

**KINGWOOD TOWNSHIP
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2017

**Prepared by
Kingwood Township Board of Education
Department of Administration**

**KINGWOOD TOWNSHIP
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

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KINGWOOD TOWNSHIP BOARD OF EDUCATION

880 County Road 519
Frenchtown, New Jersey 08825

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October 18, 2017

Honorable President and
Members of the Board of Education
Kingwood Township School District
880 County Road 519
Frenchtown, New Jersey 08825

Dear Board Members:

The comprehensive annual financial report of the Kingwood Township School District for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the district. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report of 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.

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 8 as well as special education. The district completed the 2016-2017 fiscal year with an average daily enrollment of 343.5 students, which is a .38% increase over the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2007-2008	461.1	(5.32%)
2008-2009	454.0	(1.54%)
2009-2010	447.9	(1.34%)
2010-2011	428.3	(4.38%)
2011-2012	412.7	(3.64%)
2012-2013	408.7	(0.98%)
2013-2014	367.9	(9.98%)
2014-2015	360.3	(2.08%)
2015-2016	342.2	(5.29%)
2016-2017	343.5	0.38%

2. ECONOMIC CONDITION AND OUTLOOK: The Kingwood Township Board of Education recognizes the ever-changing environment of financing education in the State of New Jersey. The School Funding Reform Act of 2008 established the formula for determining the level of State Aid and local funding needed to educate all New Jersey public school children. This law also created a maximum tax levy increase, various budget restrictions, and set the maximum district fund balance at the higher of 2% of budget expenditures or \$250,000. The New Jersey Department of Education releases the Education Adequacy Report for adjustments to the costs, weights and aid amount in the State's school-funding formula on a yearly basis. Over the past several years, this formula has changed based on the State's budget, making it difficult to predict what state aid amount will be released to Kingwood School on a consistent basis. The Kingwood Township Board of Education, along with its excellent staff, believes it will continue to provide a comprehensive education for all of its children. Exceptional instructional programs continue to be offered and reviewed on a regular basis for improvements. Our students in grades three through eight continue to score at state average on the Partnership for Assessment of Readiness for College and Careers PARCC.

3. MAJOR INITIATIVES: The Kingwood Township School District continues to deliver high-quality programs and maintain a fiscal responsible budget. The major initiatives for the 2016-2017 academic school year were integrating Google classroom, implementing GOLD into our primary grades, developing social/emotional competencies in children, preparing our students for the PARCC assessment and implementing the NGSS into grades 5-8

Students in grades 3-8 now have access to a Chromebook. Students in grades 3-5 are designated a classroom Chromebook; meanwhile, students in the middle school are given a Chromebook that is allowed to be taken home. We continue to invest in Google Classrooms and integrated Google Apps into the instructional setting.

The Reader's Workshop model continues to be a strategy embedded into all grade levels literacy program. The adoption of this instructional strategy required a significant investment in the staff and resources. The staff is more intentional when supporting students literacy foundation. All

students in grades K-8 are placed along the F&P continuum.

The science curriculum was revised and aligned to the NGSSS. Additional resources were purchased to help with the transition.

We will continue to measure student growth in K-2 along a developmental continuum to help teachers determine what individual children know and are able to do. This approach gives the teacher an opportunity to get to know every child through anecdotal evidence using iPads and gathering information throughout the day and year. The information collected will be entered into an online portfolio. Instead of students being pulled to take standardized tests, the students are assessed in their natural setting in authentic activities.

Our school district continues to be most fortunate in having the support and commitment of various parent and volunteer organizations. Our children benefited from a number of programs sponsored through the generosity of our PTA and the Kingwood Township Education Foundation. Kingwood Township School continues to be the center for activities within the community, not only academically but civically, opening its doors for many after-school and Saturday events.

4. INTERNAL ACCOUNT 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 is 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 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 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.

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. 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 total budget amount. The final budgeted amounts, as amended, for the fiscal year are 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, 2017.

6. ACCOUNTING SYSTEM AND REPORTS: 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 and account groups. These funds and account groups are explained in “Notes to the Financial Statements”, Note 1.

7. FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues meeting its responsibilities for sound financial management.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2017 and the percentage of increase/ (decrease) in relation to prior year amounts.

	Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage of Increase (Decrease)
REVENUES				
Local Sources				
Tax Levy				
General	\$ 5,475,786	74.46%	\$ 107,365	2.00%
Debt Service	245,000	3.33%	(4,750)	-1.90%
Other Revenues	79,671	1.08%	(22,287)	-21.86%
State Aid	1,412,876	19.21%	38,426	2.80%
Federal Aid	140,384	1.91%	(4,814)	-3.32%
Total	<u>\$ 7,353,717</u>	<u>100.00%</u>	<u>\$ 113,940</u>	1.57%
 EXPENDITURES				
Current Expense	\$ 6,208,429	92.45%	\$ (73,874)	-1.18%
Capital Outlay	121,583	1.81%	48,787	67.02%
Special Projects	140,287	2.09%	(4,911)	-3.38%
Debt Service				
Principal	190,000	2.83%	-	0.00%
Interest	55,000	0.82%	(4,750)	-7.95%
Total	<u>\$ 6,715,299</u>	<u>100.00%</u>	<u>\$ 286,664</u>	-0.51%

Note: Excludes “on behalf” payments, lease purchase acquisitions and capital projects.

8. DEBT ADMINISTRATION: At June 30, 2017, the District’s outstanding debt was \$1,510,000. This debt was originally issued in July 2003 to finance a building addition, and refunded in July 2011 for a net cash flow savings of \$116,604.

9. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in “Notes to the Financial Statement”, Note 3. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under 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.

10. 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.

11. OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bedard, Kurowicki, and Co., CPA’s, PC, was appointed by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." The auditor’s report on the general-purpose financial 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.

12. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Kingwood Township School District Board of Education for their dedication in providing fiscal accountability to the citizens and taxpayers of the school district, and 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 Business Office staff.

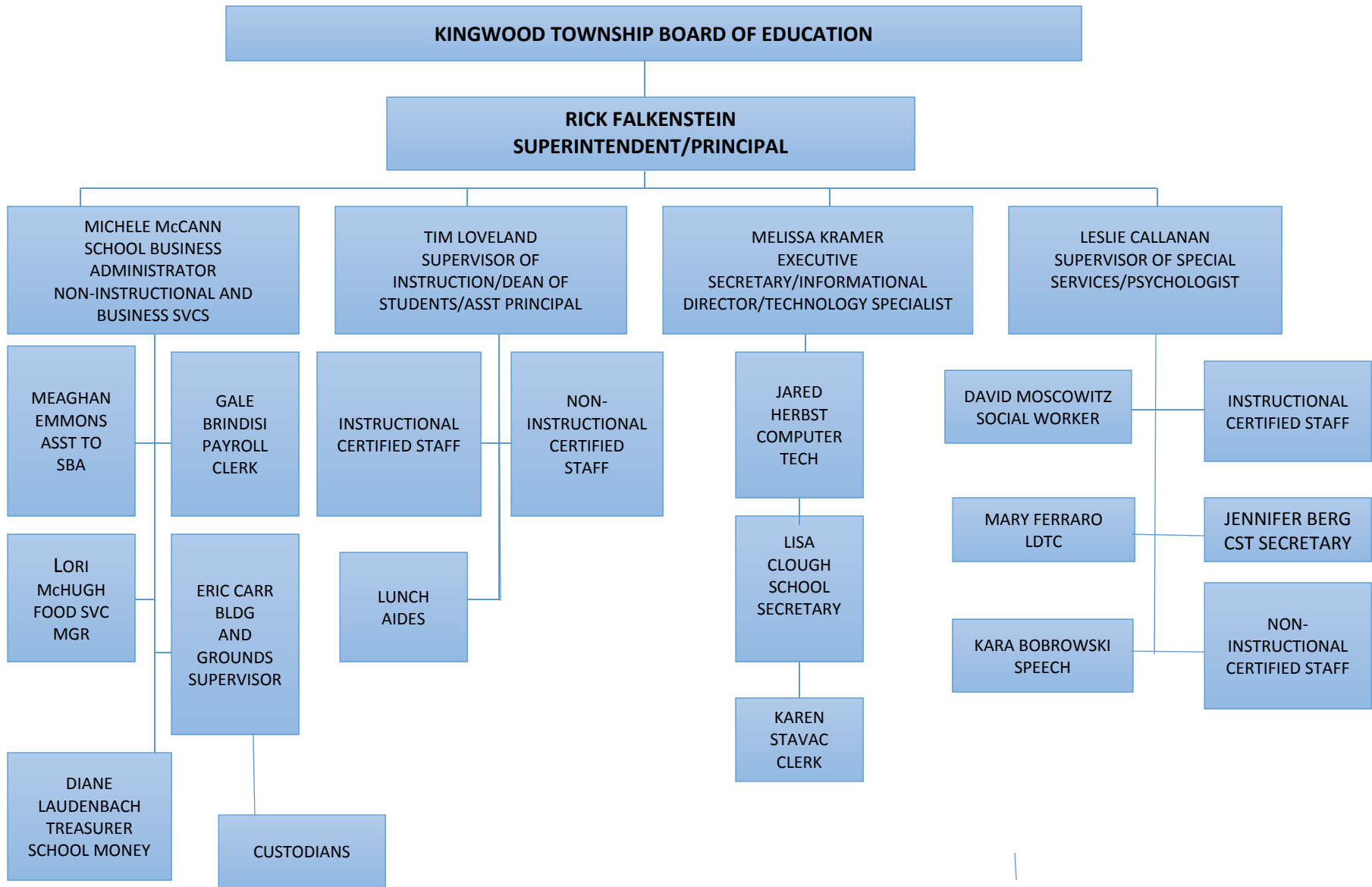
Respectfully submitted,



Dr. Erik Falkenstein
Chief School Administrator



Michele McCann
School Business Administrator/Board Secretary



KINGWOOD TOWNSHIP SCHOOL DISTRICT
880 County Road 519
Frenchtown, NJ 08825
June 30, 2017

Roster of Officials

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
Joseph DePinto	President	2018
Kevin Bloom	Vice President	2018
Jill Lonergan		2017
Kimberly Malina		2017
Shannon Sklodowsky		2017
Paymon Jelvani		2018
Michael DeSapio		2019
Donna Herbel		2019
Russell Pitzner		2019

Other Officials

Erik Falkenstein	Superintendent
Michele McCann	Board Secretary/School Business Administrator
Diane Laudenbach	School Treasurer

KINGWOOD TOWNSHIP SCHOOL DISTRICT
880 County Road 519
Frenchtown, NJ 08825
June 30, 2017

Consultants & Advisors

AUDIT FIRM

Bedard, Kurowicki & Co., CPA's, PC
114 Broad Street
Flemington, NJ 08822

ATTORNEY

Fogarty & Hara
Counselors at Law
16-00 Route 208 South
Fair Lawn, NJ 07410

ARCHITECT

Spiezle Architectural Group
120 Sanhican Dr #1
Trenton, NJ 08618

OFFICIAL DEPOSITORY

Investors Savings Bank



Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Kingwood Township School District
County of Hunterdon, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kingwood Township School District (the District) in the County of Hunterdon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board'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.

Auditors' 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 from 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. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, 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 Kingwood Township School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedules, Schedules of the District's Proportionate Share of Net Pension Liability, and Schedules of the District's Pension Contributions, as listed 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 District'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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Schedule of Expenditures of State Financial Assistance required by New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance 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 non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance 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 subject 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2017 on our consideration of the District'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 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.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC



William M. Colantano
Certified Public Accountant
Registered Municipal Accountant

October 18, 2017
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The discussion and analysis of Kingwood Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. 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 basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position increased \$449,483, which represents a 7.05% increase from 2016.
- General revenues accounted for \$9,598,560 in revenue or 96.94% of all revenues. Program specific revenues in the form of charges for services, operating grants, and contributions accounted for \$303,043 or 3.06% to total revenues of \$9,901,603.
- Total assets of governmental activities increased by \$511,870, as cash and cash equivalents decreased by \$18,966, receivables and other assets increased by \$446,483, and capital assets increased by \$84,353.
- The School District had \$9,452,120 in expenses; only \$303,043 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$9,598,560 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,732,031 in revenues and \$7,093,613 in expenditures. After factoring in other financing sources out of \$335,500, the General Fund's balance increased \$302,918 from 2016.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Kingwood Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Kingwood Township School District, the General Fund is by far the most significant fund.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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 fiscal year 2016-2017?" 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. No financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provided.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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 at June 30, 2017 with comparative data for June 30, 2016.

Table 1
Net Position

	6/30/17	6/30/16	Variance	
			Dollars	Percent
Assets				
Current & other assets	\$ 2,686,005	\$ 2,279,439	\$ 406,566	17.84%
Capital assets	7,647,121	7,553,116	94,005	1.24%
Total assets	10,333,126	9,832,555	500,571	5.09%
Deferred pension activity				
Total deferred outflow of resources	1,078,973	351,290	727,683	207.15%
Liabilities				
Long-term liabilities	4,342,939	3,525,649	817,290	23.18%
Other liabilities	178,094	173,539	4,555	2.62%
Total liabilities	4,521,033	3,699,188	821,845	22.22%
Deferred pension activity				
Total deferred inflow of resources	66,811	109,885	(43,074)	-39.20%
Net position				
Net investment in capital assets	6,137,121	5,853,116	284,005	4.85%
Restricted	1,912,048	1,455,925	456,123	31.33%
Unrestricted	(1,224,914)	(934,269)	(290,645)	31.11%
Total net position	\$ 6,824,255	\$ 6,374,772	\$ 449,483	7.05%

Total assets increased \$500,571. Cash and cash equivalents decreased by \$40,139, receivables and other assets increased by \$446,705, and capital assets increased by \$94,005. Unrestricted net assets, the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District decreased by \$290,645.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
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For the Fiscal Year Ended June 30, 2017
Unaudited

The negative balance in unrestricted net position is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

Table 2 shows the changes in net position in fiscal year 2017 with comparisons to 2016.

Table 2
Changes in Net Position

	6/30/17	6/30/16	Variance	
			Dollars	Percent
Revenues				
Program revenues				
Charges for services	\$ 130,530	\$ 141,016	\$ (10,486)	-7.44%
Operating grants and contributions	172,513	173,813	(1,300)	-0.75%
General revenues				
Property taxes	5,720,786	5,618,171	102,615	1.83%
Grants and entitlements	3,854,308	3,207,193	647,115	20.18%
Other	23,466	33,089	(9,623)	-29.08%
Total revenues	<u>9,901,603</u>	<u>9,173,282</u>	<u>728,321</u>	7.94%
Expenses				
Instruction				
Regular	3,875,298	3,817,127	58,171	1.52%
Special	1,651,088	1,580,219	70,869	4.48%
Other	405,393	81,956	323,437	394.65%
Support services				
Tuition	59,236	74,950	(15,714)	-20.97%
Student & instructional related services	1,328,133	1,230,493	97,640	7.94%
General & business administration	583,854	529,713	54,141	10.22%
School administration	196,937	219,729	(22,792)	-10.37%
Maintenance	859,519	681,050	178,469	26.20%
Transportation	311,598	305,062	6,536	2.14%
Food service	117,841	106,740	11,101	10.40%
Interest on long-term debt	63,223	68,845	(5,622)	-8.17%
Total expenses	<u>9,452,120</u>	<u>8,695,884</u>	<u>756,236</u>	8.70%
Increase (decrease) in net position	<u>\$ 449,483</u>	<u>\$ 477,398</u>	<u>\$ (27,915)</u>	-5.85%

* = Undefined

KINGWOOD TOWNSHIP SCHOOL DISTRICT
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Governmental Activities

Local property taxes made up 57.78% of revenues for governmental activities for the Kingwood Township School District for fiscal year 2017.

Instruction comprises 62.76% of district expenses. Support services expenses make up 37.24% 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 provides a summary of the School District's cost of governmental services in fiscal year ending June 30, 2017 with comparisons to June 30, 2016.

Table 3
Cost of Governmental Services

	Total Cost of Services		Net Cost of Services	
	6/30/17	6/30/16	6/30/17	6/30/16
Instruction	\$ 5,931,779	\$ 5,479,302	\$ 5,818,861	\$ 5,279,455
Support services				
Tuition	59,236	74,950	-	74,950
Student & instructional staff	1,328,133	1,230,493	1,308,400	1,225,493
General & business administration	583,854	529,713	583,854	527,717
School administration	196,937	219,729	196,937	219,729
Plant operations & maintenance	859,519	681,050	854,669	673,612
Pupil transportation	311,598	305,062	311,598	305,062
Food services	117,841	106,740	11,535	6,192
Interest on long-term debt	63,223	68,845	63,223	68,845
Total expenses	\$ 9,452,120	\$ 8,695,884	\$ 9,149,077	\$ 8,381,055

Instructional expenses include activities dealing directly 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 administration 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 a safe and effective working condition.

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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.

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

The dependence upon tax revenues is apparent. For all activities, general revenue support is 96.94%. The community, as a whole, is the primary support or funding source for the Kingwood Township School District.

The School District's Funds

Information about the School District's major funds starts in the section entitled Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,117,318 and expenditures of \$7,676,978. The General Fund had an increase in fund balance of \$302,918.

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.

The District builds a budget to meet the needs of its students based on the information and projections that are available at the time. During the year the District operated within the agreed upon budget and State transfer requirements, which restricted budget transfers to 10% of the advertised budget lines. Transfers were made within those parameters to address unanticipated student and facility needs, and to prevent over expenditures in specific line-items. More specifically, line-item transfers were made to fund the instructional aides and salaries required by IEPs, services required by IEPs, purchase science kits, upgrade lighting outdoors and lighting in the E wing, fix walkways, reseal the driveway and to cover architectural fees for renovations to the windows in the B and D halls. These funds became available due to the breakage in salaries from teacher resignations and retirement and lower than expected increases in employee health benefit premiums.

The School District uses program based budgeting. The budgeting systems are designed to tightly control total program budgets but provide the flexibility for program management.

For the General Fund, budget basis revenue and other financing sources were \$6,968,746, \$159,443 above original budgeted estimates of \$6,809,303. This difference was due primarily to additional state extraordinary aid, pre-school tuition, and other miscellaneous revenues.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
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The General Fund revenues of the School District exceeded expenditures and other financing uses by \$303,234, due to excess revenues of \$159,443 and unspent budgetary lines. This enabled the Capital Reserve account to be increased by \$600,000 and increase Maintenance Reserve by \$50,000. The financial position of the School District remains strong.

Capital Assets

At the end of the fiscal year 2017, the School District had \$7,615,798 invested in land, building, furniture and equipment. Table 4 shows fiscal 2017 balances compared to 2016.

Table 4
Capital Assets at Year End (Net of Depreciation)

	6/30/17	6/30/16	Variance	
			Dollars	Percent
Land	\$ 115,000	\$ 115,000	\$ -	
Construction in progress	107,320	107,320	-	
Land improvements	725,726	751,811	(26,085)	-3.47%
Buildings & improvements	6,418,472	6,308,131	110,341	2.03%
Furniture & equipment	249,280	249,183	97	0.04%
	<u>\$ 7,615,798</u>	<u>\$ 7,531,445</u>	<u>\$ 84,353</u>	<u>1.12%</u>

Overall capital assets increased \$84,353 from fiscal year 2016 to fiscal year 2017. Increases in capital assets were offset by depreciation expenses for the year.

Long-term liabilities

At June 30, 2017, the School District had \$4,342,939 of outstanding long-term liabilities. This amount is detailed in Table 5 below.

Table 5
Long-Term Liabilities at Year End

	6/30/17	6/30/16	Variance	
			Dollars	Percent
General obligation bonds payable	\$ 1,510,000	\$ 1,700,000	\$ (190,000)	-11.18%
Compensated absences payable	245,200	211,675	33,525	15.84%
PERS net pension liability	2,542,267	1,562,006	980,261	62.76%
Bond premium	45,472	51,968	(6,496)	-12.50%
	<u>\$ 4,342,939</u>	<u>\$ 3,525,649</u>	<u>\$ 817,290</u>	<u>23.18%</u>

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

For the Future

At the present time, the Kingwood Township School District is in very good financial condition. A concern is managing our declining enrollment without jeopardizing our academic programs, specifically the honors and fine arts programs. Kingwood Township has become a Choice School to help with the decline in our enrollment and increase our State Aid.

Maintaining our facility is an ongoing priority. The bathroom in B wing was renovated during the 2016-2017 school year. The District has initiated a window project and construction is set to begin in September 2017 to complete the replacement of all windows in the B wing and those not replaced in the D wing during the 2015-2016 school year. The District is planning to upgrade the waste treatment plant as the new permit requires, investigating a back-up well system, and renovation to the D wing bathrooms.

Kingwood Township is primarily a residential, farming community, with very few industrial ratables. This causes the school tax levy burden to primarily impact homeowners. As a result, the Board continually seeks opportunities to lower costs while maintaining an excellent educational program, and to identify new sources of revenue.

In conclusion, the Kingwood Township 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 challenges 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, kindly contact Michele McCann, School Business Administrator/Board Secretary at Kingwood Township Board of Education, 880 County Road 519, Frenchtown, NJ 08825 or email at mmcann@kingwoodschool.org.

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.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 198,726	\$ 19,028	\$ 217,754
Receivables, net	552,725	1,366	554,091
Inventory	-	2,112	2,112
Restricted assets			
Capital reserve account - cash	1,196,442	-	1,196,442
Emergency reserve - cash	152,354	-	152,354
Maintenance reserve - cash	240,000	-	240,000
Capital projects - cash	323,252	-	323,252
Capital assets, net			
Land	115,000	-	115,000
Capital assets not being depreciated	107,320	-	107,320
Other capital assets, net of depreciation	7,393,478	31,323	7,424,801
Total assets	<u>10,279,297</u>	<u>53,829</u>	<u>10,333,126</u>
Deferred outflows of resources			
Deferred amount on pension activity	<u>1,078,973</u>	<u>-</u>	<u>1,078,973</u>
Liabilities			
Accounts payable	152,028	-	152,028
Accrued interest	23,902	-	23,902
Unearned revenue	625	1,539	2,164
Long-term liabilities			
Due within one year	206,496	-	206,496
Due beyond one year	4,136,443	-	4,136,443
Total liabilities	<u>4,519,494</u>	<u>1,539</u>	<u>4,521,033</u>
Deferred inflows of resources			
Deferred amount on pension liability	<u>66,811</u>	<u>-</u>	<u>66,811</u>
Net position			
Net investment in capital assets	6,105,798	31,323	6,137,121
Restricted for			
Capital reserve	1,196,442	-	1,196,442
Emergency reserve	152,354	-	152,354
Maintenance reserve	240,000	-	240,000
Capital projects	323,252	-	323,252
Unrestricted	<u>(1,245,881)</u>	<u>20,967</u>	<u>(1,224,914)</u>
Total net position	<u>\$ 6,771,965</u>	<u>\$ 52,290</u>	<u>\$ 6,824,255</u>

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 1,980,254	\$ 1,895,044	\$ 51,600	\$ 32,099	\$ -	\$ (3,791,599)	\$ -	\$ (3,791,599)
Special education	589,636	817,063	-	15,453	-	(1,391,246)	-	(1,391,246)
Other special education	232,135	12,254	-	13,766	-	(230,623)	-	(230,623)
Other instruction	50,864	354,529	-	-	-	(405,393)	-	(405,393)
Support services								
Tuition	59,236	-	-	59,236	-	-	-	-
Students & instruction related services	762,196	565,937	-	19,733	-	(1,308,400)	-	(1,308,400)
General & business administration services	355,830	228,024	-	-	-	(583,854)	-	(583,854)
School administration services	116,533	80,404	-	-	-	(196,937)	-	(196,937)
Plant operations & maintenance	721,301	138,218	4,850	-	-	(854,669)	-	(854,669)
Pupil transportation	291,017	20,581	-	-	-	(311,598)	-	(311,598)
Interest on long-term debt	63,223	-	-	-	-	(63,223)	-	(63,223)
Total governmental activities	<u>5,222,225</u>	<u>4,112,054</u>	<u>56,450</u>	<u>140,287</u>	<u>-</u>	<u>(9,137,542)</u>	<u>-</u>	<u>(9,137,542)</u>
Business-type activities								
Food service	117,841	-	74,080	32,226	-	-	(11,535)	(11,535)
Total business-type activities	<u>117,841</u>	<u>-</u>	<u>74,080</u>	<u>32,226</u>	<u>-</u>	<u>-</u>	<u>(11,535)</u>	<u>(11,535)</u>
Total primary government	<u>\$ 5,340,066</u>	<u>\$ 4,112,054</u>	<u>\$ 130,530</u>	<u>\$ 172,513</u>	<u>\$ -</u>	<u>(9,137,542)</u>	<u>(11,535)</u>	<u>(9,149,077)</u>
			General revenues, special items & transfers					
						5,475,786	-	5,475,786
						245,000	-	245,000
						3,854,308	-	3,854,308
						12,583	157	12,740
						10,638	88	10,726
						<u>9,598,315</u>	<u>245</u>	<u>9,598,560</u>
						460,773	(11,290)	449,483
						6,311,192	63,580	6,374,772
						<u>\$ 6,771,965</u>	<u>\$ 52,290</u>	<u>\$ 6,824,255</u>

See accompanying notes to financial statements.

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.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ 198,726	\$ -	\$ -	\$ -	\$ 198,726
Receivables from other governments					
Local	438,065	-	-	-	438,065
State	114,320	-	-	-	114,320
Other accounts receivable	340	-	-	-	340
Restricted cash & cash equivalents	1,588,796	-	323,252	-	1,912,048
Total assets	\$ 2,340,247	\$ -	\$ 323,252	\$ -	\$ 2,663,499
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 152,028	\$ -	\$ -	\$ -	\$ 152,028
Unearned revenue	625	-	-	-	625
Total liabilities	152,653	-	-	-	152,653

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet (continued)
June 30, 2017

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Capital projects fund balance	\$ -	\$ -	\$ 323,252	\$ -	\$ 323,252
Excess surplus - designated for subsequent year's expenditures	112,479	-	-	-	112,479
Excess surplus - current year	154,844	-	-	-	154,844
Capital reserve	1,196,442	-	-	-	1,196,442
Emergency reserve	152,354	-	-	-	152,354
Maintenance reserve	240,000	-	-	-	240,000
Committed fund balance					
Year-end encumbrances	78,557	-	-	-	78,557
Assigned fund balance					
Additional assigned fund balance - unreserved - designated for subsequent year's expenditures July 1, 2017-August 1, 2017	26,414	-	-	-	26,414
Unassigned fund balance	226,504	-	-	-	226,504
Total fund balances	<u>2,187,594</u>	<u>-</u>	<u>323,252</u>	<u>-</u>	<u>2,510,846</u>
Total liabilities and fund balances	<u>\$ 2,340,247</u>	<u>\$ -</u>	<u>\$ 323,252</u>	<u>\$ -</u>	

Statement of Net Position (A-1) are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$11,526,631 and the accumulated depreciation is \$3,910,833.	7,615,798
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	1,012,162
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(4,342,939)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(23,902)</u>
Total net position of governmental activities	<u>\$ 6,771,965</u>

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 5,475,786	\$ -	\$ -	\$ 245,000	\$ 5,720,786
Tuition					
Individuals	51,600	-	-	-	51,600
Interest on investments	12,583	-	-	-	12,583
Rents and royalties	4,850	-	-	-	4,850
Miscellaneous	10,638	-	-	-	10,638
	<u>5,555,457</u>	<u>-</u>	<u>-</u>	<u>245,000</u>	<u>5,800,457</u>
State sources	2,176,477	-	-	-	2,176,477
Federal sources	97	140,287	-	-	140,384
Total revenues	<u>7,732,031</u>	<u>140,287</u>	<u>-</u>	<u>245,000</u>	<u>8,117,318</u>
Expenditures					
Current					
Instructional					
Regular instruction	1,948,155	32,099	-	-	1,980,254
Special education instruction	574,183	15,453	-	-	589,636
Other special instruction	218,369	13,766	-	-	232,135
Other instruction	50,864	-	-	-	50,864
Support service & undistributed costs					
Tuition	-	59,236	-	-	59,236
Student & instruction related services	742,463	19,733	-	-	762,196
General & business administrative services	355,830	-	-	-	355,830
School administrative services	116,533	-	-	-	116,533
Plant operations & maintenance	721,301	-	-	-	721,301
Pupil transportation	291,017	-	-	-	291,017
Unallocated benefits	1,953,315	-	-	-	1,953,315

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
For the Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 104,251	\$ -	\$ 198,078	\$ -	\$ 302,329
Debt service					
Principal	-	-	-	190,000	190,000
Interest & other charges	17,332	-	-	55,000	72,332
Total expenditures	<u>7,093,613</u>	<u>140,287</u>	<u>198,078</u>	<u>245,000</u>	<u>7,676,978</u>
Excess (deficit) of revenues over (under) expenditures	<u>638,418</u>	<u>-</u>	<u>(198,078)</u>	<u>-</u>	<u>440,340</u>
Other financing sources (uses)					
Operating transfers in	-	-	315,500	-	315,500
Operating transfers out	(335,500)	-	-	-	(335,500)
Total other financing sources (uses)	<u>(335,500)</u>	<u>-</u>	<u>315,500</u>	<u>-</u>	<u>(20,000)</u>
Net change in fund balance	302,918	-	117,422	-	420,340
Fund balances, July 1	<u>1,884,676</u>	<u>-</u>	<u>205,830</u>	<u>-</u>	<u>2,090,506</u>
Fund balances, June 30	<u><u>\$ 2,187,594</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 323,252</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,510,846</u></u>

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Governmental Funds
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, 2017

Total net changes in fund balances - governmental fund (from B-2)	\$	420,340
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 expenses. This is the amount by which capital outlays exceeds depreciation in the period:		
Capital outlays	\$	302,329
Depreciation expense		<u>(217,976)</u>
		84,353
Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and are not reported in the Statement of Activities:		
Debt principal payments		190,000
Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Amortization of bond premium		6,496
In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.		
		2,613
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
		(209,504)
In the Statement of Activities, compensated absences and early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.		
		<u>(33,525)</u>
Change in net position of governmental activities	\$	<u><u>460,773</u></u>

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2017

	<u>Food Service Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 19,028
Receivables from other governments	
State	68
Federal	1,298
Inventory	2,112
Total current assets	<u>22,506</u>
Noncurrent assets	
Capital assets	80,987
Less: accumulated depreciation	49,664
Total noncurrent assets	<u>31,323</u>
Total assets	<u>53,829</u>
Liabilities	
Current liabilities	
Unearned revenues - commodities	772
Unearned revenues - prepaid sales	767
Total liabilities	<u>1,539</u>
Net position	
Invested in capital assets, net of related debt	31,323
Unrestricted	20,967
Total net position	<u>\$ 52,290</u>

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

	Food Service Fund
Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 58,841
Daily sales - non-reimbursable programs	15,239
Total operating revenues	74,080
 Operating expenses	
Cost of sales - reimbursable programs	36,317
Cost of sales - non-reimbursable programs	7,016
Commodity food costs	9,245
Salaries	32,657
Supports services - employee benefits	4,544
Purchased professional/technical services	1,832
Other purchased services	
Insurance	3,880
Management fee	7,455
Supplies and materials	9,012
Depreciation	5,793
Miscellaneous expenditures	90
Total operating expenses	117,841
 Operating income (loss)	(43,761)
 Non-operating revenues (expenses)	
State sources	
State School Lunch Program	1,119
Federal sources	
National School Lunch Program	
Cash assistance	21,862
Non-cash assistance (commodities)	9,245
Other sources	
Interest earned on investments	157
Miscellaneous	88
Total non-operating revenues (expenses)	32,471
 Change in net position	(11,290)
 Net position, beginning	63,580
 Net position, ending	\$ 52,290

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2017

	<u>Food Service Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 74,340
Payments to Food Service Management Co.	(94,487)
Payments to vendors (net)	<u>(8,603)</u>
Net cash provided by (used for) operating activities	<u>(28,750)</u>
Cash flows from non-capital financing activities	
State sources	1,108
Federal sources	21,669
Miscellaneous	<u>88</u>
Net cash provided by (used for) non-capital financing activities	<u>22,865</u>
Cash flows from capital financing activities	
Acquisition of equipment	<u>(15,445)</u>
Net cash provided by (used for) capital financing activities	<u>(15,445)</u>
Cash flows from investing activities	
Interest earned on investments	<u>157</u>
Net cash provided by (used for) investing activities	<u>157</u>
Net increase (decrease) in cash and cash equivalents	(21,173)
Cash and cash equivalents, beginning	<u>40,201</u>
Cash and cash equivalents, ending	<u>\$ 19,028</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating activities	
Operating income (loss)	\$ (43,761)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	5,793
Federal Food Donation Program	9,245
(Increase) decrease in inventory	(19)
Increase (decrease) in deferred revenue	<u>(8)</u>
Net cash provided by (used for) operating activities	<u>\$ (28,750)</u>

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2017

	<u>Unemployment Compensation Fund</u>	<u>Student Activity Agency Fund</u>	<u>Payroll Agency Fund</u>
Assets			
Cash and cash equivalents	\$ 191,172	\$ 14,609	\$ 1,800
Total assets	<u>\$ 191,172</u>	<u>\$ 14,609</u>	<u>\$ 1,800</u>
Liabilities			
Payroll deductions and withholdings	\$ -	\$ -	\$ 1,800
Due to student groups	<u>-</u>	<u>14,609</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>\$ 14,609</u>	<u>\$ 1,800</u>
Net position			
Held in trust for unemployment claims & other purposes	<u>\$ 191,172</u>		

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Year Ended June 30, 2017

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee withholdings	\$ 6,883
Operating transfer in	20,000
Investment earnings - interest	729
Total additions	<u>27,612</u>
 Change in net position	 27,612
 Net position, beginning of the year	 <u>163,560</u>
 Net position, end of the year	 <u><u>\$ 191,172</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

The financial statements of the Board of Education (Board) of the Kingwood Township School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local 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 accounting policies of the District are described below.

The basic financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the Districts over-all financial position and results of operations.

Basic financial statements prepared using full-accrual accounting for all of the District's activities.

A. Reporting entity

The District is a Type II district located in the County of Hunterdon, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year-terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2017 of 344 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:

1. The organization is legally separate (can sue or be sued in their own name).
2. The District holds the corporate powers of the organization.
3. The District appoints a voting majority of the organization's board.
4. The District is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit/ burden on the District.
6. There is a fiscal dependency by the organization on the District.

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

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. The District has elected to treat all of its Governmental Funds as major funds and they are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, 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 moneys under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, and unrestricted state aids.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, as they are needed.

The District reports the following major governmental funds:

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

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.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Special Revenue Fund - The District accounts for the proceeds of specific revenue sources 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 in the Special Revenue Fund.

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.

Additionally, the District reports the following fund types:

Proprietary fund types

Proprietary Fund - The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Fund - 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 cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Food Service Fund.

All Proprietary Funds are accounted for on a current financial resources measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Depreciation of all exhaustive fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light trucks & vehicles	4 Years
Heavy trucks & vehicles	6 Years

Fiduciary fund types

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the Trust and Agency Funds of the District.

Unemployment Compensation Trust Fund - This fund is used to account for the portion of employee deductions for unemployment compensation required to be deposited and accumulated for future unemployment claims under the "Benefit Reimbursement Method."

Student Activities Agency Fund - This fund is used to account for funds derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

Payroll Agency Fund - This fund accounts for the withholding and remittance of employee salary deductions.

D. 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 and, if necessary, are voted upon at the annual school election in November. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line-item accounts within each fund. Line-item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum Chart of Accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2017 were insignificant.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. Encumbrances

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 unearned 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.

F. Tuition receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

G. Tuition payable

Tuition charges for the fiscal years 2016-2017 and 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term Interfund receivable and payables

Short-Term Interfund receivables and payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

Inventories and prepaid items, which benefit future periods, 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. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the School District until the commodities are used. Prepaid items in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

J. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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.

All reported capital assets, except for land and construction in progress, of the District are depreciated using the straight-line method over the following estimated lives:

Assets	Years
Buildings	50
Building improvements & portable classroom	50
Land improvements	20
Furniture	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Office equipment	5 - 10
Computer equipment	5 - 10

K. Compensated absences

The District accounts for compensated absences (e.g., unused vacation and sick leave) as directed by Governmental Accounting Standards Board statement number 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.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. 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 Districts' agreements with the various employee unions.

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which a payment is probable. Salary related payments for the employer's share of Social Security and Medicare taxes are included.

For the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, in the fund financial statements, all of the compensated absences are considered long-term and therefore are not a fund liability. This represents a reconciling item between the fund and government-wide presentations.

L. Unearned revenue

Unearned revenue in the General Fund and Special Revenue Fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the Special Revenue Fund.

Unearned revenue in the Enterprise Fund includes United States government commodity inventories at year-end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the Food Service Fund. Prepaid lunch debit card revenue balances at year-end are also included in unearned revenue.

M. Long-term obligations

In the government-wide financial statements and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Net position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

- Net investment in capital assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.
- Restricted - Net position is 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 credits, grantors, or laws or regulations of their governments.
- Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Fund balances - governmental funds

In the fund financial statements, Governmental Funds report the following classifications of fund balance:

- Non-spendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

When expenditure is incurred for purposes which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

P. Comparative data/reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Q. Allocation of indirect expenses

Certain expenses, which have not been charged to a specific function in the District's fund financial statements, have been allocated to the functions for the government-wide statements. Employee benefits, on-behalf TPAF pension contributions, reimbursed TPAF Social Security contributions and compensated absences accruals have been allocated based on salaries by function. Depreciation expense which was not specifically identified by function has been allocated based on the current year expenses by function.

R. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has one item that qualifies for reporting in this category, deferred amount on pension activity. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amount on pension activity.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 2 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the municipality, the municipality's local school districts, and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

School taxes are guaranteed as to amount of collection by the municipality, the collection agency, and are transmitted to the School District in accordance with the schedule of tax installments as certified by the School District's Board of Education on an annual basis.

Note 3 - Deposits and cash equivalents and investments

Cash and cash equivalents include petty cash, change funds, cash in banks. As of June 30, 2017, the District had no investments.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governmental units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits, cash equivalents, and investments (continued)

New Jersey School Districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey School Districts.

N.J.S.A. 17:9-41 e.t. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and saving banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk. New Jersey statutes require that cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee salary withholdings, or funds that may pass to the District relative to the happening of a future condition.

As of June 30, 2017, the District's bank balances were exposed to custodial credit risk as follows:

Insured by the Federal Deposit Insurance Corporation (FDIC)	\$ 250,000
Collateralized with securities held by pledging financial institutions	2,370,431
Total bank balances	<u>\$ 2,620,431</u>

Deposits at June 30, 2017 appear in the financial statements as summarized below:

Cash		<u>\$ 2,337,383</u>
	<u>Ref.</u>	
Unrestricted cash		
Governmental funds, Balance Sheet	B-1	\$ 198,726
Enterprise funds, Statement of Net Position	B-4	19,028
Fiduciary funds, Statement of Net Position	B-7	207,581
Restricted cash		
Governmental funds, Balance Sheet	B-1	1,912,048
Total cash		<u>\$ 2,337,383</u>

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

Capital asset activity for the fiscal year ended June 30, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 115,000	\$ -	\$ -	\$ 115,000
Construction in progress	107,320	-	-	107,320
Total	<u>222,320</u>	<u>-</u>	<u>-</u>	<u>222,320</u>
Capital assets, being depreciated				
Land improvements	862,888	12,789	-	875,677
Building & improvements	9,363,285	251,409	-	9,614,694
Furniture & equipment	775,809	38,131	-	813,940
Total	<u>11,001,982</u>	<u>302,329</u>	<u>-</u>	<u>11,304,311</u>
Accumulated depreciation				
Land improvements	111,077	38,874	-	149,951
Building & improvements	3,055,154	141,068	-	3,196,222
Furniture & equipment	526,626	38,034	-	564,660
Total	<u>3,692,857</u>	<u>217,976</u>	<u>-</u>	<u>3,910,833</u>
Total capital assets, being depreciated, net	<u>7,309,125</u>	<u>84,353</u>	<u>-</u>	<u>7,393,478</u>
Governmental activities capital assets, net	<u>\$ 7,531,445</u>	<u>\$ (84,353)</u>	<u>\$ -</u>	<u>\$ 7,615,798</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 65,542	\$ 15,445	\$ -	\$ 80,987
Less: accumulated depreciation	43,871	5,793	-	49,664
Business type activities capital assets, net	<u>\$ 21,671</u>	<u>\$ (9,652)</u>	<u>\$ -</u>	<u>\$ 31,323</u>

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

Depreciation expense was charged to governmental functions in the current year as follows:

Instruction		
Regular	\$	104,535
Special education		31,126
Other special instruction		12,254
Other instruction		2,685
Support services		
Student & instruction		40,235
General & business administration		18,784
School administration		6,152
Plant maintenance		2,205
Total depreciation expense, governmental activities	<u>\$</u>	<u>217,976</u>

Note 5 - Long-term debt

Long-term liability activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 1,700,000	\$ -	\$ 190,000	\$ 1,510,000	\$ 200,000
Compensated absences payable	211,675	33,525	-	245,200	-
PERS net pension liability	1,562,006	980,261	-	2,542,267	-
Bond premium	51,968	-	6,496	45,472	6,496
Total governmental activities long-term liabilities	<u>\$ 3,525,649</u>	<u>\$ 1,013,786</u>	<u>\$ 196,496</u>	<u>\$ 4,342,939</u>	<u>\$ 206,496</u>

Payments on the general obligation bonds are made in the Debt Service Fund from property taxes and state aid. The other long-term debts are paid in the current expenditures budget of the District's General Fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2017, including interest payments are listed as follows:

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 200,000	\$ 49,150	\$ 249,150
2019	205,000	43,075	248,075
2020	205,000	36,925	241,925
2021	215,000	30,625	245,625
2022	220,000	23,000	243,000
2023	230,000	14,000	244,000
2024	235,000	4,700	239,700
Total	<u>\$ 1,510,000</u>	<u>\$ 201,475</u>	<u>\$ 1,711,475</u>

General Obligation Bonds - General obligation school building bonds payable at June 30, 2017, with their outstanding balances are comprised of the following individual issues:

\$2,270,000 - 2011 refunding school bonds, interest at 2.00% to 4.00%, due in annual installments beginning July 15, 2012 to July 15, 2023.	<u>\$ 1,510,000</u>
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The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2017 is \$18,185,391. General obligation debt at June 30, 2017 is \$1,510,000, resulting in a legal debt margin of \$16,675,391.

Note 6 - Pension plans

Description of systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF), Public Employees' Retirement System (PERS) and the Defined Contribution Retirement Program (DCRP). The PERS and TPAF systems are sponsored and administered by the State of New Jersey. The DCRP system is administered by Prudential Financial for the Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees Retirement System and Defined Contribution Retirement Program are considered cost sharing multiple-employer plans.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS)

Plan description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

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 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members enrolled prior to July 2007
2	Members eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective Tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25-years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective Tier.

Allocation methodology and reconciliation to financial statements

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Plan description (continued)

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2016 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2016.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the State fiscal year ended June 30, 2016. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal years 2016, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15-years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1st until eventually reaching 7.50% of base salary effective July 1, 2018.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of June 30, 2016:

	2016
Total pension liability	\$ 4,246,795
Plan fiduciary net position	1,704,528
Net pension liability	\$ 2,542,267

Plan fiduciary net position as a percentage of the total pension liability	40.14%
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The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	3.08%
Salary increases (based on age)	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions, used in the July 1, 2015 valuation, were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees, and the Actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	.87%
U.S. Treasuries	1.50%	1.74%
Investment Grad Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Discount rate (continued)

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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2043, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District's proportionate share of the net pension liability</u>	<u>2016</u>
At current discount rate (3.98%)	\$ 2,542,267
At a 1% lower rate (2.98%)	3,115,251
At a 1% higher rate (4.98%)	2,069,219

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,278	\$ -
Changes of assumptions	526,622	-
Net difference between projected and actual earnings on pension plan investments	96,939	-
Changes in proportion and differences between District contributions and proportionate share of contributions	331,877	66,811
District contributions subsequent to the measurement date	76,257	-
Total	\$ 1,078,973	\$ 66,811

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The amount 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, 2017, the plan measurement date is June 30, 2016) of \$76,257 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Deferred outflows of resources				
Changes of assumptions and differences between expected and actual experience	\$ 252,901	\$ 457,217	\$ 136,217	\$ 573,901
Deferred inflows of resources				
Difference between projected and actual earnings on pension plan investments	(30,981)	142,736	14,816	96,939
Net of deferred outflows	<u>\$ 221,920</u>	<u>\$ 599,953</u>	<u>\$ 151,033</u>	<u>\$ 670,840</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from District contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

Year ending June 30,

2017	\$ 151,033
2018	151,033
2019	174,978
2020	147,007
2021	46,789
Total	<u>\$ 670,840</u>

Pension expense

For the year ended June 30, 2017, the District recognized net pension expense of \$105,920 which represents the District's proportionate share of allocable plan pension expense of \$102,467, plus the net amortization of deferred amounts from changes in proportion of \$1,512, and plus other adjustments to the net pension liability of \$1,941. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ending June 30, 2016 are as follows:

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 -

Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Pension expense (continued)

Service cost	\$	82,968
Interest on total pension liability		181,150
Member contributions		(43,003)
Administrative expense		1,373
Expected investment return net of investment expense		(130,535)
Pension expense related to specific liabilities of individual employers		(271)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		124,061
Amortization of expected versus actual experience		12,157
Amortization of projected versus actual investment earnings on pension plan investments		14,816
Pension expense	\$	242,716

B. Teacher's pension and annuity fund (TPAF)

Plan description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

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 10-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.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members enrolled prior to July 2007
2	Members eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members eligible to enroll on or after June 28, 2011

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Plan description (continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective Tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25-years of service. Deferred retirement is available to members who have at least 10-years of service credit and have not reached the service retirement age for the respective Tier.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the State fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do 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 local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ending June 30, 2016, the State of New Jersey contributed \$226,056 to the TPAF for normal pension benefits on behalf of the District.

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1st until eventually reaching 7.50% of base salary effective July 1, 2018.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do 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 local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

For purposes of reporting required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the District's proportionate share of allocable net pension liability, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for fiscal year ending June 30, 2016 is as follows:

	2016
State's proportionate share of net pension liability	\$ 22,329,277
District's proportionate share of net pension liability	-
Employer pension expense and related revenue	1,677,734
Non-employer contribution	228,056
 Allocable proportionate percentage	 .0374520356%

The components of the contractually required contribution, which exclude amounts related to specific liabilities of individual employers, for the District for the year ending June 30, 2016 are as follows:

Service cost	\$ 662,378
Interest on total pension liability	1,043,962
Member contributions	(215,218)
Administrative expense	3,890
Expected investment return net of investment expense	(534,461)
Pension expense related to specific liabilities of individual employers	(69)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	7,022
Amortization of expected versus actual experience	656,776
Amortization of projected versus actual investment earnings on pension plan investments	53,454
Pension expense	\$ 1,677,734

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher’s pension and annuity fund (TPAF) (continued)
Collective net pension liability and actuarial information
Components of net pension liability

As detailed earlier, the District was not required to report a liability for its proportionate share of net pension expense for TPAF due to a special funding situation. The State’s proportionate share of the net pension liability for TPAF as of June 30, 2016 is as follows:

	2016
Total pension liability	\$ 28,748,111
Plan fiduciary net position	6,418,834
Net pension liability	\$ 22,329,277

Plan fiduciary net position as a percentage of the total pension liability 22.33%

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases (based on age)	
2012 - 2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

Pre-retirement, post retirement, and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial study for the period July 1, 2012 to June 30, 2015.

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees, and the Actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF’s target asset allocation as of June 30, 2016 are summarized in the following table:

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher's pension and annuity fund (TPAF) (continued)
Long-term expected rate of return (continued)

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign Developed Equity	13.25%	5.91%
Emerging Market Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	.50%	2.87%
Hedge Funds - Multi-strategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 rate in the most recent State fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher’s pension and annuity fund (TPAF) (continued)

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District’s proportionate share of the net pension liability</u>	<u>2016</u>
At current discount rate (3.22%)	\$ 22,329,277
At a 1% lower rate (2.22%)	26,666,147
At a 1% higher rate (4.22%)	18,787,663

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,300 in 2017) but who earn salary of at least \$5,000 annually are eligible to participate. The program administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: www.prudential.com/njdcprp.

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District’s contribution to the DCRP for fiscal year ending 2017 was \$4,373.

D. Other pension plan information

During the year ended June 30, 2017, the State of New Jersey contributed \$260,065 to the TPAF for post-retirement medical benefits, \$10,913 for non-contributory insurance premiums, \$355 for long-term disability insurance, and \$301,204 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$191,064 during the year ended June 30, 2017 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Ch. 6 of PL 1990 required TPAF and 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. PL 2007, Ch. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside 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, 2016, there were 110,512 retirees eligible for post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Ch. 62, PL 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning the fiscal year 1994.

The State is also responsible for the cost attributable to Ch. 126, PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25-years of service. In fiscal year 2016, the State paid \$231.2 million toward Ch. 126 benefits for 20,045 eligible retired members.

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's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

Plan Description - The School District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code, SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The School District adopted a resolution to participate in the SHBP. The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295 by visiting their website at (www.nj.gov/treasury/pensions).

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

Note 8 - Deferred compensation

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403 (b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

- Equitable
- Variable Annuity Life Insurance Co.
- Lincoln Investment Planning

Note 9 - Inventory

Inventory in the Food Service Fund as of June 30, 2017 consisted of the following:

Food	\$	1,688
Supplies		424
Total	\$	<u>2,112</u>

Note 10 - Contingent liabilities

The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

Amounts received or are receivables from grantor agencies could be subject to audit and adjusted by grantor agencies. Any disallowed claims, including amounts already collected, may result in a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 11 - 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, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete Schedule of Insurance Coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report

New Jersey Unemployment Compensation Insurance - The District has elected to fund its NJ Unemployment Compensation Insurance under the “Benefit Reimbursement Method.” Under this plan, the District is required to reimburse the NJ 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, and interest earnings, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s Unemployment Trust Fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Board Contrib.</u>	<u>Interest Earnings</u>	<u>Employee Contrib.</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016 - 2017	\$ 20,000	\$ 729	\$ 6,883	\$ -	\$ 191,172
2015 - 2016	15,000	542	6,617	17,299	163,560
2014 - 2015	10,000	510	6,329	218	158,700

Note 12 - Legal reserve accounts

A Capital Reserve account was established by the District 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 Districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a District may increase the balance in the Capital Reserve by appropriating funds in the annual General Fund budget certified for taxes. 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 NJAC 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 12 - Legal reserve accounts (continued)

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$600,000 to their Capital Reserve account and \$50,000 to their Maintenance Reserve account by Board resolution in June 2017 as summarized in the following schedule. The following schedule is a summarization of the Legal Reserve Accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 908,423	\$ 600,000	\$ 3,519	-	\$ 315,500	\$ 1,196,442
Emergency	151,672	-	682	-	-	152,354
Maintenance	190,000	50,000	-	-	-	240,000
Total	<u>\$ 1,250,095</u>	<u>\$ 650,000</u>	<u>\$ 4,201</u>	<u>\$ -</u>	<u>\$ 315,500</u>	<u>\$ 1,588,796</u>

Note 13 - Fund balances - Budgetary basis

As described in Note 1 (N), Fund Balance may be restricted, committed or assigned. An analysis of the General Fund Balance on June 30, 2017 is as follows:

	2017
Restricted	
Excess surplus - Represents amount in excess of allowable percentage of expenditures. In accordance with State statute, the excess surplus is designated for utilization in succeeding year's budgets.	\$ 154,844
Excess surplus - Designated for subsequent year's expenditures. Amount appropriated in the succeeding year's budget to reduce tax requirements.	112,479
Capital Reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	1,196,442
Maintenance Reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A.18A:76-9).	240,000
Emergency Reserve account - Represents funds accumulated to finance unanticipated General Fund expenditures required for a thorough and efficient education.	152,354
Committed	
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30	78,557
Assigned	
Additional assigned fund balance - unreserved - designated for subsequent year's expenditures July 1, 2017 - August 1, 2017	26,414
Unassigned	
Undesignated - Represents fun balance which has not been restricted or designated.	354,675
Total fund balance	\$ 2,315,765

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 14 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve General 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, 2017 is \$154,844.

Note 15 - Subsequent events

The District has evaluated subsequent events through October 18, 2017, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

Note 16 - Recent accounting pronouncements not yet effective

The following is a list of recent accounting pronouncements which are not yet effective as of the year end date of this report and which are expected to have a material impact on the District's financial reporting:

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". This statement, which is effective for reporting periods beginning after June 15, 2017, is expected to have a material impact on the District's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "*Leases*". This statement, which is effective for reporting periods beginning after June 15, 2019, is expected to have a material impact on the District's financial reporting.

Note 17 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2017 of \$(1,245,881) on Schedule A-1 "Statement of Net Position". The deficit balance is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 5,475,786	\$ -	\$ 5,475,786	\$ 5,475,786	\$ -
Tuition from individuals	15,000	-	15,000	51,600	36,600
Rents and royalties	-	-	-	4,850	4,850
Unrestricted miscellaneous revenues	10,000	-	10,000	19,020	9,020
Interest earned on current expense emergency reserve	-	-	-	682	682
Interest earned on capital reserve funds	-	-	-	3,519	3,519
Total	5,500,786	-	5,500,786	5,555,457	54,671
State sources					
School Choice Aid	121,930	-	121,930	121,930	-
Categorical Transportation Aid	157,946	-	157,946	157,946	-
Extraordinary Aid	-	-	-	102,761	102,761
Categorical Special Education Aid	244,823	-	244,823	244,823	-
Equalization Aid	441,447	-	441,447	441,447	-
Categorical Security Aid	31,021	-	31,021	31,021	-
Adjustment Aid	301,310	-	301,310	301,310	-
PARCC Readiness Aid	3,440	-	3,440	3,440	-
Per Pupil Growth Aid	3,440	-	3,440	3,440	-
Professional Learning Community Aid	3,160	-	3,160	3,160	-
Other state Aids	-	-	-	1,914	1,914
TPAF Pension (on-behalf)	-	-	-	312,117	312,117
TPAF Social Security (reimbursed)	-	-	-	191,064	191,064
TPAF Post Retirement Benefits	-	-	-	260,065	260,065
TPAF Long-term Disability Insurance	-	-	-	355	355
Total	1,308,517	-	1,308,517	2,176,793	868,276
Federal sources					
Medicaid reimbursement	-	-	-	97	97
Total	-	-	-	97	97
Total revenues	\$ 6,809,303	\$ -	\$ 6,809,303	\$ 7,732,347	\$ 923,044
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 56,685	\$ (600)	\$ 56,085	\$ 39,940	\$ 16,145
Kindergarten	157,080	3,200	160,280	144,250	16,030
Grades 1-5	817,060	1,900	818,960	804,746	14,214
Grades 6-8	696,540	(21,510)	675,030	661,741	13,289
Home instruction					
Salaries of teacher	5,000	-	5,000	-	5,000
Regular programs - undistributed instruction					
Purchased professional - educational services	1,000	16,601	17,601	8,800	8,801
Purchased technical services	38,500	10,907	49,407	27,560	21,847
Other purchased services	93,974	(2,857)	91,117	64,413	26,704
General supplies	182,829	59,791	242,620	193,259	49,361
Textbooks	2,478	51	2,529	243	2,286
Other objects	3,910	2,014	5,924	3,203	2,721
Total	2,055,056	69,497	2,124,553	1,948,155	176,398

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Special education					
Resource room/resource center					
Salaries of teachers	\$ 468,985	\$ (1,805)	\$ 467,180	\$ 463,428	\$ 3,752
Other salaries for instruction	63,670	39,595	103,265	102,129	1,136
Other purchased services	1,000	-	1,000	988	12
General supplies	4,958	2,459	7,417	7,288	129
Other objects	350	-	350	350	-
Total	<u>538,963</u>	<u>40,249</u>	<u>579,212</u>	<u>574,183</u>	<u>5,029</u>
Total special education	<u>538,963</u>	<u>40,249</u>	<u>579,212</u>	<u>574,183</u>	<u>5,029</u>
Basic skills/remedial					
Salaries of teachers	215,860	(3,000)	212,860	212,095	765
General supplies	8,065	3,935	12,000	6,274	5,726
Total	<u>223,925</u>	<u>935</u>	<u>224,860</u>	<u>218,369</u>	<u>6,491</u>
School-sponsored co/extra curricular activities-instruction					
Salaries	23,580	-	23,580	23,040	540
Supplies and materials	1,100	-	1,100	243	857
Other objects	1,150	-	1,150	120	1,030
Total	<u>25,830</u>	<u>-</u>	<u>25,830</u>	<u>23,403</u>	<u>2,427</u>
School-sponsored athletics - instruction					
Salaries	23,980	-	23,980	14,440	9,540
Purchased services	7,900	(110)	7,790	5,170	2,620
Supplies and materials	8,002	758	8,760	7,583	1,177
Other objects	200	68	268	268	-
Total	<u>40,082</u>	<u>716</u>	<u>40,798</u>	<u>27,461</u>	<u>13,337</u>
Total instruction regular	<u>\$ 2,883,856</u>	<u>\$ 111,397</u>	<u>\$ 2,995,253</u>	<u>\$ 2,791,571</u>	<u>\$ 203,682</u>
Undistributed expenditures - instruction					
Tuition to priv. school for the disabled w/i state	\$ 177,080	\$ (104,389)	\$ 72,691	\$ -	\$ 72,691
Total	<u>177,080</u>	<u>(104,389)</u>	<u>72,691</u>	<u>-</u>	<u>72,691</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - health services					
Salaries	\$ 57,890	\$ 1,793	\$ 59,683	\$ 59,683	\$ -
Purchased professional and technical services	2,825	3	2,828	2,828	-
Supplies and materials	4,397	(1,693)	2,704	2,704	-
Total	<u>65,112</u>	<u>103</u>	<u>65,215</u>	<u>65,215</u>	<u>-</u>
Undistributed expenditures - speech, ot, pt & related services					
Salaries	56,600	-	56,600	47,510	9,090
Purchased professional - educational services	36,730	17,846	54,576	42,365	12,211
Supplies and materials	1,100	327	1,427	1,424	3
Total	<u>94,430</u>	<u>18,173</u>	<u>112,603</u>	<u>91,299</u>	<u>21,304</u>
Undistributed expend - other supp. service stds. - extra service					
Salaries	23,470	-	23,470	23,467	3
Total	<u>23,470</u>	<u>-</u>	<u>23,470</u>	<u>23,467</u>	<u>3</u>
Undistributed expenditures - guidance					
Salaries of other professional staff	43,745	(4,000)	39,745	34,705	5,040
Other salaries	4,915	4,000	8,915	8,914	1
Unused vacation payment to terminated/retired staff	-	297	297	297	-
Purchased professional - educational services	3,300	(500)	2,800	1,400	1,400
Other purchased professional & technical services	5,900	(809)	5,091	976	4,115
Supplies and materials	5,940	(3,900)	2,040	844	1,196
Total	<u>63,800</u>	<u>(4,912)</u>	<u>58,888</u>	<u>47,136</u>	<u>11,752</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	198,805	1,697	200,502	200,502	-
Salaries of secretarial and clerical assistants	49,530	-	49,530	45,007	4,523
Other purchased professional & technical services	11,470	(3,856)	7,614	3,618	3,996
Other purchased services	2,500	(132)	2,368	2,210	158
Miscellaneous purchased service	5,615	307	5,922	5,922	-
Supplies and materials	2,420	(548)	1,872	1,359	513
Other objects	1,300	(180)	1,120	1,120	-
Total	<u>271,640</u>	<u>(2,712)</u>	<u>268,928</u>	<u>259,738</u>	<u>9,190</u>
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	73,225	(979)	72,246	52,480	19,766
Salaries of other professional staff	7,000	813	7,813	7,812	1
Salaries of secretarial & clerical assist	10,630	166	10,796	10,795	1
Unused vacation payment to terminated/retired staff	-	4,217	4,217	2,109	2,108
Supplies and materials	1,000	-	1,000	-	1,000
Total	<u>91,855</u>	<u>4,217</u>	<u>96,072</u>	<u>73,196</u>	<u>22,876</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - edu. media service/sch. library					
Salaries	\$ 124,245	\$ (66,237)	\$ 58,008	\$ 58,007	\$ 1
Salaries of technology coordinators	31,600	66,569	98,169	97,650	519
Other purchased services	6,649	(677)	5,972	5,972	-
Supplies and materials	4,710	4,282	8,992	8,225	767
Total	<u>167,204</u>	<u>3,937</u>	<u>171,141</u>	<u>169,854</u>	<u>1,287</u>
Undistributed expenditures - instructional staff training services					
Purchased professional - educational services	9,000	(996)	8,004	1,465	6,539
Other purchased services	8,650	996	9,646	8,719	927
Supplies and materials	3,200	-	3,200	2,374	826
Total	<u>20,850</u>	<u>-</u>	<u>20,850</u>	<u>12,558</u>	<u>8,292</u>
Undistributed expend. - support service - general admin.					
Salaries	125,605	369	125,974	125,970	4
Legal services	18,000	(4,275)	13,725	6,108	7,617
Audit fees	17,000	(596)	16,404	16,400	4
Other purchased professional services	2,770	575	3,345	3,345	-
Purchased technical services	3,750	1,800	5,550	4,648	902
Communications/telephone	7,000	2,828	9,828	9,783	45
BOE other purchased services	2,800	1,210	4,010	1,097	2,913
Misc purch services	10,911	(1,767)	9,144	8,495	649
General supplies	2,744	1,081	3,825	2,392	1,433
BOE in-house training/meeting supplies	700	-	700	472	228
Judgments against the school district	-	1,000	1,000	1,000	-
Miscellaneous expenditures	3,000	(1,000)	2,000	300	1,700
BOE membership dues and fees	4,845	775	5,620	5,619	1
Total	<u>199,125</u>	<u>2,000</u>	<u>201,125</u>	<u>185,629</u>	<u>15,496</u>
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	77,750	-	77,750	75,565	2,185
Salaries of secretarial and clerical assistants	40,815	-	40,815	40,311	504
Unused vacation payment to terminated/retired staff	-	297	297	297	-
Other purchased services	2,000	-	2,000	-	2,000
Supplies and materials	1,000	-	1,000	-	1,000
Other objects	3,000	(1,797)	1,203	-	1,203
Total	<u>124,565</u>	<u>(1,500)</u>	<u>123,065</u>	<u>116,173</u>	<u>6,892</u>
Undistributed expenditures - central services					
Salaries	157,100	-	157,100	156,969	131
Purchased technical services	12,300	344	12,644	8,223	4,421
Miscellaneous purchased services	4,000	1,020	5,020	2,753	2,267
Supplies and materials	1,000	-	1,000	633	367
Other objects	2,500	(344)	2,156	1,623	533
Total	<u>176,900</u>	<u>1,020</u>	<u>177,920</u>	<u>170,201</u>	<u>7,719</u>
Undistributed expenditures - admin. info. technology					
Other objects	-	480	480	360	120
Total	<u>-</u>	<u>480</u>	<u>480</u>	<u>360</u>	<u>120</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expend. - required maint. for school facilities					
Cleaning, repair, and maintenance services	\$ 164,054	\$ 78,083	\$ 242,137	\$ 178,454	\$ 63,683
General supplies	5,000	-	5,000	4,018	982
Total	<u>169,054</u>	<u>78,083</u>	<u>247,137</u>	<u>182,472</u>	<u>64,665</u>
Undistributed expenditures - custodial services					
Salaries	245,950	(146)	245,804	241,489	4,315
Salaries of non-instructional aides	13,120	(13,120)	-	-	-
Purchased professional and technical services	54,545	20,305	74,850	66,315	8,535
Cleaning, repair, and maintenance service	17,950	(1,296)	16,654	14,330	2,324
Insurance	43,000	(4,520)	38,480	37,848	632
Miscellaneous purchased services	500	1,105	1,605	1,323	282
General supplies	35,894	9,000	44,894	43,916	978
Energy (natural gas)	52,000	(20,227)	31,773	26,392	5,381
Energy (electricity)	85,000	(4,000)	81,000	76,099	4,901
Other objects	2,000	-	2,000	801	1,199
Total	<u>549,959</u>	<u>(12,899)</u>	<u>537,060</u>	<u>508,513</u>	<u>28,547</u>
Undistributed expenditures - care and upkeep of grounds					
Cleaning, repair, and maintenance service	22,100	4,005	26,105	21,705	4,400
General supplies	7,000	2,400	9,400	6,718	2,682
Total	<u>29,100</u>	<u>6,405</u>	<u>35,505</u>	<u>28,423</u>	<u>7,082</u>
Undistributed expenditures - security					
Cleaning, repair, and maintenance service	3,000	1,420	4,420	804	3,616
General supplies	1,300	-	1,300	1,089	211
Total	<u>4,300</u>	<u>1,420</u>	<u>5,720</u>	<u>1,893</u>	<u>3,827</u>
Undistributed expenditures - student transportation service					
Salaries for pupil trans (between home & school) - reg.	35,750	246	35,996	35,996	-
Contract service-aid in lieu pymts-non-public schools	8,840	(8,220)	620	-	620
Contract serv-aid in lieu pymts-choice school students	1,770	(1,770)	-	-	-
Contr serv (oth. than between home & school) - vend	11,000	-	11,000	9,625	1,375
Contr serv (between home & school) - joint agreements	235,848	11,556	247,404	229,603	17,801
Contract service (sp ed stds) - joint agreements	75,000	(6,488)	68,512	15,793	52,719
Total	<u>368,208</u>	<u>(4,676)</u>	<u>363,532</u>	<u>291,017</u>	<u>72,515</u>
Unallocated benefits - employee benefits					
Social security contributions	75,000	12,000	87,000	86,328	672
Other retirement contributions - PERS	72,000	4,720	76,720	76,720	-
Other retirement contributions - regular	12,000	(5,000)	7,000	6,533	467
Workmen's compensation	36,000	(5,200)	30,800	30,781	19
Health benefits	1,353,850	(137,609)	1,216,241	957,032	259,209
Tuition reimbursement	28,400	(10,000)	18,400	10,812	7,588
Other employee benefits	26,000	(4,414)	21,586	21,508	78
Total	<u>1,603,250</u>	<u>(145,503)</u>	<u>1,457,747</u>	<u>1,189,714</u>	<u>268,033</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
On-behalf TPAF Pension Contribution	\$ -	\$ -	\$ -	\$ 312,117	\$ (312,117)
On-behalf TPAF Post Retirement Medical Benefits	-	-	-	260,065	(260,065)
On-behalf TPAF Long-term Disability Insurance	-	-	-	355	(355)
Reimbursed TPAF Social Security Contribution	-	-	-	191,064	(191,064)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>763,601</u>	<u>(763,601)</u>
Total undistributed expenditures	<u>\$ 4,199,902</u>	<u>\$ (160,753)</u>	<u>\$ 4,039,149</u>	<u>\$ 4,180,459</u>	<u>\$ (141,310)</u>
Total current	<u>\$ 7,083,758</u>	<u>\$ (49,356)</u>	<u>\$ 7,034,402</u>	<u>\$ 6,972,030</u>	<u>\$ 62,372</u>
Capital outlay					
Equipment					
Grades 1-5	\$ -	\$ 5,031	\$ 5,031	\$ 5,031	\$ -
Grades 6-8	7,046	2,724	9,770	8,975	795
Vocational programs					
School-sponsored and other instructional programs	6,282	(1)	6,281	6,281	-
Undistributed					
Undistributed expenditures - instruction	7,500	5,250	12,750	9,745	3,005
Undistributed expenditures - school admin.	-	23,236	23,236	23,235	1
Undistributed expenditures - custodial services	8,100	9,375	17,475	8,100	9,375
Total equipment	<u>28,928</u>	<u>45,615</u>	<u>74,543</u>	<u>61,367</u>	<u>13,176</u>
Facilities acquisition and construction service					
Construction services	-	63,074	63,074	42,884	20,190
Assessment for debt service on SDA funding	17,332	-	17,332	17,332	-
Total facilities acquisition and construction service	<u>17,332</u>	<u>63,074</u>	<u>80,406</u>	<u>60,216</u>	<u>20,190</u>
Total capital outlay	<u>\$ 46,260</u>	<u>\$ 108,689</u>	<u>\$ 154,949</u>	<u>\$ 121,583</u>	<u>\$ 33,366</u>
Total expenditures	<u>\$ 7,130,018</u>	<u>\$ 59,333</u>	<u>\$ 7,189,351</u>	<u>\$ 7,093,613</u>	<u>\$ 95,738</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (320,715)</u>	<u>\$ (59,333)</u>	<u>\$ (380,048)</u>	<u>\$ 638,734</u>	<u>\$ 1,018,782</u>
Other financing sources (uses)					
Operating transfer out					
Transfer to fiduciary fund - board contribution	(5,000)	(15,000)	(20,000)	(20,000)	-
Capital reserve - transfer to capital projects fund	-	(315,500)	(315,500)	(315,500)	-
Total other financing sources (uses)	<u>(5,000)</u>	<u>(330,500)</u>	<u>(335,500)</u>	<u>(335,500)</u>	<u>-</u>
Excess (deficiency) of revenues & other financing sources					
Over (under) expenditures & other financing uses	(325,715)	(389,833)	(715,548)	303,234	1,018,782
Fund balances, July 1	2,012,531	-	2,012,531	2,012,531	-
Fund balances, June 30	<u>\$ 1,686,816</u>	<u>\$ (389,833)</u>	<u>\$ 1,296,983</u>	<u>\$ 2,315,765</u>	<u>\$ 1,018,782</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
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 Final to Actual</u>
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (212,013)	\$ -	\$ (212,013)	\$ (212,013)	\$ -
Increase in capital reserve	-	600,000	600,000	600,000	-
Interest deposit to capital reserve	-	-	-	3,519	3,519
Withdrawal from capital reserve	-	(315,500)	(315,500)	(315,500)	-
Increase in emergency reserve	-	-	-	682	682
Increase in maintenance reserve	-	50,000	50,000	50,000	-
Budgeted fund balance	<u>(113,702)</u>	<u>(724,333)</u>	<u>(838,035)</u>	<u>176,546</u>	<u>1,014,581</u>
Total	<u>\$ (325,715)</u>	<u>\$ (389,833)</u>	<u>\$ (715,548)</u>	<u>\$ 303,234</u>	<u>\$ 1,018,782</u>
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 112,479	
Excess surplus - current year				154,844	
Capital reserve				1,196,442	
Emergency reserve				152,354	
Maintenance reserve				240,000	
Committed fund balance					
Year-end encumbrances				78,557	
Assigned fund balance					
Additional assigned fund balance - unreserved - designated for subsequent year's expenditures July 1, 2017-August 1, 2017				26,414	
Unassigned fund balance				<u>354,675</u>	
Fund balance per budgetary basis				2,315,765	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(128,171)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 2,187,594</u>	

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Federal sources	\$ 140,287	\$ -	\$ 140,287	\$ 140,287	\$ -
Total revenues	<u>\$ 140,287</u>	<u>\$ -</u>	<u>\$ 140,287</u>	<u>\$ 140,287</u>	<u>\$ -</u>
Expenditures					
Instruction					
Other salaries for instruction	\$ 3,297	\$ -	\$ 3,297	\$ 3,297	\$ -
Purchased professional & technical services	9,867	-	9,867	9,867	-
Other purchased services	59,236	-	59,236	59,236	-
Supplies	45,865	2,037	47,902	47,902	-
Total	<u>118,265</u>	<u>2,037</u>	<u>120,302</u>	<u>120,302</u>	<u>-</u>
Support services					
Employee benefits	252	-	252	252	-
Purchased professional & technical services	21,504	(2,037)	19,467	19,467	-
Other purchased services	266	-	266	266	-
Total	<u>22,022</u>	<u>(2,037)</u>	<u>19,985</u>	<u>19,985</u>	<u>-</u>
Total expenditures	<u>\$ 140,287</u>	<u>\$ -</u>	<u>\$ 140,287</u>	<u>\$ 140,287</u>	<u>\$ -</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to Required Supplementary Information
Budget-to-GAAP Reconciliation

Explanation of Differences Between Budgetary Inflows and
Outflows and GAAP Revenues and Expenditures

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 7,732,347	\$ 140,287
Difference - budget to GAAP		
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)		
State aid receivable prior year	127,855	-
State aid receivable current year	<u>(128,171)</u>	<u>-</u>
Total revenues (GAAP basis)	<u>\$ 7,732,031</u>	<u>\$ 140,287</u>
 <u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 7,093,613</u>	<u>\$ 140,287</u>
Total expenditures (GAAP Basis)	<u>\$ 7,093,613</u>	<u>\$ 140,287</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**SCHEDULES RELATED TO ACCOUNTING
AND REPORTING FOR PENSIONS (GASB 68) (UNAUDITED)**

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - percentage	N/A	0.0085837715%	0.0069583328%	0.0074920040%	0.0068358854%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	\$ -	\$ 2,542,267	\$ 1,562,006	\$ 1,402,708	\$ 1,306,474	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	588,499	540,796	509,825	526,983	518,030	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	470.10%	306.38%	266.18%	252.20%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A	N/A

NOTE: N/A = Information not available

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of District's Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 76,257	\$ 59,823	\$ 61,763	\$ 51,507	\$ 63,410	\$ 64,113	\$ 62,818	\$ 50,063	\$ 41,482	\$ 31,450
Contributions in relation to the contractually required contribution	<u>(76,257)</u>	<u>(59,823)</u>	<u>(61,763)</u>	<u>(51,507)</u>	<u>(63,410)</u>	<u>(64,113)</u>	<u>(62,818)</u>	<u>(50,063)</u>	<u>(41,482)</u>	<u>(31,450)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 588,499	\$ 540,796	\$ 509,825	\$ 526,983	\$ 518,030	\$ 529,875	\$ 542,462	\$ 572,306	\$ 583,510	\$ 522,052
Contributions as a percentage of covered employee payroll	12.96%	11.06%	12.11%	9.77%	12.24%	12.10%	11.58%	8.75%	7.11%	6.02%

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	<u>2017</u>	<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>
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	-	22,329,277	18,658,494	16,521,374	15,444,059	-	-	-	-	-
Total	\$ -	\$ 22,329,277	\$ 18,658,494	\$ 16,521,374	\$ 15,444,059	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ -	\$ 2,751,272	\$ 2,847,839	\$ 2,758,025	\$ 2,888,603	\$ -	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	22.33%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A	N/A

NOTE: N/A = Information not available

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of District's Contributions - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 312,117	\$ 227,259	\$ 159,601	\$ 130,769	\$ 197,456	\$ 94,620	\$ 9,741	\$ 11,037	\$ 10,513	\$ 226,093
Contributions in relation to the contractually required contribution	<u>(312,117)</u>	<u>(227,259)</u>	<u>(159,601)</u>	<u>(130,769)</u>	<u>(197,456)</u>	<u>(94,620)</u>	<u>(9,741)</u>	<u>(11,037)</u>	<u>(10,513)</u>	<u>(226,093)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,717,352	\$ 2,751,272	\$ 2,847,839	\$ 2,758,025	\$ 2,888,603	\$ 2,975,325	\$ 2,908,055	\$ 3,061,084	\$ 3,019,786	\$ 3,025,557
Contributions as a percentage of covered employee payroll	11.49%	8.26%	5.60%	4.74%	6.84%	3.18%	0.33%	0.36%	0.35%	7.47%

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part III
(Unaudited)
June 30, 2017

- Note 1 - Special funding situation - TPAF
The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF
The discount rate decreased from 4.13% in State fiscal year 2015 to 3.22% in State fiscal year 2016. The inflation rate was 2.50% for State fiscal years 2015 and 2016.
- Note 3 - Changes in assumptions - PERS
The discount rate decreased from 4.90% in State fiscal year 2015 to 3.98% in State fiscal year 2016. The inflation rate increased from 3.04% for State fiscal year 2015 to 3.08% for State fiscal year 2016.

SPECIAL REVENUE FUND

DETAIL STATEMENTS

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

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	<u>IDEA Basic</u>	<u>IDEA Preschool</u>	<u>NCLB IA</u>	<u>NCLB IIA</u>	<u>REAP</u>	<u>Total</u>
Revenues						
Federal sources	\$ 71,140	\$ 3,549	\$ 25,766	\$ 7,733	\$ 32,099	\$ 140,287
Total revenues	<u>\$ 71,140</u>	<u>\$ 3,549</u>	<u>\$ 25,766</u>	<u>\$ 7,733</u>	<u>\$ 32,099</u>	<u>\$ 140,287</u>
Expenditures						
Instruction						
Other salaries for instruction	\$ -	\$ 3,297	\$ -	\$ -	\$ -	\$ 3,297
Purchased professional & technical services	9,867	-	-	-	-	9,867
Other purchased services	59,236	-	-	-	-	59,236
Supplies	2,037	-	13,766	-	32,099	47,902
Total	<u>71,140</u>	<u>3,297</u>	<u>13,766</u>	<u>-</u>	<u>32,099</u>	<u>120,302</u>
Support services						
Employee benefits	-	252	-	-	-	252
Purchased professional & technical services	-	-	11,734	7,733	-	19,467
Other purchased services	-	-	266	-	-	266
Total	<u>-</u>	<u>252</u>	<u>12,000</u>	<u>7,733</u>	<u>-</u>	<u>19,985</u>
Total expenditures	<u>\$ 71,140</u>	<u>\$ 3,549</u>	<u>\$ 25,766</u>	<u>\$ 7,733</u>	<u>\$ 32,099</u>	<u>\$ 140,287</u>

See independent auditors' report.

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.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Fiscal Year Ended June 30, 2017

Description	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations 06/30/17
			Prior Years	Current Year	
Partial window replacement	02/10/17	\$ 483,480	\$ -	\$ -	\$ 483,480
Window replacement project	01/06/14	115,000	107,320	-	7,680
Toilet room renovations	1/28/16	417,400	-	198,078	219,322
		<u>\$ 1,015,880</u>	<u>\$ 107,320</u>	<u>\$ 198,078</u>	<u>\$ 710,482</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Basis
For the Fiscal Year Ended June 30, 2017

Revenues	
Local sources	
Transfer from capital reserve	\$ 315,500
Total revenues	<u>315,500</u>
Expenditures and other financing uses	
Construction	<u>198,078</u>
Total expenditures	<u>198,078</u>
Excess (deficiency) of revenues and other financing sources	
Over (under) expenditures & other financing uses	117,422
Fund balance - beginning	<u>205,830</u>
Fund balance - ending	<u><u>\$ 323,252</u></u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
2014 Window Replacement Project
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
State sources				
School development authority grant	\$ 32,000	\$ -	\$ 32,000	\$ 32,000
Local sources				
Transfer in from operating	83,000	-	83,000	83,000
Total revenues	<u>115,000</u>	<u>-</u>	<u>115,000</u>	<u>115,000</u>
Expenditures and other financing uses				
Purchased professional & technical services	2,320	-	2,320	5,000
Fees & permits	-	-	-	1,500
Construction	105,000	-	105,000	108,500
Operating transfer out	-	-	-	-
Total expenditures	<u>107,320</u>	<u>-</u>	<u>107,320</u>	<u>115,000</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 7,680</u>	<u>\$ -</u>	<u>\$ 7,680</u>	<u>\$ -</u>

Additional Project Information

Project number	2450-050-14-1003-G04
Authorization date	01/06/14
Bond authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 80,000
Additional authorized cost	\$ 35,000
Revised authorized cost	\$ 115,000
Percentage completion	93.32%

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
2017 Partial Window Replacement
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - transfers in from capital reserv	\$ -	\$ 315,500	\$ 315,500	\$ 483,480
Total revenues	-	315,500	315,500	483,480
Expenditures and other financing uses				
Purchased professional & technical services	-	-	-	28,800
Fees & permits	-	-	-	10,500
Construction	-	-	-	444,180
Total expenditures	-	-	-	483,480
Excess (deficiency) of revenues over (under) Expenditures	\$ -	\$ 315,500	\$ 315,500	\$ -

Additional Project Information

Project number	2450-050-17-1000
Authorization date	02/10/17
Bond authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 483,480
Additional authorized cost	\$ -
Revised authorized cost	\$ 483,480
Percentage completion	0.00%

See independent auditors' report.

PROPRIETARY FUND

DETAIL STATEMENTS

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

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Toilet Room Renovations
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - transfers in from capital reserv	\$ 198,150	\$ -	\$ 198,150	\$ 417,400
Total revenues	<u>198,150</u>	<u>-</u>	<u>198,150</u>	<u>417,400</u>
Expenditures and other financing uses				
Purchased professional & technical services	-	-	-	25,400
Fees & permits	-	-	-	7,000
Construction	-	198,078	198,078	385,000
Total expenditures	<u>-</u>	<u>198,078</u>	<u>198,078</u>	<u>417,400</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 198,150</u>	<u>\$ (198,078)</u>	<u>\$ 72</u>	<u>\$ -</u>

Additional Project Information

Project number	2450-050-16-1000
Authorization date	01/28/16
Bond authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 417,400
Additional authorized cost	\$ -
Revised authorized cost	\$ 417,400
Percentage completion	47.46%

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Net Position
June 30, 2017

Assets	
Current assets	
Cash & cash equivalents	\$ 19,028
Receivables from other governments	
State	68
Federal	1,298
Inventory	2,112
Total current assets	<u>22,506</u>
Noncurrent assets	
Capital assets	80,987
Less: accumulated depreciation	49,664
Total noncurrent assets	<u>31,323</u>
Total assets	<u>53,829</u>
Liabilities	
Current liabilities	
Unearned revenues - commodities	772
Unearned revenues - prepaid sales	767
Total liabilities	<u>1,539</u>
Net position	
Invested in capital assets, net of related debt	31,323
Unrestricted	<u>20,967</u>
Total net position	<u>\$ 52,290</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2017

Operating revenues		
Charges for services		
Daily sales - reimbursable programs	\$	58,841
Daily sales - non-reimbursable programs		15,239
Total operating revenues		<u>74,080</u>
Operating expenses		
Cost of sales - reimbursable programs		36,317
Cost of sales - non-reimbursable programs		7,016
Commodity food costs		9,245
Salaries		32,657
Supports services - employee benefits		4,544
Purchased professional/technical services		1,832
Other purchased services		
Insurance		3,880
Management fee		7,455
Supplies and materials		9,012
Depreciation		5,793
Miscellaneous expenditures		90
Total operating expenses		<u>117,841</u>
Operating income (loss)		<u>(43,761)</u>
Non-operating revenues (expenses)		
State sources		
State School Lunch Program		1,119
Federal sources		
National School Lunch Program		
Cash assistance		21,862
Non-cash assistance (commodities)		9,245
Other sources		
Interest earned on investments		157
Miscellaneous		88
Total non-operating revenues (expenses)		<u>32,471</u>
Change in net position		(11,290)
Net position, beginning		<u>63,580</u>
Net position, ending	\$	<u><u>52,290</u></u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

Cash flows from operating activities	
Receipts from customers	\$ 74,340
Payment to Food Service Management Co.	(94,487)
Payments to vendors	(8,603)
Net cash provided by (used for) operating activities	<u>(28,750)</u>
 Cash flows from capital related financing activities	
State sources	1,108
Federal sources	21,669
Miscellaneous	88
Net cash provided by (used for) noncapital financing activities	<u>22,865</u>
 Cash flows from capital financing activities:	
Acquisition of equipment	(15,445)
Net cash provided by (used for) capital financing activities	<u>(15,445)</u>
 Cash flows from investing activities	
Interest earned on investments	157
Net cash provided by (used for) investing activities	<u>157</u>
 Net increase (decrease) in cash and cash equivalents	(21,173)
 Cash and cash equivalents, beginning	<u>40,201</u>
 Cash and cash equivalents, ending	<u><u>\$ 19,028</u></u>
 Reconciliation of operating income to net cash	
Operating activities	
Operating income (loss)	\$ (43,761)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	5,793
Federal food donation program	9,245
(Increase) decrease in inventory	(19)
Increase (decrease) in deferred revenue	(8)
Net cash provided by (used for) operating activities	<u><u>\$ (28,750)</u></u>

See independent auditors' report.

FIDUCIARY FUND

DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the School District as an agent for individuals, private organizations, other government and/or other funds.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2017

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 191,172	\$ 14,609	\$ 1,800	\$ 207,581
Total assets	\$ 191,172	\$ 14,609	\$ 1,800	\$ 207,581
Liabilities				
Payroll deductions & withholdings	\$ -	\$ -	\$ 1,800	\$ 1,800
Due to students groups	-	14,609	-	14,609
Total liabilities	-	\$ 14,609	\$ 1,800	16,409
Net position				
Held in trust for unemployment claims & other purposes	\$ 191,172			\$ 191,172

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Unemployment Compensation Fund
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2017

Additions	
Contributions	
Employee withholdings	\$ 6,883
Operating transfer in	20,000
Investment earnings - interest	729
Total additions	<u>27,612</u>
Deductions	
Unemployment claims	<u>-</u>
Change in net position	27,612
Net position, beginning of the year	<u>163,560</u>
Net position, end of the year	<u><u>\$ 191,172</u></u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund
Statement of Changes in Receipts & Disbursements
For the Fiscal Year Ended June 30, 2017

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Assets				
Cash and cash equivalents	\$ 25,760	\$ 55,988	\$ 67,139	\$ 14,609
Total assets	<u>\$ 25,760</u>	<u>\$ 55,988</u>	<u>\$ 67,139</u>	<u>\$ 14,609</u>
Liabilities				
Due to student groups	\$ 25,760	\$ 55,988	\$ 67,139	\$ 14,609
Total liabilities	<u>\$ 25,760</u>	<u>\$ 55,988</u>	<u>\$ 67,139</u>	<u>\$ 14,609</u>

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KINGWOOD TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund
Statement of Changes in Receipts & Disbursements
For the Fiscal Year Ended June 30, 2017

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Assets				
Cash and cash equivalents	\$ 337	\$ 4,249,930	\$ 4,248,467	\$ 1,800
Total assets	<u>\$ 337</u>	<u>\$ 4,249,930</u>	<u>\$ 4,248,467</u>	<u>\$ 1,800</u>
Liabilities				
Payroll deductions & withholdings	\$ 337	\$ 1,856,298	\$ 1,854,835	\$ 1,800
Net payroll	-	2,393,632	2,393,632	-
Total liabilities	<u>\$ 337</u>	<u>\$ 4,249,930</u>	<u>\$ 4,248,467</u>	<u>\$ 1,800</u>

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

The long-term debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding, obligations under capital leases, and early retirement program.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
June 30, 2017

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 7/1/2016	Issued	Retired	Balance 06/30/17
			Date	Amount					
Refunding school bonds of 2011	07/15/11	\$2,270,000	07/15/17	\$ 200,000	3.00%	\$ 1,700,000	\$ -	\$ 190,000	\$ 1,510,000
			07/15/18	205,000	3.00%	-	-	-	-
			07/15/19	205,000	3.00%	-	-	-	-
			07/15/20	215,000	3.00%	-	-	-	-
			07/15/21	220,000	4.00%	-	-	-	-
			07/15/22	230,000	4.00%	-	-	-	-
			07/15/23	235,000	4.00%	-	-	-	-
						<u>\$ 1,700,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 1,510,000</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources					
Local tax levy	\$ 245,000	\$ -	\$ 245,000	\$ 245,000	\$ -
Total revenues	<u>245,000</u>	<u>-</u>	<u>245,000</u>	<u>245,000</u>	<u>-</u>
Expenditures					
Regular debt service					
Interest on bonds	55,000	-	55,000	55,000	-
Redemption of principal	190,000	-	190,000	190,000	-
Total expenditures	<u>245,000</u>	<u>-</u>	<u>245,000</u>	<u>245,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	-	-	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Statistical Section J Series

<u>Contents</u>	<u>Page</u>
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend 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.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	J-14 to J-15
OPERATING INFORMATION	
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.	J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year. The District implemented GASB Statement 34 in the fiscal year ending June 30, 2004; Schedules presenting District-wide information include information beginning in that year.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Net Position by Component
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Government activities										
Net investment in capital assets	\$ 3,065,153	\$ 3,096,762	\$ 3,224,646	\$ 3,367,774	\$ 3,736,772	\$ 4,074,821	\$ 4,240,572	\$ 4,930,862	\$ 5,831,445	\$ 6,105,798
Restricted	278,168	631,549	667,537	1,048,413	1,036,926	1,208,751	2,130,676	1,939,228	1,455,925	1,912,048
Unrestricted	329,715	230,993	452,699	409,879	267,171	255,780	(1,077,386)	(1,042,274)	(976,178)	(1,245,881)
Total governmental activities	<u>\$ 3,673,036</u>	<u>\$ 3,959,304</u>	<u>\$ 4,344,882</u>	<u>\$ 4,826,066</u>	<u>\$ 5,040,869</u>	<u>\$ 5,539,352</u>	<u>\$ 5,293,862</u>	<u>\$ 5,827,816</u>	<u>\$ 6,311,192</u>	<u>\$ 6,771,965</u>
Business-type activities										
Net investment in capital assets	\$ 19,676	\$ 40,027	\$ 35,925	\$ 31,822	\$ 40,471	\$ 37,818	\$ 32,100	\$ 26,886	\$ 21,671	\$ 31,323
Unrestricted	40,870	26,458	32,081	34,373	21,520	19,571	33,038	42,672	41,909	20,967
Total business-type activities	<u>\$ 60,546</u>	<u>\$ 66,485</u>	<u>\$ 68,006</u>	<u>\$ 66,195</u>	<u>\$ 61,991</u>	<u>\$ 57,389</u>	<u>\$ 65,138</u>	<u>\$ 69,558</u>	<u>\$ 63,580</u>	<u>\$ 52,290</u>
District-wide										
Net investment in capital assets	\$ 3,084,829	\$ 3,136,789	\$ 3,260,571	\$ 3,399,596	\$ 3,777,243	\$ 4,112,639	\$ 4,272,672	\$ 4,957,748	\$ 5,853,116	\$ 6,137,121
Restricted	278,168	631,549	667,537	1,048,413	1,036,926	1,208,751	2,130,676	1,939,228	1,455,925	1,912,048
Unrestricted	370,585	257,451	484,780	444,252	288,691	275,351	(1,044,348)	(999,602)	(934,269)	(1,224,914)
Total district-wide	<u>\$ 3,733,582</u>	<u>\$ 4,025,789</u>	<u>\$ 4,412,888</u>	<u>\$ 4,892,261</u>	<u>\$ 5,102,860</u>	<u>\$ 5,596,741</u>	<u>\$ 5,359,000</u>	<u>\$ 5,897,374</u>	<u>\$ 6,374,772</u>	<u>\$ 6,824,255</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Changes in Net Position
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$ 2,972,320	\$ 2,860,502	\$ 2,902,136	\$ 2,896,592	\$ 3,070,630	\$ 3,112,909	\$ 3,022,923	\$ 3,206,260	\$ 3,817,127	\$ 3,875,298
Special education	887,642	924,311	856,655	896,165	857,343	867,963	877,529	1,175,540	1,097,366	1,406,699
Other special education	110,518	163,753	273,351	184,504	198,269	200,229	180,199	371,650	482,853	244,389
Other instruction	39,985	40,133	37,640	37,717	37,754	45,710	39,480	152,006	81,956	405,393
Support services										
Tuition	92,732	93,453	47,009	40,527	90,695	94,322	104,236	144,050	74,950	59,236
Student & instruction related services	993,344	917,081	878,051	850,416	945,903	944,407	975,555	1,071,434	1,230,493	1,328,133
General & business administrative services	579,784	566,073	569,588	550,843	738,839	586,221	528,792	563,365	529,713	583,854
School administration	196,671	199,006	205,387	208,129	185,949	197,010	169,340	199,112	219,729	196,937
Plant operations & maintenance	751,938	715,260	824,872	754,886	669,183	657,876	688,455	682,629	681,050	859,519
Pupil transportation	420,074	388,638	370,447	372,963	382,671	344,179	262,598	324,243	305,062	311,598
Interest on long-term debt	129,607	124,414	119,023	126,784	109,402	73,409	76,236	72,636	68,845	63,223
Total governmental activities expenses	<u>7,174,615</u>	<u>6,992,624</u>	<u>7,084,159</u>	<u>6,919,526</u>	<u>7,286,638</u>	<u>7,124,235</u>	<u>6,925,343</u>	<u>7,962,925</u>	<u>8,589,144</u>	<u>9,334,279</u>
Business-type activities										
Food services	124,557	129,996	130,382	130,560	118,836	112,744	95,055	100,249	106,740	117,841
Total business-type activities	<u>124,557</u>	<u>129,996</u>	<u>130,382</u>	<u>130,560</u>	<u>118,836</u>	<u>112,744</u>	<u>95,055</u>	<u>100,249</u>	<u>106,740</u>	<u>117,841</u>
Total district expenses	<u>\$ 7,299,172</u>	<u>\$ 7,122,620</u>	<u>\$ 7,214,541</u>	<u>\$ 7,050,086</u>	<u>\$ 7,405,474</u>	<u>\$ 7,236,979</u>	<u>\$ 7,020,398</u>	<u>\$ 8,063,174</u>	<u>\$ 8,695,884</u>	<u>\$ 9,452,120</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program revenues										
Governmental activities										
Operating grants & contributions	\$ 166,764	\$ 143,454	\$ 237,712	\$ 148,012	\$ 142,694	\$ 140,992	\$ 128,482	\$ 129,552	\$ 145,198	\$ 140,287
Capital grants & contributions	-	90,300	10,650	88,040	-	8,704	359,840	37,700	-	-
Total governmental activities	<u>166,764</u>	<u>233,754</u>	<u>248,362</u>	<u>236,052</u>	<u>142,694</u>	<u>149,696</u>	<u>488,322</u>	<u>167,252</u>	<u>145,198</u>	<u>140,287</u>
Business-type activities										
Charges for services										
Food service	112,707	118,304	109,742	104,647	90,233	81,418	76,986	75,889	71,933	74,080
Operating grants & contributions	18,855	17,304	21,999	23,975	24,152	26,646	25,729	28,641	28,615	32,226
Total business-type activities	<u>131,562</u>	<u>135,608</u>	<u>131,741</u>	<u>128,622</u>	<u>114,385</u>	<u>108,064</u>	<u>102,715</u>	<u>104,530</u>	<u>100,548</u>	<u>106,306</u>
Total district-program	<u>\$ 298,326</u>	<u>\$ 369,362</u>	<u>\$ 380,103</u>	<u>\$ 364,674</u>	<u>\$ 257,079</u>	<u>\$ 257,760</u>	<u>\$ 591,037</u>	<u>\$ 271,782</u>	<u>\$ 245,746</u>	<u>\$ 246,593</u>
Net (expense) revenues										
Governmental activities	\$ (7,007,851)	\$ (6,758,870)	\$ (6,835,797)	\$ (6,683,474)	\$ (7,143,944)	\$ (6,974,539)	\$ (6,437,021)	\$ (7,795,673)	\$ (8,443,946)	\$ (9,081,092)
Business-type activities	7,005	5,612	1,359	(1,938)	(4,451)	(4,680)	7,660	4,281	(6,192)	(11,535)
Total district-wide net expenses	<u>\$ (7,000,846)</u>	<u>\$ (6,753,258)</u>	<u>\$ (6,834,438)</u>	<u>\$ (6,685,412)</u>	<u>\$ (7,148,395)</u>	<u>\$ (6,979,219)</u>	<u>\$ (6,429,361)</u>	<u>\$ (7,791,392)</u>	<u>\$ (8,450,138)</u>	<u>\$ (9,092,627)</u>
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes	\$ 4,774,618	\$ 4,940,603	\$ 5,045,985	\$ 5,172,767	\$ 5,173,467	\$ 5,263,158	\$ 5,263,158	\$ 5,263,158	\$ 5,368,421	\$ 5,475,786
Taxes levied for debt service	253,773	230,459	253,373	252,873	252,173	232,894	247,050	243,450	249,750	245,000
Unrestricted grants & contributions	2,063,848	1,837,400	1,893,944	1,667,601	1,904,875	1,913,148	1,872,489	2,804,617	3,207,193	3,854,308
State capital projects grant deobligated	-	-	(31,556)	-	(34,068)	-	-	(79,054)	-	-
Tuition income	-	2,000	15,700	22,000	29,561	30,945	42,628	64,671	61,645	51,600
Investment earnings	62,418	26,623	16,435	12,909	18,220	9,412	10,940	10,856	10,757	12,583
Miscellaneous income	6,727	8,053	27,494	35,508	15,519	23,465	20,971	21,929	29,556	15,488
Loss on disposal of capital assets	-	-	-	-	-	-	(10,738)	-	-	-
Total governmental activities	<u>7,161,384</u>	<u>7,045,138</u>	<u>7,221,375</u>	<u>7,163,658</u>	<u>7,359,747</u>	<u>7,473,022</u>	<u>7,446,498</u>	<u>8,329,627</u>	<u>8,927,322</u>	<u>9,654,765</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues & other changes in net position (cont'd)										
Business-type activities										
Investment earnings	\$ 1,437	\$ 327	\$ 162	\$ 127	\$ 247	\$ 78	\$ 93	\$ 139	\$ 169	\$ 157
Miscellaneous income	-	-	-	-	-	-	-	-	45	88
Total business-type activities	<u>1,437</u>	<u>327</u>	<u>162</u>	<u>127</u>	<u>247</u>	<u>78</u>	<u>93</u>	<u>139</u>	<u>214</u>	<u>245</u>
Total district-wide	<u>\$ 7,162,821</u>	<u>\$ 7,045,465</u>	<u>\$ 7,221,537</u>	<u>\$ 7,163,785</u>	<u>\$ 7,359,994</u>	<u>\$ 7,473,100</u>	<u>\$ 7,446,591</u>	<u>\$ 8,329,766</u>	<u>\$ 8,927,536</u>	<u>\$ 9,655,010</u>
Change in net position										
Governmental activities	\$ 153,533	\$ 286,268	\$ 385,578	\$ 480,184	\$ 215,803	\$ 498,483	\$ 1,009,477	\$ 533,954	\$ 483,376	\$ 460,773
Business-type activities	<u>8,442</u>	<u>5,939</u>	<u>1,521</u>	<u>(1,811)</u>	<u>(4,204)</u>	<u>(4,602)</u>	<u>7,749</u>	<u>4,420</u>	<u>(5,978)</u>	<u>(11,290)</u>
Total district	<u>\$ 161,975</u>	<u>\$ 292,207</u>	<u>\$ 387,099</u>	<u>\$ 478,373</u>	<u>\$ 211,599</u>	<u>\$ 493,881</u>	<u>\$ 1,017,226</u>	<u>\$ 538,374</u>	<u>\$ 477,398</u>	<u>\$ 449,483</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Restricted	\$ 383,174	\$ 613,148	\$ 845,293	\$ 999,020	\$ 890,398	\$ 1,419,146	\$ 1,483,952	\$ 1,320,429	\$ 1,476,274	\$ 1,856,119
Committed	125,828	58,525	134,170	102,862	90,441	140,885	95,156	130,289	212,013	78,557
Assigned	-	-	-	-	-	-	-	-	2	-
Unassigned	209,859	138,397	207,454	210,828	223,427	187,614	177,660	179,024	196,387	252,918
Total general fund	<u>\$ 718,861</u>	<u>\$ 810,070</u>	<u>\$ 1,186,917</u>	<u>\$ 1,312,710</u>	<u>\$ 1,204,266</u>	<u>\$ 1,747,645</u>	<u>\$ 1,756,768</u>	<u>\$ 1,629,742</u>	<u>\$ 1,884,676</u>	<u>\$ 2,187,594</u>
All other governmental funds										
Restricted, reported in										
Special revenue fund	\$ (369)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects fund	-	195,032	33,294	266,630	342,436	-	858,437	837,473	205,830	323,252
Assigned, reported in										
Debt service fund	23,214	-	-	-	14,334	-	-	-	-	-
Total all other governmental funds	<u>\$ 22,845</u>	<u>\$ 195,032</u>	<u>\$ 33,294</u>	<u>\$ 266,630</u>	<u>\$ 356,770</u>	<u>\$ -</u>	<u>\$ 858,437</u>	<u>\$ 837,473</u>	<u>\$ 205,830</u>	<u>\$ 323,252</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax levy	\$ 5,028,391	\$ 5,171,062	\$ 5,299,358	\$ 5,425,640	\$ 5,425,640	\$ 5,496,052	\$ 5,510,208	\$ 5,506,608	\$ 5,618,171	\$ 5,720,786
Tuition charges	-	2,000	15,700	22,000	29,561	30,945	42,628	64,671	61,645	51,600
Interest earnings	62,418	26,623	16,435	12,909	18,220	9,412	10,940	10,856	10,757	12,583
Rents and royalties	-	-	-	-	-	-	-	-	7,438	4,850
Sale of property	-	-	-	-	-	-	-	-	6,356	-
Miscellaneous	6,727	8,053	27,494	35,508	15,519	23,465	20,971	21,929	15,762	10,638
State sources	2,071,599	1,928,069	1,822,948	1,755,641	1,855,296	1,913,148	2,232,329	1,947,130	2,067,924	2,176,477
Federal sources	159,013	143,085	319,358	148,012	192,273	140,992	128,482	130,034	145,198	140,384
Total revenues	7,328,148	7,278,892	7,501,293	7,399,710	7,536,509	7,614,014	7,945,558	7,681,228	7,933,251	8,117,318
Expenditures										
Instruction										
Regular instruction	2,117,630	2,109,570	2,109,905	2,027,723	2,137,132	2,081,511	2,078,379	1,924,618	2,014,300	1,948,155
Special education instruction	630,637	674,505	618,793	580,253	583,982	567,461	578,178	611,792	556,345	574,183
Other special instruction	90,543	117,993	119,624	125,322	131,687	131,117	119,166	200,577	223,682	218,369
Other instruction	38,197	38,327	35,894	36,518	36,543	44,079	37,973	40,191	47,208	50,864
Support services										
Tuition	9,940	11,862	504	23,527	11,830	11,149	25,707	69,899	74,950	-
Student & instructional related services	728,664	696,658	639,251	604,411	682,694	668,329	746,047	648,465	730,827	742,463
General administration	246,025	258,207	261,066	214,186	221,041	225,903	181,614	193,440	176,563	185,629
School administration services	145,230	146,748	154,388	147,524	133,608	138,048	124,734	118,735	121,898	116,533
Central services	168,365	182,617	188,998	202,975	203,615	188,170	196,183	189,072	211,340	170,201
Plant operations & maintenance	688,313	649,935	748,932	671,630	577,862	570,174	619,117	588,885	569,036	721,301
Pupil transportation	415,302	383,796	364,210	365,719	375,689	338,565	255,468	310,881	288,307	291,017
Employee benefits	807,103	793,770	853,775	1,050,274	1,066,660	1,112,959	1,028,928	1,154,708	1,252,847	1,189,714
On-behalf TPAF Pension & Social Security contributions	605,283	443,032	452,268	440,191	509,754	633,260	548,021	616,039	693,474	763,601
Capital outlay	37,828	71,000	51,086	57,973	40,857	49,783	94,456	11,786	55,464	104,251
Capital projects		30,718	124,849	81,470	407,258	257,903	41,163	670,742	866,439	198,078
Special revenue funds	166,764	143,085	237,712	148,012	142,694	140,992	128,482	129,552	145,198	140,287
Debt service										
Principal	125,000	130,000	135,000	140,000	145,000	175,000	180,000	180,000	190,000	190,000
Interest & other charges	128,773	123,673	118,373	112,873	92,839	83,002	84,382	80,782	77,082	72,332
Total expenditures	7,149,597	7,005,496	7,214,628	7,030,581	7,500,745	7,417,405	7,067,998	7,740,164	8,294,960	7,676,978

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds (continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess (deficiency) of revenues over (under) expenditures	\$ 178,551	\$ 273,396	\$ 286,665	\$ 369,129	\$ 35,764	\$ 196,609	\$ 877,560	\$ (58,936)	\$ (361,709)	\$ 440,340
Other financing sources (uses)										
NJSDA Grant deobligated	-	-	(31,556)	-	(34,068)	-	-	(79,054)	-	-
Transfers out	(10,000)	(10,000)	(40,000)	(10,000)	(20,000)	(10,000)	(10,000)	(10,000)	(15,000)	(20,000)
Total other financing sources (uses)	(10,000)	(10,000)	(71,556)	(10,000)	(54,068)	(10,000)	(10,000)	(89,054)	(15,000)	(20,000)
Net change in fund balances	<u>\$ 168,551</u>	<u>\$ 263,396</u>	<u>\$ 215,109</u>	<u>\$ 359,129</u>	<u>\$ (18,304)</u>	<u>\$ 186,609</u>	<u>\$ 867,560</u>	<u>\$ (147,990)</u>	<u>\$ (376,709)</u>	<u>\$ 420,340</u>
Debt service as a percentage of non-capital expenditures	3.70%	3.81%	3.73%	3.81%	3.49%	3.77%	3.96%	3.84%	3.76%	3.69%

Source: District records

NOTE: Non-capital expenditures are total expenditures less capital outlay.

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund - Other Local Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Interest income	\$ 62,418	\$ 26,623	\$ 16,435	\$ 12,909	\$ 18,220	\$ 9,412	\$ 10,940	\$ 10,856	\$ 10,757	\$ 12,583
Tuition	-	2,000	15,700	22,000	29,561	30,945	42,628	64,671	61,645	51,600
Building use fees	5,082	5,051	7,811	6,587	7,175	6,175	5,100	6,375	7,438	4,850
Prior year refunds	85	135	16,867	23,582	4,994	385	1,079	7,050	8,292	554
Accounts payable canceled	1,246	2,210	-	222	622	6,156	2,808	3,043	2,038	4,331
Miscellaneous other	-	657	1,649	27	30	-	-	41	117	113
Semi payments	-	-	1,167	1,850	298	-	-	-	-	-
Energy audit	-	-	-	3,240	-	-	-	-	-	-
Miscellaneous refunds	314	-	-	-	-	-	-	-	-	-
Sale of assets	-	-	-	-	2,400	-	-	-	6,356	-
Training fees	-	-	-	-	-	3,075	-	-	-	-
Sale of textbooks	-	-	-	-	-	1,304	79	-	-	-
iPad reimbursements	-	-	-	-	-	6,370	5,880	5,420	5,220	4,640
Workshops	-	-	-	-	-	-	5,025	-	-	-
NJ School Boards Insurance	-	-	-	-	-	-	-	-	-	-
Safety Incentive	-	-	-	-	-	-	1,000	-	-	1,000
Donations	-	-	-	-	-	-	-	-	95	-
Annual totals	<u>\$ 69,145</u>	<u>\$ 36,676</u>	<u>\$ 59,629</u>	<u>\$ 70,417</u>	<u>\$ 63,300</u>	<u>\$ 63,822</u>	<u>\$ 74,539</u>	<u>\$ 97,456</u>	<u>\$ 101,958</u>	<u>\$ 79,671</u>

Source: District Records

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Vacant land	\$ 28,977,700	\$ 24,913,500	\$ 19,877,000	\$ 19,848,200	\$ 20,682,400	\$ 20,444,100	\$ 18,828,600	\$ 22,065,150	\$ 21,949,750	\$ 20,706,400
Residential	490,067,000	494,471,800	421,467,300	422,700,800	417,770,800	420,624,300	422,482,000	421,252,699	428,026,899	427,194,899
Farm regular	123,850,000	126,078,000	111,387,300	111,775,600	114,411,900	113,888,600	113,765,600	113,811,201	110,891,300	113,641,700
Qualified farm	5,970,400	5,910,000	5,862,400	5,809,900	5,810,800	5,711,500	5,624,100	5,480,300	5,381,800	5,300,000
Commercial	34,335,100	40,870,300	34,544,300	35,078,200	34,583,000	34,945,700	34,980,300	34,962,700	35,012,700	34,962,400
Industrial	11,539,200	10,401,900	9,346,600	9,346,600	9,346,600	9,346,600	9,381,100	9,381,100	8,921,900	8,921,900
Apartment	2,262,500	2,262,500	2,018,900	1,988,300	1,988,300	1,988,300	1,988,300	1,988,300	1,988,300	1,988,300
Total assessed value	697,001,900	704,908,000	604,503,800	606,547,600	604,593,800	606,949,100	607,050,000	608,941,450	612,172,649	612,715,599
Public utilities (a)	1,545,883	1,359,500	1,639,850	1,559,512	1,663,096	1,480,282	1,476,753	1,653,010	1,544,943	1,545,288
Net valuation taxable	\$698,547,783	\$ 706,267,500	\$ 606,143,650	\$ 608,107,112	\$ 606,256,896	\$ 608,429,382	\$ 608,526,753	\$ 610,594,460	\$ 613,717,592	\$ 614,260,887
Estimated actual county equalized value	\$717,447,587	\$ 704,115,651	\$ 697,873,317	\$ 660,555,194	\$ 639,241,772	\$ 629,713,705	\$ 613,859,175	\$ 618,887,553	\$ 601,302,608	\$ 608,735,456
Percentage of net valuation to estimated actual equalized value	97.37%	100.31%	86.86%	92.06%	94.84%	96.62%	99.13%	98.66%	102.06%	100.91%
Total direct school tax rate (b)	0.740	0.750	0.895	0.892	0.907	0.906	0.905	0.920	0.920	0.950

*

Source: 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 the County Board of Taxation requests Treasury to order a reassessment.

(a) Taxable value of machinery, implements and equipment of telephone and messenger system companies

(b) Tax rates are per \$100

* Revalued/Reassessed

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per \$100 of Assessed Value)**

Assessment Year	School District Direct Rate				Regional School Rate	Overlapping Rates		Fire District	Total Direct & Overlapping Tax Rate
	Basic Rate (a)	Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate			Municipality	County		
2008	\$ 0.707	\$ 0.033	\$ 0.740	\$ 0.393	\$ 0.190	\$ 0.335	\$ -	\$ 1.660	
2009	0.714	0.036	0.750	0.413	0.188	0.342	-	1.690	
2010	* 0.853	0.042	0.895	0.506	0.222	0.391	-	2.010	
2011	0.851	0.041	0.892	0.549	0.221	0.373	-	2.040	
2012	0.869	0.038	0.907	0.571	0.225	0.373	-	2.080	
2013	0.865	0.041	0.906	0.588	0.231	0.378	-	2.100	
2014	0.865	0.040	0.905	0.613	0.241	0.371	-	2.130	
2015	0.879	0.040	0.919	0.611	0.252	0.377	-	2.160	
2016	0.891	0.041	0.932	0.625	0.259	0.366	-	2.180	
2017	0.909	0.041	0.950	0.617	0.265	0.368	-	2.200	

Sources: Municipal Tax Collector

NOTE: N.J.S.A.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 pre-budget by more than the spending growth limitation calculated as follows: the pre-budget 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.

* Revalued/Reassessed

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT
Principal Property Taxpayers,
Current Year and Nine Years Ago**

	2017			2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
	Buckeye Pipeline Co	\$ 4,575,000	1	0.74%	\$ 10,414,400	1
Kingwood Flex LLC	4,188,100	2	0.68%	-		0.00%
Mel Chemicals Inc	3,498,200	3	0.57%	-		0.00%
Buckeye Pipeline Co	3,040,000	4	0.49%	-		0.00%
Perini Properties LLC	2,895,500	5	0.47%	-		0.00%
Frenchtown III Solar LLC	2,628,700	6	0.43%	-		0.00%
869 Associates LLC	2,324,100	7	0.38%	3,837,300	3	0.55%
Frenchtown III Solar LLC	1,657,500	8	0.27%	-		0.00%
Individual Property Owner	1,650,800	9	0.27%	-		0.00%
Frenchtown II Solar LLC	1,500,000	10	0.24%	-		0.00%
Horseshoe Bend LLC	-		0.00%	4,919,200	2	0.70%
Magnesium Elektron Inc	-		0.00%	3,699,500	4	0.53%
Lutz Welding & Fabricating Inc	-		0.00%	3,279,100	5	0.47%
Frenchtown Run LLC	-		0.00%	2,500,000	6	0.36%
Individual Property Owner	-		0.00%	1,833,400	7	0.26%
Individual Property Owner	-		0.00%	1,760,300	8	0.25%
Individual Property Owner	-		0.00%	1,748,200	9	0.25%
Individual Property Owner	-		0.00%	1,552,600	10	0.22%
	<u>\$ 27,957,900</u>		<u>4.55%</u>	<u>\$ 35,544,000</u>		<u>5.09%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

Year Ending December 31,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2007	\$ 11,426,531	\$ 11,075,341	96.93%
2008	11,742,295	11,327,917	96.47%
2009	12,016,948	11,452,551	95.30%
2010	12,253,395	11,821,890	96.48%
2011	12,574,328	12,112,601	96.33%
2012	12,635,478	12,203,574	96.58%
2013	12,948,202	12,508,826	96.61%
2014	13,019,498	12,577,111	96.60%
2015	13,245,902	12,824,679	96.82%
2016	13,408,591	13,036,971	97.23%

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

- (a) 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 the amount voted upon or certified prior to the end of the school year.

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Governmental Activities				Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Activities Capital Leases			
2008	\$ 2,900,000	\$ -	\$ -	\$ -	\$ -	\$ 2,900,000	1.05%	\$ 719
2009	2,770,000	-	-	-	-	2,770,000	0.99%	683
2010	2,635,000	-	-	-	-	2,635,000	0.99%	649
2011	2,495,000	-	-	-	-	2,495,000	0.98%	650
2012	2,425,000	-	-	-	-	2,425,000	0.90%	632
2013	2,250,000	-	-	-	-	2,250,000	0.79%	589
2014	2,070,000	-	-	-	-	2,070,000	0.73%	543
2015	1,890,000	-	-	-	-	1,890,000	0.64%	500
2016	1,700,000	-	-	-	-	1,700,000	0.56%	449
2017	1,510,000	-	-	-	-	1,510,000	N/A	403

NOTES: (1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.

- (a) See Exhibit 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.

N/A Information is not available.

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ending June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 2,900,000	\$ -	\$ 2,900,000	0.42%	\$ 719
2009	2,770,000	-	2,770,000	0.39%	683
2010	* 2,635,000	-	2,635,000	0.43%	649
2011	2,495,000	-	2,495,000	0.41%	650
2012	2,425,000	-	2,425,000	0.40%	632
2013	2,250,000	-	2,250,000	0.37%	589
2014	2,070,000	-	2,070,000	0.34%	543
2015	1,890,000	-	1,890,000	0.31%	500
2016	1,700,000	-	1,700,000	0.28%	449
2017	1,510,000	-	1,510,000	0.25%	403

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

(a) See Exhibit J-6 for property tax data.

(b) Population data can be found in Exhibit J-14.

* Revalued / Reassessed

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2016

	Debt Outstanding	Estimated % Applicable (a)	Estimated Share of Overlapping Debt
Governmental Unit			
Debt repaid with property taxes			
Municipality	\$ 2,934,694	100.00%	\$ 2,934,694
Regional High School	1,585,000	26.04%	412,767
County general obligation debt	75,793,752	2.88%	2,179,113
Subtotal, overlapping debt			5,526,574
School District direct debt			1,510,000
Total direct and overlapping debt			\$ 7,036,574

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Taxation. Debt outstanding data provided by each governmental unit.

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 municipality. 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.

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2017

		Equalized Valuation Basis
	2016	\$ 606,652,115
	2015	596,591,996
	2014	615,294,952
		\$ 1,818,539,063
Average equalized valuation of taxable property		\$ 606,179,688
Debt limit (3.0% of average equalization value)	(a)	\$ 18,185,391
Total net debt applicable to limit		1,510,000
Legal debt margin		\$ 16,675,391

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt limit	\$ 19,219,333	\$ 18,749,237	\$ 18,506,704	\$ 18,215,184	\$ 18,185,391
Total net debt applicable	2,250,000	2,070,000	1,890,000	1,700,000	1,510,000
Legal debt margin	\$ 16,969,333	\$ 16,679,237	\$ 16,616,704	\$ 16,515,184	\$ 16,675,391
Total net debt applicable to the limit as a percentage of debt limit	11.71%	11.04%	10.21%	9.33%	8.30%

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt limit	\$ 19,641,225	\$ 20,812,146	\$ 21,124,196	\$ 20,626,001	\$ 19,915,021
Total net debt applicable	2,900,000	2,770,000	2,635,000	2,495,000	2,425,000
Legal debt margin	\$ 16,741,225	\$ 18,042,146	\$ 18,489,196	\$ 18,131,001	\$ 17,490,021
Total net debt applicable to the limit as a percentage of debt limit	14.76%	13.31%	12.47%	12.10%	12.18%

Source: Equalized valuation basis obtained from the Annual Report of the State of New Jersey Department of Treasury, Division of Taxation.

(a) Limit set by N.J.S.A. 18A:24-19

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2008	4055	\$ 280,022,080	\$ 69,056	3.3%
2009	4057	267,478,010	65,930	7.8%
2010	3841	255,107,697	66,417	8.0%
2011	3837	269,714,241	70,293	7.8%
2012	3819	284,981,418	74,622	8.0%
2013	3810	283,303,980	74,358	4.9%
2014	3781	294,706,264	77,944	4.9%
2015	3784	305,592,056	80,759	4.7%
2016	3746	N/A	N/A	3.9%
2017	N/A	N/A	N/A	N/A

Sources:

- (a) Population information provided by the NJ Dept of Labor and Workforce Development.
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (c) Per capita personal income by county estimated based upon the 2010 census published by the U.S. Bureau of Economic Analysis.
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce Development.

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago**

2017

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2008

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Nine Fiscal Years

	<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>2017</u>
Function/Program										
Instruction										
Regular	32.0	32.0	31.5	30.0	30.2	28.7	27.2	26.2	26.2	26.2
Special education	10.0	10.0	9.0	9.1	8.0	8.0	9.5	10.5	10.0	10.0
Other instruction - aides	5.0	5.0	4.5	3.5	3.1	4.0	4.5	4.5	3.0	6.0
Support services										
Student and instruction related services	10.8	10.8	10.6	10.6	9.8	9.6	7.8	7.9	7.9	9.4
General administration	2.0	2.0	2.0	2.0	1.5	1.5	1.2	1.6	1.6	1.6
School administration services	2.4	2.4	2.4	2.4	1.9	1.9	1.8	1.5	1.5	1.7
Central services	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.1	3.1	2.1
Plant operations and maintenance	6.0	6.0	6.0	5.6	5.6	5.7	5.7	5.6	4.8	4.8
Pupil transportation	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.5	0.5
Total	<u>70.8</u>	<u>70.8</u>	<u>68.6</u>	<u>65.8</u>	<u>62.7</u>	<u>62.2</u>	<u>60.5</u>	<u>60.4</u>	<u>58.6</u>	<u>62.2</u>

Source: District personnel records

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years**

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff (b)	Teacher Ratio	Average Daily Enrollment (ADE) (c)	Average Daily Attendance (ADA) (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2008	463	\$ 6,857,996	\$ 14,812	8.53%	50.8	1:9.11	461.1	442.3	-5.32%	95.92%
2009	456	6,650,105	14,584	-1.54%	50.8	1:10.06	454.0	436.0	-1.54%	96.04%
2010	456	6,785,320	14,880	2.03%	49.1	1:10.70	447.9	430.7	-1.34%	96.16%
2011	435	6,638,265	15,260	2.56%	50.7	1:10.48	428.3	411.1	-4.38%	95.98%
2012	396	6,814,791	17,209	12.77%	46.4	1:11.10	412.7	396.0	-3.64%	95.95%
2013	409	6,851,717	16,752	-2.65%	47.7	1:10.93	408.7	391.2	-0.97%	95.72%
2014	370	6,667,997	18,022	7.58%	45.5	1:11.76	367.9	353.5	-9.98%	96.09%
2015	365	6,796,854	18,622	3.33%	45.3	1:11.76	360.3	344.9	-2.07%	95.73%
2016	364	7,105,975	19,522	4.84%	44.8	1:12.31	342.2	328.2	-5.02%	95.91%
2017	344	7,112,317	20,675	5.91%	44.8	1:13.02	343.5	329.0	0.38%	95.78%

Source: District Records

- (a) Operating expenditures equal total expenditures less debt service and capital outlay.
- (b) Teaching staff includes only full-time equivalents or certificated staff.
- (c) Average Daily Enrollment and Average Daily Attendance are obtained from the School Register Summary (SRS).

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

<u>District Building</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>2017</u>
<u>Elementary (1948)</u>										
Square feet	67,519	67,519	67,519	67,519	67,519	67,519	67,519	67,519	67,519	67,519
Capacity (students)	607.0	607.0	607.0	607.0	607.0	607.0	607.0	607.0	607.0	607.0
Average daily enrollment	461.1	454.0	447.9	431.8	396.0	409.0	367.9	360.3	342.2	343.5

Number of schools at June 30, 2017:

Elementary	1
Middle School	-
High School	-
Other	-

Source: District Facilities Office

N/A = Not Available

NOTE: Year of original construction is shown in parentheses. Increase in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October District count.

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of Required Maintenance
Last Ten Fiscal Years

Undistributed Expenditures - Required Maintenance for School Facilities

<u>Fiscal Year Ending</u>	<u>Amount</u>	<u>Total</u>
2008	\$ 77,937	\$ 77,937
2009	47,910	47,910
2010	88,308	88,308
2011	56,596	56,596
2012	61,878	61,878
2013	62,723	62,723
2014	35,095	35,095
2015	31,968	31,968
2016	57,768	57,768
2017	182,472	182,472
	<hr/>	<hr/>
Total school facilities	<u>\$ 702,655</u>	<u>\$ 702,655</u>

* School Facilities as Defined Under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Insurance Schedule
June 30, 2017
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Commercial Package Policy - New Jersey School Insurance Group (NJSIG)		
Property - Building Blanket and Contents (policy limit)	\$ 16,000,000	\$ 1,000
Comprehensive General Liability (policy limit)	16,000,000	
Comprehensive Automobile Liability (policy limit)	16,000,000	
School Board Legal Liability - New Jersey School Insurance Group (NJSIG)		
Directors and Officers Policy	16,000,000	5,000
Workmen's Compensation - New Jersey School Insurance Group (NJSIG)		
Per Accident, Disease and Disease Limit	2,000,000	-
Public Employees' Faithful Performance - New Jersey School Insurance Group (NJSIG)		
Blanket Position Bond	50,000	500
Treasurer of School Monies Bond	250,000	1,000
School Board Secretary Bond	250,000	1,000

Source: District records

See independent auditors' report.



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

Honorable President and
Members of the Board of Education
Kingwood Township School District
County of Hunterdon, New Jersey

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, and the aggregate remaining fund information of the Kingwood Township School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2016.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


Compliance and Other Matters

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

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr.
Public School Accountant
No. CS 0128

October 18, 2017
Flemington, New Jersey



**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by The Uniform Guidance and New Jersey
OMB Circular Letter 15-08**

Honorable President and
Members of the Board of Education
Kingwood Township School District
County of Hunterdon, New Jersey

Report on Compliance for Each Major Federal Program and State Program

We have audited the Kingwood Township School District's, (the District), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the New Jersey OMB Circular Letter 15-08 that could have a direct and material effect on each of the District's major federal and New Jersey programs for the year ended June 30, 2017. Kingwood Township School District's major federal 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 statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal and New Jersey 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); and New Jersey OMB Circular 15-08. Those standards, the Uniform Guidance and 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 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 program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Kingwood Township School District 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 New Jersey programs for the year ended June 30, 2017.

Report on Internal Control over Compliance


Management of the Kingwood Township School District, 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 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 program and to test and report on internal control over compliance in accordance with the 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 Kingwood Township School District'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.

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 the Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr.
Public School Accountant
No. CS 0128

October 18, 2017
Flemington, New Jersey

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards - Schedule A
For the Fiscal Year Ended June 30, 2017

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016		Cash Received	Budgetary Expenditure	Adjustment	Repayment of Prior Year Balance	Balance June 30, 2017		
					From	To	(Acct Rec) Def Revenue	Carryover Amount					Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Health and Human Services															
General Fund															
ARRA - Medical Assistance Program	93.778	1705NJ5MAP	ARRA-2450-17	\$ 97	04/01/09	12/31/09	\$ -	\$ -	\$ 97	\$ 97	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Department of Education passed through State Department of Education															
Special Revenue Fund															
Title I A	84.010A	S010A160030	NCLB-2450-17	25,766	07/01/16	06/30/17	-	-	25,766	25,766	-	-	-	-	-
Title II A	84.367A	S367A160029	NCLB-2450-17	7,733	07/01/16	06/30/17	-	-	7,733	7,733	-	-	-	-	-
Small, Rural School Achievement Program	84.358A	S358B160030	S358A16-1011	32,099	7/1/2016	9/30/2017	-	-	32,099	32,099	-	-	-	-	-
IDEA Basic	84.027A	S027A160100	IDEA-2450-17	71,140	07/01/16	06/30/17	-	-	71,140	71,140	-	-	-	-	-
IDEA Preschool	84.173A	H173A160114	IDEA-2450-17	3,549	07/01/16	06/30/17	-	-	3,549	3,549	-	-	-	-	-
Total Special Revenue Fund							-	-	140,287	140,287	-	-	-	-	-
U.S. Department of Agriculture passed through State Department of Agriculture															
Enterprise Fund															
Child Nutrition Center															
National School Lunch Program non-cash assistance (commodities)	10.555	16161NJ304N1099	N/A	7,505	07/01/15	06/30/16	1,040	-	-	1,040	-	-	-	-	-
National School Lunch Program non-cash assistance (commodities)	10.555	171NJ304N1099	N/A	8,977	10/01/16	09/30/17	-	-	8,977	8,205	-	-	-	772	-
National School Lunch Program cash assistance	10.555	16161NJ304N1099	N/A	20,573	07/01/15	06/30/16	(1,105)	-	1,105	-	-	-	-	-	-
National School Lunch Program cash assistance	10.555	171NJ304N1099	N/A	21,862	10/01/16	09/30/17	-	-	20,564	21,862	-	-	(1,298)	-	-
Total Enterprise Fund							(65)	-	30,646	31,107	-	-	(1,298)	772	-
Total Federal Financial Assistance							\$ (65)	\$ -	\$ 171,030	\$ 171,491	\$ -	\$ -	\$ (1,298)	\$ 772	\$ -

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance - Schedule B
For the Fiscal Year Ended June 30, 2017

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016		Cash Received	Budgetary Expenditure	Adjustments	Balance June 30, 2017			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General Fund														
Transportation aid	17-495-034-5120-014	\$ 157,946	07/01/16	06/30/17	\$ -	\$ -	\$ 142,475	\$ 157,946	\$ -	\$ -	\$ -	\$ -	\$ 15,471	\$ 157,946
Special Education Categorical aid	17-495-034-5120-089	244,823	07/01/16	06/30/17	-	-	220,842	244,823	-	-	-	-	23,981	244,823
Equalization aid	17-495-034-5120-078	441,447	07/01/16	06/30/17	-	-	398,207	441,447	-	-	-	-	43,240	441,447
Security aid	17-495-034-5120-084	31,021	07/01/16	06/30/17	-	-	27,982	31,021	-	-	-	-	3,039	31,021
Adjustment aid	17-495-034-5120-085	301,310	07/01/16	06/30/17	-	-	271,796	301,310	-	-	-	-	29,514	301,310
School Choice aid	17-495-034-5120-068	121,930	07/01/16	06/30/17	-	-	109,987	121,930	-	-	-	-	11,943	121,930
PARCC Readiness aid	17-495-034-5120-098	3,440	07/01/16	06/30/17	-	-	3,103	3,440	-	-	-	-	337	3,440
Per Pupil Growth aid	17-495-034-5120-097	3,440	07/01/16	06/30/17	-	-	3,103	3,440	-	-	-	-	337	3,440
Professional Learning Community aid	17-495-034-5120-101	3,160	07/01/16	06/30/17	-	-	2,851	3,160	-	-	-	-	309	3,160
Extraordinary Special Education costs aid	16-495-034-5120-044	72,676	07/01/15	06/30/16	(72,676)	-	72,676	-	-	-	-	-	-	72,676
Extraordinary Special Education costs aid	17-495-034-5120-044	102,761	07/01/16	06/30/17	-	-	-	102,761	-	(102,761)	-	-	-	102,761
Non-public Transportation aid	16-495-034-5120-014	1,566	07/01/15	06/30/16	(1,566)	-	1,566	-	-	-	-	-	-	1,566
Non-public Transportation aid	17-495-034-5120-014	1,914	07/01/16	06/30/17	-	-	-	1,914	-	(1,914)	-	-	-	1,914
Reimbursed TPAF Social Security contribution	17-495-034-5094-003	191,064	07/01/16	06/30/17	-	-	181,419	191,064	-	(9,645)	-	-	-	191,064
On behalf TPAF Pension contribution - Teacher's Pension & Annuity Fund	17-495-034-5094-002	301,204	07/01/16	06/30/17	-	-	301,204	301,204	-	-	-	-	-	301,204
On behalf TPAF Pension contribution - non-contributory insurance	17-495-034-5094-004	10,913	07/01/16	06/30/17	-	-	10,913	10,913	-	-	-	-	-	10,913
On behalf TPAF Pension contribution - long-term disability insurance	17-495-034-5094-004	355	07/01/16	06/30/17	-	-	355	355	-	-	-	-	-	355
On behalf TPAF Pension contribution - post retirement medical	17-495-034-5094-001	260,065	07/01/16	06/30/17	-	-	260,065	260,065	-	-	-	-	-	260,065
Total General Fund					<u>(74,242)</u>	<u>-</u>	<u>2,008,544</u>	<u>2,176,793</u>	<u>-</u>	<u>(114,320)</u>	<u>-</u>	<u>-</u>	<u>128,171</u>	<u>2,251,035</u>
NJ School Development Authority														
Capital Projects Fund (EDA)														
Window replacement project	2450-050-14-1003-G04	32,000	N/A	N/A	(32,000)	-	32,000	-	-	-	-	-	-	32,000
Total Capital Projects Fund					<u>(32,000)</u>	<u>-</u>	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,000</u>
State Department of Agriculture														
Enterprise Fund														
National School Lunch program (St share)	16-100-010-3350-023	1,118	07/01/15	06/30/16	(57)	-	57	-	-	-	-	-	-	1,118
National School Lunch program (St share)	17-100-010-3350-023	1,119	07/01/16	06/30/17	-	-	1,051	1,119	-	(68)	-	-	-	1,119
Total Enterprise Fund					<u>(57)</u>	<u>-</u>	<u>1,108</u>	<u>1,119</u>	<u>-</u>	<u>(68)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,237</u>
Total State Financial Assistance					<u>\$ (106,299)</u>	<u>\$ -</u>	<u>\$ 2,041,652</u>	<u>2,177,912</u>	<u>\$ -</u>	<u>\$ (114,388)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,171</u>	<u>\$ 2,285,272</u>
Less: On behalf TPAF pension system contributions								<u>(572,537)</u>						
Total for state financial assistance - major program determination								<u>\$ 1,605,375</u>						

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Awards and Financial Assistance
June 30, 2017

Note 1 - General

The accompanying Schedules of Financial Assistance present the activity of all Federal and State financial assistance programs of the Board of Education, Kingwood Township School District. The Board of Education is defined in Note 1 (A) to the Board's financial statements. All federal financial assistance received directly from Federal agencies, as well as federal financial assistance passed through other government agencies, is included on the Schedule of Federal Financial Assistance.

Note 2 - Basis of accounting

The accompanying Schedules of Financial Assistance are presented using 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 basis of accounting are described in Notes 1 (C) and 1 (D) to the Board's financial statements.

Note 3 - Relationship of financial statements

The financial statements present the General Fund and Special Revenue Fund on a GAAP basis. Budgetary comparison statements or schedules 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 PL 2003, Ch. 97 (A3521). For GAAP purposes, that payment is not recognized until the subsequent budget year due to the State deferred 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 \$316 for the General Fund and \$0 for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds.

Financial assistance revenues are reported in the Board's financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 97	\$ 2,176,477	\$ 2,176,574
Special Revenue Fund	140,287		140,287
Food Service Fund	31,107	1,119	32,226
	<u>\$ 171,491</u>	<u>\$ 2,177,596</u>	<u>\$ 2,349,087</u>

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Awards and Financial Assistance
June 30, 2017

- 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 USDA Commodities Program represent 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, 2017. TPAF Social Security Contribution represents the amount reimbursed by the State for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2017.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

- 1. Were material weakness(es) identified? __ Yes X No
- 2. Were significant deficiencies identified? __ Yes X None reported

Noncompliance material to basic financial statements noted?

__ Yes X No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

- 1. Were material weakness(es) identified? __ Yes __ No
- 2. Were significant deficiencies identified? __ Yes __ None reported

What was the type of auditor's report issued on compliance for major programs?

Unmodified

Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a)?

__ Yes __ No

Identification of Major Programs:

CFDA Number(s)	FEIN Number(s)	Name of Federal Program or Cluster
<i>Not Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>

What was the dollar threshold used to distinguish between Type A and Type B programs?

Did the auditee qualify as a low-risk auditee?

__ Yes __ No

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2017

Section I - Summary of Auditor's Results (continued)

State Awards

What was the dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Did the auditee qualify as a low-risk auditee? X Yes ___ No

Internal Control Over Major Programs:

- 1. Were material weakness(es) identified? ___ Yes X No
- 2. Were there significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None reported

What was the type of auditor's report issued on compliance for major programs? *Unmodified*

Were any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08 as applicable? _____ Yes X No

Identification of Major Programs:

State Grant/Project Numbers	Name of State Program
<i>17-495-034-5120-089</i>	<i>State Aid Public Cluster:</i>
<i>17-495-034-5120-078</i>	<i>Special Education Categorical aid</i>
<i>17-495-034-5120-084</i>	<i>Equalization aid</i>
<i>17-495-034-5120-068</i>	<i>Security aid</i>
<i>17-495-034-5120-097</i>	<i>School Choice aid</i>
<i>17-495-034-5120-098</i>	<i>Per Pupil Growth aid</i>
<i>17-495-034-5120-101</i>	<i>PARCC Readiness aid</i>
<i>17-495-034-5120-085</i>	<i>Professional Learning Community aid</i>
	<i>Adjustment Aid</i>

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section II and III
For the Fiscal Year Ended June 30, 2017

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2017.

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

There were no findings or questioned costs for the year ended June 30, 2017.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT
Summary Schedule of Prior - Year Audit Findings
and Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2017**

Status of Prior Year Findings

There were no prior year findings or questioned costs.