonpublic students. Services are offered to the community in many forms, the most popular being the adult school classes and the use of school facilities by non-school operated organizations.

The District's on-roll enrollment on October 15, 2015 is 1060 students. Based on the date received from the constituent elementary districts, the anticipated opening enrollment for the 2015-16 school year will be approximately 1060.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2008-09	1201.5	
2009-10	1198	- (0.3)
2010-11	1176	-(1.8)
2011-12	1150	-(2.2)
2012-13	1108	-(3.6)
2014-15	1122	1.3
2015-16	1060	-(5.5)

ECONOMIC CONDITION AND OUTLOOK: The Kittatinny Regional area is primarily a bedroom community and is experiencing a period of stagnation in residential housing development, and the number of businesses shows no significant growth either. The state of the economy is also not helping with the stability of the annual budget. These economic conditions have forced the district to reduce staff as well as some services, and have required local taxpayers to provide a greater share of the District's total financial resources. The Kittatinny Regional Board of Education has been fortunate in that it has been able to reduce the effect of increased costs by use of Impact Aid and Fund Balance. However, the public should be aware that the amount of Impact Aid fluctuates each year. The last four years the Federal Government has proposed legislation which could eliminate this form of Federal Aid must be challenged each year by those groups which receive Impact Aid. On an annual basis the school district must be vigilant in petitioning for these discretionary Governmental funds. Unless a system of state funding is developed that is more favorable to the Kittatinny Regional District, local taxpayers will continue to provide the greatest portion of financial resources for the operation of our school. With the budget reductions to State Aid, the amount of Fund Balance able to be returned to the taxpayers will also decrease in future years. We have continually investigated and explored alternative funding sources as evidenced by our vigilant pursuit of the Federal Impact Aid along with the Interdistrict Public Choice program which has brought additional revenue into the district. We are currently assessing the enrollment for future years and we will be addressing staffing levels as we move forward with less of a student base.

MAJOR INITIATIVES: The major projects completed this year and financed through capital reserve are as listed:

- Replace HVAC units in Gymnasium
- Replace HVAC units in Five Classrooms & AD office
- Replace HV units in Girls & Boys Locker Rooms
- Replace Portion of D Wing Roof
- Resurfaced Roads

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 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.

BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund if that fund exists. 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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2014.

ACCOUNTING SYSTEM AND REPORT: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements".

DEBT ADMINISTRATION: At June 30, 2013, the total District debt was \$1,250,000.

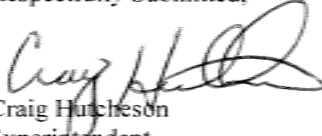
INVESTMENT MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements, Note 2." The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under 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.


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

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 for the 2010-2011 school year. 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 Amendment of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. 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 auditor's reports related specifically to the single audit are included in the single audit section of this report.

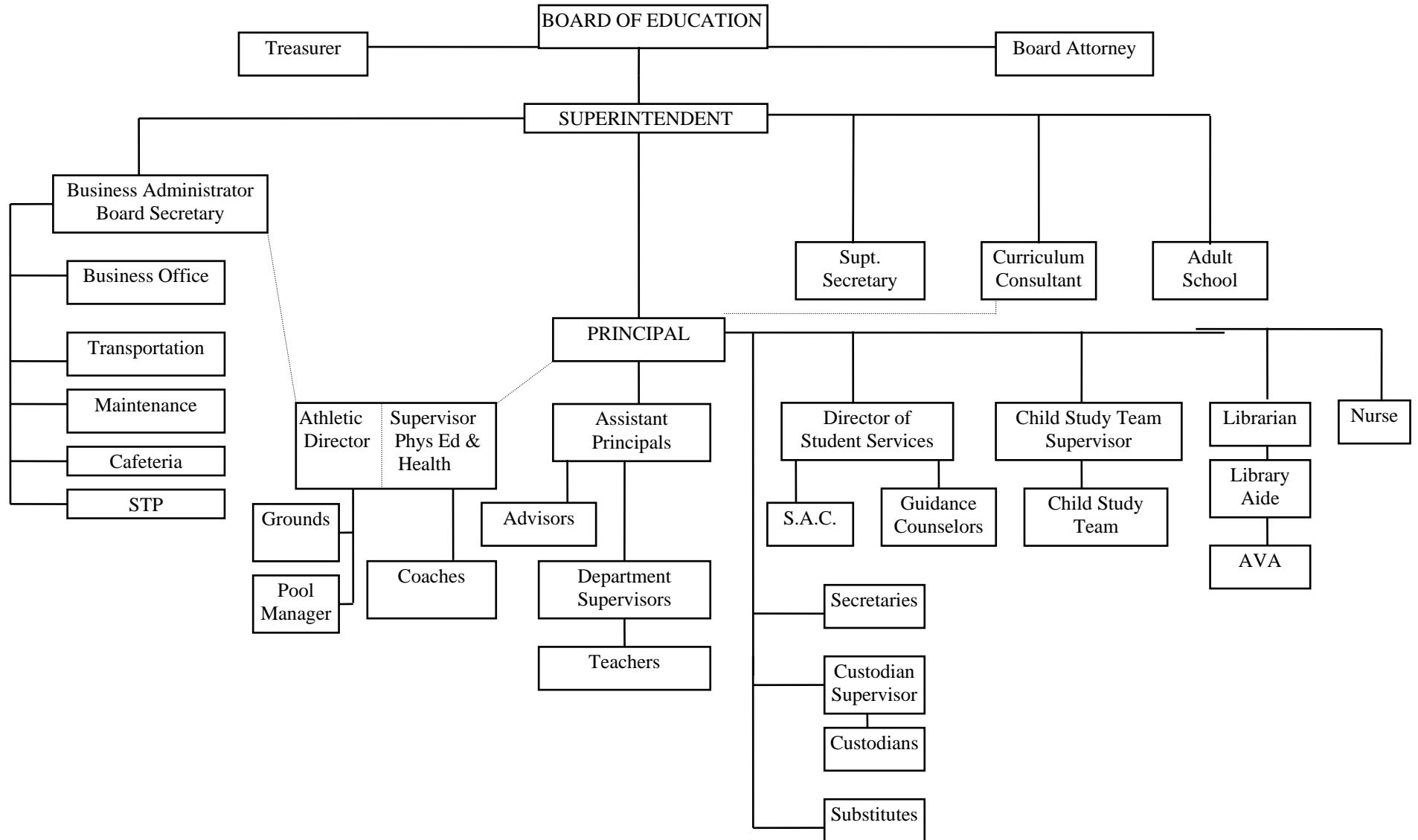
ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Kittatinny Regional School District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development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

Respectfully Submitted,


Craig Hutcherson
Superintendent


Kathy Kane
Business Administrator

KITTATINNY REGIONAL HIGH SCHOOL DISTRICT CHART OF ORGANIZATION



**KITTATINNY REGIONAL SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

June 30, 2016

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Eleanore Shaffer, President	2018
David Cooper, Vice-President	2016
Judy Youngs	2018
Moira Douglas	2018
Robert Greene	2017
James Hunt	2017
Barbara Andrews	2016
David Ormesher	2017
Walpack (Vacant)	2016

Other Officials

Craig Hutcheson, Superintendent

Kathy Kane, Board Secretary/School Business Administrator

Donna Mosner, Treasurer

Gary Kraemer, Board Attorney

**KITTATINNY REGIONAL SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

ARCHTECT

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OFFICIAL DEPOSITORIES

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Financial Section

Independent Auditor's Report



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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
Kittatinny Regional School District
County of Sussex
Hampton, New Jersey 07860

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 Kittatinny Regional School District Board of Education, as of and for the year ended June 30, 2016, 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 financial

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 Kittatinny Regional School District Board of Education, as of June 30, 2016, 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

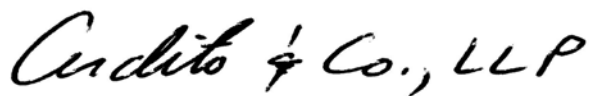
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kittatinny Regional School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey OMB's Circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are also 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 expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey OMB's Circulars 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 expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey OMB's circulars 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.

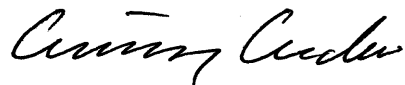
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2016, on our consideration of the Kittatinny Regional 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
August 31, 2016



Licensed Public School Accountant No. 2369

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

KITTATINNY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

The discussion and analysis of Kittatinny Regional School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:

- ◆ In total, Net Position decreased \$22,072 which represents a 0.5% decrease from 2015.
- ◆ General revenues accounted for \$14,139,782 in revenue or 52.8% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$12,658,916 or 47.2% of total revenues of \$26,798,698.
- ◆ Total assets of governmental activities decreased by \$18,049, as cash and cash equivalents decreased by \$483,907, receivables decreased by \$58,809, and capital assets increased by \$524,194.
- ◆ The School District had \$26,820,770 in expenses; only \$12,658,916 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$14,139,782 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$22,953,938 in revenues and \$22,821,394 in expenditures. The General Fund's surplus balance increased \$132,544 over 2015, which compares favorably to the budgeted decrease of \$1,811,856.

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 Kittatinny Regional 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 Kittatinny Regional School District, the General Fund is by far the most significant fund.

KITTATINNY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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 2016?" 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 26. 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.

KITTATINNY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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 2016 compared to 2015.

	<u>2016</u>	<u>2015</u>
Table 1 Net Position		
Assets		
Current and Other Assets	\$ 3,209,160	\$ 3,751,403
Capital Assets	<u>7,994,402</u>	<u>7,470,208</u>
Total Assets	<u>11,203,562</u>	<u>11,221,611</u>
Deferred Outflows of Resources	<u>1,381,088</u>	<u>537,328</u>
Liabilities		
Long-Term Liabilities	8,214,731	7,214,589
Other Liabilities	<u>108,724</u>	<u>98,290</u>
Total Liabilities	<u>8,323,455</u>	<u>7,312,879</u>
Deferred Inflows of Resources	<u>87,267</u>	<u>250,060</u>
Net Position		
Invested in Capital Assets, Net of Debt	6,744,402	6,025,208
Restricted	2,738,739	2,599,449
Unrestricted	<u>(5,309,213)</u>	<u>(4,428,657)</u>
Total Net Position	<u>\$ 4,173,928</u>	<u>\$ 4,196,000</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Total assets of governmental activities decreased by \$18,049, as cash and cash equivalents decreased by \$483,907, receivables decreased by \$58,809, and capital assets increased by \$524,194.

The cash decrease and related capital asset increase was due to final spending of capital projects funding for the security and communications project of \$701,019.

Table 2 shows the changes in Net Position from fiscal year 2015.

Table 2
Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 632,473	\$ 676,813
Operating Grants and Contributions	12,026,443	11,116,144
General Revenues:		
Property Taxes	13,890,716	13,721,037
Federal & State Aid on Capital Asset Projects	-	434,200
Investment Earnings	1,410	3,586
Other	<u>247,656</u>	<u>235,042</u>
Total Revenues	<u>26,798,698</u>	<u>26,186,822</u>
Program Expenses		
Instruction	16,061,518	15,224,660
Support Services:		
Tuition	151,188	228,442
Pupils and Instructional Staff	2,527,102	2,431,658
General Administration, School Administration, Business	2,559,217	2,401,642
Operations and Maintenance of Facilities	2,585,161	2,388,204
Pupil Transportation	2,252,332	2,201,072
Transfer to Charter School	85,867	82,910
Business-Type Activities	495,515	497,253
Interest and Fiscal Charges	<u>102,870</u>	<u>110,661</u>
Total Expenses	<u>26,820,770</u>	<u>25,566,502</u>
Increase in Net Position	<u>\$ (22,072)</u>	<u>\$ 620,320</u>

KITTATINNY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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 51.8% percent of revenues for governmental activities for the Kittatinny Regional School District for the fiscal year 2016.

Instruction comprises 59.9% of district expenses. Support services expenses make up 37.6% 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 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>
Instruction	\$ 16,061,518	\$ 8,469,322	\$ 15,224,660	\$8,222,799
Support Services:				
Tuition	151,188	151,188	228,442	228,442
Pupils and Instructional Staff	2,527,102	1,338,571	2,431,658	1,228,437
General Admin., School Admin., Business	2,559,217	1,389,331	2,401,642	1,336,411
Operation and Maintenance of Facilities	2,585,161	1,403,415	2,388,204	1,328,933
Pupil Transportation	2,252,332	1,222,731	2,201,072	1,224,802
Charter	85,867	85,867	82,910	82,910
Business-Type Activities	495,515	(1,441)	497,253	10,150
Interest and Fiscal Charges	102,870	102,870	110,661	110,661
Total Expenses	<u>\$ 26,820,770</u>	<u>\$ 14,161,854</u>	<u>\$ 25,566,502</u>	<u>\$ 13,773,545</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.

KITTATINNY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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 52.7% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 55.0%. The community, as a whole, is the primary support for the Kittatinny Regional School District.

The School District's Funds

Information about the School District's major funds starts on page 26. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$23,488,899 and expenditures of \$24,057,374. The General Fund's surplus balance increased \$132,544 over 2015, which compares favorably to the budgeted decrease of \$1,811,856.

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 2016 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 \$20,597,237, \$239,738 over original budgeted estimates of \$20,357,499. This difference was due primarily to an increases in tuition based programs, miscellaneous revenue, and additional impact aid.

General fund revenues exceeded expenditures by \$142,644. Again this surplus compares to a budgeted deficit of \$1,811,856, which was due to the budgeted use of surplus and capital reserve needed to balance the 2015-2016 budget. The budgeted deficit was reduced due to revenue increases and budget cost savings as well as reducing the budgeted capital reserve withdrawal.

Overall general fund balance (budget basis) was \$3,533,638, and amounts ear-marked and reserved for future purposes were \$3,123,920, creating a surplus in unreserved fund balance of \$409,718. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

KITTATINNY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Capital Assets

At the end of the fiscal year 2016, the School District had \$7,967,877 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2016 balances compared to 2015.

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

	<u>2016</u>	<u>2015</u>
Land	\$ 144,210	\$ 144,210
Land Improvements	42,292	82,658
Buildings and Improvements	7,378,903	6,664,116
Machinery and Equipment	<u>402,472</u>	<u>548,127</u>
 Totals	 <u>\$ 7,967,877</u>	 <u>\$ 7,439,111</u>

Overall capital assets increased \$528,766 from fiscal year 2015 to fiscal year 2016. The increase in capital assets was due to capital additions, net of depreciation expense for the year.

Capital improvements of \$1,338,196 were purchased during fiscal year 2016 and included the security and communication project, and items budgeted in the capital outlay section of the operating budget.

Debt Administration

At June 30, 2016, the School District had \$2,787,044 as outstanding long term debt. Of this amount, \$1,537,044 is for compensated absences and \$1,250,000 is for bonds payable outstanding.

At June 30, 2016, the School District's overall legal debt margin was \$60,461,134 and the unvoted debt margin was the same.

KITTATINNY REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

For the Future

The Kittatinny Regional School District is in very good financial condition presently. A major concern is the increased reliance on local property taxes in light of drastic reductions in state aid over the past few years. However, the district feels at current funding levels it can maintain its high degree of educational excellence.

Kittatinny Regional School District is primarily a residential community, with very few ratables; thus the burden is focused on homeowners to foot the tax burden.

In conclusion, the Kittatinny Regional School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

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 Kathy Kane, School Business Administrator/Board Secretary at Kittatinny Regional School District, 77 Halsey Road, Newton, New Jersey 07860, or E-mail at kkane@krhs.net.

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.

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2016

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 244,925	\$ 168,037	\$ 412,962
Receivables, Net	539,049	1,837	540,886
Other Receivables		1,231	1,231
Inventory		20,164	20,164
Restricted Assets:			
Capital Reserve Account - Cash	2,233,917		2,233,917
Capital Assets, Net (Note 6)	7,967,877	26,525	7,994,402
Total Assets	<u>10,985,768</u>	<u>217,794</u>	<u>11,203,562</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows	<u>1,381,088</u>		<u>1,381,088</u>
LIABILITIES			
Accounts Payable	64,761		64,761
Net Pension Liability (Note 8)	5,427,687		5,427,687
Accrued Interest	24,148		24,148
Unearned Revenue	16,851	2,964	19,815
Noncurrent Liabilities (Note 7):			
Due Within One Year	200,000		200,000
Due Beyond One Year	2,587,044		2,587,044
Total Liabilities	<u>8,320,491</u>	<u>2,964</u>	<u>8,323,455</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows	<u>87,267</u>		<u>87,267</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	6,717,877	26,525	6,744,402
Restricted for:			
Other Purposes	2,738,739		2,738,739
Unrestricted	(5,497,518)	188,305	(5,309,213)
Total Net Position	<u>\$ 3,959,098</u>	<u>\$ 214,830</u>	<u>\$ 4,173,928</u>

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

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Functions/Programs						
Governmental Activities:						
Instruction:						
Regular	\$ 12,149,335	\$ 96,809	\$ 5,707,024		\$ (6,345,502)	\$ (6,345,502)
Special Education	2,265,396	18,051	1,017,522		(1,229,823)	(1,229,823)
Other Special Instruction	30,916	246	13,886		(16,784)	(16,784)
Other Instruction	1,615,871	12,876	725,782		(877,213)	(877,213)
Support Services:						
Tuition	151,188				(151,188)	(151,188)
Student & Instruction Related Serv.	2,527,102	20,136	1,168,395		(1,338,571)	(1,338,571)
School Administrative Services	1,495,584	11,917	671,754		(811,913)	(811,913)
General and Business Admin. Serv.	1,063,633	8,475	477,740		(577,418)	(577,418)
Plant Operations and Maintenance	2,585,161	20,599	1,161,147		(1,403,415)	(1,403,415)
Pupil Transportation	2,252,332	17,947	1,011,654		(1,222,731)	(1,222,731)
Charter School	85,867				(85,867)	(85,867)
Interest on Long-Term Debt	102,870				(102,870)	(102,870)
Total Governmental Activities	26,325,255	207,056	11,954,904		(14,163,295)	(14,163,295)
Business-Type Activities:						
Food Service	439,992	365,921	71,539		\$ (2,532)	(2,532)
Adult Education	47,246	53,892			6,646	6,646
School Store	8,277	5,604			(2,673)	(2,673)
Total Business-Type Activities	495,515	425,417	71,539	-	-	1,441
Total Primary Government	\$ 26,820,770	\$ 632,473	\$ 12,026,443		\$ (14,163,295)	\$ 1,441
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes,Net				\$ 13,639,128		\$ 13,639,128
Taxes Levied for Debt Service				251,588		251,588
Investment Earnings				1,410		1,410
Miscellaneous Income				241,446	\$ 6,210	247,656
Total General Revenues, Special Items, Extraordinary Items and Transfers				14,133,572	6,210	14,139,782
Change in Net Position				(29,723)	7,651	(22,072)
Net Position—Beginning				3,988,821	207,179	4,196,000
Net Position—Ending				\$ 3,959,098	\$ 214,830	\$ 4,173,928

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.

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 2,478,842			\$ 2,478,842
Receivables from Other Governments	41,357	\$ 31,482	\$ 434,200	507,039
Other Receivables	32,010			32,010
Interfund Receivables	438,936			438,936
TOTAL ASSETS	\$ 2,991,145	\$ 31,482	\$ 434,200	\$ 3,456,827
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 54,866	\$ 1,563		\$ 56,429
Due State Government		8,332		8,332
Interfund Payable		4,736	\$ 434,200	438,936
Deferred Revenue		16,851		16,851
Total Liabilities	54,866	31,482	434,200	520,548
Fund Balances:				
<u>Restricted for:</u>				
Excess Surplus - Designated for Subsequent Year's Expenditures	193,335			193,335
Excess Surplus	197,692			197,692
Impact Aid Reserve	481,189			481,189
Capital Reserve Account	1,752,728			1,752,728
<u>Assigned to:</u>				
Year-End Encumbrances	385,181			385,181
General Fund - Designated for Subsequent Year's Expenditures	113,795			113,795
<u>Unassigned:</u>				
General Fund	(187,641)			(187,641)
Total Fund Balances	2,936,279		-	2,936,279
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,991,145	\$ 31,482	\$ 434,200	\$ 3,456,827

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 \$22,691,055 and the accumulated depreciation is \$14,723,178.	\$ 7,967,877
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)	1,381,088
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)	(87,267)
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)	(5,427,687)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8)	(2,787,044)
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(24,148)
Net Position of governmental activities (Exhibit A-1)	<u>\$ 3,959,098</u>

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

KITTATINNY REGIONAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-2

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local Tax Levy	\$ 13,639,128			\$ 251,588	\$ 13,890,716
Tuition	16,071				16,071
Transportation	190,985				190,985
Interest Earned on Capital Reserve Funds	1,410				1,410
Miscellaneous	241,446				241,446
Total - Local Sources	14,089,040	-	-	251,588	14,340,628
State Sources	8,477,068	\$ 9,764	-		8,486,832
Federal Sources	387,830	273,609			661,439
Total Revenues	22,953,938	283,373	-	251,588	23,488,899
EXPENDITURES					
Current:					
Regular Instruction	7,237,875	250,047			7,487,922
Special Education Instruction	1,439,623				1,439,623
Other Special Instruction	20,420				20,420
Other Instruction	1,067,275				1,067,275
Support services and undistributed costs:					
Tuition	151,188				151,188
Student and Instruction Related Services	1,560,535	33,326			1,593,861
School Administrative Services	956,258				956,258
Other Administrative Services	658,218				658,218
Plant Operations and Maintenance	1,606,307				1,606,307
Pupil Transportation	1,487,654				1,487,654
Unallocated Benefits	5,826,928				5,826,928
Transfer to Charter School	85,867				85,867
Debt Service:					
Principal				195,000	195,000
Interest and Other Charges				56,588	56,588
Capital Outlay	723,246		701,019		1,424,265
Total Expenditures	22,821,394	283,373	701,019	251,588	24,057,374
Excess (Deficiency) of Revenues Over Expend.	132,544		(701,019)	-	(568,475)
OTHER FINANCING SOURCES (USES)					
Transfer - Interfund Transfer	-		-		-
Total Other Financing Sources and Uses	-	-	-	-	-
Net Change in Fund Balances	132,544	-	(701,019)	-	(568,475)
Fund Balance—July 1	2,803,735		701,019	-	3,504,754
Fund Balance—June 30	\$ 2,936,279		-	-	\$ 2,936,279

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

**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, 2016**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (568,475)

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	\$ (809,430)	
	Capital Outlays	<u>1,338,196</u>	528,766

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.

(225,115)

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

195,000

In the statement of activities, compensated absences is 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.

36,526

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

3,575

Change in Net Position of Governmental Activities (Exhibit A-2)

\$ (29,723)

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

**STATEMENT OF PROPRIETARY NET POSITION
 PROPRIETARY FUNDS**

June 30, 2016

	Business-Type Activities - Enterprise Funds			Totals
	<u>Food Service</u>	<u>Adult Education</u>	<u>School Store</u>	
ASSETS				
Current assets:				
Cash and Cash Equivalents	\$ 86,725	\$ 70,397	\$ 10,915	\$ 168,037
Accounts Receivable-Federal and State	1,837			1,837
Other Receivables	1,231			1,231
Inventories	6,119	-	14,045	20,164
Total Current Assets	<u>95,912</u>	<u>70,397</u>	<u>24,960</u>	<u>191,269</u>
Noncurrent Assets:				
Furniture, Machinery and Equipment	179,085			179,085
Less Accumulated Depreciation	(152,560)	-	-	(152,560)
Total Noncurrent Assets	<u>26,525</u>	<u>-</u>	<u>-</u>	<u>26,525</u>
Total Assets	<u>122,437</u>	<u>70,397</u>	<u>24,960</u>	<u>217,794</u>
LIABILITIES				
Current liabilities:				
Deferred Revenue	2,964	-	-	2,964
Total Current Liabilities	<u>2,964</u>	<u>-</u>	<u>-</u>	<u>2,964</u>
Total Liabilities	<u>2,964</u>	<u>-</u>	<u>-</u>	<u>2,964</u>
NET POSITION				
Invested in Capital Assets Net of Related Debt	26,525	-	-	26,525
Unrestricted	92,948	70,397	24,960	188,305
Total Net Position	<u>\$ 119,473</u>	<u>\$ 70,397</u>	<u>\$ 24,960</u>	<u>\$ 214,830</u>

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

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit B-5

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Fund			
	Food Service	Adult Education	School Store	Total Enterprise
Operating Revenues:				
Charges for Services:				
Daily Sales - Reimbursable Programs	\$ 215,213			\$ 215,213
Daily Sales - Non-Reimb. Programs	150,708			150,708
Program Fees		\$ 53,892	\$ 5,604	59,496
Miscellaneous Income	6,197	-	13	6,210
Total Operating Revenues	<u>372,118</u>	<u>53,892</u>	<u>5,617</u>	<u>431,627</u>
Operating Expenses:				
Cost of Sales	216,862		2,245	219,107
Salaries	131,940	32,786		164,726
Employee Benefits	31,984			31,984
Purchased Property Service	16,461			16,461
Cleaning, Repair and Maintenance Services	17,792			17,792
General Supplies	3,920	14,460	6,032	24,412
Miscellaneous	16,461			16,461
Depreciation	4,572	-	-	4,572
Total Operating Expenses	<u>439,992</u>	<u>47,246</u>	<u>8,277</u>	<u>495,515</u>
Operating Income (Loss)	<u>(67,874)</u>	<u>6,646</u>	<u>(2,660)</u>	<u>(63,888)</u>
Nonoperating Revenues (Expenses):				
State Sources:				
State School Lunch Program	2,871			2,871
Federal Sources:				
National School Lunch Program	52,872			52,872
Food Distribution Program	15,796	-	-	15,796
Total Nonoperating Revenues (Expenses)	<u>71,539</u>	<u>-</u>	<u>-</u>	<u>71,539</u>
Income (Loss) Before Contributions and Transfers	3,665	6,646	(2,660)	7,651
Transfers In (Out)	-	-	-	-
Change in Net Position	3,665	6,646	(2,660)	7,651
Total Net Position—Beginning	<u>115,808</u>	<u>63,751</u>	<u>27,620</u>	<u>207,179</u>
Total Net Position—Ending	<u>\$ 119,473</u>	<u>\$ 70,397</u>	<u>\$ 24,960</u>	<u>\$ 214,830</u>

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			
	<u>Food Service</u>	<u>Adult Education</u>	<u>School Store</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 371,531	\$ 53,892	\$ 5,617	\$ 431,040
Payments to Employees	(131,940)	(32,786)		(164,726)
Payments for Employee Benefits	(31,984)			(31,984)
Payments to Suppliers	<u>(251,189)</u>	<u>(14,460)</u>	<u>(6,032)</u>	<u>(271,681)</u>
Net Cash Provided by (used for) Operating Activities	<u>(43,582)</u>	<u>6,646</u>	<u>(415)</u>	<u>(37,351)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State Sources	2,964	-	-	2,964
Federal Sources	<u>54,562</u>	<u>-</u>	<u>-</u>	<u>54,562</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>57,526</u>	<u>-</u>	<u>-</u>	<u>57,526</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided by (used for) Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,944	6,646	(415)	20,175
Balances—Beginning of Year	<u>72,781</u>	<u>63,751</u>	<u>11,330</u>	<u>147,862</u>
Balances—End of Year	<u>\$ 86,725</u>	<u>\$ 70,397</u>	<u>\$ 10,915</u>	<u>\$ 168,037</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:				
Operating Income (Loss)	\$ (67,874)	\$ 6,646	\$ (2,660)	(63,888)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:				
Depreciation and Net Amortization	4,572			4,572
Federal Commodities	15,796			15,796
(Increase) Decrease in Accounts Receivable	6,640			6,640
(Increase) Decrease in Inventories	(2,716)		2,245	(471)
Increase (Decrease) in Accounts Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Adjustments	<u>24,292</u>	<u>-</u>	<u>2,245</u>	<u>26,537</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (43,582)</u>	<u>\$ 6,646</u>	<u>\$ (415)</u>	<u>\$ (37,351)</u>

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

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit B-7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

June 30, 2016

	Unemployment Compensation <u>Trust</u>	Private Scholarship <u>Fund</u>	Agency <u>Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 242,105	\$ 1,398	\$ 304,050
Total Assets	\$ 242,105	\$ 1,398	\$ 304,050
LIABILITIES			
Payable to Student Groups			186,079
Payroll Deductions and Withholdings			105,302
Flexible Spending Account			12,669
Total Liabilities	-	-	\$ 304,050
NET POSITION			
Held in Trust for Unemployment Claims & Other Purposes	\$ 242,105	\$ 1,398	

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

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit B-8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2016

	Unemployment Compensation <u>Trust</u>	Private Scholarship <u>Fund</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 17,182	-
Other	<u>-</u>	<u>-</u>
Total Contributions	<u>17,182</u>	<u>-</u>
Investment Earnings:		
Interest	<u>237</u>	\$ <u>10</u>
Net Investment Earnings	<u>237</u>	<u>10</u>
Total Additions	<u>17,419</u>	<u>10</u>
DEDUCTIONS		
Unemployment Claims	16,787	
Scholarship Awards	<u>-</u>	<u>2,500</u>
Total Deductions	<u>16,787</u>	<u>2,500</u>
Change in Net Position	632	(2,490)
Net Position—Beginning of the Year	\$ <u>241,473</u>	\$ <u>3,888</u>
Net Position—End of the Year	\$ <u>242,105</u>	\$ <u>1,398</u>

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

Notes to Financial Statements

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of the Kittatinny Regional 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 did not effect net position balances as previously reported for the fiscal year ended June 30, 2015.

A. Reporting Entity:

The Kittatinny Regional School District is a Type II district located in the County of Sussex, 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 7-12. The Kittatinny Regional School District had an approximate enrollment at June 30, 2016, of 1,060 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.

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

KITTATINNY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

PROPRIETARY FUNDS

The District reports the following proprietary funds:

Enterprise Fund - The Enterprise Fund accounts for all revenues and expenses pertaining to the Board's cafeteria, adult education, and school store operations. The enterprise 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 on a continuing basis be financed or recovered primarily through user charges.

KITTATINNY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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. 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 amendments/transfers must be approved by School Board resolution and are subject to transfer limitations and approvals per P.L. 2004, c.73(S-1701). 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 recognize encumbrances as expenditures. 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.

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 with the District's personnel policies. Upon termination, employees are paid 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, 2016, but which were levied to finance fiscal year 2017 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.

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

KITTATINNY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

KITTATINNY REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

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, 2016, 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, 2016, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (H-1)</u>	<u>Total</u>
Checking	\$1,974,352	\$547,553	\$2,521,905
	\$1,974,352	\$547,553	\$2,521,905

KITTATINNY REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was 2,521,905 and the bank balance was \$2,610,801. 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 \$2,360,801 was covered by collateral pool.

Investments

Pursuant to the Enabling Act, the funds of the district may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the district may approve.

In order to maximize liquidity, the district utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investments. The NJCMF is administered by the New Jersey Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. **At June 30, 2016, the district's balance was \$672,527.**

NOTE 3: RECEIVABLES

Receivables at June 30, 2016, consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$475,557	\$475,646
Federal Aid	31,482	33,230
Tuition and Other	32,010	32,010
Gross Receivable	\$539,049	540,886
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	\$539,049	\$540,886

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2016, consisted of the following:

Food	\$ <u>6,119</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.

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 144,210			\$ 144,210
Total Capital Assets Not Being Depreciated	144,210			144,210
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	915,359			915,359
Buildings and Building Improvements	16,516,964	\$ 1,283,118		17,800,082
Machinery and Equipment	3,776,326	55,078		3,831,404
Total at Historical Cost	21,208,649	1,338,196		22,546,845
Less Accumulated Depreciation for:				
Land Improvements	(832,701)	(40,366)		(873,067)
Building and Improvements	(9,852,848)	(568,331)		(10,421,179)
Equipment	(3,228,199)	(200,733)		(3,428,932)
Total Accumulated Depreciation	(13,913,748)	(809,430)		(14,723,178)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	7,294,901	528,766		7,823,667
Government Activity Capital Assets, Net	\$ 7,439,111	\$ 528,766		\$ 7,967,877

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.

KITTATINNY REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6: CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 536,652
Special Ed Instruction	56,660
Support Services	75,277
General Administration	8,094
School Administration	31,568
Operations/Maintenance	101,179
Total	<u>\$ 809,430</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, 2016, are as follows:

	Balance <u>7/1/15</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/16</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$1,445,000		(\$195,000)	\$1,250,000	\$200
Other Liabilities:					
Compensated Absences Payable	1,573,570		(36,526)	1,537,044	
Total	<u>\$3,018,570</u>	<u>-</u>	<u>(\$231,526)</u>	<u>\$2,787,044</u>	<u>\$200</u>

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

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

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

For the year ended June 30, 2016, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			Balance 6/30/16
	Issue Dates	Interest Rates	Date of Maturity	
Refunding Bonds	12/15/09	3.0-5.0%	7/15/21	\$ 1,250,000
Total Bonds				<u>\$ 1,250,000</u>

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2016, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 200,000	\$ 48,687	\$ 248,687
2018	200,000	40,688	240,688
2019	205,000	32,587	237,587
2020	210,000	23,237	233,237
2021	215,000	14,494	229,494
2022	<u>220,000</u>	<u>5,500</u>	<u>225,500</u>
	<u>\$ 1,250,000</u>	<u>\$ 165,193</u>	<u>\$ 1,415,193</u>

The 2009 School Bonds were issued to advance refund a portion (\$2,132,000) of the 2001 School Bonds. The balance outstanding on the refunded 2001 School Bonds was \$-0- at June 30, 2016.

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/annrpts.shtml>.

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

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 \$58,583,329 as measured on June 30, 2015 and \$51,208,583 as measured on June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$3,577,040 and revenue of \$3,577,040 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, 2016 is based upon changes in the collective net pension liability with a measurement period of June 30, 2014 through June 30, 2015. 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, 2014 and June 30, 2015.

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.

KITTATINNY REGIONAL SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

	<u>6/30/2014</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$2,306,623,861	\$7,521,378,257
Collective deferred inflows of resources	\$1,763,205,593	\$554,399,005
Collective net pension liability (Nonemployer-State of New Jersey)	\$53,446,745,367	\$63,204,270,305
State's portion of the net pension liability that was associated with the district	\$51,208,583	\$58,583,329
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.095812%	0.092689%

Actuarial assumptions - The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. 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. 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, 2014 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, 2015 are summarized in the following table:

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount rate. The discount rate used to measure the State's total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, 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 3.80% and 4.29% as of June 30, 2015 and 2014, 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 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 at <http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016, the District reported a liability of \$5,427,687 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. 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 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, 2015 and 2014. At June 30, 2015, the District’s proportion was 0.02418% which was an increase of 0.00177% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$456,097. At June 30, 2016, 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	\$ 129,486	-
Changes of assumptions	582,890	
Net difference between projected and actual earnings on pension plan investments		\$ 87,267
Changes in proportion and differences between District contributions and proportionate share of contributions	460,838	
District contributions subsequent to the measurement date	207,874	
Total	<u>\$ 1,381,088</u>	<u>\$ 87,267</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

\$207,874 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, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability measured as of June 30, 2016. 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>
2016	\$197,697
2017	\$197,697
2017	\$197,697
2018	\$314,864
2019	<u>\$177,992</u>
Total	<u>\$1,085,947</u>

	<u>6/30/2014</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$952,194,675	\$3,578,755,666
Collective deferred inflows of resources	1,479,224,662	993,410,455
Collective net pension liability (Non State - Local Group)	\$18,722,735,003	\$22,447,996,119
District's portion of net pension liability	\$4,196,019	\$5,427,687
District's proportion %	0.02241136%	0.02417894%

Actuarial assumptions. The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation:	3.04%
Salary Increases:	
2012-2021	2.15%-4.40% based on age
Therafter	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, 2014 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, 2015 are summarized in the following table:

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds I Absolute	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount rate. The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, 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 3.80% and 4.29% as of June 30, 2015 and 2014, 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, 2015, calculated using the discount rate of 4.90%, 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 (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(3.90%)</u>	<u>Discount Rate</u>	<u>(5.90%)</u>
		<u>(4.90%)</u>	
District's proportionate share of the net pension liability	\$ 6,745,951	\$ 5,427,687	\$ 4,322,464

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

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 PFRS 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; PFRS 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 PES members will take place in July of each subsequent fiscal year.

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

□ 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</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2016	\$207,874	100 %	-0-
6/30/2015	\$184,756	100 %	-0-
6/30/2014	\$160,695	100 %	-0-

Three-Year Trend Information for TPAF (On behalf)

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2016	\$770,407	100 %	-0-
6/30/2015	\$501,110	100 %	-0-
6/30/2014	\$405,327	100 %	-0-

During the fiscal year ended June 30, 2016, the State of New Jersey did contribute \$1,687,749 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 \$715,608 during the year ended June 30, 2016, 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.

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

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 post-employment benefits other than pension. Healthcare provided to eligible TPAF and PERS board of education retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no district OPEB liability exists.

NOTE 10: 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 sick leave in varying amounts under the District's personnel agreement. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial service and amounts are payable at predetermined values upon retirement in the state pension system.

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.

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the fund balance sheets at June 30, 2016:

	Interfund <u>Receivable</u>	Interfund <u>Payable</u>
General Fund	\$ 438,936	
Special Revenue Fund		\$ 4,736
Capital Projects Fund		434,200
	<u>\$ 438,936</u>	<u>\$ 438,936</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES - (continued)

The interfund payable in the special revenue fund is due to the general fund for cash advances to cover cash deficit caused by federal grant reimbursements that have not yet been received. The interfund payable in the capital projects fund is due to the general fund for cash advances in anticipation of state SDA grant receipts.

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>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$237	\$17,182	\$16,787	\$242,105
2014-2015	\$25,050	\$16,626	\$4,041	\$241,473
2013-2014	\$50,160	\$17,242	\$35,551	\$203,838

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 any know claims or lawsuits. Any prior litigation was settled with no adverse impact on the district's operations or delivery of services.

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Kittatinny Regional School District Board of Education during fiscal year 2004-2005, 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:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance July 1, 2015	\$ 1,751,622
Interest earnings	1,633
Deposits (PL 2007 c.62 (A1)) - June 16, 2016 Resolution	622,000
Withdrawals (Actual withdrawals from budgeted amount)	<u>(622,527)</u>
Ending balance June 30, 2016	<u>\$ 1,752,728</u>

NOTE 15: IMPACT AID RESERVE ACCOUNT

As permitted by P.L.2015, c.46 which amended N.J.S.A. 18A:7F-41 a federal impact reserve account was established by the Kittatinny Regional School District Board of Education by transfer of \$350,000 on June 19, 2015 by board resolution for the amount of federal impact aid funds – general fund – received during the current fiscal year for use as general fund expenditures in subsequent fiscal years. The federal impact aid – general reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the Impact Aid Reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance July 1, 2015	\$ 350,000
Deposits (PL 2015 c.46) - June 19, 2018 Resolution	<u>131,189</u>
Ending balance June 30, 2016	<u>\$ 481,189</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$2,936,279 General Fund fund balance at June 30, 2016, \$391,027 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$193,335 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2017); \$1,752,728 is reserved in the Capital Reserve Account; \$481,189 is reserved in the Impact Aid Reserve Account; \$385,181 is reserved for encumbrances; \$113,795 has been appropriated and included as anticipated revenue for the year ending June 30, 2017; and (\$187,641) is unreserved and undesignated.

NOTE 17: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is \$197,692.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<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	\$ 13,639,123		\$ 13,639,123	\$ 13,639,128	
Tuition				16,071	\$ 16,071
Transportation	217,322		217,322	190,985	(26,337)
Interest Earned on Capital Reserve Funds	300		300	1,410	1,110
Miscellaneous	162,000		162,000	241,446	79,446
Total - Local Sources	14,018,745	-	14,018,745	14,089,040	70,295
State Sources:					
Equalization Aid	3,436,027		3,436,027	3,436,027	
School Choice	204,000		204,000	204,000	
Transportation Aid	631,242		631,242	631,242	
Special Education Aid	614,895		614,895	614,895	
Security Aid	80,860		80,860	80,860	
Adjustment Aid	1,053,290		1,053,290	1,053,290	
PARCC Readiness Growth	11,070		11,070	11,070	
Per Pupil Growth Aid	11,070		11,070	11,070	
Extraordinary Aid	40,000		40,000	40,313	313
Other State Aid				1,044	1,044
TPAF Pension (On-Behalf - Non-Budgeted)				733,851	733,851
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				917,342	917,342
TPAF Pension Non-contributory Insurance (On-Behalf - Non-Budgeted)				36,556	36,556
TPAF Social Security (Reimbursed - Non-Budgeted)				715,608	715,608
Total State Sources	6,082,454		6,082,454	8,487,168	2,404,714
Federal Sources:					
Medical Assistance Program				341	341
Impact Aid	256,300		256,300	387,489	131,189
Total Federal Sources	256,300		256,300	387,830	131,530
TOTAL REVENUES	20,357,499		20,357,499	22,964,038	2,606,539

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Fiscal Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Grades 6-8 - Salaries of Teachers	2,556,577	(144,250)	2,412,327	2,333,786	78,541
Grades 9-12 - Salaries of Teachers	4,276,170	59,289	4,335,459	4,335,459	
Regular Programs - Home Instruction:					
Salaries of Teachers	25,000	4,820	29,820	29,820	
Purchased Professional-Educational Services	10,000	5,103	15,103	14,828	275
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	1,000		1,000	450	550
Purchased Technical Services	32,500	(958)	31,542	31,350	192
Other Purchased Services (400-500 series)	87,450	6,122	93,572	86,963	6,609
General Supplies	251,751	165,048	416,799	319,299	97,500
Textbooks	90,800	19,694	110,494	84,876	25,618
Other Objects	4,600		4,600	1,044	3,556
TOTAL REGULAR PROGRAMS - INSTRUCTION	7,335,848	114,868	7,450,716	7,237,875	212,841
SPECIAL EDUCATION - INSTRUCTION					
Special Education - Cognitive - Mild:					
Salaries of Teachers	154,197	(154,197)			
General Supplies	2,500	(2,500)			
Total Special Education - Cognitive - Mild	156,697	(156,697)			
Special Education - Multiple Disabilities:					
Other Salaries for Instruction	24,176	(24,176)			
General Supplies	2,500	(2,500)			
Total Special Education - Multiple Disabilities	26,676	(26,676)			

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
Resource Room/Resource Center:					
Salaries of Teachers	1,162,448	152,895	1,315,343	1,268,663	46,680
Other Salaries for Instruction	147,472	24,176	171,648	164,002	7,646
General Supplies	2,800	2,428	5,228	3,370	1,858
Textbooks	3,000	588	3,588	3,588	
Total Resource Room/Resource Center	1,315,720	180,087	1,495,807	1,439,623	56,184
TOTAL SPECIAL EDUCATION - INSTRUCTION					
	1,499,093	(3,286)	1,495,807	1,439,623	56,184
Bilingual Education - Instruction:					
Salaries of Teachers	19,780	440	20,220	20,220	
General Supplies	500	(109)	391	200	191
Total Bilingual Education - Instruction	20,280	331	20,611	20,420	191
School-Spon. Co/Extra Curricular Actvts. - Inst.:					
Salaries	188,055	40,402	228,457	228,457	
Purchased Services (300-500 series)	42,445	5,188	47,633	38,033	9,600
Supplies and Materials	15,400	(9,247)	6,153	6,153	
Other Objects	9,000	6,999	15,999	15,999	
Total School-Spon. Cocurricular Actvts. - Inst.	254,900	43,342	298,242	288,642	9,600
School-Spon. Athletics - Instruction:					
Salaries	440,926	19,328	460,254	460,254	
Purchased Services (300-500 series)	67,000	(7,799)	59,201	57,725	1,476
Supplies and Materials	73,000	20,883	93,883	93,087	796
Other Objects	17,000	5,631	22,631	22,631	
Total School-Spon. Athletics - Inst.	597,926	38,043	635,969	633,697	2,272
Before/After School					
Salaries of Teachers	5,000	9,242	14,242	14,242	
Total Before/After School	5,000	9,242	14,242	14,242	

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Instructional Alt Ed Programs:					
Salaries of Teachers	82,765	1,855	84,620	84,620	
Support Salaries	17,275		17,275	16,514	761
Total Instructional Alt Ed Programs	100,040	1,855	101,895	101,134	761
Community Services Programs:					
Salaries	30,000	(440)	29,560	29,560	
Total Community Services Programs	30,000	(440)	29,560	29,560	
TOTAL INSTRUCTION	9,843,087	203,955	10,047,042	9,765,193	281,849
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State - Regular	77,700	(2,999)	74,701	71,295	3,406
Tuition to Other LEAs Within the State - Special	24,466	8,637	33,103	33,103	
Tuition to CSSD & Regional Day Schools		1,128	1,128	1,128	
Tuition to Private Schools for the Disabled-Within State	274,971	(794)	274,177	45,662	228,515
Total Instruction	377,137	5,972	383,109	151,188	231,921
Attendance and Social Work:					
Salaries	35,300	50	35,350	35,350	
Supplies and Materials	160	81	241	131	110
Total Attendance and Social Work	35,460	131	35,591	35,481	110
Health Services:					
Salaries	82,765	1,955	84,720	84,720	
Supplies and Materials	2,900	180	3,080	2,901	179
Total Health Services	85,665	2,135	87,800	87,621	179
Other Supp. Services Students-Related Services:					
Salaries	83,615		83,615	83,170	445
Purchased Professional - Educational Services	98,951	1,614	100,565	100,565	
Supplies and Materials	800	90	890	890	
Total Other Supp. Services Students-Related Services	183,366	1,704	185,070	184,625	445

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.					
Purchased Professional - Educational Services		275	275		275
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.		<u>275</u>	<u>275</u>		<u>275</u>
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	425,394	(3,741)	421,653	392,150	29,503
Salaries of Secretarial and Clerical Assistants	63,666		63,666	62,759	907
Other Purchased Prof. and Tech Services	15,850		15,850	13,370	2,480
Other Purchased Services (400-500 series)	4,000	797	4,797	2,000	2,797
Supplies and Materials	6,285	1,600	7,885	7,415	470
Other Objects	7,350	(1,101)	6,249	5,888	361
Total Other Supp. Services Students-Regular	<u>522,545</u>	<u>(2,445)</u>	<u>520,100</u>	<u>483,582</u>	<u>36,518</u>
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	267,303	1,568	268,871	268,871	
Salaries of Secretarial and Clerical Assistants	44,747	103	44,850	44,850	
Purchased Professional - Educational Services		398	398	398	
Other Purchased Prof. and Tech. Services	2,500	(1,870)	630		630
Misc. Pur Serv (400-500 series O/than Resid Costs)	1,000	(296)	704	563	141
Supplies and Materials	2,200	2,380	4,580	4,580	
Other Objects	100	2,182	2,282	2,282	
Total Other Supp. Services Students-Special	<u>317,850</u>	<u>4,465</u>	<u>322,315</u>	<u>321,544</u>	<u>771</u>
Improvement of Instruction Services :					
Salaries of Supervisor of Instruction	203,022	98,052	301,074	301,074	
Salaries of Other Professional Staff	10,000	(60)	9,940	9,940	
Salaries of Secretarial and Clerical Assistants	5,000	(1,451)	3,549		3,549
Purchased Professional-Educational Services	7,500	3,453	10,953	6,071	4,882
Other Purchased Services (400-500 series)	2,500	573	3,073	3,073	
Supplies and Materials	1,000		1,000	650	350
Other Objects	4,000	3,007	7,007	7,007	
Total Improvement of Instruction Services	<u>233,022</u>	<u>103,574</u>	<u>336,596</u>	<u>327,815</u>	<u>8,781</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
Educational Media Services/School Library:					
Salaries	125,252	(96,102)	29,150	29,125	25
Salaries of Technology Coordinator	80,750		80,750	80,750	
Supplies and Materials	8,900	(223)	8,677	6,547	2,130
Total Educational Media Services/School Library	214,902	(96,325)	118,577	116,422	2,155
Instructional Staff Training Services:					
Salaries of Other Professional Staff	7,500	(2,260)	5,240	3,445	1,795
Supplies and Materials	200		200		200
Total Instructional Staff Training Services	7,700	(2,260)	5,440	3,445	1,995
Supp. Services - General Administration:					
Salaries	208,745	2,131	210,876	208,063	2,813
Legal Services	20,000	(8,756)	11,244	4,478	6,766
Audit Fees	25,000	1,108	26,108	26,108	
Other Professional Services	5,400	11,725	17,125	10,974	6,151
Purchased Technical Services		1,910	1,910	1,910	
Communications/Telephone	42,500	4,824	47,324	47,211	113
Other Purchased Services (400-500 series)	88,500	4,874	93,374	90,716	2,658
General Supplies	2,500	(1,754)	746	404	342
BOE In-House Training/Meeting Supplies	200		200		200
Miscellaneous Expenditures	5,500	6,541	12,041	6,223	5,818
BOE Membership Dues and Fees	24,000	316	24,316	24,316	
Total Supp. Services - General Administration	422,345	22,919	445,264	420,403	24,861
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	335,856	6,447	342,303	342,303	
Salaries of Other Professional Staff	364,426	(6,447)	357,979	352,271	5,708
Salaries of Secretarial and Clerical Assistants	197,592		197,592	194,888	2,704
Purchased Professional and Technical Services	6,600	2,258	8,858	8,858	
Other Purchased Services (400-500 series)	2,000	400	2,400		2,400
Supplies and Materials	13,000	7,348	20,348	20,348	
Other Objects	26,000	21,022	47,022	37,590	9,432
Total Support Services - School Administration	945,474	31,028	976,502	956,258	20,244

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
Central Services:					
Salaries	198,502	3,449	201,951	201,951	
Misc. Purchased Services (400-500 series)	4,375	(1,698)	2,677	1,332	1,345
Supplies and Materials	4,000	9	4,009	4,009	
Miscellaneous Expenditures	4,500	633	5,133	5,133	
Total Central Services	211,377	2,393	213,770	212,425	1,345
Admin. Information Technology:					
Salaries	18,000		18,000	17,929	71
Purchased Professional Services		240	240	240	
Purchased Technical Services	10,000	(2,497)	7,503	7,221	282
Total Admin. Information Technology	28,000	(2,257)	25,743	25,390	353
Required Maintenance for School Facilities:					
Salaries	172,775	28,411	201,186	201,186	
Cleaning, Repair, and Maintenance Services	83,000	89,308	172,308	76,530	95,778
General Supplies	20,000	15,665	35,665	33,596	2,069
Total Required Maintenance for School Facilities	275,775	133,384	409,159	311,312	97,847
Other Operations and Maintenance of Plant:					
Salaries	430,500	(60)	430,440	421,392	9,048
Purchased Professional and Technical Services	51,100	(2,811)	48,289	45,704	2,585
Cleaning, Repair and Maintenance Services	44,000	20,411	64,411	63,409	1,002
Rental of Land & Bldg., Other than Lease Pur Agrmt	4,000	(1,900)	2,100	2,100	
Insurance	50,300		50,300	50,300	
General Supplies	79,000	146,276	225,276	200,885	24,391
Energy (Natural Gas)	2,000	(152)	1,848	490	1,358
Energy (Electricity)	302,000	(39,244)	262,756	255,562	7,194
Energy (Oil)	198,366	(147,283)	51,083	51,083	
Other Objects	6,500	1,680	8,180	8,180	
Total Other Operations and Maintenance of Plant	1,167,766	(23,083)	1,144,683	1,099,105	45,578

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Care and Upkeep of Grounds:					
Salaries	99,240		99,240	93,968	5,272
Cleaning, Repair and Maintenance Services	42,000	(1,180)	40,820	34,444	6,376
Supplies and Materials	15,200	2,534	17,734	13,933	3,801
Total Care and Upkeep of Grounds	156,440	1,354	157,794	142,345	15,449
Security:					
Salaries	50,000		50,000	44,988	5,012
Supplies and Materials	1,000	7,557	8,557	8,557	
Total Security	51,000	7,557	58,557	53,545	5,012
Student Transportation Services					
Salary for Pupil Trans. (Bet. Home & Sch) - Reg.	71,512	(979)	70,533	70,513	20
Salary for Pupil Trans. (Other than Bet. Home & Sch)	70,000	5,442	75,442	56,986	18,456
Other Purchased Professional and Technical Services	3,000	500	3,500	3,500	
Cleaning, Repair and Maintenance Services	17,000	3,994	20,994	20,994	
Contract Services - Aid in Lieu of Payments-Nonpub.Sch.	20,000	(11,226)	8,774		8,774
Contract Services - (Between Home and School) - Vendors	1,072,770	(21,817)	1,050,953	1,044,928	6,025
Contract Services (Other than Between Home & School)-Vendors	110,592	20,087	130,679	93,401	37,278
Contract Services - (Between Home and School) - Joint Agreements	86,435	1,989	88,424	88,407	17
Contract Services - (Special Ed. Students) - Vendors	119,064	25,669	144,733	92,799	51,934
Miscellaneous Purchased Services - Transportation	1,000	(7)	993		993
General Supplies	24,000	(10,337)	13,663	12,722	941
Other Objects	1,400	2,004	3,404	3,404	
Total Student Transportation Services	1,596,773	15,319	1,612,092	1,487,654	124,438

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNALLOCATED BENEFITS					
Social Security Contributions	235,000		235,000	214,116	20,884
Other Retirement Contributions - Regular	216,000	(5,958)	210,042	207,874	2,168
Other Retirement Contributions	4,000	104	4,104	2,036	2,068
Unemployment Compensation	25,000		25,000		25,000
Workmen's Compensation	164,130	5,958	170,088	170,088	
Health Benefits	3,064,594	(307,439)	2,757,155	2,702,578	54,577
Tuition Reimbursement	60,000	31,007	91,007	91,007	
Other Employee Benefits	60,600	(5,027)	55,573	35,872	19,701
TOTAL UNALLOCATED BENEFITS	3,829,324	(281,355)	3,547,969	3,423,571	124,398
On-behalf TPAF pension Contrib. (non-budgeted)				733,851	(733,851)
On-behalf TPAF PRM Contrib. (non-budgeted)				917,342	(917,342)
On-behalf TPAF pension Non-contributory Ins. (non-budgeted)				36,556	(36,556)
Reimbursed TPAF Social Security Contributions (non-budgeted)				715,608	(715,608)
TOTAL ON-BEHALF CONTRIBUTIONS				2,403,357	(2,403,357)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	3,829,324	(281,355)	3,547,969	5,826,928	(2,278,959)
TOTAL UNDISTRIBUTED EXPENDITURES	10,661,921	(75,515)	10,586,406	12,247,088	(1,660,682)
TOTAL GENERAL CURRENT EXPENSE	20,505,008	128,440	20,633,448	22,012,281	(1,378,833)
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures-Instruction		59,297	59,297	39,332	19,965
Undistributed Expenditures-Req. for School Maintenance		64,458	64,458	43,158	21,300
Undistributed Expenditures-Care & Upkeep of Grounds		7,291	7,291	4,999	2,292
Undist. Expend -Student Trans. - Non-Inst. Equip.		66,091	66,091		66,091
Total Equipment		197,137	197,137	87,489	109,648

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	93,455	11,945	105,400	68,773	36,627
Construction Services	1,027,636	(5,445)	1,022,191	517,127	505,064
Assessment for Debt Service on SDA Funding	49,857		49,857	49,857	
Total Facilities Acquisition and Construction Services	<u>1,170,948</u>	<u>6,500</u>	<u>1,177,448</u>	<u>635,757</u>	<u>541,691</u>
TOTAL CAPITAL OUTLAY	<u>1,170,948</u>	<u>203,637</u>	<u>1,374,585</u>	<u>723,246</u>	<u>651,339</u>
Transfer of Funds to Charter Schools	106,608		106,608	85,867	20,741
TOTAL EXPENDITURES	<u>21,782,564</u>	<u>332,077</u>	<u>22,114,641</u>	<u>22,821,394</u>	<u>(706,753)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,425,065)</u>	<u>(332,077)</u>	<u>(1,757,142)</u>	<u>142,644</u>	<u>1,899,786</u>
Other Financing Sources (Uses):					
Operating Transfer In/(Out):					
Transfer to Capital Projects Fund	(386,791)	228,800	(157,991)		(157,991)
Total Transfer In/(Out)	<u>(386,791)</u>	<u>228,800</u>	<u>(157,991)</u>		<u>(157,991)</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(1,811,856)	(103,277)	(1,915,133)	142,644	1,741,795
Fund Balance, July 1	<u>3,390,994</u>		<u>3,390,994</u>	<u>3,390,994</u>	
Fund Balance, June 30	<u>\$ 1,579,138</u>	<u>(103,277)</u>	<u>\$ 1,475,861</u>	<u>\$ 3,533,638</u>	<u>\$ 1,741,795</u>
Recapitulation:					
Restricted for:					
Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 193,335	
Excess Surplus				197,692	
Impact Aid Reserve				481,189	
Capital Reserve				1,752,728	
Assigned to:					
Year-End Encumbrances				385,181	
Designated for Subsequent Year's Expenditures				113,795	
Unassigned:					
Unrestricted Fund Balance				<u>409,718</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				3,533,638	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(597,359)</u>	
Fund Balance per Governmental Funds(GAAP Basis B-2)				<u>\$ 2,936,279</u>	

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
State Sources	\$ 26,339	\$ (17,550)	\$ 8,789	\$ 8,789	-
Federal Sources	238,730	44,935	283,665	279,148	\$ (4,517)
Total Revenues	265,069	27,385	292,454	287,937	(4,517)
EXPENDITURES:					
Instruction					
Salaries of Teachers	55,177	(20)	55,157	55,157	
Other Salaries	5,160	107	5,267	750	4,517
Purchased Prof. & Technical Serv.	28,992	(25,028)	3,964	3,964	
Tuition	130,688	35,341	166,029	166,029	
General Supplies	11,647	(1,736)	9,911	9,911	
Textbooks	1,847	11,413	13,260	13,260	
Total Instruction	233,511	20,077	253,588	249,071	4,517
Support Services					
Salaries of Other Professional Staff	21,370	-	21,370	21,370	
Personal Services - Employee Benefits	8,188	4,630	12,818	12,818	
Other Purchased Professional Services	2,000	2,678	4,678	4,678	
Total Support Services	31,558	7,308	38,866	38,866	-
Total Expenditures	265,069	27,385	292,454	287,937	4,517
Total Outflows	\$ 265,069	\$ 27,385	\$ 292,454	\$ 287,937	\$ 4,517
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)				<u>NONE</u>	

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2016

**Note A - 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)	\$22,964,038	\$287,937
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year	N/A	7,766
Current Year	N/A	(12,330)
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	587,259	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	(597,359)	N/A
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$22,953,938</u>	<u>\$ 283,373</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$22,821,394	\$287,937
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	7,766
Current Year	N/A	(12,330)
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$22,821,394</u>	<u>\$283,373</u>

**Kittatinny Regional School District
Required Supplementary Information - Part III
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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A							
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A							
State's proportionate share of the net pension liability (asset) associated with the District	\$ 58,583,329	\$ 51,208,583	\$ 48,498,294							
Total	\$ 58,583,329	\$ 51,208,583	\$ 48,498,294							
District's covered employee payroll	\$ 9,927,235	\$ 9,417,868	\$ 9,286,388							
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A							
Plan fiduciary net position as a percentage of the total pension liability	28.71%	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.

Exhibit L-1

Public Employees' Retirement System (PERS)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District's proportion of the net pension liability (asset)	0.024178936%	0.022411358%	0.021044764%							
District's proportionate share of the net pension liability (asset)	\$ 5,427,687	\$ 4,196,019	\$ 4,022,073							
District's covered employee payroll	\$ 1,568,664	\$ 1,611,947	\$ 1,475,428							
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	346.01%	260.31%	272.60%							
Plan fiduciary net position as a percentage of the total pension liability (Local)	52.08%	52.08%	48.72%							

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

**Kittatinny Regional School District
 Required Supplementary Information - Part III
 Schedule of District Contributions
 Last Ten Fiscal Years ***

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution **	N/A	N/A	N/A							
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A							
Contribution deficiency (excess)	N/A	N/A	N/A							
District's covered employee payroll	\$ 9,927,235	\$ 9,417,868	\$ 9,286,388							
Contributions as a percentage of covered-employee payroll	N/A	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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 207,874	\$ 160,695	\$ 143,076							
Contributions in relation to the contractually required contribution	<u>(207,874)</u>	<u>(160,695)</u>	<u>(143,076)</u>							
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>							
District's covered employee payroll	\$ 1,568,664	\$ 1,611,947	\$ 1,475,428							
Contributions as a percentage of covered-employee payroll	13.25%	9.97%	9.70%							

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III
Pension Schedules

For the Fiscal Year Ended June 30, 2016

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

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

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.

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2016

	Title I	Title II (A)	IDEA Part B	Ch 192/193 Compens Ed	Ch 192/193 Exam	Ch 192/193 Speech	Non-Public Textbooks	Non-Public Technology	Non-Public Nursing	Totals
REVENUES										
State Sources				\$ 1,692	\$ 683	\$ 1,589	\$ 1,599	\$ 548	\$ 2,678	\$ 8,789
Federal Sources	\$ 39,138	\$ 18,652	\$ 221,358							279,148
TOTAL REVENUES	39,138	18,652	221,358	1,692	683	1,589	1,599	548	2,678	287,937
EXPENDITURES:										
Instruction:										-
Salaries of Teachers	23,734	14,783	16,640							55,157
Other Salaries			750							750
Purchased Prof. & Technical Serv.				1,692	683	1,589				3,964
Tuition			166,029							166,029
General Supplies	9,363							548		9,911
Textbooks			11,661				1,599			13,260
Total Instruction	33,097	14,783	195,080	1,692	683	1,589	1,599	548		249,071
Support Services:										
Salaries of Other Professional Staff			21,370							21,370
Personal Services - Employee Benefits	6,041	3,869	2,908							12,818
Other Purchased Professional Services			2,000						2,678	4,678
Total Support Services	6,041	3,869	26,278						2,678	38,866
TOTAL EXPENDITURES	39,138	18,652	221,358	1,692	683	1,589	1,599	548	2,678	287,937
Total Outflows	\$ 39,138	\$ 18,652	\$ 221,358	\$ 1,692	\$ 683	\$ 1,589	\$ 1,599	\$ 548	\$ 2,678	\$ 287,937
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)										

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

N/A

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit F-1

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

For the Fiscal Year Ended June 30, 2016

	<u>Date</u>	<u>Original Appropriations</u>	<u>Revised Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance</u>
				<u>Prior Years</u>	<u>Current Year</u>	<u>June 30, 2016</u>
Various Improvements to Essential Building, Security, and Communications Systems	5/2/14	\$ 1,085,500	\$1,091,500	\$ 390,481	\$ 701,019	-
Totals		<u>\$ 1,085,500</u>	<u>\$ 1,091,500</u>	<u>\$ 390,481</u>	<u>\$ 701,019</u>	-
					Interest Earnings	-
					Fund Balance, June 30, 2016	-

KITTATINNY REGIONAL 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, 2016

Expenditures and Other Financing

Uses

Purchased Professional Services	\$ 68,800
Construction Services	<u>632,219</u>
Total Expenditures	<u>701,019</u>
Excess(deficiency) of revenues over(under) expenditures	(701,019)
Fund Balance - Beginning	<u>\$ 701,019</u>
Fund Balance - Ending	<u><u>-</u></u>

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit F-2a

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS - BUDGETARY BASIS -
ESSENTIAL BUILDING, SECURITY AND COMMUNICATIONS PROJECT

From Inception and for the Fiscal Year Ended June 30, 2016

	<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	\$ 434,200		\$ 434,200	\$ 434,200
Interest Revenue			-	
Transfer from capital reserve	657,300		657,300	657,300
Total Revenues	<u>1,091,500</u>	<u>-</u>	<u>1,091,500</u>	<u>1,091,500</u>
Expenditures and Other Financing Sources				
Other Purchased and Professional Services	6,000	\$ 68,800	74,800	6,000
Construction services	384,481	632,219	1,016,700	1,085,500
Total Expenditures	<u>390,481</u>	<u>701,019</u>	<u>1,091,500</u>	<u>1,091,500</u>
Excess(deficiency) of revenues over(under) expenditures	<u>\$ 701,019</u>	<u>\$ (701,019)</u>	<u>-</u>	

Project Fund Balance, 6/30/16 -

Additional project information:

DOE Project number	SP#2465-050-14-1001
SDA Project number	SP#2465-50-14-G2QP
Grant Date	5/2/2015
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$1,085,500
Additional Authorized Cost	\$6,000
Revised Authorized Cost	\$1,091,500
Percentage Increase over Original Authorized Cost	
	N/A
Percentage Completion	
	100%
Original Target Completion Date	
	6/30/2015
Revised Target Completion Date	
	11/30/2015

<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.

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016**

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	PRIVATE PURPOSE SCHOLARSHIP TRUST	AGENCY FUNDS		TOTALS
			STUDENT ACTIVITY	PAYROLL AGENCY	
ASSETS:					
Cash and Cash Equivalents	\$242,105	\$1,398	\$ 186,079	\$ 117,971	\$ 547,553
TOTAL ASSETS	\$242,105	\$1,398	\$ 186,079	\$ 117,971	\$ 547,553
LIABILITIES:					
Liabilities:					
Payroll Deductions and Withholdings				\$ 105,302	105,302
Flexible Spending Account				12,669	12,669
Payable to Student Groups			\$ 186,079		186,079
Total Liabilities			186,079	117,971	304,050
NET POSITION					
Held in Trust for Unemployment					
Claims and Other Purposes	\$242,105	\$1,398			\$ 243,503
TOTAL LIABILITIES AND NET POSITION	\$242,105	\$1,398	\$ 186,079	\$ 117,971	\$ 547,553

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016**

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	PRIVATE PURPOSE SCHOLARSHIP <u>TRUST</u>	<u>TOTALS</u>
ADDITIONS			
Contributions:			
Plan Member	\$17,182		\$17,182
Employer	-		-
Total Contributions	<u>17,182</u>	-	<u>17,182</u>
Investment Earnings:			
Interest	237	\$10	247
Net Investment Earnings	<u>237</u>	<u>10</u>	<u>247</u>
Total Additions	<u>17,419</u>	<u>10</u>	<u>17,429</u>
DEDUCTIONS			
Unemployment Claims	16,787		16,787
Scholarships Awarded		2,500	2,500
Total Deductions	<u>16,787</u>	<u>2,500</u>	<u>19,287</u>
Change in Net Position	632	(2,490)	(1,858)
Net Position—Beginning of the Year	\$241,473	\$3,888	\$245,361
Net Position—End of the Year	<u><u>\$242,105</u></u>	<u><u>\$1,398</u></u>	<u><u>\$243,503</u></u>

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit H-3

**STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>BALANCE</u> <u>July 1, 2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2016</u>
High School Activity Account	\$ 183,628	\$ 531,453	\$ 531,197	\$ 183,884
High School Athletic Account	122	57,838	57,667	293
Student Fees Account	100	84,743	82,941	1,902
	<u>\$ 183,850</u>	<u>\$ 674,034</u>	<u>\$ 671,805</u>	<u>\$ 186,079</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>BALANCE</u> July 1, 2015	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> June 30, 2016
ASSETS:				
Cash and Cash Equivalents	\$ 35,754	\$ 13,992,495	\$ 13,910,278	\$ 117,971
Total Assets	\$ 35,754	\$ 13,992,495	\$ 13,910,278	\$ 117,971
LIABILITIES:				
Accrued Salaries and Wages	\$ 66	\$ 7,626,641	\$ 7,626,644	\$ 63
Payroll Deductions and Withholdings	23,243	6,344,196	6,262,200	105,239
Flexible Spending Account	12,445	21,658	21,434	12,669
Total Liabilities	\$ 35,754	\$ 13,992,495	\$ 13,910,278	\$ 117,971

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.

KITTATINNY REGIONAL SCHOOL DISTRICT
**SCHEDULE OF SERIAL BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Exhibit I-1

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE July 1, 2015</u>	<u>RETIRE</u>	<u>BALANCE June 30, 2016</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Refunded School Bonds	12/15/09	\$ 2,135,000	07/15/16	\$ 200,000	4.00%	\$ 1,445,000	\$ 195,000	\$ 1,250,000
			07/15/17	200,000	4.00%			
			07/15/18	205,000	4.00%			
			07/15/19	210,000	5.00%			
			07/15/20	215,000	3.25%			
			07/15/21	220,000	5.00%			
Total						\$ 1,445,000	\$ 195,000	\$ 1,250,000

KITTATINNY REGIONAL SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 251,588		\$ 251,588	\$ 251,588	
Total - Local Sources	251,588		251,588	251,588	
TOTAL REVENUES	251,588		251,588	251,588	
EXPENDITURES:					
Regular Debt Service:					
Interest	56,588		56,588	56,588	-
Redemption of Principal	195,000		195,000	195,000	-
Total Regular Debt Service	251,588		251,588	251,588	
TOTAL EXPENDITURES	251,588		251,588	251,588	
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, July 1					-
Fund Balance, June 30	-	-	-	-	
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance					

Kittatinny Regional 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.	100-105
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.	106-121
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.	122-125
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.	126-127
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.	128-132

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, 2003; schedules presenting district-wide information include information beginning in that year.

Kittatinny Regional School District
Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	2007		2008		2009		2010		Fiscal Year Ending June 30,		2013		2014		2015		2016	
									2011	2012								
Governmental activities																		
Invested in capital assets, net of related debt	\$ 9,519,294	\$ 6,734,212	\$ 6,382,633	\$ 5,946,712	\$ 5,689,786	\$ 5,643,755	\$ 5,990,597	\$ 5,808,602	\$ 5,994,111	\$ 6,717,877								
Restricted	127,193	923,949	1,805,666	1,183,510	1,387,235	1,875,720	1,959,360	1,800,473	2,599,449	2,738,739								
Unrestricted	1,262,296	(599,257)	(1,646,513)	(1,375,414)	(1,448,647)	(1,354,594)	(1,419,809)	(411,563)	(4,604,739)	(5,497,518)								
Total governmental activities net position	\$ 10,908,783	\$ 7,058,904	\$ 6,541,786	\$ 5,754,808	\$ 5,628,374	\$ 6,164,881	\$ 6,530,148	\$ 7,197,512	\$ 3,988,821	\$ 3,959,098								
Business-type activities																		
Invested in capital assets, net of related debt	\$ 8,646	\$ 5,891	\$ 27,217	\$ 53,956	\$ 49,384	\$ 44,813	\$ 40,240	\$ 35,669	\$ 31,097	\$ 26,525								
Restricted																		
Unrestricted	163,046	127,603	137,352	128,569	121,983	151,623	203,983	177,595	176,082	188,305								
Total business-type activities net position	\$ 171,692	\$ 133,494	\$ 164,569	\$ 182,525	\$ 171,367	\$ 196,436	\$ 244,223	\$ 213,264	\$ 207,179	\$ 214,830								
District-wide																		
Invested in capital assets, net of related debt	\$ 9,527,940	\$ 6,740,103	\$ 6,409,850	\$ 6,000,668	\$ 5,739,170	\$ 5,688,568	\$ 6,030,837	\$ 5,844,271	\$ 6,025,208	\$ 6,744,402								
Restricted	127,193	923,949	1,805,666	1,183,510	1,387,235	1,875,720	1,959,360	1,800,473	2,599,449	2,738,739								
Unrestricted	1,425,342	(471,654)	(1,509,161)	(1,246,845)	(1,326,664)	(1,202,971)	(1,215,826)	(233,968)	(4,428,657)	(5,309,213)								
Total district net position	\$ 11,080,475	\$ 7,192,398	\$ 6,706,355	\$ 5,937,333	\$ 5,799,741	\$ 6,361,317	\$ 6,774,371	\$ 7,410,776	\$ 4,196,000	\$ 4,173,928								

Source: CAFR Schedule A-1

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
Instruction										
Regular	\$ 9,584,571	\$ 9,278,095	\$ 9,571,732	\$ 9,104,052	\$ 9,429,486	\$ 9,493,691	\$ 9,826,339	\$ 10,114,685	\$ 11,735,863	\$ 12,149,335
Special education	1,680,138	1,800,392	1,668,975	1,799,222	1,782,354	1,842,783	2,008,476	1,949,327	2,223,781	2,265,396
Other instruction	963,544	1,012,412	1,054,527	1,074,224	978,488	999,666	1,074,177	1,156,123	1,265,016	1,646,787
Support Services:										
Tuition	614,743	569,022	494,903	423,903	351,394	229,988	212,026	346,977	228,442	151,188
Student & instruction related services	2,098,459	2,025,876	2,423,998	2,345,639	2,328,137	2,368,833	2,430,731	2,305,311	2,431,658	2,527,102
School administrative services	1,176,241	1,158,146	1,185,959	1,038,130	1,166,109	1,120,328	1,208,901	1,238,379	1,388,547	1,495,584
General administrative services	853,299	881,275	825,493	805,324	845,009	880,161	954,281	1,038,722	1,013,095	1,063,633
Plant operations and maintenance	1,614,699	1,698,137	1,722,222	1,840,573	1,904,939	1,991,234	2,119,148	2,168,550	2,388,204	2,585,161
Pupil transportation	1,721,885	1,833,592	1,794,127	1,976,588	1,972,615	1,916,184	1,947,586	1,948,164	2,201,072	2,252,332
Transfer to Charter School	78,752	52,530	171,264	205,399	-	188,633	58,207	36,297	82,910	85,867
Interest on long-term debt	126,761	120,470	113,739	43,634	83,964	79,063	106,046	118,168	110,661	102,870
Total governmental activities expenses	<u>20,513,092</u>	<u>20,429,947</u>	<u>21,026,939</u>	<u>20,656,688</u>	<u>20,842,495</u>	<u>21,110,564</u>	<u>21,945,918</u>	<u>22,420,703</u>	<u>25,069,249</u>	<u>26,325,255</u>
Business-type activities:										
Food service	501,314	430,754	418,999	400,130	394,992	406,735	398,067	472,371	443,351	439,992
Adult Education	49,834	54,110	57,607	48,385	88,966	41,325	33,984	33,804	47,099	47,246
School Store	3,584	8,773	10,826	10,113	12,688	8,902	7,740	8,839	6,803	8,277
Total business-type activities expense	<u>554,732</u>	<u>493,637</u>	<u>487,432</u>	<u>458,628</u>	<u>496,646</u>	<u>456,962</u>	<u>439,791</u>	<u>516,014</u>	<u>497,253</u>	<u>495,515</u>
Total district expenses	<u>\$ 21,067,824</u>	<u>\$ 20,923,584</u>	<u>\$ 21,514,371</u>	<u>\$ 21,115,316</u>	<u>\$ 21,339,141</u>	<u>\$ 21,567,526</u>	<u>\$ 22,385,709</u>	<u>\$ 22,936,717</u>	<u>\$ 25,566,502</u>	<u>\$ 26,820,770</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (regular & special education)	\$ 249,663	\$ 344,347	\$ 433,618	\$ 209,091	\$ 216,095	\$ 228,605	\$ 214,879	\$ 175,887	\$ 263,342	\$ 207,056
Operating grants and contributions	8,900,891	9,012,436	7,948,680	7,461,368	7,800,740	8,214,676	8,340,551	9,274,367	11,042,512	11,954,904
Total governmental activities program revenues	<u>9,150,554</u>	<u>9,356,783</u>	<u>8,382,298</u>	<u>7,670,459</u>	<u>8,016,835</u>	<u>8,443,281</u>	<u>8,555,430</u>	<u>9,450,254</u>	<u>11,305,854</u>	<u>12,161,960</u>
Business-type activities:										
Charges for services										
Food service	452,461	430,235	387,403	361,453	359,811	364,280	339,663	345,940	359,150	365,921
Adult Education	56,173	59,658	70,501	46,461	54,578	41,889	57,582	49,100	46,306	53,892
School Store	6,854	10,527	10,021	8,406	10,623	10,156	8,780	9,662	8,015	5,604
Operating grants and contributions	31,858	40,655	48,693	51,594	52,764	57,339	74,337	67,166	73,632	71,539
Total business type activities program revenues	<u>547,346</u>	<u>541,075</u>	<u>516,618</u>	<u>467,914</u>	<u>477,776</u>	<u>473,664</u>	<u>480,362</u>	<u>471,868</u>	<u>487,103</u>	<u>496,956</u>
Total district program revenues	<u>\$ 9,697,900</u>	<u>\$ 9,897,858</u>	<u>\$ 8,898,916</u>	<u>\$ 8,138,373</u>	<u>\$ 8,494,611</u>	<u>\$ 8,916,945</u>	<u>\$ 9,035,792</u>	<u>\$ 9,922,122</u>	<u>\$ 11,792,957</u>	<u>\$ 12,658,916</u>
Net (Expense)/Revenue										
Governmental activities	\$(11,362,538)	\$(11,073,164)	\$(12,644,641)	\$(12,986,229)	\$(12,825,660)	\$(12,667,283)	\$(13,390,488)	\$(12,970,449)	\$(13,763,395)	\$(14,163,295)
Business-type activities	(7,386)	47,438	29,186	9,286	(18,870)	16,702	40,571	(44,146)	(10,150)	1,441
Total district-wide net expense	<u>\$(11,369,924)</u>	<u>\$(11,025,726)</u>	<u>\$(12,615,455)</u>	<u>\$(12,976,943)</u>	<u>\$(12,844,530)</u>	<u>\$(12,650,581)</u>	<u>\$(13,349,917)</u>	<u>\$(13,014,595)</u>	<u>\$(13,773,545)</u>	<u>\$(14,161,854)</u>

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 10,666,693	\$ 11,266,127	\$ 11,805,817	\$ 12,046,554	\$ 12,514,812	\$ 12,833,283	\$ 13,020,410	\$ 13,202,696	\$ 13,466,749	\$ 13,639,128
Taxes levied for debt service	93,132	137,491	151,175	264,970	203,969	205,566	256,187	220,985	254,288	251,588
Tuition Received	-	9,925	-	-	-	-	-	-	-	-
Investment earnings	106,390	85,966	69,942	26,350	10,934	5,884	2,910	4,587	3,586	1,410
Miscellaneous income	131,285	156,218	101,025	121,071	230,991	159,057	178,557	209,545	230,977	241,446
Adjustment to Capital Assets	(491,411)	(62,601)	(436)	100,599	-	-	-	-	-	-
NJ EDA/SDA Grants for Capital Projects	(7,073)								434,200	
Transfers	(3,631)									
Total governmental activities	<u>10,495,385</u>	<u>11,593,126</u>	<u>12,127,523</u>	<u>12,559,544</u>	<u>12,960,706</u>	<u>13,203,790</u>	<u>13,458,064</u>	<u>13,637,813</u>	<u>14,389,800</u>	<u>14,133,572</u>
Business-type activities:										
Miscellaneous Income	2,383	2,473	1,889	8,670	7,712	8,367	7,216	13,187	4,065	6,210
Transfers	3,631									
Total business-type activities	<u>6,014</u>	<u>2,473</u>	<u>1,889</u>	<u>8,670</u>	<u>7,712</u>	<u>8,367</u>	<u>7,216</u>	<u>13,187</u>	<u>4,065</u>	<u>6,210</u>
Total district-wide	<u>\$ 10,501,399</u>	<u>\$ 11,595,599</u>	<u>\$ 12,129,412</u>	<u>\$ 12,568,214</u>	<u>\$ 12,968,418</u>	<u>\$ 13,212,157</u>	<u>\$ 13,465,280</u>	<u>\$ 13,651,000</u>	<u>\$ 14,393,865</u>	<u>\$ 14,139,782</u>
Change in Net Position										
Governmental activities	\$ (867,153)	\$ 519,962	\$ (517,118)	\$ (426,685)	\$ 135,046	\$ 536,507	\$ 67,576	\$ 667,364	\$ 626,405	\$ (29,723)
Business-type activities	(1,372)	49,911	31,075	17,956	(11,158)	25,069	47,787	(30,959)	(6,085)	7,651
Total district	<u>\$ (868,525)</u>	<u>\$ 569,873</u>	<u>\$ (486,043)</u>	<u>\$ (408,729)</u>	<u>\$ 123,888</u>	<u>\$ 561,576</u>	<u>\$ 115,363</u>	<u>\$ 636,405</u>	<u>\$ 620,320</u>	<u>\$ (22,072)</u>

Source: CAFR Schedule A-2

**Kittatinny Regional School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years**
(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 344,306	\$ 977,126	\$ 1,857,666	\$ 1,436,406	\$ 1,021,162	\$ 1,645,227	\$ 1,929,559	\$ 1,729,236	\$ 2,549,449	\$ 2,624,944
Unreserved	960,273	973,590	49,664	(227,879)	318,304	389,505	86,471	1,226,573	254,286	311,335
Total general fund	<u>\$ 1,304,579</u>	<u>\$ 1,950,716</u>	<u>\$ 1,907,330</u>	<u>\$ 1,208,527</u>	<u>\$ 1,339,466</u>	<u>\$ 2,034,732</u>	<u>\$ 2,016,030</u>	<u>\$ 2,955,809</u>	<u>\$ 2,803,735</u>	<u>\$ 2,936,279</u>
All Other Governmental Funds										
Reserved								-	-	-
Unreserved, reported in:										
Special revenue fund								-	-	-
Capital projects fund				\$ 29,801					\$ 701,019	-
Debt service fund	\$ 7,316	\$ 1,919	\$ 1	65,064	\$ 45,223	\$ 29,801	\$ 29,801			
Total all other governmental funds	<u>\$ 7,316</u>	<u>\$ 1,919</u>	<u>\$ 1</u>	<u>\$ 94,865</u>	<u>\$ 45,223</u>	<u>\$ 29,801</u>	<u>\$ 29,801</u>	<u>\$ -</u>	<u>\$ 701,019</u>	<u>-</u>

Source: CAFR Schedule B-1

**Kittatinny Regional School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	<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>2016</u>
Revenues										
Tax levy	\$ 10,886,586	\$ 11,524,088	\$ 12,070,731	\$ 12,311,524	\$ 12,718,781	\$ 13,038,849	\$ 13,276,597	\$ 13,423,681	\$ 13,721,037	\$ 13,890,716
Tuition charges	-	9,925		400	-	-	-		33,762	16,071
Transportation	249,663	344,347	319,880	208,691	216,095	228,605	214,879	175,887	229,580	190,985
Interest earnings	106,390	85,966	69,942	1,373	965	330	509	650	712	1,410
Miscellaneous	136,154	164,599	103,025	146,048	240,960	164,611	180,958	213,482	233,851	241,446
State sources	8,061,744	8,238,535	7,458,046	6,902,505	7,042,380	7,528,043	7,852,508	7,804,868	8,046,443	8,486,832
Federal sources	707,520	645,050	488,633	1,172,142	758,360	686,633	488,043	1,469,499	741,676	661,439
Total revenue	20,148,057	21,012,510	20,510,257	20,742,683	20,977,541	21,647,071	22,013,494	23,088,067	23,007,061	23,488,899
Expenditures										
Instruction										
Regular Instruction	6,539,040	6,414,690	6,732,968	6,937,929	6,703,971	6,840,359	7,026,873	7,206,998	7,506,192	7,487,922
Special education instruction	1,151,181	1,288,020	1,205,864	1,405,916	1,320,179	1,368,378	1,475,783	1,426,520	1,463,164	1,439,623
Other instruction	709,516	735,696	793,559	863,220	746,390	765,276	811,858	873,050	861,571	1,087,695
Support Services:										
Tuition	614,743	569,023	494,903	423,903	351,394	229,988	212,026	346,977	228,442	151,188
Student & instruction related services	1,512,161	1,482,737	1,805,161	1,831,895	1,723,556	1,757,177	1,781,051	1,680,387	1,587,856	1,593,861
School Administrative services	817,117	795,830	783,787	811,989	867,556	834,062	890,163	909,805	917,069	956,258
General administrative services	638,220	649,633	638,396	641,440	638,944	667,744	675,210	687,890	652,467	658,218
Plant operations and maintenance	1,339,197	1,438,372	1,448,559	1,407,798	1,382,730	1,448,762	1,526,260	1,556,301	1,534,765	1,606,307
Pupil transportation	1,684,793	1,799,274	1,757,835	1,588,338	1,504,709	1,466,899	1,471,977	1,471,162	1,499,096	1,487,654
Unallocated employee benefits	4,636,835	4,448,136	4,387,231	4,787,182	4,880,136	4,733,843	5,302,053	5,303,770	5,494,687	5,826,928
Charter Schools	78,752	52,530	171,264	205,399	-	188,633	58,207	36,297	82,910	85,867
Capital outlay	332,402	434,471	69,202	342,305	523,068	445,118	544,548	428,147	809,809	1,424,265
Debt service:										
Principal	135,000	140,000	150,000	155,000	160,000	140,000	180,000	180,000	190,000	195,000
Interest and other charges	129,545	123,358	116,833	44,907	93,611	80,988	76,187	70,786	64,288	56,588
Total expenditures	20,318,502	20,371,770	20,555,562	21,447,221	20,896,244	20,967,227	22,032,196	22,178,090	22,892,316	24,057,374
Excess (Deficiency) of revenues over (under) expenditures	(170,445)	640,740	(45,305)	(704,538)	81,297	679,844	(18,702)	909,977	114,745	(568,475)
Other Financing Sources (uses)										
NJ SDA Grants for Capital Projects	(7,073)			100,599					434,200	-
Transfers in	91,386			163,700	29,801					
Transfers out	(95,017)			(163,700)	(29,801)					
Total other financing sources (uses)	(10,704)	-	-	100,599	-	-	-	-	434,200	-
Net change in fund balances	\$ (181,149)	\$ 640,740	\$ (45,305)	\$ (603,939)	\$ 81,297	\$ 679,844	\$ (18,702)	\$ 909,977	\$ 548,945	\$ (568,475)
Debt service as a percentage of noncapital expenditures	1.3%	1.3%	1.3%	0.9%	1.2%	1.1%	1.2%	1.2%	1.2%	1.1%

Source: CAFR Schedule B-2

KITTATINNY REGIONAL 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>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Transportation</u> <u>Fees</u>	<u>Rentals</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2007	\$ 104,471	\$ 42,629	\$ 249,663	\$ 17,604		\$ 71,052	\$ 485,419
2008	85,966	47,576	344,347	22,834	\$ 9,925	94,189	604,837
2009	67,388	21,154	319,880	26,365		56,060	490,847
2010	26,350	32,742	208,690	21,615	400	62,715	352,512
2011	10,934	11,998	216,095	41,936		177,057	458,020
2012	5,884	9,607	228,605	38,164		111,286	393,546
2013	2,910		214,879	39,826		138,731	396,346
2014	4,587		175,887	37,351		172,194	390,019
2015	3,586		229,580		33,762	230,977	497,905
2016	1,410		190,985		16,071	241,446	449,912

SOURCE: District Records

**Kittatinny Regional School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years - Fredon Township**

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Req.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax- Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2007	\$5,878,900	\$221,034,700	\$26,872,100	\$1,994,800	\$12,183,200	\$3,912,700	-	\$284,283,687	\$11,796,000	\$611,287	\$272,487,687	\$0.866	\$402,488,855
2008	4,738,000	227,203,400	27,565,100	1,967,300	12,813,100	3,912,700	-	290,672,130	11,944,000	528,530	278,728,130	0.912	516,366,933
2009	9,779,500	458,629,100	59,564,800	1,945,400	22,934,800	7,028,300	-	587,307,097	26,459,000	966,197	560,848,097	1.629	558,965,857
2010	9,719,800	455,995,100	61,120,500	2,291,500	22,934,800	7,002,600	-	586,290,717	26,479,500	746,917	559,811,217	0.504	556,324,174
2011	9,559,600	454,453,300	61,934,100	1,982,200	23,068,200	7,002,600	-	584,731,465	26,487,100	244,365	558,244,365	0.524	531,329,855
2012	9,533,400	452,433,840	61,856,300	1,989,000	22,996,700	6,477,600	-	581,460,781	25,899,300	274,641	555,561,481	0.543	495,256,704
2013	6,625,800	361,504,600	49,443,000	1,951,900	20,661,700	6,092,300	-	471,060,673	24,485,600	295,773	446,575,073	0.705	468,903,446
2014	6,053,200	358,158,500	52,234,500	2,094,400	17,034,800	5,930,500	-	466,087,772	24,294,700	287,172	441,793,072	0.749	474,715,244
2015	6,664,400	356,619,800	52,873,500	1,947,100	16,768,600	5,900,500	-	465,758,262	24,660,500	323,862	441,097,762	0.774	450,932,164
2016	6,312,700	354,237,400	53,697,600	1,942,600	16,093,500	5,900,500	-	466,466,973	27,891,200	391,473	438,575,773	1.074	440,346,934

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

**Kittatinny Regional School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years - Hampton Township**

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax- Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2007	\$7,079,000	\$274,750,100	\$28,656,605		\$61,194,100	\$610,000		\$415,717,489	\$42,385,450	\$1,042,234	\$373,332,039	\$1.076	\$651,785,866
2008	8,518,000	278,836,900	29,511,025		66,591,500	335,000		427,779,796	43,118,250	869,121	384,661,546	1.111	747,136,755
2009	8,643,700	281,085,400	30,657,475		67,294,100	335,000		434,057,464	45,231,850	809,939	388,825,614	1.151	786,727,501
2010	8,382,500	282,185,800	30,686,200		67,470,200	335,000		437,959,638	48,234,550	665,388	389,725,088	1.180	792,388,864
2011	8,114,900	282,504,200	29,089,000	\$1,926,700	67,527,000	335,000		439,089,337	49,157,550	434,987	389,931,787	1.201	756,766,252
2012	7,901,200	284,426,800	26,564,000	1,917,300	68,651,400	335,000		441,294,163	51,013,950	484,513	390,280,213	1.044	748,146,536
2013	7,818,500	285,821,700	25,445,200	1,884,900	69,563,900	335,000		442,062,683	50,639,250	554,233	391,423,433	1.210	694,615,358
2014	7,725,600	286,376,000	25,348,100	1,455,300	69,563,900	335,000		442,174,466	50,790,250	580,316	391,384,216	1.224	649,164,659
2015	13,338,500	431,439,000	35,787,600	1,044,400	124,062,900	558,000		683,597,955	76,404,400	963,155	607,193,555	0.805	611,266,258
2016	13,984,000	433,957,400	32,694,700	1,003,300	123,065,400	548,000		684,527,488	78,220,500	1,054,188	606,306,988	0.835	631,368,182

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

**Kittatinny Regional School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years - Sandyston Township**

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2007	\$6,435,300	\$100,669,600	\$15,706,400		\$10,003,100	\$1,398,000		\$217,671,374	\$83,023,250	\$435,724	\$134,648,124	\$2.041	\$225,146,954
2008	16,192,800	200,599,000	30,903,200		19,816,200	2,373,100		590,356,083	319,801,600	670,183	270,554,483	1.076	260,779,161
2009	14,650,800	202,755,300	31,920,800		20,093,100	2,373,100		593,723,826	321,269,300	661,426	272,454,526	1.135	289,635,447
2010	13,944,800	203,957,600	31,699,800		19,986,300	2,373,100		594,485,213	322,026,600	497,013	272,458,613	1.208	304,828,906
2011	12,933,200	205,131,800	31,347,200	\$1,141,900	20,104,200	2,373,100		597,419,200	323,753,000	634,800	273,666,200	1.260	276,815,900
2012	12,335,500	206,092,100	31,402,400	1,079,200	20,534,700	2,373,100		598,714,921	324,194,000	703,921	274,520,921	1.218	274,602,009
2013	11,035,500	205,931,200	31,486,200	1,106,200	20,456,800	2,373,100		596,765,624	323,631,500	745,124	273,134,124	1.367	272,612,986
2014	10,065,600	205,923,200	32,165,100	1,107,300	20,557,800	2,373,100		596,891,033	323,968,900	730,033	272,922,133	1.368	241,708,092
2015	9,847,400	204,725,200	32,515,400	1,105,100	20,498,900	2,373,100		596,395,709	324,598,200	732,409	271,797,509	1.363	254,896,069
2016	6,027,800	169,773,000	28,452,000	1,185,200	17,823,500	2,112,800		405,913,590	179,685,800	853,490	226,227,790	1.658	239,858,743

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

**Kittatinny Regional School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years - Stillwater Township**

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2007	\$6,564,700	\$203,303,200	\$25,840,800		\$8,930,700	\$408,900		\$273,240,016	\$27,748,300	\$443,416	\$245,491,716	\$1.170	\$490,241,335
2008	6,009,100	204,325,700	27,341,900		8,930,700	408,900		275,455,050	28,052,200	386,550	247,402,850	1.215	548,448,380
2009	5,767,600	205,545,300	27,957,800		8,930,700	408,900		277,201,191	28,250,200	340,691	248,950,991	1.245	580,601,044
2010	5,341,900	208,201,700	26,891,100		8,930,700	408,900		279,008,893	28,948,500	286,093	250,060,393	1.251	597,995,147
2011	5,141,800	208,384,800	25,612,100	\$1,315,800	8,719,200	408,900		279,561,913	29,797,000	182,313	249,764,913	1.294	578,551,595
2012	4,844,700	208,917,300	25,886,200	1,312,000	8,339,200	326,400		280,145,236	30,307,200	212,236	249,838,036	1.145	554,436,528
2013	4,785,900	207,881,600	26,607,200	1,320,500	8,239,200	326,400		279,734,329	30,335,300	238,229	249,399,029	1.371	527,808,416
2014	4,745,100	207,670,500	26,626,000	1,311,400	8,179,500	326,400		279,879,482	30,748,500	272,082	249,130,982	1.374	470,419,448
2015	7,172,100	341,912,400	40,640,000	1,590,100	13,500,600	324,700		473,141,306	67,463,000	538,406	405,678,306	0.856	435,487,945
2016	7,159,800	341,998,200	39,525,100	1,582,200	13,344,300	324,700		472,751,756	68,244,200	573,256	404,507,556	0.996	404,507,556

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

**Kittatinny Regional School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years - Walpack Township**

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2007	\$85,100	\$645,250	\$523,950		\$1,077,400			\$32,914,463	\$30,515,950	\$66,813	\$2,398,513	\$0.572	\$2,736,761
2008	85,100	645,250	523,950		1,077,400			32,913,477	30,515,950	65,827	2,397,527	0.371	2,805,243
2009	85,100	645,250	523,950		1,077,400			32,913,036	30,515,950	65,386	2,397,086	0.360	2,887,175
2010	85,100	645,250	523,950		1,077,400			32,907,947	30,515,950	60,297	2,391,997	0.154	2,897,014
2011	85,100	645,250	422,000	\$101,950	1,077,400			32,922,736	30,515,950	75,086	2,406,786	0.000	3,059,927
2012	85,100	645,250	422,000	101,950	1,077,400			32,923,117	30,515,950	75,467	2,407,167	0.000	3,181,513
2013	85,100	561,750	366,200	101,950	1,226,800			32,936,153	30,515,950	78,403	2,420,203	0.000	3,057,657
2014	289,900	561,750	366,200	231,400	1,473,300			33,515,917	30,515,950	77,417	2,999,967	0.000	3,648,613
2015	441,800	582,350	366,200	79,500	1,452,700			33,513,903	30,515,950	75,403	2,997,953	0.000	3,486,185
2016	68,000	561,750	366,200	79,500	1,452,700			33,534,521	30,910,350	96,021	2,624,171	0.000	3,085,456

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

**Kittatinny Regional School District
Direct and Overlapping Property Tax Rates - Fredon Township
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Kittatinny Regional Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Fredon Township School District	Municipality	Sussex County	
2007	\$0.842	\$0.024	\$0.866	\$1.171	\$0.468	\$0.765	\$3.270
2008	\$0.888	\$0.024	\$0.912	\$1.321	\$0.490	\$0.757	\$3.480
2009	\$1.617	\$0.012	\$1.629	\$0.712	\$0.519	\$0.779	\$3.639
2010	\$0.493	\$0.011	\$0.504	\$0.742	\$0.265	\$0.379	\$1.890
2011	\$0.515	\$0.009	\$0.524	\$0.765	\$0.272	\$0.384	\$1.945
2012	\$0.534	\$0.009	\$0.543	\$0.781	\$0.284	\$0.387	\$1.995
2013	\$0.693	\$0.012	\$0.705	\$0.990	\$0.365	\$0.486	\$2.546
2014	\$0.736	\$0.013	\$0.749	\$1.020	\$0.379	\$0.523	\$2.671
2015	\$0.759	\$0.015	\$0.774	\$1.044	\$0.383	\$0.534	\$2.735
2016	\$1.059	\$0.015	\$1.074	\$0.802	\$0.390	\$0.517	\$2.783

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.

**Kittatinny Regional School District
Direct and Overlapping Property Tax Rates - Hampton Township
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Kittatinny Regional Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Hampton Township School District	Municipality	Sussex County	
2007	\$1.051	\$0.025	\$1.076	\$1.170	\$0.419	\$0.765	\$3.430
2008	\$1.087	\$0.024	\$1.111	\$1.177	\$0.460	\$0.792	\$3.540
2009	\$1.127	\$0.024	\$1.151	\$1.190	\$0.519	\$0.779	\$3.639
2010	\$1.154	\$0.026	\$1.180	\$1.211	\$0.548	\$0.776	\$3.715
2011	\$1.182	\$0.019	\$1.201	\$1.223	\$0.578	\$0.784	\$3.786
2012	\$1.024	\$0.020	\$1.044	\$1.243	\$0.602	\$0.833	\$3.722
2013	\$1.189	\$0.021	\$1.210	\$1.246	\$0.616	\$0.822	\$3.894
2014	\$1.203	\$0.021	\$1.224	\$1.250	\$0.626	\$0.821	\$3.921
2015	\$0.790	\$0.015	\$0.805	\$0.818	\$0.410	\$0.525	\$2.558
2016	\$0.820	\$0.015	\$0.835	\$0.804	\$0.412	\$0.537	\$2.588

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.

**Kittatinny Regional School District
Direct and Overlapping Property Tax Rates - Sandyston Township
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Kittatinny Regional Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Local Township School District	Municipality	Sussex County	
2007	\$1.988	\$0.053	\$2.041	N/A	\$0.251	\$0.738	\$3.030
2008	\$1.064	\$0.012	\$1.076	N/A	\$0.147	\$0.397	\$1.620
2009	\$1.122	\$0.013	\$1.135	N/A	\$0.165	\$0.410	\$1.710
2010	\$1.195	\$0.013	\$1.208	N/A	\$0.191	\$0.427	\$1.826
2011	\$1.250	\$0.010	\$1.260	N/A	\$0.192	\$0.408	\$1.860
2012	\$1.208	\$0.010	\$1.218	N/A	\$0.191	\$0.435	\$1.844
2013	\$1.355	\$0.012	\$1.367	N/A	\$0.196	\$0.464	\$2.027
2014	\$1.357	\$0.011	\$1.368	N/A	\$0.200	\$0.438	\$2.006
2015	\$1.351	\$0.012	\$1.363	N/A	\$0.201	\$0.488	\$2.052
2016	\$1.643	\$0.015	\$1.658	N/A	\$0.261	\$0.545	\$2.464

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.

**Kittatinny Regional School District
Direct and Overlapping Property Tax Rates - Stillwater Township
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Kittatinny Regional Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Stillwater Township School District	Municipality	Sussex County	
2007	\$1.157	\$0.013	\$1.170	\$1.302	\$0.629	\$0.879	\$3.980
2008	\$1.202	\$0.013	\$1.215	\$1.339	\$0.684	\$0.902	\$4.140
2009	\$1.217	\$0.028	\$1.245	\$1.399	\$0.784	\$0.898	\$4.326
2010	\$1.224	\$0.027	\$1.251	\$1.451	\$0.806	\$0.911	\$4.419
2011	\$1.273	\$0.021	\$1.294	\$1.482	\$0.831	\$0.936	\$4.543
2012	\$1.124	\$0.021	\$1.145	\$1.515	\$0.848	\$0.964	\$4.472
2013	\$1.347	\$0.024	\$1.371	\$1.549	\$0.863	\$0.984	\$4.767
2014	\$1.352	\$0.022	\$1.374	\$1.582	\$0.866	\$0.934	\$4.756
2015	\$0.840	\$0.016	\$0.856	\$0.986	\$0.514	\$0.560	\$2.916
2016	\$0.980	\$0.016	\$0.996	\$0.873	\$0.495	\$0.572	\$2.936

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.

**Kittatinny Regional School District
Direct and Overlapping Property Tax Rates - Walpack Township
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Kittatinny Regional Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Regional School District	Municipality	Sussex County	
2007	\$0.461	\$0.111	\$0.572	N/A	N/A	\$0.438	\$1.010
2008	\$0.358	\$0.013	\$0.371	N/A	N/A	\$0.419	\$0.790
2009	\$0.349	\$0.011	\$0.360	N/A	N/A	\$0.400	\$0.760
2010	\$0.154		\$0.154	N/A	N/A	\$0.398	\$0.552
2011	\$0.000		\$0.000	N/A	N/A	\$0.451	\$0.451
2012	\$0.000		\$0.000	N/A	N/A	\$0.569	\$0.569
2013	\$0.000		\$0.000	N/A	N/A	\$0.580	\$0.580
2014	\$0.000		\$0.000	N/A	N/A	\$0.596	\$0.596
2015	\$0.000		\$0.000	N/A	N/A	\$0.601	\$0.601
2016	\$0.000		\$0.000	\$1.758	N/A	\$0.598	\$2.356

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

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.

**Kittatinny Regional Board of Education
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Fredon Township

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Fredon Golf, LLC	-					
Bear Brok Golf Course				\$ 3,370,500	1	1.52%
Mira Plastics	\$ 2,470,000	1		1,485,500	2	0.67%
United Telephone of NJ				1,186,649	3	0.53%
Fredon Golf, LLC	-					
Amco Enterprises				1,098,000	4	0.49%
Hosea Holdings II, LLC	1,813,300	2				
Fredon Golf, LLC	1,721,600	3				
Schneider & Marquard	1,247,500	4		773,100	5	0.35%
Individual Taxpayer #1	1,027,000	5		744,500	6	0.33%
Individual Taxpayer #2	1,202,300	6		740,100	7	0.33%
Individual Taxpayer #3	1,200,000	7		633,200	9	0.28%
Model Craftsman	1,064,200	8		666,700	8	0.30%
Individual Taxpayer #4	1,057,700	9		580,400	10	0.26%
Individual Taxpayer #5	1,009,700	10				
Total	\$ 13,813,300		0.00%	\$11,278,649		5.06%

Source: District CAFR & Municipal Tax Assessor

**Kittatinny Regional Board of Education
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Hampton Township

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Individual Taxpayer #1	\$ 21,585,100	1	3.55%	\$ 7,748,600	2	2.23%
Kere Associates, LLC	15,962,300	2	2.63%			
Lowe's Home Improvements	15,600,000	3	2.57%			
Wal-Mart Stores	12,990,000	4	2.14%	12,437,700	1	3.58%
Ephemeral Realty	8,832,200	5	1.45%			
Sussex County Realty, LLC	5,280,200	6	0.87%			
Carriage Mobile Homes	3,880,000	7	0.64%	2,037,400	7	0.59%
McGuire Hampton Realty	3,179,000	8	0.52%			
Newton Property Assoc., LLC	2,498,100	9	0.41%			
Individual Taxpayer #2	2,425,000	10	0.40%	3,264,600	5	0.94%
Condit Motors				4,667,700	4	1.34%
Susan Elizabeth Shopping Center				5,157,700	3	1.49%
Salerno-Duane				2,113,400	6	0.61%
Individual Taxpayer #3				1,732,500	10	0.50%
Toyota Motor Sales				2,002,800	8	0.58%
BPA Realty				1,928,100	9	0.56%
Total	\$ 92,231,900		15.18%	\$ 35,341,900		10.19%

Source: District CAFR & Municipal Tax Assessor

**Kittatinny Regional Board of Education
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Sandyston Township

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Dingmans Choice & Delaware Bridge	\$ 1,500,000	1	0.50%	\$ 750,000	1	0.59%
Stokes Realty, LLC	1,336,600	2	0.40%			
Individual Taxpayer #1	1,006,900	3	0.30%	499,100	2	0.39%
Individual Taxpayer #2	972,300	4	0.30%	468,800	3	0.37%
Ariben Realty, LLC	912,600	5	0.30%			
Individual Taxpayer #3	883,300	6	0.30%	378,400	7	0.30%
Kittatinny Lake Club, Inc.	839,000	7	0.20%			
Individual Taxpayer #4	834,400	8	0.30%	352,200	8	0.28%
Individual Taxpayer #5	823,700	9	0.30%	339,500	9	0.27%
Individual Taxpayer #6	819,400	10				
FMA Realty, LLC				454,200	4	0.36%
Hidden Acres Farm				440,300	6	0.34%
Individual Taxpayer #6				332,300	10	0.26%
YMCA of Newark			0.40%	450,000	5	0.35%
Total	\$ 9,928,200		2.90%	\$ 4,464,800		3.16%

Source: District CAFR & Municipal Tax Assessor

Stillwater Township

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Mountain Shadows Lake Assoc.	\$ 2,041,500	1	0.44%	\$ 1,105,400	1	0.46%
Mission of TAO - Confucianism				873,800	2	0.36%
North Shore House	1,297,500	2	0.27%	605,300	4	0.25%
Individual Taxpayer #1	1,255,100	3	0.35%	814,900	3	0.34%
Individual Taxpayer #2	1,203,100	4	0.28%			
Individual Taxpayer #3	1,168,000	5	0.26%	570,300	5	0.24%
Individual Taxpayer #4	1,082,000	6	0.26%	570,100	6	0.24%
Individual Taxpayer #5	1,001,100	7	0.23%	541,500	7	0.23%
Individual Taxpayer #6	906,700	8	0.22%	518,900	8	0.22%
Individual Taxpayer #7	879,800	9	0.21%	463,400	9	0.19%
Individual Taxpayer #8	853,200	10	0.21%	445,500	10	0.19%
Total	<u>\$ 11,688,000</u>		<u>2.73%</u>	<u>\$ 6,509,100</u>		<u>2.72%</u>

Source: District CAFR & Municipal Tax Assessor

**Kittatinny Regional Board of Education
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Walpack Township

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Walpack Inn	\$ 1,056,800	1	44.03%	\$ 1,056,800	1	43.22%
Individual Taxpayer #1	223,400	2	9.30%	291,600	3	11.92%
Individual Taxpayer #2	175,300	3	7.28%	223,400	4	9.14%
BA Handler	113,900	4	4.73%			
Elryan				200,750	5	8.21%
Individual Taxpayer #3	85,400	5	3.55%	86,300	6	3.53%
Individual Taxpayer #4	59,200	7	2.45%	85,400	7	3.49%
Overlook Rod & Gun	77,000	6	3.20%	311,500	2	12.74%
BA Handler	55,800	8	2.32%			
Individual Taxpayer #5	49,500	9	2.06%	63,850	8	2.61%
Individual Taxpayer #6	42,200	10	1.75%	59,200	9	2.42%
Individual Taxpayer #7				42,200	10	1.73%
Total	\$ 1,938,500		80.67%	\$ 2,421,000		99.01%

Source: District CAFR & Municipal Tax Assessor

**Kittatinny Regional 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	
2007	\$10,759,825	\$10,759,825	100.00%	-
2008	\$11,403,618	\$11,403,618	100.00%	-
2009	\$11,956,992	\$11,956,992	100.00%	-
2010	\$12,311,524	\$12,311,524	100.00%	-
2011	\$12,718,781	\$12,718,781	100.00%	-
2012	\$13,038,849	\$13,038,849	100.00%	-
2013	\$13,276,597	\$13,276,597	100.00%	-
2014	\$13,423,681	\$13,423,681	100.00%	-
2015	\$13,721,037	\$13,721,037	100.00%	-
2016	\$13,890,716	\$13,890,716	100.00%	-

Source: District records including the Certificate and Report of School Taxes (A4F form);
Abstract of Ratables - Sussex County

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.

**Kittatinny Regional 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		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2007	\$ 3,737,000	-	-	-	-0-	\$ 3,737,000	0.55%	\$253.27	
2008	\$ 2,597,000	-	-	-	-0-	\$ 2,597,000	0.36%	\$175.64	
2009	\$ 2,447,000	-	-	-	-0-	\$ 2,447,000	0.33%	\$166.10	
2010	\$ 2,295,000	-	-	-	-0-	\$ 2,295,000	0.32%	\$156.13	
2011	\$ 2,135,000	-	-	-	-0-	\$ 2,135,000	0.30%	\$145.60	
2012	\$ 1,995,000	-	-	-	-0-	\$ 1,995,000	0.27%	\$136.99	
2013	\$ 1,815,000	-	-	-	-0-	\$ 1,815,000	0.24%	\$125.72	
2014	\$ 1,635,000	-	-	-	-0-	\$ 1,635,000	0.22%	\$114.30	
2015	\$ 1,445,000	-	-	-	-0-	\$ 1,445,000	0.19%	\$101.77	
2016	\$ 1,250,000	-	-	-	-0-	\$ 1,250,000	0.17%	\$88.93 *	

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

* Current data unavailable

**Kittatinny Regional School District
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years - Constituent Townships**

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		
2007	\$ 3,737,000	-0-	\$ 3,737,000	0.36%	\$ 253.27
2008	\$ 2,597,000	-0-	\$ 2,597,000	0.22%	\$ 175.64
2009	\$ 2,447,000	-0-	\$ 2,447,000	0.17%	\$ 166.10
2010	\$ 2,295,000	-0-	\$ 2,295,000	0.16%	\$ 156.13
2011	\$ 2,135,000	-0-	\$ 2,135,000	0.14%	\$ 145.60
2012	\$ 1,995,000	-0-	\$ 1,995,000	0.14%	\$ 136.99
2013	\$ 1,815,000	-0-	\$ 1,815,000	0.13%	\$ 125.72
2014	\$ 1,635,000	-0-	\$ 1,635,000	0.12%	\$ 114.30
2015	\$ 1,445,000	-0-	\$ 1,445,000	0.08%	\$ 101.77
2016	\$ 1,250,000	-0-	\$ 1,250,000	0.07%	\$ 88.93 *

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.

R Revised

* Current data unavailable

**Kittatinny Regional School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2016**

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			
Constituent Townships	\$ 2,360,102	100%	\$ 2,360,102
Other debt			
Sussex County	112,567,826	8.87%	<u>9,979,558</u>
Subtotal, overlapping debt			12,339,660
Kittatinny Regional School District Direct Debt	1,250,000	100%	<u>1,250,000</u>
Total direct and overlapping debt			<u><u>\$ 13,589,660</u></u>

Sources: Constituent Townships Finance Officers, Sussex 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.

**Kittatinny Regional School District
Legal Debt Margin Information,
Last Ten Fiscal Years**

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2016

Equalized valuation basis

2015	\$ 1,739,385,026
2014	\$ 1,772,527,108
2013	<u>1,777,613,645</u>
[A]	<u>\$ 5,289,525,779</u>

Average equalized valuation of taxable property **[A/3]** \$ 1,763,175,260

Debt limit (3.5 % of average equalization value) **[B]** 61,711,134

Net bonded school debt **[C]** 1,250,000

Legal debt margin **[B-C]** **\$ 60,461,134**

	Fiscal Year									
	<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>2016</u>
Debt limit	\$62,471,637	\$70,230,874	\$71,828,792	\$76,633,267	\$76,633,267	\$72,204,084	\$68,702,028	\$65,312,080	\$62,853,643	\$61,711,134
Total net debt applicable to limit	<u>2,737,000</u>	<u>2,597,000</u>	<u>2,447,000</u>	<u>2,295,000</u>	<u>2,295,000</u>	<u>1,995,000</u>	<u>1,815,000</u>	<u>1,635,000</u>	<u>1,445,000</u>	<u>1,250,000</u>
Legal debt margin	<u>\$59,734,637</u>	<u>\$67,633,874</u>	<u>\$69,381,792</u>	<u>\$74,338,267</u>	<u>\$74,338,267</u>	<u>\$70,209,084</u>	<u>\$66,887,028</u>	<u>\$63,677,080</u>	<u>\$61,408,643</u>	<u>\$60,461,134</u>
Total net debt applicable to the limit as a percentage of debt limit	4.38%	3.70%	3.41%	2.99%	2.99%	2.76%	2.64%	2.50%	2.30%	2.03%

Source: Abstract of Ratables and District Records CAFR Schedule J-7

a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

**Kittatinny Regional 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>
2007	14,755	\$ 678,862,514	\$45,638 R	3.4%
2008	14,786	\$ 721,711,315	\$47,416 R	4.4%
2009	14,732	\$ 735,997,428	\$46,021 R	5.4%
2010	14,699	\$ 714,722,980	\$46,659 R	5.5%
2011	14,663	\$ 719,222,070	\$48,471 R	5.6%
2012	14,563	\$ 746,631,650	\$50,169 R	5.6%
2013	14,437	\$ 764,380,350	\$50,534 R	8.4%
2014	14,305	\$ 756,616,705	\$52,851 R	5.6%
2015	14,199	\$ 747,237,805 *	\$52,851 *	4.9%
2016	14,056	\$ 742,873,656 *	\$52,851 *	*

Source:

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

^b Personal income provided by US Dept Commerce

^c Per Capita provided by NJ Dept of Labor

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

P Projected

R Revised

* Current data unavailable

**Kittatinny Regional School District
Principal Employers,
Current Year and Nine Years Ago**

Exhibit J-15

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>
Wal-Mart Stores	426	1	N/A	-	N/A	
Kittatinny Regional High Schoo;	171	2		-		
Lowes Home Improvement	154	3		-		
		4		-		
		5		-		
		6		-		
		7		-		
		8		-		
		9		-		
		10		-		
	<u>751</u>			<u>-</u>		

Source: Economic Development Partnership

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

Exhibit J-16

<u>Function/Program</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>2016</u>
Instruction										
Regular	91.5	90.5	90.5	87.0	86.0	85.5	85.0	85.0	85.0	84.0
Special education	15.0	16.0	16.0	17.0	16.0	16.0	17.0	17.0	17.0	18.0
Other special education	12.0	13.0	14.0	15.0	15.5	15.5	16.0	14.0	11.0	11.0
Support Services:										
Student & instruction related services	14.0	13.0	14.0	14.0	12.0	15.0	15.0	18.0	17.5	17.0
School administrative services	18.0	17.0	17.0	19.0	18.0	17.0	18.0	15.0	16.0	16.0
General administrative services	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Plant operations and maintenance	12.5	12.5	12.5	11.5	11.5	12.0	11.0	12.0	13.5	13.0
Pupil transportation	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	170.0	169.0	171.0	170.5	166.0	168.0	169.0	168.0	167.0	166.0

Source: District Personnel Records

Kittatinny Regional 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
						Middle School	High School				
2007	1,241	19,721,554	15,892	7.15%	106	10.0	12.0	1,233.4	1,189.2	-1.25%	96.4%
2008	1,189	19,308,282	16,239	2.19%	106	10.0	12.0	1,174.1	1,134.3	-4.81%	96.6%
2009	1,198	19,927,831	16,634	2.43%	107	10.0	12.0	1,157.8	1,119.1	-1.39%	96.7%
2010	1,176	20,905,009	17,776	6.87%	107	10.0	12.0	1,157.2	1,118.1	-0.05%	96.6%
2011	1,142	20,119,565	17,618	-0.89%	106	9.0	12.0	1,110.9	1,066.3	-4.00%	96.0%
2012	1,154	20,301,121	17,592	-0.15%	100	9.0	12.0	1,109.4	1,066.9	-0.14%	96.2%
2014	1,108	21,231,461	19,162	8.92%	100	9.0	12.0	1,073.6	1,033.3	-3.23%	96.2%
2015	1,122	21,499,157	19,161	0.00%	100	9.0	12.0	1,087.0	1,046.7	1.25%	96.3%
2015	1,061	21,828,219	20,573	7.37%	101	12.0	10.0	1,072.1	1,007.8	-1.37%	94.0%
2016	1,060	22,381,521	21,115	2.63%	102	11.0	10.6	1,052.0	987.8	-1.87%	93.9%

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-4
- 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)

**Kittatinny Regional School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<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>2016</u>
<u>District Building</u>										
<u>High School</u>										
Square Feet	210,503	210,503	210,503	210,503	210,503	210,503	210,503	210,503	210,503	210,503
Capacity (Students)	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214	1,214
Enrollment	1,241	1,174	1,170	1,176	1,142	1,154	1,108	1,122	1,154	1,060

Number of Schools at June 30, 2016
High School = 1

Source: District records, ASSA

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

KITTATINNY REGIONAL SCHOOL DISTRICT
 GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Nine Fiscal Years Ending June 30, 2016

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</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>2016</u>	<u>Total</u>
High School Building		\$ 210,407	\$ 189,937	\$ 185,548	\$ 267,672	\$ 212,848	\$ 251,849	\$ 286,530	\$ 264,529	\$ 242,003	\$ 311,312	\$ 2,422,635
Total School Facilities		210,407	189,937	185,548	267,672	212,848	251,849	286,530	264,529	242,003	311,312	2,422,635
Other Facilities		NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE
Grand Total		<u>\$ 210,407</u>	<u>\$ 189,937</u>	<u>\$ 185,548</u>	<u>\$ 267,672</u>	<u>\$ 212,848</u>	<u>\$ 251,849</u>	<u>\$ 286,530</u>	<u>\$ 264,529</u>	<u>\$ 242,003</u>	<u>\$ 311,312</u>	<u>\$ 2,422,635</u>

KITTATINNY REGIONAL SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2016

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<u>SCHOOL ALLIANCE INSURANCE FUND</u>		
PROPERTY SECTION -		
Property-Blanket Building and Contents	\$ 5,000,000	\$ 1,000
LIABILITY SECTION -		
Comprehensive General Liability	5,000,000	None
Employee Benefits Liability	5,000,000	None
Automobile Liability	5,000,000	None
Excess Liability	5,000,000	None
WORKERS' COMPENSATION -		
(a) Statutory Benefits		None
(b) Employers Liability	As required by	None
Supplemental Coverage	State of New Jersey	None
SCHOOL BOARD LEGAL LIABILITY POLICY -		
School Leader's Professional Liability	5,000,000	
CRIME -		
Blanket Employee Dishonesty	100,000	Per Occ.
Per Loss Member Aggregate Limit	400,000	
Theft Disappearance Destruction In and Out	50,000	
Computer Fraud	50,000	
Forgery	50,000	
OTHER COVERAGE		
Sexual Abuse and Molestation	3,000,000	
Critical Incident Management	250,000	
INDIVIDUAL BONDS:(Not in SAIF)		
Kathy Kane (BA)	250,000	None
Donna Mosner (Treasurer of School Monies)	250,000	None

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

Honorable President and
 Members of the Board of Education
 Kittatinny Regional School District
 County of Sussex
 Hampton, New Jersey 07860

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 Kittatinny Regional School District Board of Education in the County of Sussex, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Kittatinny Regional School District Board of Education's basic financial statements, and have issued our report thereon dated August 31, 2016.

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.

-Continued-

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.

Purpose of this Report

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

Ardito & Co., LLP

ARDITO & CO., LLP
August 31, 2016

Anthony Cordero

Licensed Public School Accountant No.2369



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

Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB circular 15-08

Independent Auditor's Report

Honorable President and
 Members of the Board of Education
 Kittatinny Regional School District
 County of Sussex
 Hampton, New Jersey 07860

Report on Compliance for Each Major Federal and State Program

We have audited the Kittatinny Regional School District Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2016. The Kittatinny Regional School District Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

-Continued-

Those standards, the Uniform Guidance, and New Jersey OMB Circular 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 federal or 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.

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

Opinion on Each Major Federal and State Program

In our opinion, the Kittatinny Regional 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 federal and state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Kittatinny Regional 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 federal and 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 federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and New Jersey OMB Circular 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 Kittatinny Regional 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 federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 federal 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.

-Continued-

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 Uniform Guidance and New Jersey OMB circular 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

August 31, 2016

Cynthia Corder

Licensed Public School Accountant No.2369

KITTATINNY REGIONAL SCHOOL DISTRICT

K-3

Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2016

Schedule A

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA No.	FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance At June 30, 2015	Carryover/ Walkover/ Amount	Cash Received	Budgetary Expend.	Adjust.	Repayment of Prior Years' Balances	Balance at June 30, 2016			Cumulative Total Expenditures
					From	To							Accounts Receivable	Deferred Revenue	Due to Grantor	
U.S. Department of Education																
General Fund:																
Impact Aid	84.041		N/A	\$ 387,489	7/1/15	6/30/16			\$ 387,489	\$ (256,300)				\$ 131,189		\$ 256,300
Impact Aid	84.041		N/A	388,572	7/1/14	6/30/15	\$ 388,572			(388,572)				-		388,572
Impact Aid	84.041		N/A	1,225,449	7/1/13	6/30/14	1,000,449			(622,527)				377,922		875,449
Total General Fund							1,389,021	-	387,489	(1,267,399)	-	-	-	509,111	-	1,520,321
U.S. Department of Education																
Passed-through State																
Department of Education:																
Special Revenue Fund:																
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	FT367516	\$225,768	7/1/15	6/30/16			204,889	(221,251)			\$ (20,879)	\$ 4,517		221,251
I.D.E.A. Part B, Basic Regular Special Education Cluster	84.027	H027A150100	FT367515	\$225,297	7/1/14	6/30/15	(6,668)		6,776	(107)	\$ (1)					225,297
							(6,668)	-	211,665	(221,358)	(1)		(20,879)	4,517	-	446,548
Title I	84.010A	S010A150030	NCLB367516	39,138	7/1/15	6/30/16			32,156	(39,138)			(6,982)	-		39,138
Title I	84.010A	S010A150030	NCLB367515	38,013	7/1/14	6/30/15	(11,428)		11,428					-		38,013
Title II Part A	84.367A	S367B150027	NCLB367516	18,652	7/1/15	6/30/16			15,031	(18,652)			(3,621)	-		18,652
Title II Part A No Child Left Behind	84.367A	S367B150027	NCLB367515	18,814	7/1/14	6/30/15	(3,881)		3,881					-		18,814
							(15,309)	-	62,496	(57,790)	-	-	(10,603)	-	-	114,617
Total Special Revenue Fund							(21,977)	-	274,161	(279,148)	(1)	-	(31,482)	4,517	-	561,165
U.S. Dept. of Agricul. Passed-Through																
Passed Through State Dept. of Ed.																
Enterprise Fund:																
Child Nutrition Cluster:																
National School Lunch Program (Food Distribution)	10.555	1616NJ304N1099	N/A		7/1/14	6/30/15	1,662			(1,662)						1,662
National School Lunch Program (Food Distribution)	10.555	1616NJ304N1099	N/A	17,097	7/1/15	6/30/16			17,097	(14,133)				2,964		14,133
National School Lunch Program	10.555	1616NJ304N1099	N/A		7/1/14	6/30/15	(3,671)		3,671							
National School Lunch Program	10.555	1616NJ304N1099	N/A	52,872	7/1/15	6/30/16			51,124	(52,872)			(1,748)			52,872
Total Enterprise Fund							(2,009)		71,892	(68,667)			(1,748)	2,964	-	68,667
Total Federal Financial Awards							\$ 1,365,035		\$ 733,542	\$ (1,615,214)	(1)		\$ (33,230)	\$ 516,592	-	\$ 2,150,153

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

KITTATINNY REGIONAL SCHOOL DISTRICT

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2016

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2015	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2016			MEMO		
										(ACCTS. RECEIV.)	DEFER. REVENUE/ INTERFUND PAYABLE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education:															
General Fund:															
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	\$ 3,436,027			\$ 3,436,027	\$ (3,436,027)							\$ 339,687	\$ 3,436,027
School Choice Aid	16-495-034-5120-068	7/1/15-6/30/16	204,000			204,000	(204,000)							20,168	204,000
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	631,242			631,242	(631,242)							62,405	631,242
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	614,895			614,895	(614,895)							60,789	614,895
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	80,860			80,860	(80,860)							7,994	80,860
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	1,053,290			1,053,290	(1,053,290)							104,128	1,053,290
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	11,070			11,070	(11,070)							1,094	11,070
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	11,070			11,070	(11,070)							1,094	11,070
Extra-Ordinary Aid	16-495-034-5120-044	7/1/15-6/30/16	40,313				(40,313)			\$ (40,313)					40,313
Extra-Ordinary Aid	15-495-034-5120-044	7/1/14-6/30/15	46,102	\$ (46,102)		46,102									-
Non-Public Transportation Aid	16-100-034-5120-068	7/1/15-6/30/16	1,044			-	(1,044)			(1,044)					1,044
Non-Public Transportation Aid	15-100-034-5120-068	7/1/14-6/30/15	6,743	(6,743)		6,743									-
On-Behalf TPAF Pension	16-495-034-5094-002	7/1/15-6/30/16	733,851			733,851	(733,851)								733,851
On Behalf TPAF Pension PMR	16-495-034-5094-001	7/1/15-6/30/16	917,342			917,342	(917,342)								917,342
On Behalf TPAF Pension Non-Contrib Ins	16-495-034-5094-004	7/1/15-6/30/16	36,556			36,556	(36,556)								36,556
Reimb. TPAF Soc. Sec. Contrib.	16-495-034-5094-003	7/1/15-6/30/16	715,608	(35,924)		751,532	(715,608)								715,608
Total General Fund				(88,769)		8,534,580	(8,487,168)			(41,357)				597,359	8,487,168
Special Revenue Fund:															
N.J. Nonpublic Aid:															
Textbooks Aid	16-100-034-5120-064	7/1/15-6/30/16	1,599	176		1,599	(1,599)		\$ (176)						1,599
Nursing Services	16-100-034-5120-070	7/1/15-6/30/16	2,700	575		2,700	(2,678)		(575)			\$ 22			2,678
Technology Aid	16-100-034-5120-373	7/1/15-6/30/16	728	17		728	(548)		(17)			180			548
Auxiliary Services:															
Compensatory Education	16-100-034-512a-067	7/1/15-6/30/16	6,768	1,433		6,768	(1,692)		(1,433)			5,076			1,692
Handicapped Services:															
Examination and Classification	16-100-034-512b-066	7/1/15-6/30/16	684	2,519		684	(683)		(2,519)			1			683
Corrective Speech	16-100-034-512a-066	7/1/15-6/30/16	1,672			1,672	(1,589)		-			83			1,589
Supplementary Instruction	16-100-034-512c-066	7/1/15-6/30/16	2,970	471		2,970	-		(471)			2,970			-
Total Special Revenue Fund				5,191		17,121	(8,789)		(5,191)			8,332			8,789
Capital Projects Fund:															
SDA Grant - Bldg. Security, Comm.	2465-050-14-G2QP	7/1/14-6/30/16	434,200	(173,680)			(260,520)			(434,200)					260,520
Total Capital Projects Fund				(173,680)			(260,520)			(434,200)					260,520
State Department of Agriculture:															
Enterprise Fund:															
Nat. School Lunch Prog. (State Share)	15-100-010-3350-023	7/1/14-6/30/15		(182)		182									
Nat. School Lunch Prog. (State Share)	16-100-010-3350-023	7/1/15-6/30/16	2,871			2,782	(2,871)			(89)					2,871
Total Enterprise Fund				(182)		2,964	(2,871)			(89)					2,871
Total State Financial Assistance				\$ (257,440)		\$ 8,554,665	\$ (8,759,348)		- \$ (5,191)	\$ (475,646)		- \$ 8,332		\$ 597,359	\$ 8,759,348

Less: On-behalf TPAF Pension Amounts 1,687,749

Total State Expenditures Subject to Major Program Determination \$ (7,071,599)

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

NOTES TO THE SCHEDULES OF FEDERAL AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying federal and state 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 net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$10,100) for the general fund and (\$4,564) 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 federal and statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF FEDERAL AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 387,830	\$ 8,477,068	\$ 8,864,898
Special Revenue Fund	273,609	9,764	283,373
Food Service Fund	<u>68,668</u>	<u>2,871</u>	<u>71,539</u>
Total Financial Assistance	<u>\$ 730,107</u>	<u>\$ 8,489,703</u>	<u>\$ 9,219,810</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

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, 2016. 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, 2016.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

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

Noncompliance material to financial statements noted? ___ Yes __x__ No

Federal Awards

Internal control over major programs:

1) Material weakness(es) identified? ___ Yes __x__ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes __x__ None

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of ? ___ Yes __x__ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.041		Impact Aid

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ___ yes __x__ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section II-Financial Statement Findings

N/A

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

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

N/A

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and NJOMB Circular Letter 15-08, as applicable. There were no federal or state financial assistance findings or questioned costs that are required to be reported in accordance with Uniform Guidance or NJOMB Circular 15-08.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

N/A

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

