

**SCHOOL DISTRICT**  
**OF**  
**KNOWLTON TOWNSHIP**

**Knowlton Township School District**  
**Board of Education**  
**Knowlton, Warren County**  
**New Jersey**

**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2017**



# **Comprehensive Annual**

## **Financial Report**

**of the**

**Knowlton Township School District**

**Board of Education**

**Knowlton, New Jersey**

**For the Fiscal Year Ending June 30, 2017**

**Prepared by**

**Knowlton Township School District**

**Board of Education**

**Finance Department**



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# Introductory Section

KNOWLTON TOWNSHIP  
BOARD OF EDUCATION

80 Route 46, P.O. Box 152  
Delaware, New Jersey 07833  
(908) 475-3544  
Fax: (908) 475-1141

Jeannine DeFalco  
*Superintendent*

Michael Brennan  
*Business Administrator*

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

Dear Board Members:

The comprehensive annual financial report of the Knowlton Township School District (the "District") for the fiscal year ended June 30, 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 (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

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

These educational services include regular and special education programs. The District completed the 2016-2017 fiscal year with an enrollment of 194 students, which is a decrease of 7 students from the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2016-2017	194	(3.48%)
2015-2016	201	(12.23%)
2014-2015	229	(5.76%)
2013-2014	243	(1.62%)
2012-2013	247	(8.52 %)
2011-2012	270	(1.46%)
2010-2011	274	(2.84%)
2009-2010	282	(2.76%)
2008-2009	290	(5.23%)
2007-2008	306	(5.56%)

2) ECONOMIC CONDITION AND OUTLOOK: Although Knowlton Township, with its large tracts of undeveloped (but developer owned) land must be considered a "sleeping giant", the Township has taken steps to control growth through zoning ordinances and "open space" regulations. Notwithstanding this fact, there is still a potential for a significant impact on school enrollment if even one large subdivision is approved. As of now, the rate of new housing starts can best be described as slow.

There has been no appreciable change in the growth of business/industry in Knowlton Township. Other than Truck Stops of America and McDonald's, there are few new "name" businesses.

3) MAJOR INITIATIVES:

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

A Strategic Management Planning Committee was formed in September 2015 and a new strategic plan was developed for January 2016- 2021. Representatives from the Board of Education, administration, faculty, parents, and community participated on four Strategic Planning Committees and an Advisory Committee to develop our district's goals and objectives for our current Strategic Plan.

The District is committed to enhancing and improving the ever-changing technology needs by providing reliable technology in the classrooms and improving student access from any computer in the school, community or from home. With the addition of Google Apps for Education (G Suite) and

educational technology tools like iPads and Chromebooks, our students' education is filled with 21<sup>st</sup> century learning experiences that will prepare them for their future beyond elementary school.

It is important that the District's Mission Statement and Strategic Plan be broad enough to accommodate future changes, but detailed enough to keep the District on a course that has proven to be meaningful and effective over the next five years. The Superintendents and Boards of Education within the cluster will continue to examine the opportunities that exist for shared services.

We continue to focus on expanding parental involvement in their children's education. Many activities and events are planned to keep parents informed and involved in all facets of the school programs.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss; theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2017.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to Basic Financial Statements", Note 1.

7) DEBT ADMINISTRATION: As of June 30, 2017, the District did not have outstanding debt issues.

8) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

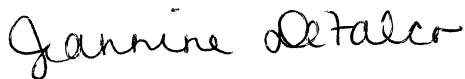
9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Co., LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related Federal OMB Circular A-133 and State Treasury Circular Letter NJOMB 04-04. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

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

Respectfully Submitted:

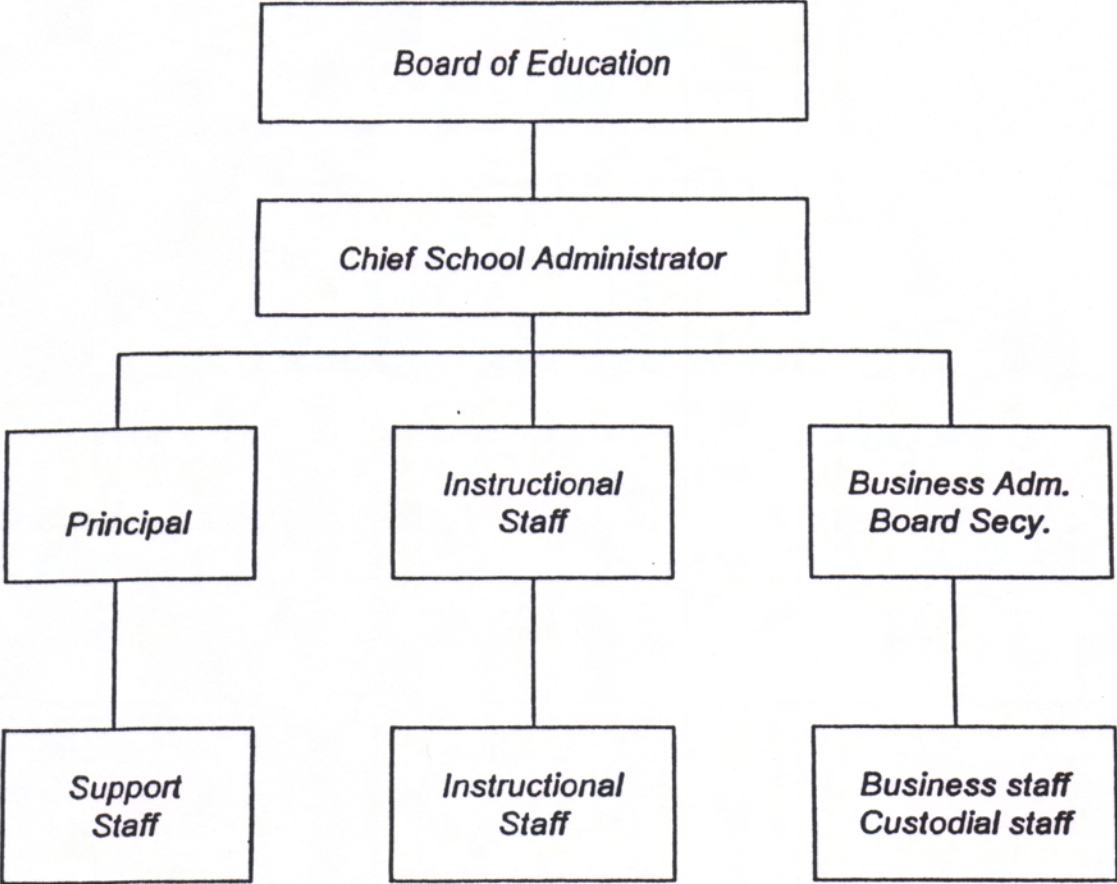


Jeannine DeFalco  
Superintendent



Michael Brennan, MBA  
Business Administrator

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



**KNOWLTON TOWNSHIP SCHOOL DISTRICT  
BOARD OF EDUCATION**

**ROSTER OF OFFICIALS**

**JUNE 30, 2017**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Tammy Smith, <i>President</i>	2019
Rhonda Moritz, <i>Vice-President</i>	2019
Dawn Sullivan	2018
Dawn Bates	2019
Randy Dolinsky	2017
Kate McGuinness	2018
Joann McCormack	2017
Don Biery	2018
<b><u>Other Officials</u></b>	
Jeannine DeFalco, <i>Superintendent</i>	
Michael Brennan, <i>School Business Administrator/Board Secretary</i>	
Randy Wilson, <i>Treasurer</i>	

**KNOWLTON TOWNSHIP SCHOOL DISTRICT  
BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**Architect**

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

**Audit Firm**

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

**Attorney**

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

**Official Depository**

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



# Financial Section

# Independent Auditor's Report



## **ARDITO & Co., LLP**

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Frenchtown, New Jersey 08825-1192  
908-996-4711 Fax: 908-996-4688  
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Anthony Ardito, CPA, RMA, CMFO, PSA  
Douglas R. Williams, CPA, RMA, PSA

### **Independent Auditor's Report**

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

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Knowlton Township School District Board of Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

-Continued-

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Knowlton Township School District Board of Education, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Knowlton Township School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

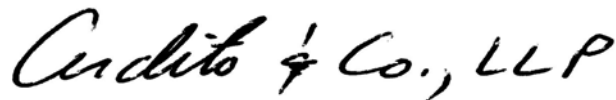
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are fairly stated in all material respects in relation to the basic financial statements as a whole.

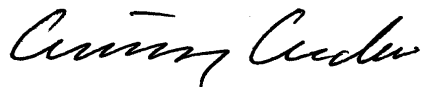
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of the Knowlton Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP  
October 31, 2017



Licensed Public School Accountant No. 2369

**Required Supplementary Information -  
Part I**

**Management's Discussion and Analysis**

KNOWLTON TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

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

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- ◆ In total, Net Position increased \$231,867 which represents a 8.1% increase from 2016.
- ◆ General revenues accounted for \$2,830,921 in revenue or 47.1% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,180,841 or 52.9% of total revenues of \$6,011,762.
- ◆ Total assets of governmental activities increased by \$301,904, as cash and cash equivalents increased by \$675,267, receivables decreased by \$274,308, and capital assets decreased by \$90,949.
- ◆ The School District had \$5,779,895 in expenses; only \$3,180,841 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$2,830,921 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$4,844,226 in revenues and \$4,437,151 in expenditures. The General Fund's surplus balance increased \$407,075 over 2016, which compares favorably to the budgeted decrease of \$196,425.

**Using this Generally Accepted Accounting Principals Report (GAAP)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Knowlton Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Knowlton Township School District, the General Fund is by far the most significant fund.

KNOWLTON TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 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 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. Nonfinancial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 25. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.



KNOWLTON TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

**Governmental Funds**

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

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's Net Position for 2017 compared to 2016.

	<u>2017</u>	<u>2016</u>
<b>Table 1 Net Position</b>		
<b>Assets</b>		
Current and Other Assets	\$ 1,448,737	\$ 1,055,884
Capital Assets	<u>2,656,717</u>	<u>2,747,666</u>
<b>Total Assets</b>	<u>4,105,454</u>	<u>3,803,550</u>
<b>Deferred Outflows of Resources</b>	<u>553,217</u>	<u>163,502</u>
<b>Liabilities</b>		
Long-Term Liabilities	1,474,719	965,097
Other Liabilities	<u>19,410</u>	<u>32,964</u>
<b>Total Liabilities</b>	<u>1,494,129</u>	<u>998,061</u>
<b>Deferred Inflows of Resources</b>	<u>83,964</u>	<u>120,280</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Debt	2,656,717	2,747,666
Restricted	1,212,003	894,620
Unrestricted	<u>(788,142)</u>	<u>(793,575)</u>
<b>Total Net Position</b>	<u>\$ 3,080,578</u>	<u>\$ 2,848,711</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

Total assets of governmental activities increased by \$301,904, as cash and cash equivalents increased by \$675,267, receivables decreased by \$274,308, and capital assets decreased by \$90,949.

The cash increase was mainly due operational efficiency towards budget, receivables increase due to the final tax levy payment not being received until July 2017, and the decrease in capital assets was due to depreciation expenses.

Table 2 shows the changes in Net Position from fiscal year 2016.

**Table 2**  
**Changes in Net Position**

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 86,900	\$ 75,988
Operating Grants and Contributions	3,093,941	2,682,201
General Revenues:		
Property Taxes	2,793,225	2,739,594
Federal & State Aid on Capital Asset Projects		
Investment Earnings	8,139	3413
Other	<u>29,557</u>	<u>10,730</u>
<b>Total Revenues</b>	<u>6,011,762</u>	<u>5,511,926</u>
<b>Program Expenses</b>		
Instruction	3,686,681	3,202,424
Support Services:		
Tuition	-	52,662
Pupils and Instructional Staff	671,650	659,800
General Administration, School Administration, Business	740,091	644,687
Operations and Maintenance of Facilities	399,687	353,505
Pupil Transportation	222,519	265,194
Business-Type Activities	53,861	62,703
Interest and Fiscal Charges	<u>5,406</u>	<u>4,943</u>
<b>Total Expenses</b>	<u>5,779,895</u>	<u>5,245,918</u>
Increase in Net Position	<u>\$ 231,867</u>	<u>\$ 266,008</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 46.5% percent of revenues for governmental activities for the KnowltonTownship School District for the fiscal year 2017.

Instruction comprises 63.8% of district expenses. Support services expenses make up 35.2% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**

	<u>Total Cost of</u> <u>Services 2017</u>	<u>Net Cost of</u> <u>Services 2017</u>	<u>Total Cost of</u> <u>Services 2016</u>	<u>Net Cost of</u> <u>Services 2016</u>
Instruction	\$ 3,686,681	\$ 1,416,029	\$ 3,202,424	\$ 1,243,394
Support Services:				
Tuition	-	-	52,662	52,662
Pupils and Instructional Staff	671,650	416,276	659,800	434,058
General Admin., School Admin., Business	740,091	277,605	644,687	250,505
Operation and Maintenance of Facilities	399,687	277,980	353,505	249,773
Pupil Transportation	222,519	205,090	265,194	250,338
Business-Type Activities	53,861	668	62,703	2,056
Interest and Fiscal Charges	<u>5,406</u>	<u>5,406</u>	<u>4,943</u>	<u>4,943</u>
<b>Total Expenses</b>	<u>\$ 5,779,895</u>	<u>\$ 2,599,054</u>	<u>\$ 5,245,918</u>	<u>\$ 2,487,729</u>

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

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

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

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

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

KNOWLTON TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service.

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

The dependence upon tax revenues is apparent. Over 38.4% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 57.9%. The community, as a whole, is the primary support for the Knowlton Township School District.

**The School District's Funds**

Information about the School District's major funds starts on page 25. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$4,966,767 and expenditures of \$4,559,692. The General Fund's surplus balance increased \$407,075 over 2016, which compares favorably to the budgeted decrease of \$196,425.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal 2017 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$4,278,742, \$47,239 over original budgeted estimates of \$4,231,503. This difference was due primarily to an increases in miscellaneous revenues.

General fund revenues exceeded expenditures by \$407,271. Again this surplus compares to a budgeted deficit of \$196,425, which was due to the budgeted use of surplus needed to balance the 2016-2017 budget. The budgeted deficit was reduced due to revenue increases and cost savings in the areas of instruction, tuition, maintenance, and benefits.

Overall general fund balance (budget basis) was \$1,552,693, and amounts ear-marked and reserved for future purposes were \$1,302,693, creating a surplus in unreserved fund balance of \$250,000. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

**Capital Assets**

At the end of the fiscal year 2017, the School District had \$2,656,717 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2017 balances compared to 2016.

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

	<u>2017</u>	<u>2016</u>
Land	\$ 366	\$ 366
Land Improvements	(955)	(877)
Buildings and Improvements	2,445,444	2,574,875
Machinery and Equipment	<u>211,862</u>	<u>173,302</u>
Totals	<u>\$ 2,656,717</u>	<u>\$ 2,747,666</u>

Overall capital assets decreased \$90,949 from fiscal year 2016 to fiscal year 2017. The decrease in capital assets was due to depreciation expense for the year, net of capital additions.

Capital improvements of \$68,057 were purchased during fiscal year 2017. Items included chrombooks, a utility tractor, a wheelchair bus, and library tables.

**Debt Administration**

At June 30, 2017, the School District had \$101,454 as outstanding long term debt. Of this amount, \$101,454 is for compensated absences.

At June 30, 2017, the School District's overall legal debt margin was \$7,596,782 and the unvoted debt margin was the same.

KNOWLTON TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

**For the Future**

The Knowlton Township School District is in very good financial condition presently. Future finances will present challenges if the student community grows, state funding does not increase, and school districts are not allowed to retain reserves above a small threshold.

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Michael Brennan, Business Administrator/Board Secretary at Knowlton Township School District, P.O. Box 152, Delaware, NJ, 07833, or via e-mail at [brennanm@knowltonschool.com](mailto:brennanm@knowltonschool.com).

# Basic Financial Statements

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.



KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2017

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 856,643	\$ 6,898	\$ 863,541
Receivables from Other Governments	89,486	1,793	91,279
Other Receivables	2,838	752	3,590
Interfund Receivables		4,714	4,714
Inventory		3,634	3,634
Restricted Assets:			
Capital Reserve Account - Cash	481,979		481,979
Capital Assets, Net (Note 6):	2,656,717		2,656,717
<b>Total Assets</b>	<u>4,087,663</u>	<u>17,791</u>	<u>4,105,454</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Deferred Outflows	<u>553,217</u>		<u>553,217</u>
<b>LIABILITIES</b>			
Accounts Payable			
Interfund Payables	4,714		4,714
Unearned Revenue	12,222	2,474	14,696
Net Pension Liability (Note 8)	1,373,265		1,373,265
Noncurrent Liabilities (Note 7):			
Due Within One Year	-		-
Due Beyond One Year	101,454		101,454
<b>Total Liabilities</b>	<u>1,491,655</u>	<u>2,474</u>	<u>1,494,129</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Deferred Inflows	<u>83,964</u>		<u>83,964</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	2,656,717		2,656,717
Restricted for:			
Other Purposes	1,212,003		1,212,003
Unrestricted	(803,459)	15,317	(788,142)
<b>Total Net Position</b>	<u>\$ 3,065,261</u>	<u>\$ 15,317</u>	<u>\$ 3,080,578</u>

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING	CAPITAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS			
Governmental Activities:							
Instruction:							
Regular	\$ 2,612,495	\$ 29,347	\$ 1,487,323		\$ (1,095,825)		\$ (1,095,825)
Special Education	779,585	10,187	491,666		(277,732)		(277,732)
Other Special Instruction	294,601	5,118	247,011		(42,472)		(42,472)
Support Services:							
Tuition	-				-		-
Student & Instruction Related Services	671,650	4,136	251,238		(416,276)		(416,276)
School Administrative Services	202,633	3,367	162,515		(36,751)		(36,751)
General and Business Admin. Services	537,458	6,021	290,583		(240,854)		(240,854)
Plant Operations and Maintenance	399,687	2,471	119,236		(277,980)		(277,980)
Pupil Transportation	222,519	353	17,076		(205,090)		(205,090)
Unallocated Depreciation	5,406				(5,406)		(5,406)
Total Governmental Activities	5,726,034	61,000	3,066,648		(2,598,386)		(2,598,386)
Business-Type Activities:							
Food Service	53,861	25,900	27,293			\$ (668)	(668)
Total Business-Type Activities	53,861	25,900	27,293			(668)	(668)
Total Primary Government	\$ 5,779,895	\$ 86,900	\$ 3,093,941		\$ (2,598,386)	\$ (668)	\$ (2,599,054)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 2,793,225		\$ 2,793,225
Interest Income					8,139		8,139
Miscellaneous Income					29,557		29,557
Total General Revenues, Special Items, Extraor. Items and Transfers					2,830,921		2,830,921
Change in Net Position					232,535	(668)	231,867
Net Position—Beginning					2,832,726	15,985	2,848,711
Net Position—Ending					\$ 3,065,261	\$ 15,317	\$ 3,080,578

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

## **FUND FINANCIAL STATEMENTS**

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,279,801	\$ 58,821		\$ 1,338,622
Interfund Receivable	55,087	1,359	\$ 55,087	111,533
Other Accounts Receivables	2,838			2,838
Receivables from Other Governments	82,356	7,130		89,486
<b>TOTAL ASSETS</b>	<u>\$ 1,420,082</u>	<u>\$ 67,310</u>	<u>\$ 55,087</u>	<u>\$ 1,542,479</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Interfund Payable	\$ 6,072	\$ 55,088	\$ 55,087	\$ 116,247
Deferred Revenue		12,222		12,222
<b>Total Liabilities</b>	<u>6,072</u>	<u>67,310</u>	<u>55,087</u>	<u>128,469</u>
<b>Fund Balances:</b>				
<u>Restricted for:</u>				
Capital Reserve Account	481,979			481,979
Excess Surplus	413,808			413,808
Excess Surplus-Designated for Subsequent Year's Expend.	316,216			316,216
<u>Assigned to:</u>				
Year-End Encumbrances	90,690			90,690
General Fund-Designated for Subsequent Year's Expend.	-			-
<u>Unassigned:</u>				
General Fund-Undesignated	111,317			111,317
<b>Total Fund Balances</b>	<u>1,414,010</u>	<u>-</u>	<u>-</u>	<u>1,414,010</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 1,420,082</u>	<u>\$ 67,310</u>	<u>\$ 55,087</u>	<u>\$ 1,542,479</u>

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$5,566,137 and the accumulated depreciation is \$2,909,420. \$ 2,656,717

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 8) 553,217

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 8) (83,964)

Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8) (1,373,265)

Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7) (101,454)

Net position of governmental activities \$ 3,065,261

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
**GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED JUNE 30, 2017

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
<b>Local sources:</b>			
Local Tax Levy	\$ 2,793,225		\$ 2,793,225
Tuition	61,000		61,000
Miscellaneous	37,696		37,696
<b>Total - Local Sources</b>	2,891,921	-	2,891,921
<b>State Sources</b>	1,952,305	-	1,952,305
<b>Federal Sources</b>		\$ 122,541	122,541
<b>Total Revenues</b>	4,844,226	122,541	4,966,767
<b>EXPENDITURES</b>			
<b>Current:</b>			
Regular Instruction	1,327,466	52,270	1,379,736
Special Education Instruction	364,105		364,105
Other Special Instruction	98,647		98,647
Support services and undistributed costs:			
Tuition	-		-
Student and Instruction Related Services	434,163	51,628	485,791
School Administrative Services	71,484		71,484
Other Administrative Services	299,306		299,306
Plant Operations and Maintenance	304,779		304,779
Pupil Transportation	208,973		208,973
Unallocated Benefits	1,233,025		1,233,025
Transfer to Charter School	27,145		27,145
<b>Debt Service:</b>			
Principal			-
Interest and Other Charges			-
<b>Capital Outlay</b>	68,058	18,643	86,701
<b>Total Expenditures</b>	4,437,151	122,541	4,559,692
Excess (Deficiency) of Revenues Over Expenditures	407,075	-	407,075
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Capital Fund	-		-
<b>Total Other Financing Sources and Uses</b>	-	-	-
Net Change in Fund Balances	407,075	-	407,075
Fund Balance—July 1	1,006,935		1,006,935
<b>Fund Balance—June 30</b>	\$ 1,414,010	-	\$ 1,414,010

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Total Net Change in Fund Balances - Governmental Funds (from B-2)** \$ 407,075

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

	Depreciation Expense	\$ (159,006)		
	Capital Outlays	<u>68,057</u>		(90,949)

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. (92,351)

In the statement of activities, compensated absences and other non-current liabilities are accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned. 8,760

**Change in Net Position of Governmental Activities** \$ 232,535

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION  
 PROPRIETARY FUNDS

June 30, 2017

		<u>Business-Type Activities-</u> <u>Enterprise Funds</u>	
		<u>Food</u>	
		<u>Service</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and Cash Equivalents		\$ 6,898	\$ 6,898
Accounts Receivable - Federal		1,747	1,747
Accounts Receivable - State		46	46
Other Accounts Receivable		752	752
Interfund Receivables		4,714	4,714
Inventories		3,634	3,634
<b>Total Current Assets</b>		<u>17,791</u>	<u>17,791</u>
<b>Total Assets</b>		<u>\$ 17,791</u>	<u>\$ 17,791</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Deferred Revenue		2,474	2,474
<b>Total Current Liabilities</b>		<u>2,474</u>	<u>2,474</u>
<b>Total Liabilities</b>		<u>\$ 2,474</u>	<u>\$ 2,474</u>
<b>NET POSITION</b>			
Unrestricted		\$ 15,317	\$ 15,317
<b>Total Net Position</b>		<u>\$ 15,317</u>	<u>\$ 15,317</u>

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-5

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Business-type Activities- Enterprise Fund</b>	
	<b>Food Service</b>	<b>Total Enterprise</b>
<b>Operating Revenues:</b>		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 24,306	\$ 24,306
Daily Sales - Non-Reimb Programs	1,594	1,594
Miscellaneous	-	-
<b>Total Operating Revenues</b>	<b>25,900</b>	<b>25,900</b>
<b>Operating Expenses:</b>		
Cost of Sales - Reimbursable Programs	24,924	24,924
Cost of Sales - Non-reimbursable Programs	613	613
Salaries	16,939	16,939
Employee Benefits	4,251	4,251
Other Purchased Professional Services	3,895	3,895
Miscellaneous	3,239	3,239
<b>Total Operating Expenses</b>	<b>53,861</b>	<b>53,861</b>
Operating Income (Loss)	(27,961)	(27,961)
<b>Nonoperating Revenues (Expenses):</b>		
Interest	29	29
State Sources:		
State School Lunch Program	551	551
Federal Sources:		
National School Lunch Program	18,905	18,905
National School Breakfast Program	2,512	2,512
Food Distribution Program	5,296	5,296
<b>Total Nonoperating Revenues (Expenses)</b>	<b>27,293</b>	<b>27,293</b>
Income (Loss) Before Contributions and Transfers	(668)	(668)
Transfers In (Out)	-	-
Change in Net Position	(668)	(668)
Total Net Position—Beginning	15,985	15,985
<b>Total Net Position—Ending</b>	<b>\$ 15,317</b>	<b>\$ 15,317</b>

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



KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended June 30, 2017

	<b>Business-Type Activities- Enterprise Funds</b>	
	<b>Food Service</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 30,199	\$ 30,199
Payments to Employees	(16,939)	(16,939)
Payments for Employee Benefits	(4,251)	(4,251)
Payments to Suppliers	(34,372)	(34,372)
<b>Net Cash Provided by (used for) Operating Activities</b>	<b>(25,363)</b>	<b>(25,363)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Sources	548	548
Federal Sources	21,360	21,360
Operating Subsidies and Transfers to Other Funds	8,392	8,392
<b>Net Cash Provided by (used for) Non-Capital Financing Activities</b>	<b>30,300</b>	<b>30,300</b>
Net Increase (Decrease) in Cash and Cash Equivalents	4,937	4,937
Balances—Beginning of Year	1,961	1,961
<b>Balances—End of Year</b>	<b>\$ 6,898</b>	<b>\$ 6,898</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:</b>		
Operating Income (Loss)	\$ (27,961)	\$ (27,961)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Federal Commodities	5,296	5,296
(Increase) Decrease in Accounts Receivable	30	30
(Increase) Decrease in Inventories	(287)	(287)
Increase (Decrease) in Accounts Payable	(2,441)	(2,441)
Total Adjustments	2,598	2,598
Net Cash Provided by (used for) Operating Activities	\$ (25,363)	\$ (25,363)

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2017

	<b>Unemployment Compensation Trust</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 38,448	\$ 48,165
<b>Total Assets</b>	<u>\$ 38,448</u>	<u>\$ 48,165</u>
<b>LIABILITIES</b>		
Payroll Deductions and Withholdings		\$ 36,616
Summer Pay		936
Payable to Student Groups	-	<u>10,613</u>
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 48,165</u>
<b>NET POSITION</b>		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 38,448</u>	<u>                    </u>

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

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

For the Year Ended June 30, 2017

	<b>Unemployment Compensation <u>Trust</u></b>
<b>ADDITIONS</b>	
Contributions:	
Plan Member	\$ 4,634
Total Contributions	<u>4,634</u>
Investment Earnings:	
Interest	<u>-</u>
Net Investment Earnings	<u>-</u>
<b>Total Additions</b>	<b><u>4,634</u></b>
<b>DEDUCTIONS</b>	
Unemployment Claims	<u>-</u>
<b>Total Deductions</b>	<b><u>-</u></b>
Change in Net Position	4,634
Net Position—Beginning of the Year	<u>33,814</u>
<b>Net Position—End of the Year</b>	<b><u>\$ 38,448</u></b>

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



# Notes to Financial Statements



KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Board of Education (Board) of the Knowlton Township School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

In June 1999, the *Governmental Accounting Standards Board* (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provided for the most significant change in financial reporting in over twenty years and was phased-in (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, and GAASB No. 68, Accounting for Pensions, and amendment of GASB No. 27. The implementation of these statements did not effect net position balances as previously reported for the fiscal year ended June 30, 2016.

**A. Reporting Entity:**

The Knowlton Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-6. The Knowlton Township School District had an approximate enrollment at June 30, 2017, of 194 students.

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting:**

The School District's basic financial statements consist of District-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Basis of Presentation**

*District-wide Statements:* The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net position presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

*Fund Financial Statements:* During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No.34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

**GOVERNMENTAL FUNDS**

The District reports the following governmental funds:

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



KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**GOVERNMENTAL FUNDS (Continued)**

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

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

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

**PROPRIETARY FUNDS**

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Measurement Focus-Basis of Accounting**

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

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

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgets/Budgetary Control:**

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

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

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

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

**D. Encumbrance Accounting:**

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity:**

**Cash and Cash Equivalents:**

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

**Interfund Transactions:**

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

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

**Inventories:**

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

**Allowance for Uncollectible Accounts:**

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

**Capital Assets:**

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

**Compensated Absences:**

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No.16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

**Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

**Accrued Liabilities and Long-Term Obligations:**

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Net Position:**

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Fund Balance Reserves:**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

**Revenues—Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest and tuition.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Operating Revenues and Expenses:**

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

**Allocation of Indirect Expenses:**

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

**Extraordinary and Special Items:**

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

**Management Estimates:**

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

**NOTE 2: CASH AND CASH EQUIVALENTS**

**Deposits:**

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

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2: CASH AND CASH EQUIVALENTS (Continued)**

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2017, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2017, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents(A-1)</u>	<u>Cash and Cash Equivalents(B-7)</u>	<u>Total</u>
Checking Accounts	\$863,541	\$86,613	\$950,154
Checking Accounts-Capital Reserve	481,979		481,979
	<u>\$1,345,520</u>	<u>\$86,613</u>	<u>\$1,432,133</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$1,432,133 and the bank balance was \$1,606,152. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$1,356,152 was covered by collateral pool.

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2017, consisted of intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>Government-Wide Financial Statements</u>
State Aid	\$15,156	\$15,202
Federal Aid	7,130	8,877
Local - Tuition	67,200	67,200
Other Local	2,838	3,590
Gross Receivable	<u>92,324</u>	<u>94,869</u>
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	<u>\$92,324</u>	<u>\$94,869</u>



KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 4: INVENTORY**

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

Food	\$702
Supplies	<u>2,932</u>
	<u>\$3,634</u>

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

**NOTE 5: DEFERRED BOND ISSUANCE COSTS**

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

**NOTE 6: CAPITAL ASSETS**

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 366			\$ 366
Total Capital Assets Not Being Depreciated	<u>366</u>			<u>366</u>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	53,950			53,950
Buildings and Building Improvements	4,891,683	-		4,891,683
Machinery and Equipment	552,081	\$ 68,057		620,138
Total at Historical Cost	<u>5,497,714</u>	<u>68,057</u>		<u>5,565,771</u>
Less Accumulated Depreciation for:				
Land Improvements	(54,827)	(78)		(54,905)
Building and Improvements	(2,316,808)	(129,431)		(2,446,239)
Equipment	(378,779)	(29,497)		(408,276)
Total Accumulated Depreciation	<u>(2,750,414)</u>	<u>(159,006)</u>		<u>(2,909,420)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>2,747,300</u>	<u>(90,949)</u>		<u>2,656,351</u>
<b>Government Activity Capital Assets, Net</b>	<b>\$ 2,747,666</b>	<b>\$ (90,949)</b>		<b>\$ 2,656,717</b>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6: CAPITAL ASSETS (Continued)**

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 90,475
Special Education Instruction	25,441
Student/Instruction Related Services	27,508
General Administrative Services	7,632
School Administrative Services	2,226
Maintenance/Custodial	318
Unallocated	<u>5,406</u>
Total	<u>\$ 159,006</u>

**NOTE 7: LONG-TERM OBLIGATIONS**

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

**A. Long-Term Obligation Activity:**

Changes in long-term obligations for the year ended June 30, 2017, are as follows:

	Balance <u>7/1/16</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/17</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Other Liabilities:					
Compensated Absences Payable	\$ 110,214		\$ (8,760)	\$ 101,454	
<b>Total</b>	<u>\$ 110,214</u>	<u>\$ -</u>	<u>\$ (8,760)</u>	<u>\$ 101,454</u>	<u>-</u>

Compensated absences have been liquidated in the General Fund.

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 8: PENSION PLANS**

*Description of Plans* - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

*Teachers' Pension and Annuity Fund (TPAF)* - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$16,187,777 as measured on June 30, 2016 and \$12,988,031 measured on June 30, 2015.

*For the year ended June 30, 2017, the District recognized pension expense of \$1,216,286 and revenue of \$1,216,286 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2017 is based upon changes in the collective net pension liability with a measurement period of June 30, 2015 through June 30, 2016. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2015 and June 30, 2016.*

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 8: PENSION PLANS (Continued)**

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

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$7,521,378,257	\$17,440,003,201
Collective deferred inflows of resources	\$554,399,005	\$195,027,919
Collective net pension liability (Nonemployer-State of New Jersey)	\$63,204,270,305	\$78,666,367,052
State's portion of the net pension liability that was associated with the district	\$12,988,031	\$16,187,777
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.020549%	0.020578%

*Actuarial assumptions* - 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:	2.50%
Salary Increases:	
Through 2021	Varies based on experience
Therafter	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 based 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 experience study for the period July 1, 2012 to June 30, 2015.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 8: PENSION PLANS (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 TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets 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	0.50%	2.87%
Hedge Funds - MultiStrategy	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 contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 8: PENSION PLANS (Continued)**

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.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate* - Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

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

**Public Employees' Retirement System (PERS)** - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

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

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

At June 30, 2017, the District reported a liability of \$1,373,265 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At June 30, 2016, the District's proportion was 0.00464% which was an increase of 0.00083% from its proportion measured as of June 30, 2015.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 8: PENSION PLANS (Continued)**

*For the year ended June 30, 2017, the District recognized pension expense of \$142,260. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:*

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 25,539	-
Changes of assumptions	284,467	
Net difference between projected and actual earnings on pension plan investments	52,364	
Changes in proportion and differences between District contributions and proportionate share of contributions	149,388	\$ 83,964
District contributions subsequent to the measurement date	41,459	
Total	<u>\$ 553,217</u>	<u>\$ 83,964</u>

\$41,459 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) will be recognized as a reduction of the net pension liability measured as of June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2017	\$96,314
2018	96,314
2019	111,583
2020	93,746
2021	<u>29,837</u>
Total	<u>\$427,794</u>

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$3,578,755,666	\$8,685,338,380
Collective deferred inflows of resources	993,410,455	870,133,595
Collective net pension liability (Non State - Local Group)	\$22,447,996,119	\$29,617,131,759
District's portion of net pension liability	\$854,883	\$1,373,265
District's proportion %	0.00380828%	0.00463673%

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 8: PENSION PLANS (Continued)**

*Actuarial assumptions.* The collective 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:

Inflation:	3.08%
Salary Increases:	
Through 2026	1.65%-4.15% based on age
Thereafter	2.65%-5.15% based on age
Investment Rate of Return:	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2013 Based on Projection Scale AA.

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.

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade 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 US 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 I Absolute	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%



KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 8: PENSION PLANS (Continued)**

*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 contribution rate in the most recent fiscal year.

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 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Municipality's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.98%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.98%)</u>	<u>(3.98%)</u>	<u>(4.98%)</u>
District's proportionate share of the net pension liability	\$ 1,682,776	\$1,373,265	\$ 1,117,737

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

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 8: PENSION PLANS (Continued)**

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

**PERS and TPAF Vesting and Benefit Provisions** - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

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

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

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 8: PENSION PLANS (Continued)**

□ The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee’s annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78’s effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems’ unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**Contribution Requirements** - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees’ annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2017	\$41,459	100 %	-0-
6/30/2016	\$32,741	100	-0-
6/30/2015	\$36,924	100	-0-

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

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2017	\$224,484	100 %	-0-
6/30/2016	\$164,754	100	-0-
6/30/2015	\$111,097	100	-0-

During the fiscal year ended June 30, 2017, the State of New Jersey did contribute \$411,216 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$154,464 during the year ended June 30, 2017, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 9: POST-RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving 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 P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide any post-employment benefits other than pension.

**NOTE 10: DEFERRED COMPENSATION**

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

Equitable Life Assurance  
Metropolitan Life  
Syracusa Benefits Program

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 11: COMPENSATED ABSENCES**

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No.16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted twelve days of vacation and sick leave per year in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the district-wide *Statement of Assets*, the liabilities whose average maturities are greater than one year should be reported in two components--the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, no liability existed for compensated absences in the proprietary fund types.

**NOTE 12: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance** - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**New Jersey Unemployment Compensation Insurance** - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the *Benefit Reimbursement Method*. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$0	\$4,634	\$0	\$38,448
2015-2016	\$4	\$4,807	\$0	\$33,814
2014-2015	\$13	\$4,739	\$0	\$29,003

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 13: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

The Board participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Board is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**LITIGATION**

The Board is not involved in claims and lawsuits incidental to its operations.

**NOTE 14: FUND BALANCE APPROPRIATED**

General Fund (Exhibit B-1) - Of the \$1,414,010 General Fund fund balance at June 30, 2017, \$90,690 is reserved for encumbrances; \$730,024 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$316,216 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2018); \$481,979 has been reserved in the Capital Reserve Account; and, \$111,317 is unreserved and undesignated.

**NOTE 15: CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the Knowlton Township School District Board of Education by inclusion of \$1. on September 26, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-2.13(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning balance July 1, 2016	\$ 381,979
Deposits (PL 2007 c.62 (A1)): Board Res. 6/19/17	<u>100,000</u>
Ending balance June 30, 2017	<u>\$ 481,979</u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 16: CALCULATION OF EXCESS SURPLUS**

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 is \$413,808.

**NOTE 17: INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2017:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 55,087	\$ 6,072
Special Revenue Fund	1,359	55,088
Food Service Fund	4,714	
	<u>\$ 61,160</u>	<u>\$ 61,160</u>

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





**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 2,793,225		\$ 2,793,225	\$ 2,793,225	
Tuition	48,000		48,000	61,000	\$ 13,000
Miscellaneous	3,457		3,457	37,696	34,239
Total - Local Sources	<u>2,844,682</u>		<u>2,844,682</u>	<u>2,891,921</u>	<u>47,239</u>
<b>State Sources:</b>					
Equalization Aid	1,083,113		1,083,113	1,083,113	
Transportation Aid	114,628		114,628	114,628	
Special Education Aid	144,464		144,464	144,464	
Security Aid	24,644		24,644	24,644	
Adjustment Aid	13,642		13,642	13,642	
PARCC Readiness Aid	2,230		2,230	2,230	
Per Pupil Growth Aid	2,230		2,230	2,230	
Professional Learning Comm. Aid	1,870		1,870	1,870	
TPAF Pension (On-Behalf - Non-Budgeted)				224,107	224,107
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				186,732	186,732
TPAF Pension Non-contributory Insurance (On-Behalf - Non-Budgeted)				377	377
TPAF Social Security (Reimbursed - Non-Budgeted)				154,464	154,464
Total State Sources	<u>1,386,821</u>		<u>1,386,821</u>	<u>1,952,501</u>	<u>565,680</u>
<b>TOTAL REVENUES</b>	<b><u>4,231,503</u></b>		<b><u>4,231,503</u></b>	<b><u>4,844,422</u></b>	<b><u>612,919</u></b>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction:</b>					
Preschool - Salaries of Teachers	37,821		37,821	37,521	300
Kindergarten - Salaries of Teachers	131,174	(50,817)	80,357	80,357	
Grades 1-5 - Salaries of Teachers	957,570	(21,139)	936,431	934,931	1,500
Grades 6-8 - Salaries of Teachers	142,864	3,840	146,704	145,504	1,200
<b>Regular Programs - Home Instruction:</b>					
Salaries of Teachers					
Purchased Professional-Educational Services	2,000		2,000		2,000
<b>Regular Programs - Undistributed Instruction:</b>					
Other Salaries for Instruction	6,164	3,700	9,864	9,864	
Purchased Professional-Educational Services	5,000	(2,712)	2,288	300	1,988
Other Purchased Services (400-500 series)	66,000	2,799	68,799	67,267	1,532
General Supplies	89,000	(15,691)	73,309	34,566	38,743
Textbooks	25,000		25,000	17,103	7,897
Other Objects	1,500	(587)	913	53	860
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>1,464,093</b>	<b>(80,607)</b>	<b>1,383,486</b>	<b>1,327,466</b>	<b>56,020</b>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Learning and/or Language Disabilities:</b>					
Salaries of Teachers	114,064	(5,100)	108,964	108,464	500
General Supplies	1,500		1,500	1,192	308
Textbooks	500		500	165	335
<b>Total Learning and/or Language Disabilities</b>	<b>116,064</b>	<b>(5,100)</b>	<b>110,964</b>	<b>109,821</b>	<b>1,143</b>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	115,354	80,107	195,461	114,854	80,607
General Supplies	1,000		1,000	645	355
Textbooks	500		500	220	280
<b>Total Resource Room/Resource Center</b>	<b>116,854</b>	<b>80,107</b>	<b>196,961</b>	<b>115,719</b>	<b>81,242</b>
<b>Special Education - Autism</b>					
Salaries of Teachers	62,462	(3,600)	58,862	58,362	500
Other Salaries for Instruction	18,900		18,900	18,900	
General Supplies	500		500		500
<b>Total Special Education - Autism</b>	<b>81,862</b>	<b>(3,600)</b>	<b>78,262</b>	<b>77,262</b>	<b>1,000</b>
<b>Preschool Disabilities - Part-Time</b>					
Salaries of Teachers	41,021	(3,000)	38,021	37,521	500
Other Salaries for Instruction	23,550	(8,550)	15,000	15,000	
General Supplies	500		500	232	268
<b>Total Preschool Disabilities - Part-time</b>	<b>65,071</b>	<b>(11,550)</b>	<b>53,521</b>	<b>52,753</b>	<b>768</b>
<b>Preschool Disabilities - Full-Time</b>					
Other Salaries for Instruction		8,550	8,550	8,550	
<b>Total Preschool Disabilities - Full-time</b>		<b>8,550</b>	<b>8,550</b>	<b>8,550</b>	
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>379,851</b>	<b>68,407</b>	<b>448,258</b>	<b>364,105</b>	<b>84,153</b>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Basic Skills/Remedial - Instruction:</b>					
Salaries of Teachers	77,707		77,707	77,707	
General Supplies	500		500		500
Textbooks	500		500		500
<b>Total Basic Skills/Remedial - Instruction</b>	<b>78,707</b>		<b>78,707</b>	<b>77,707</b>	<b>1,000</b>
<b>School Sponsored Co/Extra Curricular Activities:</b>					
Salaries of Teachers	8,500		8,500	6,920	1,580
Supplies and Materials	500	500	1,000	1,000	
<b>Total School Sponsored Cocurricular Activities</b>	<b>9,000</b>	<b>500</b>	<b>9,500</b>	<b>7,920</b>	<b>1,580</b>
<b>Summer School:</b>					
Salaries of Teachers		14,404	14,404	12,802	1,602
<b>Total Summer School</b>		<b>14,404</b>	<b>14,404</b>	<b>12,802</b>	<b>1,602</b>
<b>Other Instructional Programs:</b>					
Other Purchased Services (300-500 series)	300		300	218	82
<b>Total Other Instructional Programs</b>	<b>300</b>		<b>300</b>	<b>218</b>	<b>82</b>
<b>TOTAL INSTRUCTION</b>	<b>1,931,951</b>	<b>2,704</b>	<b>1,934,655</b>	<b>1,790,218</b>	<b>144,437</b>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>UNDISTRIBUTED EXPENDITURES</b>					
<b>Instruction:</b>					
Tuition to Private Schools for the Disabled-Within State	51,538		51,538		51,538
<b>Total Instruction</b>	<b>51,538</b>		<b>51,538</b>		<b>51,538</b>
<b>Health Services:</b>					
Salaries	63,257	(2,100)	61,157	60,557	600
Purchased Professional and Technical Services	700		700		700
Other Purchased Services (400-500 series)	200		200		200
Supplies and Materials	2,000		2,000	1,266	734
Other Objects	1,000		1,000	85	915
<b>Total Health Services</b>	<b>67,157</b>	<b>(2,100)</b>	<b>65,057</b>	<b>61,908</b>	<b>3,149</b>
<b>Other Supp. Services Students-Related Services:</b>					
Salaries	78,107		78,107	78,107	
Purchased Professional and Educational Services	25,000		25,000	15,919	9,081
Supplies and Materials	500		500	146	354
<b>Total Other Supp. Services Students-Related Services</b>	<b>103,607</b>		<b>103,607</b>	<b>94,172</b>	<b>9,435</b>
<b>Other Supp. Services Students-Extra Services:</b>					
Salaries	112,810		112,810	38,090	74,720
<b>Total Other Supp. Services Students-Extra Services</b>	<b>112,810</b>		<b>112,810</b>	<b>38,090</b>	<b>74,720</b>
<b>Other Supp. Services Students-Regular:</b>					
Salaries of Other Professional Staff	10,846		10,846	10,846	
Supplies and Materials	100	(93)	7		7
<b>Total Other Supp. Services Students-Regular</b>	<b>10,946</b>	<b>(93)</b>	<b>10,853</b>	<b>10,846</b>	<b>7</b>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>Other Supp. Services Students-Special:</b>					
Salaries of Other Professional Staff	76,754	(1,500)	75,254	71,662	3,592
Purchased Professional - Educational Services	25,000		25,000	10,420	14,580
Other Purch. Serv.(400-500 series)	500		500	455	45
Supplies and Materials	3,000		3,000	1,525	1,475
Other Objects	100		100	100	
<b>Total Other Supp. Services Students-Special</b>	<b>105,354</b>	<b>(1,500)</b>	<b>103,854</b>	<b>84,162</b>	<b>19,692</b>
<b>Improvement of Instruction:</b>					
Salaries of Other Professional Staff	35,826	(13,434)	22,392	22,392	
Purchased Professional - Educational Services	2,500		2,500	2,000	500
<b>Total Improvement of Instruction</b>	<b>38,326</b>	<b>(13,434)</b>	<b>24,892</b>	<b>24,392</b>	<b>500</b>
<b>Educational Media Services/School Library:</b>					
Salaries	111,221	1,386	112,607	109,607	3,000
Purchased Professional and Technical Services	6,000	(1,386)	4,614	2,050	2,564
Supplies and Materials	7,500		7,500	6,610	890
<b>Total Educational Media Services/School Library</b>	<b>124,721</b>		<b>124,721</b>	<b>118,267</b>	<b>6,454</b>
<b>Instructional Staff Training Services:</b>					
Other Purchased Services (400-500 series)	10,000		10,000	2,326	7,674
<b>Total Instructional Staff Training Services</b>	<b>10,000</b>		<b>10,000</b>	<b>2,326</b>	<b>7,674</b>



KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Supp. Services - General Administration:</b>					
Salaries	162,907	4,974	167,881	167,881	
Legal Services	4,000		4,000	279	3,721
Audit Fees	16,500		16,500	15,923	577
Other Purchased Professional Services	1,000	310	1,310	659	651
Communications/Telephone	15,000	2,202	17,202	16,943	259
BOE Other Purchased Services	2,000	690	2,690	2,359	331
Other Purchased Services (400-500 series)	10,000	(4,222)	5,778	4,820	958
General Supplies	2,000		2,000	1,557	443
BOE In-House Training/Meeting Supplies	500		500	243	257
Miscellaneous Expenditures	4,000	(3,002)	998	560	438
BOE In-house Training/Meeting Supplies	5,000	(150)	4,850	4,362	488
<b>Total Supp. Services - General Administration</b>	<b>222,907</b>	<b>802</b>	<b>223,709</b>	<b>215,586</b>	<b>8,123</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	35,826	14,330	50,156	50,156	
Salaries of Secretarial and Clerical Assistants	19,818		19,818	19,818	
Purchased Professional and Technical Services	1,500		1,500		1,500
Other Purchased Services (400-500 series)	1,000		1,000	355	645
Supplies and Materials	500		500	335	165
Miscellaneous Expenditures	1,000		1,000	820	180
<b>Total Support Services - School Administration</b>	<b>59,644</b>	<b>14,330</b>	<b>73,974</b>	<b>71,484</b>	<b>2,490</b>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Central Services:</b>					
Salaries	74,890		74,890	71,890	3,000
Purchased Professional Services	11,000		11,000	10,803	197
Other Purchased Services (400-500 series)	4,000		4,000	73	3,927
Supplies and Materials	500		500	500	
Miscellaneous Expenditures	1,000		1,000	454	546
<b>Total Central Services</b>	<b>91,390</b>		<b>91,390</b>	<b>83,720</b>	<b>7,670</b>
<b>Required Maintenance for School Facilities:</b>					
Salaries	46,125	7,000	53,125	46,989	6,136
Cleaning, Repair and Maintenance Services	65,000		65,000	39,530	25,470
General Supplies	20,000		20,000	9,560	10,440
<b>Total Required Maintenance for School Facilities</b>	<b>131,125</b>	<b>7,000</b>	<b>138,125</b>	<b>96,079</b>	<b>42,046</b>
<b>Other Operations and Maintenance of Plant:</b>					
Salaries	78,998	(4,945)	74,053	73,733	320
Purchased Professional and Technical Services	7,500	2,355	9,855	9,810	45
Cleaning, Repair and Maintenance Services	10,000		10,000	6,296	3,704
Other Purchased Property Services	500		500	350	150
Insurance	30,000		30,000	27,977	2,023
Miscellaneous Purchased Services	1,000	(1,000)			
General Supplies	12,000	(1,055)	10,945	5,688	5,257
Energy (Electricity)	75,000		75,000	59,795	15,205
Energy (Oil)	85,000	(25,020)	59,980	25,051	34,929
<b>Total Other Operations and Maintenance of Plant</b>	<b>299,998</b>	<b>(29,665)</b>	<b>270,333</b>	<b>208,700</b>	<b>61,633</b>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>Student Transportation Services</b>					
Salaries for Pupil Trans (Bet Home & Sch) - Regular	15,854		15,854	15,854	
Salaries for Pupil Trans (Bet Home & Sch) - Sp. Ed.	9,500		9,500	6,004	3,496
Other Purchased Prof. and Technical Services	500		500		500
Cleaning, Repair and Maintenance Services	4,000		4,000	647	3,353
Contracted Services-Aid in Lieu Payments-Nonpublic Sch.	5,000		5,000	1,768	3,232
Contracted Services (Between Home and School)-Vendors	180,000		180,000	171,978	8,022
Contract Services - (Spl. Ed. Students) - Vendors	15,000		15,000	10,113	4,887
Supplies and Materials	4,000		4,000	2,416	1,584
Other Objects	300		300	193	107
<b>Total Student Transportation Services</b>	<b>234,154</b>		<b>234,154</b>	<b>208,973</b>	<b>25,181</b>
<b>UNALLOCATED BENEFITS</b>					
Social Security Contributions	47,000		47,000	44,775	2,225
Other Retirement Contributions-Regular	46,000	13	46,013	46,013	
Unemployment Compensation	2,000		2,000	294	1,706
Workmen's Compensation	24,000		24,000	21,341	2,659
Health Benefits	595,000		595,000	539,598	55,402
Tuition Reimbursement	15,000		15,000	4,481	10,519
Other Employee Benefits	30,000	(13)	29,987	10,843	19,144
<b>TOTAL UNALLOCATED BENEFITS</b>	<b>759,000</b>		<b>759,000</b>	<b>667,345</b>	<b>91,655</b>
On-behalf TPAF pension Contrib. (non-budgeted)				224,107	(224,107)
On-behalf TPAF PRM Contrib. (non-budgeted)				186,732	(186,732)
On-behalf TPAF pension Non-contributory Ins. (non-budgeted)				377	(377)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				154,464	(154,464)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				<b>565,680</b>	<b>(565,680)</b>
<b>TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS</b>	<b>759,000</b>		<b>759,000</b>	<b>1,233,025</b>	<b>(474,025)</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>2,422,677</b>	<b>(24,660)</b>	<b>2,398,017</b>	<b>2,551,730</b>	<b>(153,713)</b>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>4,354,628</b>	<b>(21,956)</b>	<b>4,332,672</b>	<b>4,341,948</b>	<b>(9,276)</b>
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
Undistributed Expenditures-Instruction	40,000	93	40,093	40,093	
Undist.Expend.-Support Serv. - General Admin.	5,300		5,300	5,300	
School Buses - Special		22,665	22,665	22,665	
<b>Total Equipment</b>	<b>45,300</b>	<b>22,758</b>	<b>68,058</b>	<b>68,058</b>	
<b>TOTAL CAPITAL OUTLAY</b>	<b>45,300</b>	<b>22,758</b>	<b>68,058</b>	<b>68,058</b>	
Transfer of Funds to Charter Schools	28,000		28,000	27,145	855
<b>TOTAL EXPENDITURES</b>	<b>4,427,928</b>	<b>802</b>	<b>4,428,730</b>	<b>4,437,151</b>	<b>(8,421)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(196,425)</b>	<b>(802)</b>	<b>(197,227)</b>	<b>407,271</b>	<b>604,498</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>(196,425)</b>	<b>(802)</b>	<b>(197,227)</b>	<b>407,271</b>	<b>604,498</b>
<b>Fund Balance, July 1</b>	<b>1,145,422</b>		<b>1,145,422</b>	<b>1,145,422</b>	
<b>Fund Balance, June 30</b>	<b>\$ 948,997</b>	<b>\$ (802)</b>	<b>\$ 948,195</b>	<b>\$ 1,552,693</b>	<b>\$ 604,498</b>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Recapitulation:</b>					
<b>Restricted for:</b>					
Capital Reserve				\$ 481,979	
Excess Surplus				413,808	
Excess Surplus - Designated for Subsequent Year's Expenditures				316,216	
<b>Assigned to:</b>					
Year-End Encumbrances				90,690	
<b>Unassigned:</b>					
Unrestricted Fund Balance				<u>250,000</u>	
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				1,552,693	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis				<u>(138,683)</u>	
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>				<u>\$ 1,414,010</u>	

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2017

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
Federal Sources	\$ 96,100	\$ 36,226	\$ 132,326	\$ 128,433	\$ (3,893)
<b>Total Revenues</b>	<b>96,100</b>	<b>36,226</b>	<b>132,326</b>	<b>128,433</b>	<b>(3,893)</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	18,000	14,773	32,773	29,021	3,752
Other Salaries for Instruction	27,400	(4,400)	23,000	23,000	
Tuition	-	116	116	-	116
Supplies and Materials	3,200	(2,931)	269	249	20
<b>Total Instruction</b>	<b>48,600</b>	<b>7,558</b>	<b>56,158</b>	<b>52,270</b>	<b>3,888</b>
<b>Support Services</b>					
Personal Services - Employee Benefits	8,000	675	8,675	8,675	
Purchased Professional - Educational Services	24,000	11,979	35,979	35,979	
Other Purchased Services	15,500	(2,634)	12,866	12,866	
<b>Total Support Services</b>	<b>47,500</b>	<b>10,020</b>	<b>57,520</b>	<b>57,520</b>	
<b>Capital Outlay:</b>					
Communications/Technology		18,648	18,648	18,643	5
<b>Total Capital Outlay</b>	<b>-</b>	<b>18,648</b>	<b>18,648</b>	<b>18,643</b>	<b>5</b>
Total Expenditures	96,100	36,226	132,326	128,433	3,893
<b>Total Outflows</b>	<b>96,100</b>	<b>36,226</b>	<b>132,326</b>	<b>128,433</b>	<b>3,893</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>					
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				None	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis				None	
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>				None	

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

For the Fiscal Year Ended June 30, 2017

**Explanation of Differences between Budgetary Inflows and Outflows and  
GAAP Revenues and Expenditures**

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 4,844,422	\$ 128,433
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year	N/A	2,438
Current Year	N/A	(8,330)
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	138,487	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(138,683)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 4,844,226</u>	<u>\$ 122,541</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 4,437,151	\$ 128,433
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year	N/A	2,438
Current Year	N/A	(8,330)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u>                    </u>	<u>                    </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 4,437,151</u>	<u>\$ 122,541</u>

**Knowlton School District**  
**Required Supplementary Information - Part III**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Last Ten Fiscal Years \***

**Exhibit L-3**

**Teachers' Pension and Annuity Fund (TPAF)**

	<u>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) **	N/A	N/A	N/A	N/A						
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 16,187,777</u>	<u>\$ 12,988,031</u>	<u>\$ 11,941,791</u>	<u>\$ 10,535,626</u>						
Total	<u>\$ 16,187,777</u>	<u>\$ 12,988,031</u>	<u>\$ 11,941,791</u>	<u>\$ 10,535,626</u>						
District's covered employee payroll	\$ 2,107,452	\$ 1,934,264	\$ 2,124,470	\$ 2,164,743						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A						
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%						

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

**Exhibit L-1**

**Public Employees' Retirement System (PERS)**

	<u>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)	0.00463672%	0.00380828%	0.00447897%	0.00433814%						
District's proportionate share of the net pension liability (asset)	<u>\$ 1,373,265</u>	<u>\$ 854,883</u>	<u>\$ 838,586</u>	<u>\$ 829,105</u>						
District's covered employee payroll	\$ 243,564	\$ 505,375	\$ 606,092	\$ 523,352						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	563.82%	169.16%	138.36%	158.42%						
Plan fiduciary net position as a percentage of the total pension liability (Local)	40.14%	47.92%	52.08%	48.72%						

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



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

**Exhibit L-2**

**Teachers' Pension and Annuity Fund (TPAF)**

	<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>
Contractually required contribution **	N/A	N/A	N/A	N/A						
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A	N/A						
Contribution deficiency (excess)	N/A	N/A	N/A	N/A						
District's covered employee payroll	\$ 2,107,452	\$ 1,934,264	\$ 2,124,470	\$ 2,164,743						
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A						

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

**Public Employees' Retirement System (PERS)**

	<u>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>
Contractually required contribution	\$41,459	\$32,741	\$ 36,924	\$ 32,687						
Contributions in relation to the contractually required contribution	<u>(41,459)</u>	<u>(32,741)</u>	<u>(36,924)</u>	<u>(32,687)</u>						
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>						
District's covered employee payroll	\$ 243,564	\$ 505,375	\$ 606,092	\$ 523,352						
Contributions as a percentage of covered-employee payroll	17.02%	6.48%	6.09%	6.25%						

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

KNOWLTON SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III**  
**Pension Schedules**

For the Fiscal Year Ended June 30, 2017

**Teachers' Pension and Annuity Fund (TPAF)**

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

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

**Public Employees' Retirement System (PERS)**

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

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

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2017

	<b>Title I</b>	<b>Title II Part A</b>	<b>IDEA Basic</b>	<b>IDEA Preschool</b>	<b>REAP</b>	<b>Totals</b>
<b>REVENUES</b>						
Federal Sources	\$ 30,016	\$ 20,546	\$ 52,979	\$ 6,249	\$ 18,643	\$ 128,433
<b>TOTAL REVENUES</b>	<b>30,016</b>	<b>20,546</b>	<b>52,979</b>	<b>6,249</b>	<b>18,643</b>	<b>128,433</b>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Salaries of Teachers	23,501	5,520				29,021
Other Salaries for Instruction			17,000	6,000		23,000
Supplies and Materials				249		249
<b>Total Instruction</b>	<b>23,501</b>	<b>5,520</b>	<b>17,000</b>	<b>6,249</b>	<b>-</b>	<b>52,270</b>
<b>Support Services:</b>						
Personal Services - Employee Bene.	6,515	2,160				8,675
Purchased Profess.-Educ. Serv.			35,979			35,979
Other Purchased Serv.		12,866				12,866
<b>Total Support Services</b>	<b>6,515</b>	<b>15,026</b>	<b>35,979</b>	<b>-</b>	<b>-</b>	<b>57,520</b>
<b>Facilities Acq. and Const. Services:</b>						
Communications/Technology					18,643	18,643
<b>Total Facilities Acq. and Const. Serv.</b>					<b>18,643</b>	<b>18,643</b>
<b>TOTAL EXPENDITURES</b>	<b>30,016</b>	<b>20,546</b>	<b>52,979</b>	<b>6,249</b>	<b>18,643</b>	<b>128,433</b>
<b>Total Outflows</b>	<b>\$ 30,016</b>	<b>\$ 20,546</b>	<b>\$ 52,979</b>	<b>\$ 6,249</b>	<b>\$ 18,643</b>	<b>\$ 128,433</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>						

**CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

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

N/A

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

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

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

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

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

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

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

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

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



KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2017**

	<b>UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u></b>		<b><u>AGENCY FUNDS</u></b>					
		<b><u>STUDENT ACTIVITY</u></b>	<b><u>PAYROLL AGENCY</u></b>		<b><u>TOTALS</u></b>			
<b>ASSETS:</b>								
Cash and Cash Equivalents	\$	38,448	\$	10,613	\$	37,552	\$	86,613
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>38,448</b>	<b>\$</b>	<b>10,613</b>	<b>\$</b>	<b>37,552</b>	<b>\$</b>	<b>86,613</b>
<b>LIABILITIES:</b>								
Liabilities:								
Payroll Deductions and Withholdings					\$	36,616	\$	36,616
Summer Pay						936		936
Payable to Student Groups			\$	10,613				10,613
<b>Total Liabilities</b>						<b>10,613</b>		<b>37,552</b>
<b>NET POSITION</b>								
Held in Trust for Unemployment Claims and Other Purposes	\$	38,448						38,448
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$</b>	<b>38,448</b>	<b>\$</b>	<b>10,613</b>	<b>\$</b>	<b>37,552</b>	<b>\$</b>	<b>86,613</b>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2017**

	<b>UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u></b>	<b><u>TOTALS</u></b>
<b>ADDITIONS</b>		
Contributions:		
Plan Member	\$ 4,634	\$ 4,634
Total Contributions	<u>4,634</u>	<u>4,634</u>
Investment Earnings:		
Interest	-	-
Net Investment Earnings	<u>-</u>	<u>-</u>
<b>Total Additions</b>	<u>4,634</u>	<u>4,634</u>
<b>DEDUCTIONS</b>		
Unemployment Claims	-	-
<b>Total Deductions</b>	<u>-</u>	<u>-</u>
Change in Net Position	4,634	4,634
Net Position—Beginning of the Year	<u>33,814</u>	<u>33,814</u>
<b>Net Position—End of the Year</b>	<u><u>\$ 38,448</u></u>	<u><u>\$ 38,448</u></u>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
STUDENT ACTIVITY AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>ACTIVITY</u>	<u>BALANCE</u> <u>July 1, 2016</u>	<u>Transfers</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>June 30, 2017</u>
Field Trips	\$ 1,761	\$ 4,222	\$ 7,434	\$ 10,944	\$ 2,473
Fund Raiser	179	(2,399)	6,859	4,639	-
Ski Club	955		1,752	1,425	1,282
Band	45		2,120	1,873	292
Yearbook	1,040		4,146	2,395	2,791
5K	441	(1,823)	2,974	1,592	-
Bood Fair	903		3,073	4,857	(881)
QSP Mag	184	1,500	3,297	4,889	92
Other	574	(1,500)	8,101	2,611	4,564
All Activites	<b>\$ 6,082</b>	<b>-</b>	<b>\$ 39,756</b>	<b>\$ 35,225</b>	<b>\$ 10,613</b>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
PAYROLL AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>BALANCE</u> July 1, 2016	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> June 30, 2017
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 32,773	\$ 3,011,318	\$ 3,006,539	\$ 37,552
<b>Total Assets</b>	<u>\$ 32,773</u>	<u>\$ 3,011,318</u>	<u>\$ 3,006,539</u>	<u>\$ 37,552</u>
<b>LIABILITIES:</b>				
Salaries & Wages		\$ 1,596,644	\$ 1,596,644	
Summer Pay	\$ 469	83,144	82,677	\$ 936
Payroll Deductions and Withholdings	32,304	1,331,530	1,327,218	36,616
<b>Total Liabilities</b>	<u>\$ 32,773</u>	<u>\$ 3,011,318</u>	<u>\$ 3,006,539</u>	<u>\$ 37,552</u>

## **LONG-TERM DEBT SCHEDULES**

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

N/A

Knowlton Township School District  
**Statistical Section**

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends (J-1 thru J-5)</b> These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	91-96
<b>Revenue Capacity (J-6 thru J-9)</b> These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	97-100
<b>Debt Capacity (J-10 thru J-13)</b> These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	101-104
<b>Demographic and Economic Information (J-14 and J-15)</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	105-106
<b>Operating Information (J-16 thru J-20)</b> 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.	107-111

**Sources:**

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year.

**Knowlton Township School District  
Net Position by Component,  
Last Ten Fiscal Years**

*(accrual basis of accounting)*

**Exhibit J-1**

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 1,880,991	\$ 1,962,008	\$ 2,146,420	\$ 2,259,977	\$ 2,534,667	\$ 2,649,746	\$ 2,768,213	\$ 2,813,629	\$ 2,747,666	\$ 2,656,717
Restricted	151,472	159,920	297,336	141,503	129,174	228,476	346,630	540,403	894,620	1,212,003
Unrestricted	(23,270)	27,384	(12,621)	241,436	213,060	131,322	8,796	(787,663)	(809,560)	(803,459)
<b>Total governmental activities net position</b>	<u>\$ 2,009,193</u>	<u>\$ 2,149,312</u>	<u>\$ 2,431,135</u>	<u>\$ 2,642,916</u>	<u>\$ 2,876,901</u>	<u>\$ 3,009,544</u>	<u>\$ 3,123,639</u>	<u>\$ 2,566,369</u>	<u>\$ 2,832,726</u>	<u>\$ 3,065,261</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	\$ 17,333	\$ 19,376	\$ 21,442	\$ 22,704	\$ 19,766	\$ 15,421	\$ 14,005	\$ 16,334	\$ 15,985	\$ 15,317
<b>Total business-type activities net position</b>	<u>\$ 17,333</u>	<u>\$ 19,376</u>	<u>\$ 21,442</u>	<u>\$ 22,704</u>	<u>\$ 19,766</u>	<u>\$ 15,421</u>	<u>\$ 14,005</u>	<u>\$ 16,334</u>	<u>\$ 15,985</u>	<u>\$ 15,317</u>
<b>District-wide</b>										
Invested in capital assets, net of related debt	\$ 1,880,991	\$ 1,962,008	# \$ 2,146,420	\$ 2,259,977	\$ 2,534,667	\$ 2,649,746	\$ 2,768,213	\$ 2,813,629	\$ 2,747,666	\$ 2,656,717
Restricted	151,472	159,920	# 297,336	141,503	129,174	228,476	346,630	540,403	894,620	1,212,003
Unrestricted	(5,937)	46,760	# 8,821	264,140	232,826	146,743	22,801	(771,329)	(793,575)	(788,142)
<b>Total district net position</b>	<u>\$ 2,026,526</u>	<u>\$ 2,168,688</u>	<u>\$ 2,452,577</u>	<u>\$ 2,665,620</u>	<u>\$ 2,896,667</u>	<u>\$ 3,024,965</u>	<u>\$ 3,137,644</u>	<u>\$ 2,582,703</u>	<u>\$ 2,848,711</u>	<u>\$ 3,080,578</u>

Source: CAFR Schedule A-1

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

**Exhibit J-2**

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	\$ 1,963,512	\$ 1,849,945	\$ 1,991,795	\$ 1,877,330	\$ 2,059,292	\$ 2,161,120	\$ 2,220,214	\$ 2,568,707	\$ 2,283,508	\$ 2,612,495
Special education	487,558	524,992	528,557	567,799	567,414	593,477	597,081	634,307	671,924	779,585
Other special education	163,374	138,792	136,695	137,666	146,534	146,281	144,661	145,915	246,992	294,601
Other instruction										
Support Services:										
Tuition	97,660	144,705	126,068	137,728	74,258	7,770	-	57,727	52,662	-
Student & instruction related services	551,870	578,445	610,725	552,493	529,270	438,360	415,552	489,342	659,800	671,650
General administrative services	518,758	498,387	420,049	413,532	447,110	421,676	438,089	462,723	471,900	537,458
School administrative services	147,460	140,287	145,716	146,431	148,070	150,867	133,223	175,327	172,787	202,633
Business administrative services										
Plant operations and maintenance	357,569	341,217	340,068	376,523	430,174	391,241	381,720	385,436	353,505	399,687
Pupil transportation	253,786	276,269	263,046	242,995	230,051	216,337	205,084	240,021	265,194	222,519
Interest on long-term debt	46,216	34,996	23,776	12,557	1,394	-	-	-	-	-
Unallocated depreciation	4,083	4,083	3,166	3,250	3,511	3,511	3,917	4,403	4,943	5,406
Total governmental activities expenses	<u>4,591,846</u>	<u>4,532,118</u>	<u>4,589,661</u>	<u>4,468,304</u>	<u>4,637,078</u>	<u>4,530,640</u>	<u>4,539,541</u>	<u>5,163,908</u>	<u>5,183,215</u>	<u>5,726,034</u>
Business-type activities:										
Food service	80,489	73,466	71,201	75,633	80,433	71,065	64,635	65,022	62,703	53,861
Total business-type activities expense	<u>80,489</u>	<u>73,466</u>	<u>71,201</u>	<u>75,633</u>	<u>80,433</u>	<u>71,065</u>	<u>64,635</u>	<u>65,022</u>	<u>62,703</u>	<u>53,861</u>
Total district expenses	<u>\$ 4,672,335</u>	<u>\$ 4,605,584</u>	<u>\$ 4,660,862</u>	<u>\$ 4,543,937</u>	<u>\$ 4,717,511</u>	<u>\$ 4,601,705</u>	<u>\$ 4,604,176</u>	<u>\$ 5,228,930</u>	<u>\$ 5,245,918</u>	<u>\$ 5,779,895</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Instruction	6,698	\$ 23,275	\$ 11,858	\$ 10,907	\$ 55,095	\$ 41,380	\$ 66,458	\$ 99,831	\$ 33,558	\$ 44,652
Support Services	\$ 2,452	8,521	4,342	3,993	20,172	15,150	24,333	36,550	12,287	16,348
Operating grants and contributions	2,076,161	1,997,567	2,098,447	1,873,373	2,026,386	1,963,929	1,921,264	2,476,442	2,651,697	3,066,648
Capital grants and contributions								55,087		
Total governmental activities program revenues	<u>2,085,311</u>	<u>2,029,363</u>	<u>2,114,647</u>	<u>1,888,273</u>	<u>2,101,653</u>	<u>2,020,459</u>	<u>2,012,055</u>	<u>2,667,910</u>	<u>2,697,542</u>	<u>3,127,648</u>
Business-type activities:										
Charges for services:										
Food service	56,176	50,689	44,734	48,402	39,215	35,650	34,838	33,520	30,143	25,900
Operating grants and contributions	24,499	22,238	28,365	28,362	38,179	31,017	27,202	30,950	30,504	27,293
Capital grants and contributions										
Total business type activities program revenues	<u>80,675</u>	<u>72,927</u>	<u>73,099</u>	<u>76,764</u>	<u>77,394</u>	<u>66,667</u>	<u>62,040</u>	<u>64,470</u>	<u>60,647</u>	<u>53,193</u>
Total district program revenues	<u>\$ 2,165,986</u>	<u>\$ 2,102,290</u>	<u>\$ 2,187,746</u>	<u>\$ 1,965,037</u>	<u>\$ 2,179,047</u>	<u>\$ 2,087,126</u>	<u>\$ 2,074,095</u>	<u>\$ 2,732,380</u>	<u>\$ 2,758,189</u>	<u>\$ 3,180,841</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (2,506,535)	\$(2,502,755)	\$(2,475,014)	\$(2,580,031)	\$(2,535,425)	\$(2,510,181)	\$(2,527,486)	\$(2,495,998)	\$(2,485,673)	\$(2,598,386)
Business-type activities	186	(539)	1,898	1,131	(3,039)	(4,398)	(2,595)	(552)	(2,056)	(668)
Total district-wide net expense	<u>\$ (2,506,349)</u>	<u>\$ (2,503,294)</u>	<u>\$ (2,473,116)</u>	<u>\$ (2,578,900)</u>	<u>\$ (2,538,464)</u>	<u>\$ (2,514,579)</u>	<u>\$ (2,530,081)</u>	<u>\$ (2,496,550)</u>	<u>\$ (2,487,729)</u>	<u>\$ (2,599,054)</u>



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

**Exhibit J-2**

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 2,475,074	\$ 2,473,014	\$ 2,581,846	\$ 2,633,483	\$ 2,633,483	\$ 2,633,483	\$ 2,633,483	\$ 2,686,000	\$ 2,739,594	\$ 2,793,225
Taxes levied for debt service	147,851	140,325	132,799	134,497	125,721	-	-	-	-	-
Unrestricted grants and contributions										
Investment earnings	21,447	7,797	7,544	6,334	5,104	2,272	3,273	2,584	3,413	8,139
Miscellaneous income	25,758	21,738	9,331	6,867	5,102	7,069	19,695	42,405	9,023	29,557
Transfers										
<b>Total governmental activities</b>	<u>2,670,130</u>	<u>2,642,874</u>	<u>2,731,520</u>	<u>2,781,181</u>	<u>2,769,410</u>	<u>2,642,824</u>	<u>2,656,451</u>	<u>2,730,989</u>	<u>2,752,030</u>	<u>2,830,921</u>
Business-type activities:										
Miscellaneous Income	1,015	2,582	168	131	101	53	1,179	2,881	1,707	-
Transfers										
<b>Total business-type activities</b>	<u>1,015</u>	<u>2,582</u>	<u>168</u>	<u>131</u>	<u>101</u>	<u>53</u>	<u>1,179</u>	<u>2,881</u>	<u>1,707</u>	<u>-</u>
<b>Total district-wide</b>	<u>\$ 2,671,145</u>	<u>\$ 2,645,456</u>	<u>\$ 2,731,688</u>	<u>\$ 2,781,312</u>	<u>\$ 2,769,511</u>	<u>\$ 2,642,877</u>	<u>\$ 2,657,630</u>	<u>\$ 2,733,870</u>	<u>\$ 2,753,737</u>	<u>\$ 2,830,921</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 163,595	\$ 140,119	\$ 256,506	\$ 201,150	\$ 233,985	\$ 132,643	\$ 128,965	\$ 234,991	\$ 266,357	\$ 232,535
Business-type activities	1,201	2,043	2,066	1,262	(2,938)	(4,345)	(1,416)	2,329	(349)	(668)
<b>Total district</b>	<u>\$ 164,796</u>	<u>\$ 142,162</u>	<u>\$ 258,572</u>	<u>\$ 202,412</u>	<u>\$ 231,047</u>	<u>\$ 128,298</u>	<u>\$ 127,549</u>	<u>\$ 237,320</u>	<u>\$ 266,008</u>	<u>\$ 231,867</u>

Source: CAFR Schedule A-2

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

**Exhibit J-3**

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 82,972	\$ 231,739	\$ 329,865	\$ 401,958	\$ 351,901	\$ 363,850	\$ 365,050	\$ 548,523	\$ 895,422	\$ 1,302,693
Unreserved	205,936	104,112	117,819	120,131	111,930	113,968	113,404	112,903	111,513	111,317
Total general fund	<u>\$ 288,908</u>	<u>\$ 335,851</u>	<u>\$ 447,684</u>	<u>\$ 522,089</u>	<u>\$ 463,831</u>	<u>\$ 477,818</u>	<u>\$ 478,454</u>	<u>\$ 661,426</u>	<u>\$ 1,006,935</u>	<u>\$ 1,414,010</u>
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue fund										
Capital projects fund										
Debt service fund										
Permanent fund										
Total all other governmental funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Source: CAFR Schedule B-1

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

**Exhibit J-4**

	<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>
<b>Revenues</b>										
Tax levy	\$ 2,622,925	\$ 2,613,339	\$ 2,714,645	\$ 2,767,980	\$ 2,759,204	\$ 2,633,483	\$ 2,633,483	\$ 2,686,000	\$ 2,739,594	\$ 2,793,225
Tuition charges	9,150	31,796	16,200	14,900	75,267	56,530	90,791	136,381	45,845	61,000
Interest earnings	2,649	1,000	781	579	107	-	-	-	-	-
Miscellaneous	44,556	28,535	16,094	12,622	10,099	9,341	22,968	44,989	12,436	37,696
State sources	1,948,450	1,865,099	1,679,133	1,749,038	1,842,261	1,836,734	1,792,819	1,876,815	1,887,161	1,952,305
Federal sources	127,711	132,468	419,314	124,335	184,125	127,195	128,445	123,131	136,254	122,541
<b>Total revenue</b>	<b>4,755,441</b>	<b>4,672,237</b>	<b>4,846,167</b>	<b>4,669,454</b>	<b>4,871,063</b>	<b>4,663,283</b>	<b>4,668,506</b>	<b>4,867,316</b>	<b>4,821,290</b>	<b>4,966,767</b>
<b>Expenditures</b>										
Instruction										
Regular Instruction	1,422,668	1,388,152	1,493,292	1,399,197	1,486,866	1,534,725	1,597,741	1,708,821	1,343,643	1,379,736
Special education instruction	304,324	369,198	363,750	405,414	381,617	387,869	392,846	340,681	351,080	364,105
Other special instruction	80,972	70,175	61,382	63,767	61,491	51,286	51,314	8,809	97,488	98,647
Support Services:										
Tuition	97,660	144,705	126,068	137,728	74,258	7,770	-	57,727	52,662	-
Student & instruction related services	464,504	502,220	533,755	476,240	442,682	343,729	320,190	356,141	513,832	485,791
General administrative services	416,056	411,902	326,981	322,010	342,109	304,966	322,747	295,215	289,045	299,306
School Administrative services	91,564	93,461	94,861	96,473	90,672	86,921	70,195	83,308	72,389	71,484
Business administrative services										
Plant operations and maintenance	317,552	307,855	303,527	340,660	578,915	345,178	336,430	318,994	281,046	304,779
Pupil transportation	248,090	271,526	257,840	237,866	224,172	209,770	198,631	230,543	254,859	208,973
Unallocated employee benefits	967,932	807,035	879,024	900,416	1,015,053	1,116,419	1,080,926	1,097,152	1,140,454	1,233,025
Charter Schools	17,906	18,753	-	-	11,925	19,404	26,663	12,028	-	27,145
Capital outlay	154,668	31,108	95,870	28,504	44,974	241,259	270,187	174,925	79,283	86,701
Debt service:										
Principal	170,000	170,000	170,000	170,000	169,000	-	-	-	-	-
Interest and other charges	50,424	39,204	27,984	16,764	5,577	-	-	-	-	-
<b>Total expenditures</b>	<b>4,804,320</b>	<b>4,625,294</b>	<b>4,734,334</b>	<b>4,595,039</b>	<b>4,929,311</b>	<b>4,649,296</b>	<b>4,667,870</b>	<b>4,684,344</b>	<b>4,475,781</b>	<b>4,559,692</b>
Excess (Deficiency) of revenues over (under) expenditures	(48,879)	46,943	111,833	74,415	(58,248)	13,987	636	182,972	345,509	407,075
<b>Other Financing Sources (uses)</b>										
Transfers in										
Transfers out										
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (48,879)</b>	<b>\$ 46,943</b>	<b>\$ 111,833</b>	<b>\$ 74,415</b>	<b>\$ (58,248)</b>	<b>\$ 13,987</b>	<b>\$ 636</b>	<b>\$ 182,972</b>	<b>\$ 345,509</b>	<b>\$ 407,075</b>
Debt service as a percentage of noncapital expenditures	4.7%	4.6%	4.3%	4.1%	3.6%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

KNOWLTON TOWNSHIP SCHOOL DISTRICT  
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Contributions</u> <u>from Private</u> <u>Sources</u>	<u>Rentals</u>	<u>Miscellaneous</u>	<u>Total</u>
2008	\$ 21,447	\$ 9,150	\$ 5,421	\$ 14,205	\$ 6,132	\$ 56,355
2009	7,797	31,796	5,221	14,205	2,312	61,331
2010	7,544	16,200	4,124		3,207	31,075
2011	6,334	14,900	5,361		6	26,601
2012	5,104	75,267			5,102	85,473
2013	2,272	56,530	4,910		2,159	65,871
2014	3,273	90,791	100		18,837	113,001
2015	2,584	136,381			38,602	177,567
2016	3,413	45,845			9,023	58,281
2017	8,139	61,000			29,557	98,696

SOURCE: District Records

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

**Exhibit J-6**

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2008	\$7,542,800	\$188,221,300	\$33,892,600	\$2,861,540	\$21,066,700	-	\$665,700	280,198,580	\$25,222,900	\$725,040	254,975,680	1.029	\$393,172,896
2009	6,989,700	191,098,100	33,738,600	2,839,240	21,066,700	-	665,700	282,709,906	25,590,700	721,166	257,119,206	1.017	415,241,400
2010	6,937,700	192,927,900	34,386,100	2,797,640	21,143,200	-	665,700	285,095,449	25,649,200	588,009	259,446,249	1.046	415,241,400
2011	6,838,700	193,045,800	35,542,500	2,796,040	20,636,900	-	665,700	285,676,867	25,515,900	635,327	260,160,967	1.064	396,818,747
2012	6,815,100	193,748,800	34,475,500	2,732,840	20,638,000	-	665,700	286,035,174	26,280,800	678,434	259,754,374	1.062	369,513,265
2013	6,627,600	194,646,300	33,953,200	2,734,840	20,642,000	-	665,700	286,246,017	26,280,800	695,577	259,965,217	1.013	356,512,227
2014	6,230,100	195,036,500	33,034,500	2,731,740	20,720,500	-	665,700	285,904,453	26,769,700	715,713	259,134,753	1.028	324,354,292
2015	6,051,000	195,127,800	33,526,200	2,756,940	20,654,700	-	665,700	286,246,112	26,683,700	780,072	259,562,412	1.035	306,839,048
2016	5,722,900	194,371,100	34,050,200	2,766,640	20,003,800	-	665,700	285,246,159	26,737,500	928,319	258,508,659	1.060	300,125,043
2017	5,934,500	194,680,700	33,861,300	2,749,640	20,093,900	-	665,700	285,796,298	26,940,600	869,958	258,855,698	1.079	304,702,339

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

**b** Tax rates are per \$100

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

**Exhibit J-7**

*(rate per \$100 of assessed value)*

Fiscal Year Ended June 30,	Knowlton Board of Education			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Regional High School District	Knowlton Township	Warren County	Library	
2008	0.943	0.086	1.029	0.860	0.246	0.863	0.082	3.080
2009	0.936	0.081	1.017	0.892	0.270	0.898	0.085	3.162
2010	0.970	0.076	1.046	0.930	0.307	0.911	0.085	3.279
2011	0.992	0.072	1.064	0.896	0.353	0.860	0.074	3.247
2012	0.995	0.067	1.062	0.862	0.370	0.836	0.069	3.199
2013	1.013	-	1.013	0.793	0.421	0.860	0.065	3.152
2014	1.028	-	1.028	0.827	0.430	0.893	0.063	3.241
2015	1.035	-	1.035	0.812	0.429	0.848	0.063	3.187
2016	1.060	-	1.060	0.908	0.431	0.901		3.300
2017	1.079	-	1.079	0.945	0.418	0.899		3.341

Source: District Records and Municipal Tax Collector

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

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

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

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

**Exhibit J-8**

Taxpayer	2016			2002		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
TA Operating Corporation	\$ 4,209,700	1	1.63%	\$ 3,562,300	1	2.19%
Columbia Associates	1,124,500	2	0.43%			
The Labarre Family Limited Partnership	981,400	3	0.38%			
Taylor Family Limited Partnership	942,000	4	0.36%	601,900	6	0.37%
United Telephone Company	817,191	5	0.32%			
Ullman Family Partnership, LP	796,900	6	0.31%			
Delaware River Family Campground, Inc.	794,700	7	0.31%	775,000	3	0.61%
Individual Taxpayer #1	712,600	8	0.28%	1,000,000	2	0.61%
Individual Taxpayer #2	612,300	9	0.24%	719,000	4	0.44%
Individual Taxpayer #3	576,200	10	0.22%	708,000	5	0.43%
Northwest Farming, Inc.				481,600	7	0.30%
Individual Taxpayer #4				451,100	8	0.28%
Individual Taxpayer #5				442,500	9	0.27%
K.A.K.S.				437,700	10	0.27%
			<u>4.47%</u>	<u>\$ 9,179,100</u>		<u>5.77%</u>

Source: District CAFR & Municipal Tax Assessor

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

**Exhibit J-9**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	2,475,074	2,475,074	100.00%	-
2009	2,473,014	2,473,014	100.00%	-
2010	2,581,846	2,581,846	100.00%	-
2011	2,633,483	2,633,483	100.00%	-
2012	2,633,483	2,633,483	100.00%	-
2013	2,633,483	2,633,483	100.00%	-
2014	2,633,483	2,633,483	100.00%	-
2015	2,686,000	2,686,000	100.00%	-
2016	2,739,594	2,739,594	100.00%	-
2017	2,793,225	2,793,225	100.00%	-

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

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



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

**Exhibit J-10**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2008	\$679,000					\$679,000	0.493%	\$162
2009	\$509,000					\$509,000	0.380%	\$108
2010	\$339,000					\$339,000	0.251%	\$55
2011	\$169,000					\$169,000	0.123%	\$0
2012	\$0					\$0	0.000%	\$0
2013	\$0					\$0	0.000%	\$0
2014	\$0					\$0	0.000%	\$0
2015	\$0					\$0	0.000%	\$0
2016	\$0					\$0	0.000%	\$0
2017	\$0					\$0	0.000%	\$0

Source: District CAFR Schedules I-1, I-2

**Note:** Details regarding the district's outstanding debt can be found in the notes to the financial statements.

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

**Knowlton Township School District  
 Ratios of Net General Bonded Debt Outstanding  
 Last Ten Fiscal Years**

**Exhibit J-11**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 679,000	-0-	679,000	0.27%	216
2009	\$ 509,000	-0-	509,000	0.20%	162
2010	\$ 339,000	-0-	339,000	0.13%	108
2011	\$ 169,000	-0-	169,000	0.06%	55
2012	-	-0-	-	0.00%	-
2013	-	-0-	-	0.00%	-
2014	-	-0-	-	0.00%	-
2015	-	-0-	-	0.00%	-
2016	-	-0-	-	0.00%	-
2017	-	-0-	-	0.00%	-

**Note:** Details regarding the district's outstanding debt can be found in the notes to the financial statements.  
**a** See Exhibit NJ J-6 for property tax data.  
**b** Population data can be found in Exhibit NJ J-14.

**Knowlton Township School District  
Ratios of Overlapping Governmental Activities Debt  
As of June 30, 2017**

**Exhibit J-12**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b> Township of Knowlton	\$ 1,471,880	100.0%	\$ 1,471,880
<b>Other debt</b> Warren County	3,435,000	2.9%	<u>99,782</u>
Subtotal, overlapping debt			1,571,662
<b>Knowlton Township School District Direct Debt</b>			<u>-</u>
<b>Total direct and overlapping debt</b>			<u>\$ 1,571,662</u>

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

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

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

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

**Exhibit J-13**

**Legal Debt Margin Calculation for Fiscal Year 2017**

	Equalized valuation basis
	2016 \$ 310,228,163
	2015 \$ 302,111,588
	2014 \$ 299,274,130
	<b>[A]</b> \$ <u>911,613,881</u>
Average equalized valuation of taxable property	<b>[A/3]</b> \$ 303,871,294
Debt limit (2.5% of average equalization value)	<b>[B]</b> 7,596,782
Net bonded school debt	<b>[C]</b> -
Legal debt margin	<b>[B-C]</b> \$ <u>7,596,782</u>

	Fiscal Year									
	<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>
Debt limit	\$9,354,171	\$10,057,348	\$10,172,951	\$9,827,275	\$9,293,227	\$8,707,864	\$8,178,103	\$7,722,244	\$7,546,857	7,596,782
Total net debt applicable to limit	679,000	509,000	339,000	169,000	-	-	-	-	-	-
Legal debt margin	<u>\$8,675,171</u>	<u>\$9,548,348</u>	<u>\$9,833,951</u>	<u>\$9,658,275</u>	<u>\$9,293,227</u>	<u>\$8,707,864</u>	<u>\$8,178,103</u>	<u>\$7,722,244</u>	<u>\$7,546,857</u>	<u>\$7,596,782</u>
Total net debt applicable to the limit as a percentage of debt limit	7.26%	5.06%	3.33%	1.72%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Abstract of Ratables and District Records CAFR Schedule J-6

a Limit set by NJSA 18A:24-19 for a K through 6 district; other % limits would be applicable for other districts

**Knowlton Township School District  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

**Exhibit J-14**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income (thousands of dollars) <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2008	3,143	\$ 137,842,551	\$43,857 R	6.80%
2009	3,136	\$ 133,885,248	\$42,693 R	11.80%
2010	3,127	\$ 135,045,749	\$43,187 R	12.20%
2011	3,052	\$ 137,086,684	\$44,917 R	11.30%
2012	3,035	\$ 140,132,020	\$46,172 R	11.00%
2013	3,016	\$ 140,228,920	\$46,495 R	4.00%
2014	2,985	\$ 145,205,325	\$48,645 R	6.50%
2015	2,986	\$ 151,993,372	\$50,902 R	6.10%
2016	2,984	\$ 151,891,568	\$50,902 *	5.30%
2017	2,964	\$ 150,873,528	\$50,902 *	*

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Per Capita information provided by U.S. Dept of Commerce.

<sup>c</sup> Per Capita information provided by U.S. Dept of Commerce.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

R =Revised

\* Current data unavailable

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

Exhibit J-15

N/A

Employer	2017			2008		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
		10	0.00%	-		0.00%
	-			-		
	-		0.00%	-		0.00%

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

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

**Exhibit J-16**

<u>Function/Program</u>	<u>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>
Instruction										
Regular	23.8	23.9	23.7	22.7	23.2	23.7	25.2	23.9	22.6	21.2
Special education	5.0	6.0	6.0	6.0	6.0	6.0	8.5	7.3	6.9	7.6
Other special education	3.5	5.0	5.0	5.0	5.5	5.5	3.0	2.8	3.0	3.0
Other instruction	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Support Services:										
Student & instruction related services	4.4	3.4	3.7	3.7	3.6	3.6	2.4	2.2	2.2	2.3
General administrative services	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0
School administrative services	2.0	2.0	2.0	2.0	2.0	2.0	1.5	2.0	2.0	2.0
Business administrative services	1.0	1.0	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Pupil transportation	0.3	0.3	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Total	46.1	47.7	48.2	47.2	48.0	48.5	48.2	45.7	44.2	43.6

**Source:** District Personnel Records

Knowlton Township School District  
 Operating Statistics  
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2008	306	\$4,429,228	\$14,475	11.09%	29	1:10.6	304.6	290.6	-6.10%	95.40%
2009	290	\$4,384,982	\$15,121	4.46%	33	1:8.8	289.8	277.2	-4.86%	95.65%
2010	282	\$4,440,480	\$15,746	4.14%	30	1:9.4	280.0	265.9	-3.38%	94.96%
2011	274	\$4,379,791	\$15,985	1.51%	30	1:9.1	274.0	261.0	-2.14%	95.26%
2012	271	\$4,709,760	\$17,379	8.72%	30	1:9.0	269.8	257.6	-1.53%	95.48%
2013	247	\$4,408,037	\$17,846	2.69%	32	1:7.2	244.7	231.7	-9.30%	94.69%
2014	243	\$4,397,683	\$18,097	1.41%	32	1:7.6	242.6	230.4	-0.87%	94.97%
2015	229	\$4,509,419	\$19,692	8.81%	31	1:7.4	217.6	207.8	-10.30%	95.50%
2016	201	\$4,396,498	\$21,873	11.08%	30	1:6.7	199.5	190.6	-8.32%	95.54%
2017	194	\$4,472,991	\$23,057	5.41%	29	1:6.7	194.5	186.1	-2.51%	95.68%

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

**Note:** Enrollment based on annual October district count.

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



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

**Exhibit J-18**

<u>District Building</u>	<u>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>
<b><u>Elementary</u></b>										
Knowlton School (1935)										
Square Feet	42,562	42,562	42,562	42,562	42,562	42,562	42,562	42,562	42,562	42,562
Capacity (students)	353	353	353	353	353	353	353	353	353	353
Enrollment	306	290	282	274	271	247	243	229	201	194

Number of Schools at June 30, 2017

**Source:** District records, ASSA

Elementary = 1

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

KNOWLTON TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
Last Ten Fiscal Years Ending June 30, 2017

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</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>Total</u>
Elementary School- Grades K-6	N/A	\$ 86,937	\$ 85,310	\$ 84,348	\$ 119,536	\$ 329,504	\$ 131,737	\$ 92,517	\$ 90,020	\$ 76,231	\$ 96,079	\$ 1,192,219
Total School Facilities		86,937	85,310	84,348	119,536	329,504	131,737	92,517	90,020	76,231	96,079	1,192,219
Other Facilities												
<b>Grand Total</b>		<b>\$ 86,937</b>	<b>\$ 85,310</b>	<b>\$ 84,348</b>	<b>\$ 119,536</b>	<b>\$ 329,504</b>	<b>\$ 131,737</b>	<b>\$ 92,517</b>	<b>\$ 90,020</b>	<b>\$ 76,231</b>	<b>\$ 96,079</b>	<b>\$ 1,192,219</b>

KNOWLTON TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2017

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<b>SCHOOL PACKAGE POLICY - NJSBAIG</b>		
Property	\$ 300,000,000	1,000
Commercial General Liability - (Blanket)	50,000,000	1,000
Commercial Automotive Liability	10,000,000	-
Comprehensive Crime Coverage, Employee Dishonesty	250,000	1,000
Comprehensive Crime Coverage, Monies and Securities	50,000	1,000
Comprehensive Crime Coverage, Forgery or Alteration	50,000	1,000
<b>SCHOOL LEADER PROFESSIONAL LIABILITY INSURANCE and BOARD OF EDUCATION LEGAL LIABILITY</b>		
	10,000,000	5,000
<b>PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE BLANKET POSITION BOND</b>		
	250,000	1,000
Treasurer of School Monies	152,000	
Business Administrator/Board Secretary	25,000	

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

SOURCE: District Records

# Single Audit Section



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 Douglas R. Williams, CPA, RMA, PSA

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

#### **Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Knowlton Township School District Board of Education in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Knowlton Township School District Board of Education's basic financial statements, and have issued our report thereon dated October 31, 2017.

#### **Internal Control Over Financial Reporting**

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

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

-Continued-

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as findings 2017-1 in the accompanying schedule of findings and questioned costs to be material weaknesses.

### *Compliance and Other Matters*

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

### *Purpose of this Report*

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

*Ardito & Co., LLP*

ARDITO & CO., LLP  
October 31, 2017

*Carmy Corder*

Licensed Public School Accountant No.2369



## **ARDITO & Co., LLP**

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 Douglas R. Williams, CPA, RMA, PSA

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

#### Independent Auditor's Report

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

#### **Report on Compliance for Each Major State Program**

We have audited the Knowlton Township School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2017. The Knowlton Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circulars 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

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

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

-Continued-

**Opinion on Each Major State Program**

In our opinion, the Knowlton Township School District Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

Management of the Knowlton Township School District Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Knowlton Township School District Board of Education's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB circular 15-08, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

*Ardito & Co., LLP*

ARDITO & CO., LLP

October 31, 2017

*Cynthia Corder*

Licensed Public School Accountant No.2369



KNOWLTON TOWNSHIP SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance  
for the Fiscal Year ended June 30, 2017.

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2016	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2017			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES	
<b>State Department of Education</b>															
<b>General Fund:</b>															
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$ 1,083,113			\$ 1,083,113	\$ (1,083,113)								
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	114,628			114,628	(114,628)							\$ 108,312	\$ 1,083,113
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	144,464			144,464	(144,464)							*	114,628
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	24,644			24,644	(24,644)							*	14,463
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	13,642			13,642	(13,642)							*	2,464
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	2,230			2,230	(2,230)							*	1,364
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	2,230			2,230	(2,230)							*	223
Professional Learning Comm. Aid	17-495-034-5120-101	7/1/16-6/30/17	1,870			1,870	(1,870)							*	223
On Behalf TPAF Pension	17-495-034-5094-002	7/1/16-6/30/17	224,107			224,107	(224,107)							*	187
On Behalf TPAF Pension PMR	17-495-034-5094-001	7/1/16-6/30/17	186,732			186,732	(186,732)							*	224,107
On Behalf TPAF Pension Non-Contrib Ins	17-495-034-5094-004	7/1/16-6/30/17	377			377	(377)							*	186,732
Reimb. TPAF Soc. Sec. Contrib.	17-495-034-5094-003	7/1/16-6/30/17	154,464			139,308	(154,464)				\$ (15,156)			*	377
<b>Total General Fund</b>				-		1,937,345	(1,952,501)				(15,156)			*	154,464
<b>State Department of Agriculture:</b>															
<b>Enterprise Fund:</b>															
Nat. School Lunch Prog.(State Share)	16-100-034-5120-122	7/1/15-6/30/16		(43)		43								*	
Nat. School Lunch Prog.(State Share)	17-100-034-5120-122	7/1/16-6/30/17	551			505	(551)				(46)			*	551
<b>Total Enterprise Fund</b>				(43)		548	(551)				(46)			*	551
<b>Total State Financial Assistance</b>				\$ (43)	\$ -	\$ 1,937,893	\$ (1,953,052)	-	-	\$ (15,202)	-	-		\$ 138,683	\$ 1,953,052

Less: On-behalf TPAF Pension Amounts 411,216

Total State Expenditures Subject to Major Program Determination \$ (1,541,836)

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE  
JUNE 30, 2017

**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is zero for the general fund and \$3,395 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE  
JUNE 30, 2017

**NOTE 3. (Continued)**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 1,952,305	\$ 1,952,305
Special Revenue Fund	\$ 122,541	-	122,541
Food Service Fund	<u>26,713</u>	<u>551</u>	<u>27,264</u>
Total Financial Assistance	<u>\$ 149,254</u>	<u>\$ 1,952,856</u>	<u>\$ 2,102,110</u>

**NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2017. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2017.



SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

**Financial Statement Section**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified?   x   Yes    No

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

Reported

Noncompliance material to financial statements noted?    Yes   x   No

**Federal Awards**

N/A

Internal control over major programs:

1) Material weakness(es) identified?    Yes    No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A		

Dollar threshold used to distinguish between Type A and Type B programs:   N/A  

Auditee qualified as low-risk auditee?    yes    no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**State Financial Assistance Section**

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

Auditee qualified as low-risk auditee? x yes    no

Internal Control over major programs:

1) Material weakness(es) identified?    yes x no

2) Were significant deficiencies identified that were not considered to be material weaknesses?    yes x none

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

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 Number(s)**

**Name of State Program**

17-495-034-5120-078

Equalization Aid

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**Section II-Financial Statement Findings**

This section identifies significant deficiencies, matters of noncompliance, or other matters that are required to be reported in accordance with *Government Auditing Standards*.

**Finding 2017-1****Criteria or Specific Requirement:**

The board secretary report cash balances are in agreement with the treasurer's bank reconciliation reports.

**Condition:**

The board secretary report for June 30, 2017 differed from the treasurer's report by \$103,681 for the governmental funds and \$18,066 for the payroll agency fund for a total of \$121,747.

**Context:**

The \$121,747 difference is 8.5% of the district's cash balance.

**Effect:**

Bank reconciliations do not agree with the general ledger. Treasurer's bank reconciliation cash balance was \$121,747 higher than the general ledger.

**Cause:**

District checks dated June 30, 2017 were issued after the treasurer bank reconciliations were completed.

**Recommendation:**

That the board secretary report cash balances are in agreement with the treasurer's bank reconciliation reports on a monthly basis.

**Views of management and planned corrective actions:**

That the board secretary report will be compared to the treasurer's bank reconciliation reports on a monthly basis before presented to the board of education for certification.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Section III - State Financial Assistance Findings and Questioned Costs**

N/A

This section identifies audit findings required to be reported by NJOMB Circular Letter 15-08, as applicable. There were no state financial assistance findings or questioned costs that are required to be reported in accordance with NJOMB Circular 15-08.



SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**STATUS OF PRIOR YEAR FINDINGS**

N/A

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