

**KINGWOOD TOWNSHIP  
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**JUNE 30, 2018**

**Responsibility of the Management of  
Kingwood Township School District  
Hunterdon County, New Jersey**



**KINGWOOD TOWNSHIP  
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2018**

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# KINGWOOD TOWNSHIP BOARD OF EDUCATION

880 County Road 519  
Frenchtown, New Jersey 08825

**Rick Falkenstein**  
Superintendent  
Phone: (908) 996-2941 x518  
E-mail: [rfalkenstein@kingwoodschool.org](mailto:rfalkenstein@kingwoodschool.org)  
Fax: (908) 996-7268

**Michele McCann**  
Business Administrator/Board Secretary  
Phone: (908) 996-2941 x 516  
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Fax: (908) 996-0075

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February 4, 2019

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

Dear Board Members:

The comprehensive annual financial report of the Kingwood Township School District for the fiscal year ended June 30, 2018 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 District. 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: introduction, financial, statistical and single audit. The introduction section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report of the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 8 as well as special education. The district completed the 2017-2018 fiscal year with an average daily enrollment of 335.7 students, which is a 2.27 decrease over the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2008-2009	454.0	(1.54%)
2009-2010	447.9	(1.34%)
2010-2011	428.3	(4.38%)
2011-2012	412.7	(3.64%)
2012-2013	408.7	(0.98%)
2013-2014	367.9	(9.98%)
2014-2015	360.3	(2.08%)
2015-2016	342.2	(5.29%)
2016-2017	343.5	0.38%
2017-2018	335.7	(2.27%)

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

**3.MAJOR INITIATIVES:** The Kingwood Township School District continues to deliver high-quality programs and maintain a fiscal responsible budget. The major initiatives for the 2017-2018 academic school year were implementing Data Meetings for math and ELA. The staff regularly meet to progress monitor student growth, implement coding and STEM, and update curriculums to NJSLS.

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

The Reader's Workshop model continues to be a strategy embedded into all grade levels literacy program. The staff has begun to replicate the workshop model in mathematics. Overall, the staff has become more intentional with their classroom environment. Students are provided with individual supports to ensure they grow.

The science curriculum was revised and aligned to the NGSSS. A classroom was converted into a STEM/Science room for the elementary teachers. The conversion of this classroom enables the staff to create more meaningful interactions as the students seek to understand the natural phenomena around them

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

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

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

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

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

**5.BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the total budget amount. The final budgeted amounts, as amended, for the fiscal year are reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2018.



**6.ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in Notes to the Financial Statements, Note 1.

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

**8.DEBT ADMINISTRATION:** At June 30, 2018, the District's outstanding debt was \$1,310,000. This debt was originally issued in July 2003 to finance a building addition and refunded in July 2011 for a net cash flow savings of \$116,604.

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

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


**11.OTHER INFORMATION:**

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

**12. ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Kingwood Township School District Board of Education for their dedication in providing fiscal accountability to the citizens and taxpayers of the school district and contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our Business Office staff.

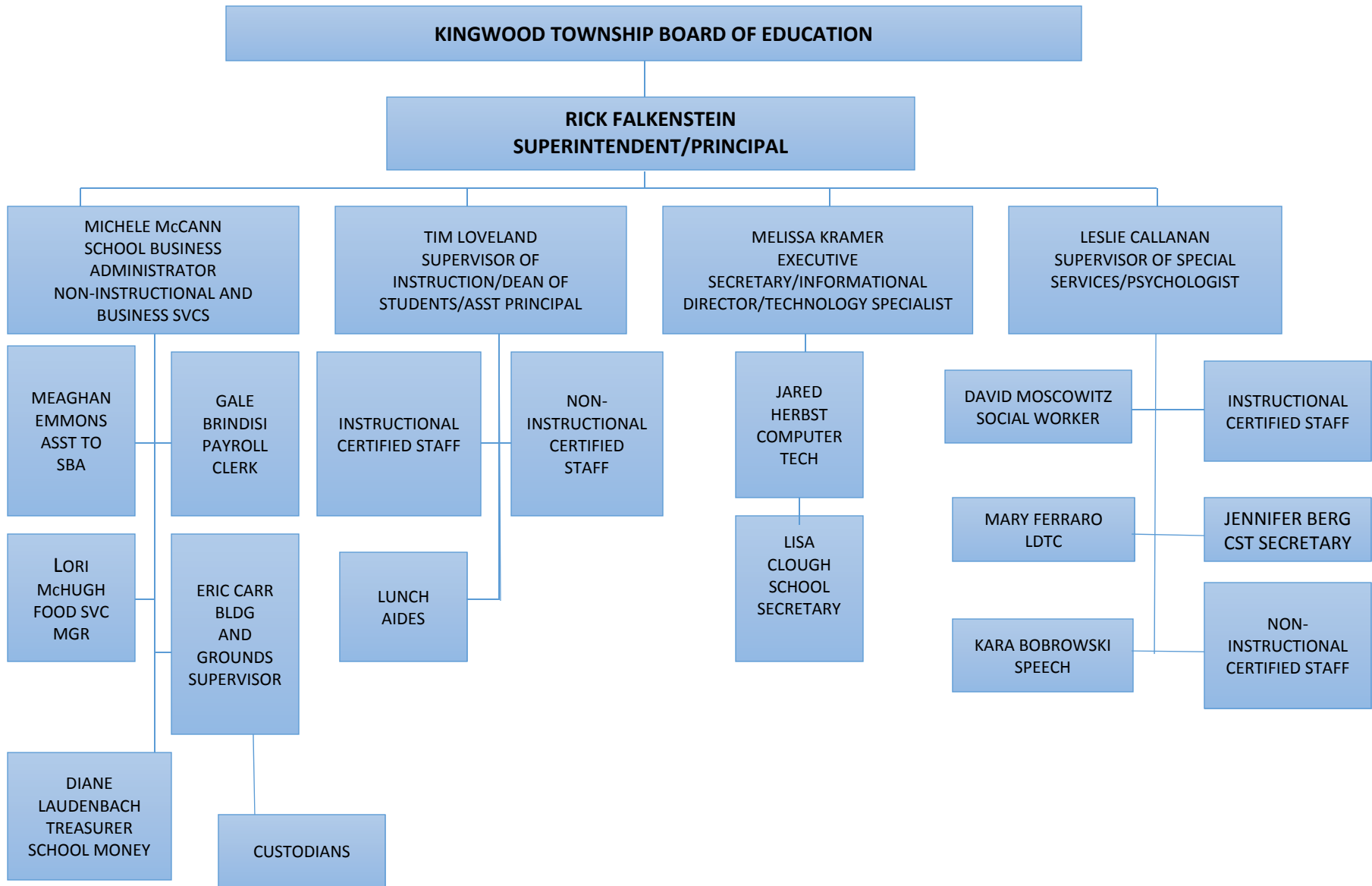
Respectfully submitted,

  
MICHELE McCANN  
SCHOOL BUSINESS ADMINISTRATOR

  
DATE

  
RICK FALKENSTEIN  
SUPERINTENDENT

  
DATE



**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**880 County Road 519**  
**Frenchtown, NJ 08825**  
**June 30, 2018**

**Roster of Officials**

<b>Members of the Board of Education</b>	<b>Title</b>	<b>Term Expires</b>
Joseph DePinto	President	2018
Kevin Bloom	Vice President	2018
Paymon Jelvani		2018
Michael DeSapio		2019
Donna Herbel		2019
Russell Pitzner		2019
Jill Lonergan		2020
Donna Ray		2020
Shannon Sklodowsky		2020
<b>Other Officials</b>		
Rick Falkenstein	Superintendent	
Michele McCann	Board Secretary/School Business Administrator	
Diane Laudenschach	School Treasurer	

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**880 County Road 519**  
**Frenchtown, NJ 08825**  
**June 30, 2018**

**Consultants & Advisors**

**AUDIT FIRM**

BKC, CPAs, PC  
114 Broad Street  
Flemington, NJ 08822

**ATTORNEY**

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

**ARCHITECT**

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

**OFFICIAL DEPOSITORY**

Investors Savings Bank



Certified Public Accountants, PC  
[www.bkc-cpa.com](http://www.bkc-cpa.com)

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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kingwood Township School District (the District) in the County of Hunterdon, as of and for the year ended June 30, 2018, 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.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Milford Borough School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### 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 Schedules, Schedules Related to Accounting and Reporting for Pensions, and Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's Basic Financial Statements. The introduction section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and Schedule of Expenditures of State Financial Assistance required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are also not a required part of the basic financial statements.

The combining and individual fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**BKC, CPAs, PC**



Michael Holk, CPA, PSA

February 4, 2019  
Flemington, New Jersey



**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

The discussion and analysis of Kingwood Township School District's (the District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2018 are as follows:

- In total, net position increased \$408,387, which represents a 5.98% increase from 2017.
- General revenues accounted for \$10,402,822 in revenue or 97.04% of all revenues. Program specific revenues in the form of charges for services, operating grants, and contributions accounted for \$317,014 or 2.96% to total revenues of \$10,719,836.
- Total assets of governmental activities increased by \$278,721, as cash and cash equivalents increased by \$622,688, receivables and other assets decreased by \$488,898, and capital assets increased by \$144,931.
- The School District had \$10,311,449 in expenses; only \$317,014 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$10,402,822 were adequate to provide for these programs.
- Among major funds, the general fund had \$7,913,941 in revenues and \$7,352,772 in expenditures. After factoring in other financing sources out of \$36,748, the general fund's balance increased \$524,421 from 2017.

**Using this Comprehensive Annual Financial Report (CAFR)**

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

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

**Reporting the School District as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question; "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. No financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

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

**Fund Financial Statements**

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, special revenue fund, capital projects fund and debt service fund.

**Governmental Funds**

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds measure and report the operating results by measuring cash on hand and other assets that can be easily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provided.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position at June 30, 2018 compared to June 30, 2017.

**Table 1**  
**Net Position**

	06/30/18	06/30/17	Variance	
			Dollars	Percent
<b>Assets</b>				
Current & other assets	\$ 2,826,995	\$ 2,686,005	\$ 140,990	5.25%
Capital assets	7,790,759	7,647,121	143,638	1.88%
Total assets	10,617,754	10,333,126	284,628	2.75%
<b>Deferred pension activity</b>				
Total deferred outflow of resources	770,612	1,078,973	(308,361)	-28.58%
<b>Liabilities</b>				
Long-term liabilities	3,531,288	4,342,939	(811,651)	-18.69%
Other liabilities	119,243	178,094	(58,851)	-33.04%
Total liabilities	3,650,531	4,521,033	(870,502)	-19.25%
<b>Deferred pension activity</b>				
Total deferred inflow of resources	505,193	66,811	438,382	656.15%
<b>Net position</b>				
Net investment in capital assets	6,480,759	6,137,121	343,638	5.60%
Restricted	1,849,981	1,912,048	(62,067)	-3.25%
Unrestricted	(1,098,098)	(1,224,914)	126,816	-10.35%
Total net position	\$ 7,232,642	\$ 6,824,255	\$ 408,387	5.98%

Total assets increased \$284,628. Cash and cash equivalents increased by \$629,366, receivables and other assets decreased by \$488,376, and capital assets increased by \$143,638. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District increased by \$126,816.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

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

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018 compared to June 30, 2017.

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

	06/30/18	06/30/17	Variance	
			Dollars	Percent
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 136,913	\$ 130,530	\$ 6,383	4.89%
Operating grants and contributions	180,101	172,513	7,588	4.40%
General revenues				
Property taxes	5,833,355	5,720,786	112,569	1.97%
Grants and entitlements	4,525,951	3,854,308	671,643	17.43%
Other	43,516	23,466	20,050	85.44%
<b>Total revenues</b>	<u>10,719,836</u>	<u>9,901,603</u>	<u>818,233</u>	8.26%
<b>Expenses</b>				
Instruction				
Regular	4,363,152	3,875,298	487,854	12.59%
Special	1,283,334	1,651,088	(367,754)	-22.27%
Other	685,560	405,393	280,167	69.11%
Support services				
Tuition	125,147	59,236	65,911	111.27%
Student & instructional related services	1,594,169	1,328,133	266,036	20.03%
General & business administration	662,575	583,854	78,721	13.48%
School administration	249,681	196,937	52,744	26.78%
Maintenance	799,735	859,519	(59,784)	-6.96%
Transportation	374,274	311,598	62,676	20.11%
Food service	116,586	117,841	(1,255)	-1.06%
Interest on long-term debt	57,236	63,223	(5,987)	-9.47%
<b>Total expenses</b>	<u>10,311,449</u>	<u>9,452,120</u>	<u>859,329</u>	9.09%
<b>Increase (decrease) in net position</b>	<u>\$ 408,387</u>	<u>\$ 449,483</u>	<u>\$ (41,096)</u>	-9.14%

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
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**Unaudited**

**Governmental Activities**

Local property taxes made up 54.42% of revenues for governmental activities for the Kingwood Township School District for fiscal year 2018.

Instruction comprises 61.41% of district expenses. Support services expenses make up 38.59% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 provides a summary of the School District's cost of governmental services in fiscal year ending June 30, 2018 compared to June 30, 2017.

**Table 3**  
**Cost of Governmental Services**

	Total Cost of Services		Net Cost of Services	
	06/30/18	06/30/17	06/30/18	06/30/17
Instruction	\$ 6,332,046	\$ 5,931,779	\$ 6,216,149	\$ 5,818,861
Support services				
Tuition	125,147	59,236	54,206	-
Student & instructional staff	1,594,169	1,328,133	1,579,692	1,308,400
General & business administration	662,575	583,854	662,575	583,854
School administration	249,681	196,937	249,681	196,937
Plant operations & maintenance	799,735	859,519	795,035	854,669
Pupil transportation	374,274	311,598	374,274	311,598
Food services	116,586	117,841	5,587	11,535
Interest on long-term debt	57,236	63,223	57,236	63,223
<b>Total expenses</b>	<b>\$ 10,311,449</b>	<b>\$ 9,452,120</b>	<b>\$ 9,994,435</b>	<b>\$ 9,149,077</b>

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

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

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

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
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Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by State law.

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

The dependence upon tax revenues is apparent. For all activities, general revenue support is 97.04%. The community, as a whole, is the primary support or funding source for the Kingwood Township School District.

### **The School District's Funds**

Information about the School District's major funds starts in the section entitled Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,314,059 and expenditures of \$8,048,390. The general fund had an increase in fund balance of \$524,421.

### **General Fund Budgeting Highlights**

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

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

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

For the general fund, budget basis revenue and other financing sources were \$7,044,689, \$112,274 above original budgeted estimates of \$6,932,415. This difference was due primarily to increased interest earnings and other miscellaneous revenues.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

The general fund revenues of the School District exceeded expenditures and other financing uses by \$522,998, due to excess revenues of \$112,274 and unspent budgetary lines. This enabled the capital reserve account to be increased by \$325,000, increase Emergency Reserve by \$50,000, and increase maintenance reserve by \$50,000. The financial position of the School District remains strong.

**Capital Assets**

At the end of the fiscal year 2018, the School District had \$7,760,729 invested in land, building, furniture and equipment. Table 4 shows June 30, 2018 balances compared to June 30, 2017.

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

	06/30/18	06/30/17	Variance	
			Dollars	Percent
Land	\$ 115,000	\$ 115,000	\$ -	
Construction in progress	22,770	107,320	(84,550)	-78.78%
Land improvements	687,918	725,726	(37,808)	-5.21%
Buildings & improvements	6,694,649	6,418,472	276,177	4.30%
Furniture & equipment	270,422	280,603	(10,181)	-3.63%
	<u>\$ 7,790,759</u>	<u>\$ 7,647,121</u>	<u>\$ 143,638</u>	1.88%

Overall capital assets increased \$143,638 from fiscal year 2017 to fiscal year 2018. Increases in capital assets were offset by depreciation expenses for the year.

**Long-term liabilities**

At June 30, 2018, the School District had \$3,531,288 of outstanding long-term liabilities. This amount is detailed in Table 5 below for June 30, 2018 compared to June 30, 2017.

**Table 5**  
**Long-Term Liabilities at Year End**

	06/30/18	06/30/17	Variance	
			Dollars	Percent
General obligation bonds payable	\$ 1,310,000	\$ 1,510,000	\$ (200,000)	-13.25%
Compensated absences payable	281,957	245,200	36,757	14.99%
PERS net pension liability	1,900,355	2,542,267	(641,912)	-25.25%
Bond premium	38,976	45,472	(6,496)	-14.29%
	<u>\$ 3,531,288</u>	<u>\$ 4,342,939</u>	<u>\$ (811,651)</u>	-18.69%



**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

**For the Future**

At the present time the Kingwood Township School District is in very good financial condition. Major concerns are the reduction of state aid funding, student population trends and the reliance placed on local property taxes for the majority of school funding.

Maintaining our facility is an ongoing priority. The bathroom in D wing was renovated during the 2017-2018 school year. The district is planning to upgrade the Waste Treatment Plant as the new permit requires, investigating a back-up well system, and replacement of flooring and entrance doors to maintain the facility.

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

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

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, kindly contact Michele McCann, School Business Administrator/Board Secretary at Kingwood Township Board of Education, 880 County Road 519, Frenchtown, NJ 08825 or email at [mmcann@kingwoodschool.org](mailto:mmcann@kingwoodschool.org).

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 883,481	\$ 25,706	\$ 909,187
Receivables, net	63,827	1,592	65,419
Inventory	-	2,408	2,408
<b>Restricted assets</b>			
Capital reserve account - cash	1,356,252	-	1,356,252
Emergency reserve - cash	203,729	-	203,729
Maintenance reserve - cash	290,000	-	290,000
<b>Capital assets, net</b>			
Land	115,000	-	115,000
Capital assets not being depreciated	22,770	-	22,770
Other capital assets, net of depreciation	7,622,959	30,030	7,652,989
Total assets	<u>10,558,018</u>	<u>59,736</u>	<u>10,617,754</u>
<b>Deferred outflows of resources</b>			
Deferred amount on pension activity	<u>770,612</u>	<u>-</u>	<u>770,612</u>
<b>Liabilities</b>			
Accounts payable	82,807	-	82,807
Accrued interest	21,152	-	21,152
Unearned revenue	2,467	12,817	15,284
<b>Long-term liabilities</b>			
Due within one year	211,496	-	211,496
Due beyond one year	3,319,792	-	3,319,792
Total liabilities	<u>3,637,714</u>	<u>12,817</u>	<u>3,650,531</u>
<b>Deferred inflows of resources</b>			
Deferred amount on pension liability	<u>505,193</u>	<u>-</u>	<u>505,193</u>
<b>Net position</b>			
Net investment in capital assets	6,450,729	30,030	6,480,759
<b>Restricted for</b>			
Capital reserve	1,356,252	-	1,356,252
Emergency reserve	203,729	-	203,729
Maintenance reserve	290,000	-	290,000
Unrestricted	<u>(1,114,987)</u>	<u>16,889</u>	<u>(1,098,098)</u>
<b>Total net position</b>	<u>\$ 7,185,723</u>	<u>\$ 46,919</u>	<u>\$ 7,232,642</u>

See accompanying notes to financial statements.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 1,973,160	\$ 2,389,992	\$ 50,347	\$ 43,271	\$ -	\$ (4,269,534)	\$ -	\$ (4,269,534)
Special education	556,078	727,256	-	3,542	-	(1,279,792)	-	(1,279,792)
Other special education	219,322	211,189	-	18,737	-	(411,774)	-	(411,774)
Other instruction	48,571	206,478	-	-	-	(255,049)	-	(255,049)
Support services								
Tuition	125,147	-	-	70,941	-	(54,206)	-	(54,206)
Students & instruction related services	750,838	843,331	-	14,477	-	(1,579,692)	-	(1,579,692)
General & business administration services	351,256	311,319	-	-	-	(662,575)	-	(662,575)
School administration services	125,634	124,047	-	-	-	(249,681)	-	(249,681)
Plant operations & maintenance	599,639	200,096	4,700	-	-	(795,035)	-	(795,035)
Pupil transportation	345,147	29,127	-	-	-	(374,274)	-	(374,274)
Interest on long-term debt	57,236	-	-	-	-	(57,236)	-	(57,236)
Total governmental activities	<u>5,152,028</u>	<u>5,042,835</u>	<u>55,047</u>	<u>150,968</u>	<u>-</u>	<u>(9,988,848)</u>	<u>-</u>	<u>(9,988,848)</u>
Business-type activities								
Food service	116,586	-	81,866	29,133	-	-	(5,587)	(5,587)
Total business-type activities	<u>116,586</u>	<u>-</u>	<u>81,866</u>	<u>29,133</u>	<u>-</u>	<u>-</u>	<u>(5,587)</u>	<u>(5,587)</u>
Total primary government	<u>\$ 5,268,614</u>	<u>\$ 5,042,835</u>	<u>\$ 136,913</u>	<u>\$ 180,101</u>	<u>\$ -</u>	<u>(9,988,848)</u>	<u>(5,587)</u>	<u>(9,994,435)</u>
General revenues, special items & transfers								
Property taxes levied for general purposes						5,584,205	-	5,584,205
Property taxes levied for debt service						249,150	-	249,150
Federal & state aid not restricted						4,525,951	-	4,525,951
Investment earnings						29,488	216	29,704
Miscellaneous income						17,708	-	17,708
Special item - Gain/(Loss) on disposal of assets						(3,896)	-	(3,896)
Total general revenues, special items & transfers						<u>10,402,606</u>	<u>216</u>	<u>10,402,822</u>
Change in net position						413,758	(5,371)	408,387
Net position - beginning						6,771,965	52,290	6,824,255
Net position - ending						<u>\$ 7,185,723</u>	<u>\$ 46,919</u>	<u>\$ 7,232,642</u>

See accompanying notes to financial statements.

## **FUND FINANCIAL STATEMENTS**

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>					
Cash & cash equivalents	\$ 883,481	\$ -	\$ -	\$ -	\$ 883,481
Receivables from other governments					
State	62,635	-	-	-	62,635
Other accounts receivable	1,192	-	-	-	1,192
Restricted cash & cash equivalents	1,849,981	-	-	-	1,849,981
<b>Total assets</b>	<b>\$ 2,797,289</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,797,289</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 82,807	\$ -	\$ -	\$ -	\$ 82,807
Unearned revenue	2,467	-	-	-	2,467
<b>Total liabilities</b>	<b>85,274</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,274</b>

See accompanying notes to financial statements.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet (continued)**  
**June 30, 2018**

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures	\$ 154,844	\$ -	\$ -	\$ -	\$ 154,844
Excess surplus - current year	153,997	-	-	-	153,997
Capital reserve	1,356,252	-	-	-	1,356,252
Emergency reserve	203,729	-	-	-	203,729
Maintenance reserve	290,000	-	-	-	290,000
Committed fund balance					
Year-end encumbrances	332,851	-	-	-	332,851
Assigned fund balance					
Additional assigned fund balance - unreserved - designated for subsequent year's expenditures July 1, 2018-August 1, 2018	34,455	-	-	-	34,455
Unassigned fund balance	185,887	-	-	-	185,887
Total fund balances	<u>2,712,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,712,015</u>
Total liabilities and fund balances	<u>\$ 2,797,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$11,842,330 and the accumulated depreciation is \$4,081,601.	7,760,729
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	265,419
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,531,288)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(21,152)</u>
Total net position of governmental activities	<u>\$ 7,185,723</u>

See accompanying notes to financial statements.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 5,584,205	\$ -	\$ -	\$ 249,150	\$ 5,833,355
Tuition					
Individuals	50,347	-	-	-	50,347
Interest	29,488	-	-	-	29,488
Rents and royalties	4,700	-	-	-	4,700
Sale of property	3,930	-	-	-	3,930
Miscellaneous	13,778	-	-	-	13,778
Total local sources	5,686,448	-	-	249,150	5,935,598
State sources	2,227,493	-	-	-	2,227,493
Federal sources	-	150,968	-	-	150,968
Total revenues	7,913,941	150,968	-	249,150	8,314,059
Expenditures					
Current					
Instructional					
Regular instruction	1,936,589	36,571	-	-	1,973,160
Special education instruction	552,788	3,290	-	-	556,078
Other special instruction	200,585	18,737	-	-	219,322
Other instruction	48,571	-	-	-	48,571
Support service & undistributed costs					
Tuition	54,206	70,941	-	-	125,147
Student & instruction related services	736,361	14,477	-	-	750,838
General & business administrative services	351,256	-	-	-	351,256
School administrative services	125,634	-	-	-	125,634
Plant operations & maintenance	599,639	-	-	-	599,639
Pupil transportation	345,147	-	-	-	345,147
Unallocated benefits	2,298,539	252	-	-	2,298,791

See accompanying notes to financial statements.



**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 86,125	\$ 6,700	\$ 295,500	\$ -	\$ 388,325
Debt service					
Principal	-	-	-	200,000	200,000
Interest & other charges	17,332	-	-	49,150	66,482
Total expenditures	<u>7,352,772</u>	<u>150,968</u>	<u>295,500</u>	<u>249,150</u>	<u>8,048,390</u>
Excess (deficit) of revenues over (under) expenditures	<u>561,169</u>	<u>-</u>	<u>(295,500)</u>	<u>-</u>	<u>265,669</u>
Other financing sources (uses)					
Operating transfers in	27,752	-	-	-	27,752
Operating transfers out	(64,500)	-	(27,752)	-	(92,252)
Total other financing sources (uses)	<u>(36,748)</u>	<u>-</u>	<u>(27,752)</u>	<u>-</u>	<u>(64,500)</u>
Net change in fund balance	524,421	-	(323,252)	-	201,169
Fund balances, July 1	<u>2,187,594</u>	<u>-</u>	<u>323,252</u>	<u>-</u>	<u>2,510,846</u>
Fund balances, June 30	<u>\$ 2,712,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,712,015</u>

See accompanying notes to financial statements.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

Total net changes in fund balances - governmental fund (from B-2)	\$	201,169
Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which capital outlays exceeds depreciation in the period:		
Capital outlays	\$ 388,325	
Loss of disposal of assets	(3,896)	
Depreciation expense	<u>(239,498)</u>	144,931
Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and are not reported in the Statement of Activities:		
Debt principal payments		200,000
Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Amortization of bond premium		6,496
In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.		
		2,750
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
		(104,831)
In the Statement of Activities, compensated absences and early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.		
		<u>(36,757)</u>
Change in net position of governmental activities	<u>\$</u>	<u>413,758</u>

See accompanying notes to financial statements.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2018**

	<u>Food Service Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 25,706
Receivables from other governments	
State	99
Federal	1,493
Inventory	2,408
Total current assets	<u>29,706</u>
Noncurrent assets	
Capital assets	85,287
Less: accumulated depreciation	<u>55,257</u>
Total noncurrent assets	<u>30,030</u>
Total assets	<u>59,736</u>
Liabilities	
Current liabilities	
Accounts payable	10,827
Unearned revenues - commodities	1,033
Unearned revenues - prepaid sales	957
Total liabilities	<u>12,817</u>
Net position	
Invested in capital assets, net of related debt	30,030
Unrestricted	<u>16,889</u>
Total net position	<u><u>\$ 46,919</u></u>

See accompanying notes to financial statements.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2018**

	Food Service Fund
Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 65,175
Daily sales - non-reimbursable programs	16,691
Total operating revenues	81,866
 Operating expenses	
Cost of sales - reimbursable programs	41,891
Cost of sales - non-reimbursable programs	1,961
Commodity food costs	6,773
Salaries	34,006
Supports services - employee benefits	4,752
Purchased professional/technical services	2,106
Purchased property services	1,325
Other purchased services	
Insurance	3,339
Management fee	7,455
Supplies and materials	6,993
Depreciation	5,593
Miscellaneous expenditures	392
Total operating expenses	116,586
 Operating income (loss)	(34,720)
 Non-operating revenues (expenses)	
State sources	
State school lunch program	1,379
Federal sources	
National school lunch program	
Cash assistance	20,981
Non-cash assistance (commodities)	6,773
Other sources	
Interest earned on investments	216
Total non-operating revenues (expenses)	29,349
 Change in net position	(5,371)
 Net position, beginning	52,290
 Net position, ending	\$ 46,919

See accompanying notes to financial statements.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Food Service Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 82,057
Payments to Food Service Management Co.	(85,311)
Payments to vendors (net)	<u>(8,118)</u>
Net cash provided by (used for) operating activities	<u>(11,372)</u>
Cash flows from non-capital financing activities	
State sources	1,348
Federal sources	20,786
Net cash provided by (used for) non-capital financing activities	<u>22,134</u>
Cash flows from capital financing activities	
Acquisition of equipment	<u>(4,300)</u>
Net cash provided by (used for) capital financing activities	<u>(4,300)</u>
Cash flows from investing activities	
Interest earned on investments	<u>216</u>
Net cash provided by (used for) investing activities	<u>216</u>
Net increase (decrease) in cash and cash equivalents	6,678
Cash and cash equivalents, beginning	<u>19,028</u>
Cash and cash equivalents, ending	<u><u>\$ 25,706</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating activities	
Operating income (loss)	\$ (34,720)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	5,593
Federal food donation program	6,773
Increase (decrease) in accounts payable	10,827
(Increase) decrease in inventory	(296)
Increase (decrease) in deferred revenue	<u>451</u>
Net cash provided by (used for) operating activities	<u><u>\$ (11,372)</u></u>

See accompanying notes to financial statements.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Net Position**  
**June 30, 2018**

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets			
Cash and cash equivalents	\$ 263,911	\$ 14,579	\$ 1,238
Total assets	<u>\$ 263,911</u>	<u>\$ 14,579</u>	<u>\$ 1,238</u>
Liabilities			
Payroll deductions and withholdings	\$ -	\$ -	\$ 1,238
Due to student groups	<u>-</u>	<u>14,579</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>\$ 14,579</u>	<u>\$ 1,238</u>
Net position			
Held in trust for unemployment claims & other purposes	<u>\$ 263,911</u>		

See accompanying notes to financial statements.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee withholdings	\$ 6,477
Operating transfer in	64,500
Investment earnings - interest	1,770
Total additions	<u>72,747</u>
 Deductions	
Unemployment claims	<u>8</u>
 Change in net position	 72,739
 Net position, beginning of the year	 <u>191,172</u>
 Net position, end of the year	 <u><u>\$ 263,911</u></u>

See accompanying notes to financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**



**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies

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

The basic financial statements include:

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

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

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year-terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2018 of 336 students.

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

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

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

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

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

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

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

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

The District reports the following major governmental funds:

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

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Board Resolution.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

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

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

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

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

Additionally, the District reports the following fund types:

Proprietary fund types

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

*Enterprise Fund* - The enterprise fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's enterprise fund is comprised of the food service fund.

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

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

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

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

Fiduciary fund types

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

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

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

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

D. Budgets/budgetary control

Annual appropriated budgets are prepared in the Spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and, if necessary, are voted upon at the annual school election in November. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line-item accounts within each fund. Line-item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum Chart of Accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board Resolution. Budget amendments during the year ended June 30, 2018 were insignificant.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. Encumbrances

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

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

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

F. Tuition receivable

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

G. Tuition payable

Tuition charges for the fiscal years 2017-2018 and 2016-2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term interfund receivable and payables

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

Inventories and prepaid items, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditures during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the School District until the commodities are used. Prepaid items in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

J. Capital assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

K. Compensated absences

The District accounts for compensated absences (e.g., unused vacation and sick leave) as directed by Governmental Accounting Standards Board Statement Number 16 (GASB 16), Accounting for Compensated Absences. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

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

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

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

L. Unearned revenue

Unearned revenue in the general fund and special revenue fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the special revenue fund.

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

M. Long-term obligations

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

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



**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

N. Net position

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

- Net investment in capital assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.
- Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by credits, grantors, or laws or regulations of their governments.
- Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

O. Fund balances - governmental funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

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

P. Use of estimates

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

Q. Allocation of indirect expenses

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

R. Deferred outflows/inflows of resources

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 2 - Tax assessments and property taxes

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

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

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

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

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

Note 3 - Deposits and cash equivalents and investments

Cash and cash equivalents include petty cash, change funds, and cash in banks. As of June 30, 2018, the District had no investments.

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

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

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

N.J.S.A. 17:9-41 e.t. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and saving banks the deposits of which are federally insured.

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

As of June 30, 2018, the District's bank balances were exposed to custodial credit risk as follows:

Insured by the FDIC	\$ 250,000
Insured by GUDPA	3,168,568
Total bank balances	\$ 3,418,568

Deposits at June 30, 2018 appear in the financial statements as summarized below:

Cash		<u>Ref.</u>	\$ 3,038,896
Unrestricted cash			
Governmental funds, Balance Sheet	B-1		\$ 883,481
Enterprise funds, Statement of Net Position	B-4		25,706
Fiduciary funds, Statement of Net Position	B-7		279,728
Restricted cash			
Governmental funds, Balance Sheet	B-1		1,849,981
Total cash			\$ 3,038,896

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 4 - Capital assets

Capital asset activity for the fiscal year ended June 30, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 115,000	\$ -	\$ -	\$ 115,000
Construction in progress	107,320	22,770	107,320	22,770
Total	<u>222,320</u>	<u>22,770</u>	<u>107,320</u>	<u>137,770</u>
Capital assets, being depreciated				
Land improvements	875,677	1,421	-	877,098
Building & improvements	9,614,694	433,456	-	10,048,150
Furniture & equipment	813,940	38,002	72,630	779,312
Total	<u>11,304,311</u>	<u>472,879</u>	<u>72,630</u>	<u>11,704,560</u>
Accumulated depreciation				
Land improvements	149,951	39,229	-	189,180
Building & improvements	3,196,222	157,279	-	3,353,501
Furniture & equipment	564,660	42,990	68,730	538,920
Total	<u>3,910,833</u>	<u>239,498</u>	<u>68,730</u>	<u>4,081,601</u>
Total capital assets, being depreciated, net	<u>7,393,478</u>	<u>233,381</u>	<u>3,900</u>	<u>7,622,959</u>
Transfers	-	(107,320)	(107,320)	-
Governmental activities capital assets, net	<u>\$ 7,615,798</u>	<u>\$ 148,831</u>	<u>\$ 3,900</u>	<u>\$ 7,760,729</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 80,987	\$ 4,300	\$ -	\$ 85,287
Less: accumulated depreciation	49,664	5,593	-	55,257
Business type activities capital assets, net	<u>\$ 31,323</u>	<u>\$ (1,293)</u>	<u>\$ -</u>	<u>\$ 30,030</u>

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 4 - Capital assets (continued)

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

Instruction		
Regular	\$	114,416
Special education		36,235
Other special instruction		12,675
Other instruction		2,807
Support services		
Student & instruction		43,391
General & business administration		20,299
School administration		7,260
Plant maintenance		2,415
Total depreciation expense, governmental activities	<u>\$</u>	<u>239,498</u>

Note 5 - Long-term debt

Long-term liability activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation					
bonds payable	\$ 1,510,000	\$ -	\$ 200,000	\$ 1,310,000	\$ 205,000
Compensated					
absences payable	245,200	36,757	-	281,957	-
PERS net pension					
liability	2,542,267	-	641,912	1,900,355	-
Bond premium	45,472	-	6,496	38,976	6,496
Total governmental					
activities long-term					
liabilities	<u>\$ 4,342,939</u>	<u>\$ 36,757</u>	<u>\$ 848,408</u>	<u>\$ 3,531,288</u>	<u>\$ 211,496</u>

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

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2018, including interest payments are listed as follows:

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 5 - Long-term debt (continued)

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 205,000	\$ 43,075	\$ 248,075
2020	205,000	36,925	241,925
2021	215,000	30,625	245,625
2022	220,000	23,000	243,000
2023	230,000	14,000	244,000
2024	235,000	4,700	239,700
Total	<u>\$ 1,310,000</u>	<u>\$ 152,325</u>	<u>\$ 1,462,325</u>

*General Obligation Bonds* - General obligation school building bonds payable at June 30, 2018, with their outstanding balances are comprised of the following individual issues:

\$2,270,000 - 2011 refunding school bonds, interest at 2.00% to 4.00%, due in annual installments beginning July 15, 2012 to July 15, 2023.	<u>\$ 1,310,000</u>
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The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2018 is \$18,241,557. General obligation debt at June 30, 2018 is \$1,310,000, resulting in a legal debt margin of \$16,931,557.

Note 6 - Pension plans

Description of systems

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

Plan description

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS)

Plan description (continued)

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

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

Allocation methodology and reconciliation to financial statements

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



**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Allocation methodology and reconciliation to financial statements (continued)

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2017.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the State fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For State fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

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

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of June 30, 2017:

	2017
Total pension liability	\$ 3,661,566
Plan fiduciary net position	1,761,211
Net pension liability	\$ 1,900,355

Plan fiduciary net position as a percentage of the total pension liability 48.10%

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation rate	2.25%
Salary increases (based on age)	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Investment rate of return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees, and the Actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the rate in the most recent State fiscal year.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Discount rate (continued)

The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the District as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District's proportionate share of the net pension liability</u>	2017
At current discount rate (5.00%)	\$ 1,900,355
At a 1% lower rate (4.00%)	2,357,519
At a 1% higher rate (6.00%)	1,519,480

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,747	\$ -
Changes of assumptions	382,856	381,452
Net difference between projected and actual earnings on pension plan investments	12,940	-
Changes in proportion and differences between District contributions and proportionate share of contributions	254,442	123,741
District contributions subsequent to the measurement date	75,627	-
Total	\$ 770,612	\$ 505,193

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

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

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e., for the school year ended June 30, 2018, the plan measurement date is June 30, 2017) of \$75,627 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred outflows of resources				
Differences between expected and actual experience	\$ 44,964	\$ 13,877	\$ 14,094	\$ 44,747
Changes of assumptions	500,844	-	117,988	382,856
Difference between projected and actual earnings on pension plan investments	92,194	(81,454)	(2,200)	12,940
Deferred inflows of resources				
Changes of assumptions	-	(466,598)	(85,146)	(381,452)
Net of deferred outflows	<u>\$ 638,002</u>	<u>\$ (534,175)</u>	<u>\$ 44,736</u>	<u>\$ 59,091</u>

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

Year Ended June 30,

2018	\$ 44,736
2019	67,508
2020	40,906
2021	(54,406)
2022	(39,653)
Total	<u>\$ 59,091</u>

Pension expense

For the year ended June 30, 2018, the District recognized net pension expense of \$180,458 which represents the District's proportionate share of allocable plan pension expense of \$137,069, plus the net amortization of deferred amounts from changes in proportion of \$42,759, and plus other adjustments to the net pension liability of \$630. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ended June 30, 2017 are as follows:

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 -

Pension plan (continued)

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

Pension expense (continued)

Service cost	\$	88,637
Interest on total pension liability		160,845
Member contributions		(42,164)
Administrative expense		1,103
Expected investment return net of investment expense		(114,842)
Pension expense related to specific liabilities of individual employers		(1,247)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		32,842
Amortization of expected versus actual experience		14,094
Amortization of projected versus actual investment earnings on pension plan investments		(2,199)
Pension expense	\$	137,069

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

Plan description

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

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)  
B. Teacher's pension and annuity fund (TPAF) (continued)  
Plan description (continued)

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

Contributions

The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the State fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ended June 30, 2017, the State of New Jersey contributed \$311,593 to the TPAF for normal pension benefits on behalf of the District.

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

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

Components of net pension liability

For purposes of reporting required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the District's proportionate share of allocable net pension liability, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for fiscal year ended June 30, 2017 is as follows:

	2017
State's proportionate share of net pension liability	\$ 18,709,136
District's proportionate share of net pension liability	.027748644%
Employer pension expense and related revenue	1,296,074
Non-employer contribution	311,593
 Allocable proportionate percentage	 25.41%

The components of the contractually required contribution, which exclude amounts related to specific liabilities of individual employers, for the District for the year ended June 30, 2017 are as follows:

Service cost	\$ 837,357
Interest on total pension liability	913,747
Member contributions	(218,633)
Administrative expense	3,297
Expected investment return net of investment expense	(444,281)
Pension expense related to specific liabilities of individual employers	(99)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	14,745
Amortization of expected versus actual experience	200,121
Amortization of projected versus actual investment earnings on pension plan investments	(10,180)
Pension expense	\$ 1,296,074



**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information (continued)

Components of net pension liability (continued)

As detailed earlier, the District was not required to report a liability for its proportionate share of net pension expense for TPAF due to a special funding situation. The State's proportionate share of the net pension liability for TPAF as of June 30, 2017 is as follows:

	2017
Total pension liability	\$ 25,083,594
Plan fiduciary net position	6,374,458
Net pension liability	\$ 18,709,136

Plan fiduciary net position as a percentage of the total pension liability	25.41%
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The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases (based on age)	
2012 - 2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial study for the period July 1, 2012 to June 30, 2015.

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

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

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount rate

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the rate in the most recent State fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

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

The following presents the collective net pension liability of the District as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District’s proportionate share of the net pension liability</u>	<u>2017</u>
At current discount rate (4.25%)	\$ 18,709,136
At a 1% lower rate (3.25%)	22,227,041
At a 1% higher rate (5.25%)	15,811,071

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,300 in 2018) but who earn salary of at least \$5,000 annually are eligible to participate. The Program Administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: [www.prudential.com/njdcprp](http://www.prudential.com/njdcprp).

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District’s contribution to the DCRP for fiscal year ended 2018 was \$5,772.

D. Other pension plan information

During the year ended June 30, 2018, the State of New Jersey contributed \$261,425 to the TPAF for post-retirement medical benefits, \$9,590 for non-contributory insurance premiums, \$436 for long-term disability insurance, and \$395,168 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$201,210 during the year ended June 30, 2018 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Chapter 6 of PL 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25-years of credited service or on a disability retirement. Chapter 103 of PL 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2017, there were 112,966 state wide retirees eligible for post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62 of PL 1994. Funding of post-retirement medical premiums are on a pay-as-you-go basis.

The State is also responsible for the cost attributable to Chapter 126 of PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25-years of service. In fiscal year 2017, the State paid \$238.9 million toward Chapter 126 of PL 1992 benefits for 20,913 eligible retired members.

GASB Statement No. 75 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

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

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits (continued)

*Funding Policy* - Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

*Total OPEB liability* - Under a special funding situation, the State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Therefore, the following OPEB liability note information is reported at the State's level and is not accrued by the District.

Total OPEB liability

For purposes of reporting required GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the District's proportionate share of allocable OPEB liability and employer OPEB expense and related revenue as of June 30, 2017 is as follows:

	2017
State's proportionate share of the OPEB liability	\$ 53,639,841,858
District's proportionate share of the State's OPEB liability	17,104,228
Employer pension expense and related revenue	1,002,384
Allocable proportionate percentage	.031887171%

Changes in the total OPEB liability

	Total OPEB Liability
Total OPEB liability at June 30, 2016	\$ 18,540,577
Service cost	706,569
Interest cost	543,144
Change of benefit terms	-
Differences between expected and actual experiences	-
Changes of assumptions	(2,304,480)
Member contributions	14,588
Gross benefit payments	(396,170)
Total OPEB liability at June 30, 2017	\$ 17,104,228

There were no changes of the benefit terms from June 30, 2016 to June 30, 2017.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits (continued)

Total OPEB liability (continued)

The total non-employer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total non-employer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate		2.50%
	TPAF	PERS
	(based on years of service)	(based on age)
Salary increases		
Through 2026	1.55% - 4.55%	2.15% - 4.15%
Thereafter	2.00% - 5.45%	3.15% - 5.15%

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Health care trend assumptions

For pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For Health Maintenance Organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount rate

The discount rate for June 30, 2017 was 3.58%. This represents the municipal bond return rate as chosen by the Division. The source is 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.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits (continued)

Sensitivity of the total OPEB liability to changes in the discount rates

The following presents the total non-employer OPEB liability as of June 30, 2017, using the District's allocable proportionate percentage, calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>Total OPEB Liability (school retirees)</u>	2017
At current discount rate (3.58%)	\$ 17,104,228
At a 1% lower rate (2.58%)	20,303,953
At a 1% higher rate (4.58%)	14,566,176

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total non-employer OPEB liability, as well as what the total non-employer OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>Total OPEB Liability (school retirees)</u>	2017
Healthcare cost trend rate	\$ 17,104,228
At a 1% lower rate (1% decrease)	14,066,574
At a 1% higher rate (1% increase)	21,138,197

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$1,002,384 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

Note 8 - Deferred compensation

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 8 - Deferred compensation (continued)  
 Equitable  
 Variable Annuity Life Insurance Co.  
 Lincoln Investment Planning

Note 9 - Inventory  
 Inventory in the food service fund as of June 30, 2018 consisted of the following:

Food	\$ 1,928
Supplies	480
Total	\$ 2,408

Note 10 - Operating lease  
 At June 30, 2018, the District had operating lease agreements in effect for copy machines. The present value of the future minimum rental payments under the operating lease agreements are as follows:

2019	\$ 7,511
Total	\$ 7,511

Note 11 - Contingent liabilities  
 The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

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

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



**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 12 - Risk management (continued)

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

Fiscal Year	Board Contrib.	Interest Earnings	Employee Contrib.	Amount Reimbursed	Ending Balance
2017 - 2018	\$ 64,500	\$ 1,770	\$ 6,477	\$ 8	\$ 263,911
2016 - 2017	20,000	729	6,883	-	191,172
2015 - 2016	15,000	542	6,617	17,299	163,560

Note 13 - Legal reserve accounts

A capital reserve account was established by the District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the General Fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the Districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to NJAC 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board Resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$325,000 to their capital reserve account, \$50,000 to their emergency reserve, and \$50,000 to their maintenance reserve account by Board Resolution in June 2018 as summarized in the following schedule. The following schedule is a summarization of the legal reserve accounts for the current year:

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 13 - Legal reserve accounts (continued)

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 1,196,442	\$ 325,000	\$ 10,258	\$ 27,752	\$ 203,200	\$ 1,356,252
Emergency	152,354	50,000	1,375	-	-	203,729
Maintenance	240,000	50,000	-	-	-	290,000
Total	<u>\$ 1,588,796</u>	<u>\$ 425,000</u>	<u>\$ 11,633</u>	<u>\$ 27,752</u>	<u>\$ 203,200</u>	<u>\$ 1,849,981</u>

Note 14 - Fund balances

As described in Note 1 (N), fund balance may be restricted, committed or assigned. An analysis of the general fund balance on June 30, 2018 is as follows:

	2018
<b>Restricted</b>	
Excess surplus - Designated for subsequent year's expenditures. Amount appropriated in the succeeding year's budget to reduce tax requirements	\$ 154,844
Excess surplus - Represents amount in excess of allowable percentage of expenditures. In accordance with State statute, the excess surplus is designated for utilization in succeeding year's budgets.	153,997
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	1,356,252
Emergency reserve account - Represents funds accumulated to finance unanticipated general fund expenditures required for a thorough and efficient education.	203,729
Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A.18A:76-9).	290,000
<b>Committed</b>	
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30.	332,851
<b>Assigned</b>	
Additional assigned fund balance - unreserved - Designated for subsequent year's expenditures July 1, 2018 - August 1, 2018.	34,455
<b>Unassigned</b>	
Undesignated - Represents fund balance which has not been restricted or designated.	312,635
Total fund balance - budgetary basis (Exhibit C-1)	2,838,763
Last state aid payments not recognized on GAAP basis	(126,748)
Total fund balance - GAAP basis (Exhibit B-1)	\$ 2,712,015

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve general fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018 is \$153,997.

Note 16 - Recent accounting pronouncements not yet effective

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

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 *Leases*. This statement, which is effective for reporting periods beginning after June 15, 2019, is not expected to have a material impact on the District's financial reporting.

Note 17 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2018 of (\$1,114,987) on Schedule A-1 Statement of Net Position. The deficit balance is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the state.

Note 18 - Subsequent events

The District has evaluated subsequent events through February 4, 2019, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
Local sources					
Local tax levy	\$ 5,584,205	\$ -	\$ 5,584,205	\$ 5,584,205	\$ -
Tuition from individuals	17,500	-	17,500	50,347	32,847
Rents and royalties	-	-	-	4,700	4,700
Sale of property	-	-	-	3,930	3,930
Unrestricted miscellaneous revenues	10,000	-	10,000	31,633	21,633
Interest earned on current expense emergency reserve	-	-	-	1,375	1,375
Interest earned on capital reserve funds	-	-	-	10,258	10,258
<b>Total</b>	<b>5,611,705</b>	<b>-</b>	<b>5,611,705</b>	<b>5,686,448</b>	<b>74,743</b>
State sources					
School choice aid	134,123	-	134,123	134,123	-
Categorical transportation aid	157,946	-	157,946	157,946	-
Extraordinary aid	-	-	-	59,735	59,735
Categorical special education aid	244,823	-	244,823	244,823	-
Equalization aid	441,447	-	441,447	441,447	-
Categorical security aid	31,021	-	31,021	31,021	-
Adjustment aid	301,310	-	301,310	274,896	(26,414)
PARCC Readiness aid	3,440	-	3,440	3,440	-
Per pupil growth aid	3,440	-	3,440	3,160	(280)
Professional learning community aid	3,160	-	3,160	3,440	280
Lead testing reimbursement	-	-	-	1,310	1,310
Other state aid	-	-	-	2,900	2,900
TPAF Pension (on-behalf)	-	-	-	404,758	404,758
TPAF Social security (reimbursed)	-	-	-	201,210	201,210
TPAF Post retirement benefits	-	-	-	261,425	261,425
TPAF Long-term disability insurance	-	-	-	436	436
<b>Total</b>	<b>1,320,710</b>	<b>-</b>	<b>1,320,710</b>	<b>2,226,070</b>	<b>905,360</b>
<b>Total revenues</b>	<b>\$ 6,932,415</b>	<b>\$ -</b>	<b>\$ 6,932,415</b>	<b>\$ 7,912,518</b>	<b>\$ 980,103</b>
<b>EXPENDITURES</b>					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 56,196	\$ (129)	\$ 56,067	\$ 56,066	\$ 1
Kindergarten	139,554	(2,047)	137,507	131,322	6,185
Grades 1-5	818,735	14,924	833,659	823,933	9,726
Grades 6-8	691,597	1,528	693,125	679,787	13,338
Home instruction					
Salaries of teacher	1,000	-	1,000	45	955
Regular programs - undistributed instruction					
Purchased professional - educational services	-	1,992	1,992	-	1,992
Purchased technical services	21,992	(1,992)	20,000	13,248	6,752
Other purchased services	111,790	(27,084)	84,706	51,750	32,956
General supplies	146,424	50,536	196,960	143,642	53,318
Textbooks	9,779	37,248	47,027	33,837	13,190
Other objects	1,100	3,143	4,243	2,959	1,284
<b>Total</b>	<b>1,998,167</b>	<b>78,119</b>	<b>2,076,286</b>	<b>1,936,589</b>	<b>139,697</b>

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Special education					
Resource room/resource center					
Salaries of teachers	\$ 481,453	\$ (690)	\$ 480,763	\$ 474,777	\$ 5,986
Other salaries for instruction	104,125	(3,517)	100,608	71,156	29,452
Other purchased services	1,000	1,278	2,278	2,277	1
General supplies	5,452	(1,230)	4,222	4,158	64
Other objects	455	-	455	420	35
Total	<u>592,485</u>	<u>(4,159)</u>	<u>588,326</u>	<u>552,788</u>	<u>35,538</u>
Total special education	<u>592,485</u>	<u>(4,159)</u>	<u>588,326</u>	<u>552,788</u>	<u>35,538</u>
Basic skills/remedial					
Salaries of teachers	218,182	(8,650)	209,532	193,215	16,317
Other purchased services	119	-	119	-	119
General supplies	8,969	-	8,969	7,370	1,599
Total	<u>227,270</u>	<u>(8,650)</u>	<u>218,620</u>	<u>200,585</u>	<u>18,035</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	25,816	1,128	26,944	24,606	2,338
Supplies and materials	1,100	-	1,100	320	780
Other objects	1,100	(860)	240	170	70
Total	<u>28,016</u>	<u>268</u>	<u>28,284</u>	<u>25,096</u>	<u>3,188</u>
School-sponsored athletics - instruction					
Salaries	24,460	(2,541)	21,919	14,906	7,013
Purchased services	8,300	-	8,300	4,863	3,437
Supplies and materials	3,259	2,175	5,434	3,433	2,001
Other objects	200	98	298	273	25
Total	<u>36,219</u>	<u>(268)</u>	<u>35,951</u>	<u>23,475</u>	<u>12,476</u>
Total instruction regular	<u>\$ 2,882,157</u>	<u>\$ 65,310</u>	<u>\$ 2,947,467</u>	<u>\$ 2,738,533</u>	<u>\$ 208,934</u>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to priv. school for the disabled w/i state	\$ 101,400	\$ -	\$ 101,400	\$ 54,206	\$ 47,194
Total	<u>101,400</u>	<u>-</u>	<u>101,400</u>	<u>54,206</u>	<u>47,194</u>
Undistributed expenditures - attendance & social work salaries	15,000	-	15,000	15,000	-
Total	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Undistributed expenditures - health services					
Salaries	59,282	2,617	61,899	61,899	-
Purchased professional and technical services	2,100	(783)	1,317	780	537
Other purchased services	-	48	48	48	-
Supplies and materials	5,370	682	6,052	5,358	694
Total	<u>66,752</u>	<u>2,564</u>	<u>69,316</u>	<u>68,085</u>	<u>1,231</u>

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - speech, ot, pt & related services					
Salaries	\$ 48,171	\$ (283)	\$ 47,888	\$ 46,204	\$ 1,684
Purchased professional - educational services	33,000	(4,986)	28,014	16,602	11,412
Supplies and materials	688	196	884	878	6
Total	<u>81,859</u>	<u>(5,073)</u>	<u>76,786</u>	<u>63,684</u>	<u>13,102</u>
Undistributed expend - other supp. service stds. - extra service					
Salaries	22,004	535	22,539	22,538	1
Total	<u>22,004</u>	<u>535</u>	<u>22,539</u>	<u>22,538</u>	<u>1</u>
Undistributed expenditures - guidance					
Salaries of other professional staff	44,839	(82)	44,757	43,744	1,013
Other salaries	5,038	-	5,038	4,914	124
Purchased professional - educational services	2,500	(795)	1,705	1,705	-
Other purchased professional & technical services	1,000	513	1,513	845	668
Supplies and materials	330	272	602	552	50
Total	<u>53,707</u>	<u>(92)</u>	<u>53,615</u>	<u>51,760</u>	<u>1,855</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	205,002	881	205,883	198,357	7,526
Salaries of secretarial and clerical assistants	50,764	468	51,232	47,765	3,467
Purchased professional - educational services	-	927	927	927	-
Other purchased professional & technical services	5,000	3,364	8,364	8,363	1
Other purchased services	2,500	-	2,500	400	2,100
Miscellaneous purchased service	6,157	(6,157)	-	-	-
Supplies and materials	2,420	(204)	2,216	1,164	1,052
Other objects	1,300	(430)	870	15	855
Total	<u>273,143</u>	<u>(1,151)</u>	<u>271,992</u>	<u>256,991</u>	<u>15,001</u>
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	75,564	-	75,564	67,320	8,244
Salaries of other professional staff	7,000	10,818	17,818	12,705	5,113
Salaries of secretarial & clerical assist	10,896	(10,896)	-	-	-
Other purchased services	-	470	470	469	1
Supplies and materials	2,000	(381)	1,619	185	1,434
Total	<u>95,460</u>	<u>11</u>	<u>95,471</u>	<u>80,679</u>	<u>14,792</u>
Undistributed expenditures - edu. media service/sch. library					
Salaries	59,061	493	59,554	59,553	1
Salaries of technology coordinators	99,836	-	99,836	99,713	123
Purchased professional and technical services	1,500	(1,467)	33	-	33
Other purchased services	5,600	516	6,116	5,341	775
Supplies and materials	3,311	5,900	9,211	8,526	685
Total	<u>169,308</u>	<u>5,442</u>	<u>174,750</u>	<u>173,133</u>	<u>1,617</u>
Undistributed expenditures - instructional staff training services					
Purchased professional - educational services	6,000	-	6,000	1,225	4,775
Other purchased services	5,600	-	5,600	2,479	3,121
Supplies and materials	2,200	-	2,200	787	1,413
Total	<u>13,800</u>	<u>-</u>	<u>13,800</u>	<u>4,491</u>	<u>9,309</u>

See independent auditors' report.



**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expend. - support service - general admin.					
Salaries	\$ 123,735	\$ (493)	\$ 123,242	\$ 121,841	\$ 1,401
Legal services	18,000	(6,220)	11,780	6,656	5,124
Audit fees	17,000	-	17,000	16,750	250
Other purchased professional services	2,770	627	3,397	3,396	1
Purchased technical services	5,312	(892)	4,420	4,420	-
Communications/telephone	8,045	-	8,045	6,004	2,041
BOE other purchased services	5,700	466	6,166	376	5,790
Misc. purch services	6,000	4,442	10,442	7,267	3,175
General supplies	2,716	-	2,716	1,757	959
BOE in-house training/meeting supplies	700	-	700	179	521
Judgments against the school district	-	1,795	1,795	1,794	1
Miscellaneous expenditures	3,000	-	3,000	1,599	1,401
BOE membership dues and fees	4,845	(305)	4,540	-	4,540
<b>Total</b>	<b>197,823</b>	<b>(580)</b>	<b>197,243</b>	<b>172,039</b>	<b>25,204</b>
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	80,772	-	80,772	80,301	471
Salaries of secretarial and clerical assistants	41,319	1,716	43,035	42,757	278
Other purchased services	2,000	(836)	1,164	-	1,164
Supplies and materials	1,591	(300)	1,291	797	494
Other objects	3,000	-	3,000	1,779	1,221
<b>Total</b>	<b>128,682</b>	<b>580</b>	<b>129,262</b>	<b>125,634</b>	<b>3,628</b>
Undistributed expenditures - central services					
Salaries	160,637	157	160,794	160,794	-
Purchased technical services	13,960	(1,557)	12,403	11,121	1,282
Miscellaneous purchased services	4,000	2,148	6,148	4,682	1,466
Supplies and materials	1,001	-	1,001	880	121
Other objects	2,500	(748)	1,752	1,740	12
<b>Total</b>	<b>182,098</b>	<b>-</b>	<b>182,098</b>	<b>179,217</b>	<b>2,881</b>
Undistributed expend. - required maint. for school facilities					
Cleaning, repair, and maintenance services	64,532	(9,497)	55,035	38,219	16,816
General supplies	5,000	4,106	9,106	1,160	7,946
Other objects	-	231	231	230	1
<b>Total</b>	<b>69,532</b>	<b>(5,160)</b>	<b>64,372</b>	<b>39,609</b>	<b>24,763</b>
Undistributed expenditures - custodial services					
Salaries	238,761	17,298	256,059	252,481	3,578
Salaries of non-instructional aides	13,120	(13,120)	-	-	-
Purchased professional and technical services	58,986	22,262	81,248	78,927	2,321
Cleaning, repair, and maintenance service	18,303	11,000	29,303	21,421	7,882
Insurance	42,080	(4,020)	38,060	36,924	1,136
Miscellaneous purchased services	500	1,359	1,859	1,788	71
General supplies	33,762	(100)	33,662	30,856	2,806
Energy (natural gas)	52,000	(19,035)	32,965	28,365	4,600
Energy (electricity)	85,000	(15,091)	69,909	63,224	6,685
Other objects	2,000	(449)	1,551	1,529	22
<b>Total</b>	<b>544,512</b>	<b>104</b>	<b>544,616</b>	<b>515,515</b>	<b>29,101</b>

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - care and upkeep of grounds					
Cleaning, repair, and maintenance service	\$ 23,800	\$ 6,955	\$ 30,755	\$ 30,102	\$ 653
General supplies	8,664	3,020	11,684	11,642	42
Total	<u>32,464</u>	<u>9,975</u>	<u>42,439</u>	<u>41,744</u>	<u>695</u>
Undistributed expenditures - security					
Cleaning, repair, and maintenance service	3,500	-	3,500	433	3,067
General supplies	1,495	1,000	2,495	2,338	157
Total	<u>4,995</u>	<u>1,000</u>	<u>5,995</u>	<u>2,771</u>	<u>3,224</u>
Undistributed expenditures - student transportation service					
Salaries for pupil trans (between home & school) - reg.	36,771	36	36,807	36,676	131
Contr service (oth. than between home & school) - vend	11,220	(160)	11,060	8,641	2,419
Contr service (between home & school) - joint agreements	250,458	3,696	254,154	247,581	6,573
Contract service (sp ed stds) - joint agreements	121,350	(3,536)	117,814	52,249	65,565
Total	<u>419,799</u>	<u>36</u>	<u>419,835</u>	<u>345,147</u>	<u>74,688</u>
Unallocated benefits - employee benefits					
Social security contributions	75,000	6,074	81,074	81,074	-
Other retirement contributions - PERS	82,000	-	82,000	76,433	5,567
Other retirement contributions - regular	12,000	450	12,450	7,905	4,545
Workmen's compensation	37,800	(282)	37,518	32,441	5,077
Health benefits	1,459,411	(187,740)	1,271,671	1,204,885	66,786
Tuition reimbursement	30,463	-	30,463	19,783	10,680
Other employee benefits	13,464	(295)	13,169	8,189	4,980
Unused sick payment to terminated/retired staff	24,000	-	24,000	-	24,000
Total	<u>1,734,138</u>	<u>(181,793)</u>	<u>1,552,345</u>	<u>1,430,710</u>	<u>121,635</u>
On-behalf TPAF Pension contribution	-	-	-	404,758	(404,758)
On-behalf TPAF Post retirement medical benefits	-	-	-	261,425	(261,425)
On-behalf TPAF Long-term disability insurance	-	-	-	436	(436)
Reimbursed TPAF Social security contribution	-	-	-	201,210	(201,210)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>867,829</u>	<u>(867,829)</u>
Total undistributed expenditures	<u>\$ 4,206,476</u>	<u>\$ (173,602)</u>	<u>\$ 4,032,874</u>	<u>\$ 4,510,782</u>	<u>\$ (477,908)</u>
Total current	<u>\$ 7,088,633</u>	<u>\$ (108,292)</u>	<u>\$ 6,980,341</u>	<u>\$ 7,249,315</u>	<u>\$ (268,974)</u>
Capital outlay					
Equipment					
Grades 1-5	\$ -	\$ 2,300	\$ 2,300	\$ 2,300	\$ -
Grades 6-8	-	2,949	2,949	-	2,949
Undistributed					
Undistributed expenditures - instruction	3,004	33,238	36,242	16,639	19,603
Undistributed expenditures - custodial services	9,375	51,852	61,227	26,941	34,286
Undistributed expenditures - non-instructional service	-	22,041	22,041	9,090	12,951
Total equipment	<u>12,379</u>	<u>112,380</u>	<u>124,759</u>	<u>54,970</u>	<u>69,789</u>

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Facilities acquisition and construction service					
Other purchased professional and technology services	\$ -	\$ 17,403	\$ 17,403	\$ 17,402	\$ 1
Construction services	2,107	222,974	225,081	13,753	211,328
Assessment for debt service on SDA funding	17,332	-	17,332	17,332	-
Total facilities acquisition and construction service	<u>19,439</u>	<u>240,377</u>	<u>259,816</u>	<u>48,487</u>	<u>211,329</u>
Total capital outlay	<u>\$ 31,818</u>	<u>\$ 352,757</u>	<u>\$ 384,575</u>	<u>\$ 103,457</u>	<u>\$ 281,118</u>
Total expenditures	<u>\$ 7,120,451</u>	<u>\$ 244,465</u>	<u>\$ 7,364,916</u>	<u>\$ 7,352,772</u>	<u>\$ 12,144</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (188,036)</u>	<u>\$ (244,465)</u>	<u>\$ (432,501)</u>	<u>\$ 559,746</u>	<u>\$ 992,247</u>
Other financing sources (uses)					
Operating transfer in					
Transfers from capital projects fund	-	-	-	27,752	27,752
Operating transfer out					
Transfer to fiduciary fund - board contribution	(3,000)	(61,500)	(64,500)	(64,500)	-
Total other financing sources (uses)	<u>(3,000)</u>	<u>(61,500)</u>	<u>(64,500)</u>	<u>(36,748)</u>	<u>27,752</u>
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	(191,036)	(305,965)	(497,001)	522,998	1,019,999
Fund balances, July 1	2,315,765	-	2,315,765	2,315,765	-
Fund balances, June 30	<u>\$ 2,124,729</u>	<u>\$ (305,965)</u>	<u>\$ 1,818,764</u>	<u>\$ 2,838,763</u>	<u>\$ 1,019,999</u>
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (78,557)	\$ -	\$ (78,557)	\$ (78,557)	\$ -
Increase in capital reserve	-	352,752	352,752	352,752	-
Interest deposit to capital reserve	-	-	-	10,258	10,258
Withdrawal from capital reserve	-	(203,200)	(203,200)	(203,200)	-
Increase in emergency reserve	-	50,000	50,000	50,000	-
Interest earned on emergency reserve	-	-	-	1,375	1,375
Increase in maintenance reserve	-	50,000	50,000	50,000	-
Budgeted fund balance	(112,479)	(555,517)	(667,996)	340,370	1,008,366
Total	<u>\$ (191,036)</u>	<u>\$ (305,965)</u>	<u>\$ (497,001)</u>	<u>\$ 522,998</u>	<u>\$ 1,019,999</u>

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final</u> <u>to Actual</u>
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 154,844	
Excess surplus - current year				153,997	
Capital reserve				1,356,252	
Emergency reserve				203,729	
Maintenance reserve				290,000	
Committed fund balance					
Year-end encumbrances				332,851	
Assigned fund balance					
Additional assigned fund balance - unreserved - designated for subsequent year's expenditures July 1, 2018-August 1,2018				34,455	
Unassigned fund balance				<u>312,635</u>	
Fund balance per budgetary basis				2,838,763	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(126,748)</u>	
Fund balance per governmental funds (GAAP)				<u><u>\$ 2,712,015</u></u>	

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Federal sources	\$ 150,968	\$ -	\$ 150,968	\$ 150,968	\$ -
Total revenues	<u>\$ 150,968</u>	<u>\$ -</u>	<u>\$ 150,968</u>	<u>\$ 150,968</u>	<u>\$ -</u>
Expenditures					
Instruction					
Other salaries for instruction	\$ 3,290	\$ -	\$ 3,290	\$ 3,290	\$ -
Other purchased services	7,000	125	7,125	7,125	-
Supplies	48,308	(125)	48,183	48,183	-
Total	<u>58,598</u>	<u>-</u>	<u>58,598</u>	<u>58,598</u>	<u>-</u>
Support services					
Tuition	70,941	-	70,941	70,941	-
Salaries	-	500	500	500	-
Employee benefits	752	(500)	252	252	-
Purchased professional & technical services	7,000	-	7,000	7,000	-
Other purchased services	6,469	-	6,469	6,469	-
Supplies	508	-	508	508	-
Total	<u>85,670</u>	<u>-</u>	<u>85,670</u>	<u>85,670</u>	<u>-</u>
Capital outlay					
Instructional equipment	6,700	-	6,700	6,700	-
Total	<u>6,700</u>	<u>-</u>	<u>6,700</u>	<u>6,700</u>	<u>-</u>
Total expenditures	<u>\$ 150,968</u>	<u>\$ -</u>	<u>\$ 150,968</u>	<u>\$ 150,968</u>	<u>\$ -</u>

See independent auditors' report.

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

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

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 7,912,518	\$ 150,968
Difference - budget to GAAP		
The last state aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)		
State aid receivable prior year	128,171	-
State aid receivable current year	<u>(126,748)</u>	<u>-</u>
Total revenues (GAAP basis)	<u>\$ 7,913,941</u>	<u>\$ 150,968</u>
 <u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 7,352,772</u>	<u>\$ 150,968</u>
Total expenditures (GAAP Basis)	<u>\$ 7,352,772</u>	<u>\$ 150,968</u>

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

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



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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	0.0081635962%	0.0085837715%	0.0069583328%	0.0074920040%	0.0068358854%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	\$ -	\$ 1,900,355	\$ 2,542,267	\$ 1,562,006	\$ 1,402,708	\$ 1,306,474	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	592,628	588,499	540,796	509,825	526,983	518,030	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	322.92%	470.10%	306.38%	266.18%	252.20%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	48.10%	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A

N/A = Information not available

See independent auditors' report.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 75,627	\$ 76,257	\$ 59,823	\$ 61,763	\$ 51,507	\$ 63,410	\$ 64,113	\$ 62,818	\$ 50,063	\$ 41,482
Contributions in relation to the contractually required contribution	(75,627)	(76,257)	(59,823)	(61,763)	(51,507)	(63,410)	(64,113)	(62,818)	(50,063)	(41,482)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 592,628	\$ 588,499	\$ 540,796	\$ 509,825	\$ 526,983	\$ 518,030	\$ 529,875	\$ 542,462	\$ 572,306	\$ 583,510
Contributions as a percentage of covered employee payroll	12.76%	12.96%	11.06%	12.11%	9.77%	12.24%	12.10%	11.58%	8.75%	7.11%

See independent auditors' report.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	-	18,777,566	22,329,277	18,658,494	16,521,374	15,444,059	-	-	-	-
Total	\$ -	\$ 18,777,566	\$ 22,329,277	\$ 18,658,494	\$ 16,521,374	\$ 15,444,059	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ -	\$ 2,717,352	\$ 2,751,272	\$ 2,847,839	\$ 2,758,025	\$ 2,888,603	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	25.41%	22.33%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A

N/A = Information not available

See independent auditors' report.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 404,758	\$ 312,117	\$ 227,259	\$ 159,601	\$ 130,769	\$ 197,456	\$ 94,620	\$ 9,741	\$ 11,037	\$ 10,513
Contributions in relation to the contractually required contribution	(404,758)	(312,117)	(227,259)	(159,601)	(130,769)	(197,456)	(94,620)	(9,741)	(11,037)	(10,513)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,889,756	\$ 2,717,352	\$ 2,751,272	\$ 2,847,839	\$ 2,758,025	\$ 2,888,603	\$ 2,975,325	\$ 2,908,055	\$ 3,061,084	\$ 3,019,786
Contributions as a percentage of covered employee payroll	14.01%	11.49%	8.26%	5.60%	4.74%	6.84%	3.18%	0.33%	0.36%	0.35%

See independent auditors' report.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR  
OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (GASB 75) (UNAUDITED)**

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Other**  
**Postemployment Employee Benefits Liability**  
**Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportionate share of the other post employment employee benefits liability (asset) - percentage	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the other post employment employee benefits liability (asset) - value	N/A	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the other post employment employee benefits liability (asset) associated with the District	N/A	\$ 17,104,228	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$ -</b>	<b>\$ 17,104,228</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered employee payroll	N/A	\$ 3,305,851	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the other post employment employee liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total other post employment employee benefits liability	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A = Information Not Available

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information - Part III**  
**(Unaudited)**  
**June 30, 2018**

- Note 1 - Special funding situation - TPAF and other post-retirement benefits  
The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense and other post-retirement benefits (OPEB) expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability and OPEB liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund and for OPEB allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF  
The discount rate increased from 3.22% in State fiscal year 2016 to 4.25% in State fiscal year 2017. The inflation rate was 2.50% for State fiscal years 2016 and 2.25% in State fiscal year 2017.
- Note 3 - Changes in assumptions - PERS  
The discount rate increased from 3.98% in State fiscal year 2016 to 5.00% in State fiscal year 2017. The inflation rate decreased from 3.08% for State fiscal year 2016 to 2.25% for State fiscal year 2017.
- Note 4 - Changes in assumptions - other post-retirement employee benefits  
The other post-retirement employee benefits discount rate increased from 2.85% in State fiscal year 2016 to 3.58% in State fiscal year 2017. The inflation rate was not available for State fiscal year 2016 and for State fiscal year 2017 was 2.50%.
- Note 5 - Changes in healthcare trend assumptions - other post-retirement employee benefits  
For pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For Health Maintenance Organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.
- Note 6 - Changes in benefit term assumptions - other post-retirement employee benefits  
There were no changes of the benefit terms from June 30, 2016 to June 30, 2017.

## **SPECIAL REVENUE FUND**

### **DETAIL STATEMENTS**

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



**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Schedule of Program Revenues and Expenditures - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2018**

	IDEA Basic	IDEA Preschool	ESSA IA	ESSA IIA	ESSA IV	REAP	Total
<b>Revenues</b>							
Federal sources	\$ 70,941	\$ 3,542	\$ 25,737	\$ 5,977	\$ 10,000	\$ 34,771	\$ 150,968
<b>Total revenues</b>	<b>\$ 70,941</b>	<b>\$ 3,542</b>	<b>\$ 25,737</b>	<b>\$ 5,977</b>	<b>\$ 10,000</b>	<b>\$ 34,771</b>	<b>\$ 150,968</b>
<b>Expenditures</b>							
<b>Instruction</b>							
Other salaries for instruction	\$ -	\$ 3,290	\$ -	\$ -	\$ -	\$ -	\$ 3,290
Other purchased services	-	-	7,000	-	125	-	7,125
Supplies	-	-	11,737	-	8,375	28,071	48,183
<b>Total</b>	<b>-</b>	<b>3,290</b>	<b>18,737</b>	<b>-</b>	<b>8,500</b>	<b>28,071</b>	<b>58,598</b>
<b>Support services</b>							
Tuition	70,941	-	-	-	-	-	70,941
Salaries	-	-	500	-	-	-	500
Employee benefits	-	252	-	-	-	-	252
Purchased professional & technical services	-	-	5,000	2,000	-	-	7,000
Other purchased services	-	-	1,500	3,469	1,500	-	6,469
Supplies	-	-	-	508	-	-	508
<b>Total</b>	<b>70,941</b>	<b>252</b>	<b>7,000</b>	<b>5,977</b>	<b>1,500</b>	<b>-</b>	<b>85,670</b>
<b>Capital outlay</b>							
Instructional equipment	-	-	-	-	-	6,700	6,700
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,700</b>	<b>6,700</b>
<b>Total expenditures</b>	<b>\$ 70,941</b>	<b>\$ 3,542</b>	<b>\$ 25,737</b>	<b>\$ 5,977</b>	<b>\$ 10,000</b>	<b>\$ 34,771</b>	<b>\$ 150,968</b>

See independent auditors' report.

## **CAPITAL PROJECTS FUND**

### **DETAIL STATEMENTS**

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Summary Schedule of Project Expenditures**  
**For the Fiscal Year Ended June 30, 2018**

Description	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations 06/30/2018
			Prior Years	Current Year	
Partial window replacement	02/10/17	\$ 315,500	\$ -	\$ 315,500	\$ -
Window replacement project	01/06/14	115,000	107,320	7,680	-
Toilet room renovations	01/28/16	198,150	198,078	72	-
		<u>\$ 628,650</u>	<u>\$ 305,398</u>	<u>\$ 323,252</u>	<u>\$ -</u>

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2018**

Revenues	
Local sources	
Transfer from capital reserve	\$ -
Total revenues	<u>-</u>
Expenditures and other financing uses	
Construction	295,500
Transfer to capital reserve	<u>27,752</u>
Total expenditures	<u>323,252</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures & other financing uses	(323,252)
Fund balance - beginning	<u>323,252</u>
Fund balance - ending	<u><u>\$ -</u></u>

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status**  
**Budgetary Basis**  
**2014 Window Replacement Project**  
**For the Fiscal Year Ended June 30, 2018**

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

Additional Project Information

Project number	2450-050-14-1003-G04
Authorization date	01/06/14
Bond authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 80,000
Additional authorized cost	\$ 35,000
Revised authorized cost	\$ 115,000
Percentage completion	100.00%

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status**  
**Budgetary Basis**  
**2017 Partial Window Replacement**  
**For the Fiscal Year Ended June 30, 2018**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources				
Transfers in from capital reserve	\$ 315,500	\$ -	\$ 315,500	\$ 315,500
Total revenues	<u>315,500</u>	<u>-</u>	<u>315,500</u>	<u>315,500</u>
Expenditures and other financing uses				
Construction	-	295,500	295,500	295,500
Transfer to capital reserve	-	20,000	20,000	20,000
Total expenditures	<u>-</u>	<u>315,500</u>	<u>315,500</u>	<u>315,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 315,500</u>	<u>\$ (315,500)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information

Project number	2450-050-17-1000
Authorization date	02/10/17
Bond authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 483,480
Additional authorized cost	\$ (167,980)
Revised authorized cost	\$ 315,500
Percentage completion	100.00%

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status**  
**Budgetary Basis**  
**Toilet Room Renovations**  
**For the Fiscal Year Ended June 30, 2018**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources				
Transfers in from capital reserve	\$ 198,150	\$ -	\$ 198,150	\$ 198,150
Total revenues	<u>198,150</u>	<u>-</u>	<u>198,150</u>	<u>198,150</u>
Expenditures and other financing uses				
Construction	198,078	-	198,078	198,078
Transfer to capital reserve	-	72	72	72
Total expenditures	<u>198,078</u>	<u>72</u>	<u>198,150</u>	<u>198,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 72</u>	<u>\$ (72)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information

Project number	2450-050-16-1000
Authorization date	01/28/16
Bond authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 417,400
Additional authorized cost	\$ (219,250)
Revised authorized cost	\$ 198,150
Percentage completion	100.00%

See independent auditors' report.

## **PROPRIETARY FUND**

### **DETAIL STATEMENTS**

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



**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Enterprise Fund**  
**Statement of Net Position**  
**June 30, 2018**

	Food Service
Assets	
Current assets	
Cash & cash equivalents	\$ 25,706
Receivables from other governments	
State	99
Federal	1,493
Inventory	2,408
Total current assets	29,706
Noncurrent assets	
Capital assets	85,287
Less: accumulated depreciation	55,257
Total noncurrent assets	30,030
Total assets	59,736
Liabilities	
Current liabilities	
Accounts payable	10,827
Unearned revenues - commodities	1,033
Unearned revenues - prepaid sales	957
Total liabilities	12,817
Net position	
Invested in capital assets, net of related debt	30,030
Unrestricted	16,889
Total net position	\$ 46,919

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Enterprise Fund**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2018**

	Food Service
Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 65,175
Daily sales - non-reimbursable programs	16,691
Total operating revenues	81,866
Operating expenses	
Cost of sales - reimbursable programs	41,891
Cost of sales - non-reimbursable programs	1,961
Commodity food costs	6,773
Salaries	34,006
Supports services - employee benefits	4,752
Purchased professional/technical services	2,106
Purchased property services	1,325
Other purchased services	
Insurance	3,339
Management fee	7,455
Supplies and materials	6,993
Depreciation	5,593
Miscellaneous expenditures	392
Total operating expenses	116,586
Operating income (loss)	(34,720)
Non-operating revenues (expenses)	
State sources	
State school lunch program	1,379
Federal sources	
National school lunch program	
Cash assistance	20,981
Non-cash assistance (commodities)	6,773
Other sources	
Interest earned on investments	216
Total non-operating revenues (expenses)	29,349
Change in net position	(5,371)
Net position, beginning	52,290
Net position, ending	\$ 46,919

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Enterprise Fund**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2018**

	Food Service
Cash flows from operating activities	
Receipts from customers	\$ 82,057
Payment to Food Service Management Co.	(85,311)
Payments to vendors	(8,118)
Net cash provided by (used for) operating activities	(11,372)
Cash flows from capital related financing activities	
State sources	1,348
Federal sources	20,786
Net cash provided by (used for) noncapital financing activities	22,134
Cash flows from capital financing activities	
Acquisition of equipment	(4,300)
Net cash provided by (used for) capital financing activities	(4,300)
Cash flows from investing activities	
Interest earned on investments	216
Net cash provided by (used for) investing activities	216
Net increase (decrease) in cash and cash equivalents	6,678
Cash and cash equivalents, beginning	19,028
Cash and cash equivalents, ending	\$ 25,706
Reconciliation of operating income (loss) to net cash	
Operating activities	
Operating income (loss)	\$ (34,720)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	5,593
Federal food donation program	6,773
Increase (decrease) in accounts payable	10,827
(Increase) decrease in inventory	(296)
Increase (decrease) in deferred revenue	451
Net cash provided by (used for) operating activities	\$ (11,372)

See independent auditors' report.

## **FIDUCIARY FUNDS**

### **DETAIL STATEMENTS**

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

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Combining Statement of Net Position**  
**June 30, 2018**

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 263,911	\$ 14,579	\$ 1,238	\$ 279,728
<b>Total assets</b>	<u>\$ 263,911</u>	<u>\$ 14,579</u>	<u>\$ 1,238</u>	<u>\$ 279,728</u>
<b>Liabilities</b>				
Payroll deductions & withholdings	\$ -	\$ -	\$ 1,238	\$ 1,238
Due to students groups	-	14,579	-	14,579
<b>Total liabilities</b>	<u>-</u>	<u>\$ 14,579</u>	<u>\$ 1,238</u>	<u>15,817</u>
<b>Net position</b>				
Held in trust for unemployment claims & other purposes	<u>\$ 263,911</u>			<u>\$ 263,911</u>

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee withholdings	\$ 6,477
Operating transfer in	64,500
Investment earnings - interest	1,770
Total additions	<u>72,747</u>
 Deductions	
Unemployment claims	<u>8</u>
 Change in net position	 72,739
 Net position, beginning of the year	 <u>191,172</u>
 Net position, end of the year	 <u><u>\$ 263,911</u></u>

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Student Activity Agency Fund**  
**Schedule of Receipts & Disbursements**  
**For the Fiscal Year Ended June 30, 2018**

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Assets				
Cash and cash equivalents	\$ 14,609	\$ 67,944	\$ 67,974	\$ 14,579
Total assets	<u>\$ 14,609</u>	<u>\$ 67,944</u>	<u>\$ 67,974</u>	<u>\$ 14,579</u>
Liabilities				
Due to student groups	\$ 14,609	\$ 67,944	\$ 67,974	\$ 14,579
Total liabilities	<u>\$ 14,609</u>	<u>\$ 67,944</u>	<u>\$ 67,974</u>	<u>\$ 14,579</u>

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**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Payroll Agency Fund**  
**Schedule of Receipts & Disbursements**  
**For the Fiscal Year Ended June 30, 2018**

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Assets				
Cash and cash equivalents	\$ 1,800	\$ 4,332,508	\$ 4,333,070	\$ 1,238
Total assets	<u>\$ 1,800</u>	<u>\$ 4,332,508</u>	<u>\$ 4,333,070</u>	<u>\$ 1,238</u>
Liabilities				
Payroll deductions & withholdings	\$ 1,800	\$ 1,905,564	\$ 1,906,126	\$ 1,238
Net payroll	-	2,426,944	2,426,944	-
Total liabilities	<u>\$ 1,800</u>	<u>\$ 4,332,508</u>	<u>\$ 4,333,070</u>	<u>\$ 1,238</u>

See independent auditors' report.

## **LONG-TERM DEBT SCHEDULES**

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



**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Long-Term Debt**  
**Schedule of Serial Bonds**  
**June 30, 2018**

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/17	Issued	Retired	Balance 06/30/18
			Date	Amount					
Refunding school bonds of 2011	07/15/11	\$ 2,270,000	07/15/18	\$ 205,000	3.00%	\$ 1,510,000	\$ -	\$ 200,000	\$ 1,310,000
			07/15/19	205,000	3.00%	-	-	-	-
			07/15/20	215,000	3.00%	-	-	-	-
			07/15/21	220,000	4.00%	-	-	-	-
			07/15/22	230,000	4.00%	-	-	-	-
			07/15/23	235,000	4.00%	-	-	-	-
								<u>\$ 1,510,000</u>	<u>\$ -</u>

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Debt Service Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources					
Local tax levy	\$ 249,150	\$ -	\$ 249,150	\$ 249,150	\$ -
Total revenues	<u>249,150</u>	<u>-</u>	<u>249,150</u>	<u>249,150</u>	<u>-</u>
Expenditures					
Regular debt service					
Interest on bonds	49,150	-	49,150	49,150	-
Redemption of principal	200,000	-	200,000	200,000	-
Total expenditures	<u>249,150</u>	<u>-</u>	<u>249,150</u>	<u>249,150</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	-	-	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditors' report.

## **STATISTICAL SECTION**

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Statistical Section J Series**

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

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

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Government activities										
Net investment in capital assets	\$ 3,096,762	\$ 3,224,646	\$ 3,367,774	\$ 3,736,772	\$ 4,074,821	\$ 4,240,572	\$ 4,930,862	\$ 5,831,445	\$ 6,105,798	\$ 6,450,729
Restricted	631,549	667,537	1,048,413	1,036,926	1,208,751	2,130,676	1,939,228	1,455,925	1,912,048	1,849,981
Unrestricted	230,993	452,699	409,879	267,171	255,780	(1,077,386)	(1,042,274)	(976,178)	(1,245,881)	(1,114,987)
Total governmental activities	<u>\$ 3,959,304</u>	<u>\$ 4,344,882</u>	<u>\$ 4,826,066</u>	<u>\$ 5,040,869</u>	<u>\$ 5,539,352</u>	<u>\$ 5,293,862</u>	<u>\$ 5,827,816</u>	<u>\$ 6,311,192</u>	<u>\$ 6,771,965</u>	<u>\$ 7,185,723</u>
Business-type activities										
Net investment in capital assets	\$ 40,027	\$ 35,925	\$ 31,822	\$ 40,471	\$ 37,818	\$ 32,100	\$ 26,886	\$ 21,671	\$ 31,323	\$ 30,030
Unrestricted	26,458	32,081	34,373	21,520	19,571	33,038	42,672	41,909	20,967	16,889
Total business-type activities	<u>\$ 66,485</u>	<u>\$ 68,006</u>	<u>\$ 66,195</u>	<u>\$ 61,991</u>	<u>\$ 57,389</u>	<u>\$ 65,138</u>	<u>\$ 69,558</u>	<u>\$ 63,580</u>	<u>\$ 52,290</u>	<u>\$ 46,919</u>
District-wide										
Net investment in capital assets	\$ 3,136,789	\$ 3,260,571	\$ 3,399,596	\$ 3,777,243	\$ 4,112,639	\$ 4,272,672	\$ 4,957,748	\$ 5,853,116	\$ 6,137,121	\$ 6,480,759
Restricted	631,549	667,537	1,048,413	1,036,926	1,208,751	2,130,676	1,939,228	1,455,925	1,912,048	1,849,981
Unrestricted	257,451	484,780	444,252	288,691	275,351	(1,044,348)	(999,602)	(934,269)	(1,224,914)	(1,098,098)
Total district-wide	<u>\$ 4,025,789</u>	<u>\$ 4,412,888</u>	<u>\$ 4,892,261</u>	<u>\$ 5,102,860</u>	<u>\$ 5,596,741</u>	<u>\$ 5,359,000</u>	<u>\$ 5,897,374</u>	<u>\$ 6,374,772</u>	<u>\$ 6,824,255</u>	<u>\$ 7,232,642</u>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	\$ 2,860,502	\$ 2,902,136	\$ 2,896,592	\$ 3,070,630	\$ 3,112,909	\$ 3,022,923	\$ 3,206,260	\$ 3,817,127	\$ 3,875,298	\$ 4,363,152
Special education	924,311	856,655	896,165	857,343	867,963	877,529	1,175,540	1,097,366	1,406,699	1,283,334
Other special education	163,753	273,351	184,504	198,269	200,229	180,199	371,650	482,853	244,389	430,511
Other instruction	40,133	37,640	37,717	37,754	45,710	39,480	152,006	81,956	405,393	255,049
Support services										
Tuition	93,453	47,009	40,527	90,695	94,322	104,236	144,050	74,950	59,236	125,147
Student & instruction related services	917,081	878,051	850,416	945,903	944,407	975,555	1,071,434	1,230,493	1,328,133	1,594,169
General & business administrative services	566,073	569,588	550,843	738,839	586,221	528,792	563,365	529,713	583,854	662,575
School administration	199,006	205,387	208,129	185,949	197,010	169,340	199,112	219,729	196,937	249,681
Plant operations & maintenance	715,260	824,872	754,886	669,183	657,876	688,455	682,629	681,050	859,519	799,735
Pupil transportation	388,638	370,447	372,963	382,671	344,179	262,598	324,243	305,062	311,598	374,274
Interest on long-term debt	124,414	119,023	126,784	109,402	73,409	76,236	72,636	68,845	63,223	57,236
Total governmental activities expenses	6,992,624	7,084,159	6,919,526	7,286,638	7,124,235	6,925,343	7,962,925	8,589,144	9,334,279	10,194,863
Business-type activities										
Food services	129,996	130,382	130,560	118,836	112,744	95,055	100,249	106,740	117,841	116,586
Total business-type activities	129,996	130,382	130,560	118,836	112,744	95,055	100,249	106,740	117,841	116,586
Total district expenses	\$ 7,122,620	\$ 7,214,541	\$ 7,050,086	\$ 7,405,474	\$ 7,236,979	\$ 7,020,398	\$ 8,063,174	\$ 8,695,884	\$ 9,452,120	\$ 10,311,449

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program revenues										
Governmental activities										
Operating grants & contributions	\$ 143,454	\$ 237,712	\$ 148,012	\$ 142,694	\$ 140,992	\$ 128,482	\$ 129,552	\$ 145,198	\$ 140,287	\$ 150,968
Capital grants & contributions	90,300	10,650	88,040	-	8,704	359,840	37,700	-	-	-
Total governmental activities	<u>233,754</u>	<u>248,362</u>	<u>236,052</u>	<u>142,694</u>	<u>149,696</u>	<u>488,322</u>	<u>167,252</u>	<u>145,198</u>	<u>140,287</u>	<u>150,968</u>
Business-type activities										
Charges for services										
Food service	118,304	109,742	104,647	90,233	81,418	76,986	75,889	71,933	74,080	81,866
Operating grants & contributions	17,304	21,999	23,975	24,152	26,646	25,729	28,641	28,615	32,226	29,133
Total business-type activities	<u>135,608</u>	<u>131,741</u>	<u>128,622</u>	<u>114,385</u>	<u>108,064</u>	<u>102,715</u>	<u>104,530</u>	<u>100,548</u>	<u>106,306</u>	<u>110,999</u>
Total district-program	<u>\$ 369,362</u>	<u>\$ 380,103</u>	<u>\$ 364,674</u>	<u>\$ 257,079</u>	<u>\$ 257,760</u>	<u>\$ 591,037</u>	<u>\$ 271,782</u>	<u>\$ 245,746</u>	<u>\$ 246,593</u>	<u>\$ 261,967</u>
Net (expense) revenues										
Governmental activities	\$ (6,758,870)	\$ (6,835,797)	\$ (6,683,474)	\$ (7,143,944)	\$ (6,974,539)	\$ (6,437,021)	\$ (7,795,673)	\$ (8,443,946)	\$ (9,081,092)	\$ (9,988,848)
Business-type activities	5,612	1,359	(1,938)	(4,451)	(4,680)	7,660	4,281	(6,192)	(11,535)	(5,587)
Total district-wide net expenses	<u>\$ (6,753,258)</u>	<u>\$ (6,834,438)</u>	<u>\$ (6,685,412)</u>	<u>\$ (7,148,395)</u>	<u>\$ (6,979,219)</u>	<u>\$ (6,429,361)</u>	<u>\$ (7,791,392)</u>	<u>\$ (8,450,138)</u>	<u>\$ (9,092,627)</u>	<u>\$ (9,994,435)</u>
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes	\$ 4,940,603	\$ 5,045,985	\$ 5,172,767	\$ 5,173,467	\$ 5,263,158	\$ 5,263,158	\$ 5,263,158	\$ 5,368,421	\$ 5,475,786	\$ 5,584,205
Taxes levied for debt service	230,459	253,373	252,873	252,173	232,894	247,050	243,450	249,750	245,000	249,150
Unrestricted grants & contributions	1,837,400	1,893,944	1,667,601	1,904,875	1,913,148	1,872,489	2,804,617	3,207,193	3,854,308	4,525,951
State capital projects grant deobligated	-	(31,556)	-	(34,068)	-	-	(79,054)	-	-	-
Tuition income	2,000	15,700	22,000	29,561	30,945	42,628	64,671	61,645	51,600	50,347
Investment earnings	26,623	16,435	12,909	18,220	9,412	10,940	10,856	10,757	12,583	29,488
Miscellaneous income	8,053	27,494	35,508	15,519	23,465	20,971	21,929	29,556	15,488	22,408
Loss on disposal of capital assets	-	-	-	-	-	(10,738)	-	-	-	(3,896)
Total governmental activities	<u>7,045,138</u>	<u>7,221,375</u>	<u>7,163,658</u>	<u>7,359,747</u>	<u>7,473,022</u>	<u>7,446,498</u>	<u>8,329,627</u>	<u>8,927,322</u>	<u>9,654,765</u>	<u>10,457,653</u>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues & other changes in net position (cont'd)										
Business-type activities										
Investment earnings	\$ 327	\$ 162	\$ 127	\$ 247	\$ 78	\$ 93	\$ 139	\$ 169	\$ 157	\$ 216
Miscellaneous income	-	-	-	-	-	-	-	45	88	-
Total business-type activities	<u>327</u>	<u>162</u>	<u>127</u>	<u>247</u>	<u>78</u>	<u>93</u>	<u>139</u>	<u>214</u>	<u>245</u>	<u>216</u>
Total district-wide	<u>\$ 7,045,465</u>	<u>\$ 7,221,537</u>	<u>\$ 7,163,785</u>	<u>\$ 7,359,994</u>	<u>\$ 7,473,100</u>	<u>\$ 7,446,591</u>	<u>\$ 8,329,766</u>	<u>\$ 8,927,536</u>	<u>\$ 9,655,010</u>	<u>\$ 10,457,869</u>
Change in net position										
Governmental activities	\$ 286,268	\$ 385,578	\$ 480,184	\$ 215,803	\$ 498,483	\$ 1,009,477	\$ 533,954	\$ 483,376	\$ 460,773	\$ 413,758
Business-type activities	5,939	1,521	(1,811)	(4,204)	(4,602)	7,749	4,420	(5,978)	(11,290)	(5,371)
Total district	<u>\$ 292,207</u>	<u>\$ 387,099</u>	<u>\$ 478,373</u>	<u>\$ 211,599</u>	<u>\$ 493,881</u>	<u>\$ 1,017,226</u>	<u>\$ 538,374</u>	<u>\$ 477,398</u>	<u>\$ 449,483</u>	<u>\$ 408,387</u>

See independent auditors' report.



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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Restricted	\$ 613,148	\$ 845,293	\$ 999,020	\$ 890,398	\$ 1,419,146	\$ 1,483,952	\$ 1,320,429	\$ 1,476,274	\$ 1,856,119	\$ 2,158,822
Committed	58,525	134,170	102,862	90,441	140,885	95,156	130,289	212,013	78,557	332,851
Assigned	-	-	-	-	-	-	-	2	26,414	34,455
Unassigned	138,397	207,454	210,828	223,427	187,614	177,660	179,024	196,387	226,504	185,887
Total general fund	<u>\$ 810,070</u>	<u>\$ 1,186,917</u>	<u>\$ 1,312,710</u>	<u>\$ 1,204,266</u>	<u>\$ 1,747,645</u>	<u>\$ 1,756,768</u>	<u>\$ 1,629,742</u>	<u>\$ 1,884,676</u>	<u>\$ 2,187,594</u>	<u>\$ 2,712,015</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 195,032	\$ 33,294	\$ 266,630	\$ 342,436	\$ -	\$ 858,437	\$ 837,473	\$ 205,830	\$ 323,252	\$ -
Assigned, reported in										
Debt service fund	-	-	-	14,334	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 195,032</u>	<u>\$ 33,294</u>	<u>\$ 266,630</u>	<u>\$ 356,770</u>	<u>\$ -</u>	<u>\$ 858,437</u>	<u>\$ 837,473</u>	<u>\$ 205,830</u>	<u>\$ 323,252</u>	<u>\$ -</u>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Tax levy	\$ 5,171,062	\$ 5,299,358	\$ 5,425,640	\$ 5,425,640	\$ 5,496,052	\$ 5,510,208	\$ 5,506,608	\$ 5,618,171	\$ 5,720,786	\$ 5,833,355
Tuition charges	2,000	15,700	22,000	29,561	30,945	42,628	64,671	61,645	51,600	50,347
Interest earnings	26,623	16,435	12,909	18,220	9,412	10,940	10,856	10,757	12,583	29,488
Rents and royalties	-	-	-	-	-	-	-	7,438	4,850	4,700
Sale of property	-	-	-	-	-	-	-	6,356	-	3,930
Miscellaneous	8,053	27,494	35,508	15,519	23,465	20,971	21,929	15,762	10,638	13,778
State sources	1,928,069	1,822,948	1,755,641	1,855,296	1,913,148	2,232,329	1,947,130	2,067,924	2,176,477	2,227,493
Federal sources	143,085	319,358	148,012	192,273	140,992	128,482	130,034	145,198	140,384	150,968
<b>Total revenues</b>	<b>7,278,892</b>	<b>7,501,293</b>	<b>7,399,710</b>	<b>7,536,509</b>	<b>7,614,014</b>	<b>7,945,558</b>	<b>7,681,228</b>	<b>7,933,251</b>	<b>8,117,318</b>	<b>8,314,059</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	2,109,570	2,109,905	2,027,723	2,137,132	2,081,511	2,078,379	1,924,618	2,014,300	1,948,155	1,936,589
Special education instruction	674,505	618,793	580,253	583,982	567,461	578,178	611,792	556,345	574,183	552,788
Other special instruction	117,993	119,624	125,322	131,687	131,117	119,166	200,577	223,682	218,369	200,585
Other instruction	38,327	35,894	36,518	36,543	44,079	37,973	40,191	47,208	50,864	48,571
<b>Support services</b>										
Tuition	11,862	504	23,527	11,830	11,149	25,707	69,899	74,950	-	54,206
Student & instructional related services	696,658	639,251	604,411	682,694	668,329	746,047	648,465	730,827	742,463	736,361
General administration	258,207	261,066	214,186	221,041	225,903	181,614	193,440	176,563	185,629	172,039
School administration services	146,748	154,388	147,524	133,608	138,048	124,734	118,735	121,898	116,533	125,634
Central services	182,617	188,998	202,975	203,615	188,170	196,183	189,072	211,340	170,201	179,217
Plant operations & maintenance	649,935	748,932	671,630	577,862	570,174	619,117	588,885	569,036	721,301	599,639
Pupil transportation	383,796	364,210	365,719	375,689	338,565	255,468	310,881	288,307	291,017	345,147
Employee benefits	793,770	853,775	1,050,274	1,066,660	1,112,959	1,028,928	1,154,708	1,252,847	1,189,714	1,430,710
On-behalf TPAF Pension & Social security contributions	443,032	452,268	440,191	509,754	633,260	548,021	616,039	693,474	763,601	867,829
Capital outlay	71,000	51,086	57,973	40,857	49,783	94,456	11,786	55,464	104,251	86,125
Capital projects	30,718	124,849	81,470	407,258	257,903	41,163	670,742	866,439	198,078	295,500
Special revenue funds	143,085	237,712	148,012	142,694	140,992	128,482	129,552	145,198	140,287	150,968
<b>Debt service</b>										
Principal	130,000	135,000	140,000	145,000	175,000	180,000	180,000	190,000	190,000	200,000
Interest & other charges	123,673	118,373	112,873	92,839	83,002	84,382	80,782	77,082	72,332	66,482
<b>Total expenditures</b>	<b>7,005,496</b>	<b>7,214,628</b>	<b>7,030,581</b>	<b>7,500,745</b>	<b>7,417,405</b>	<b>7,067,998</b>	<b>7,740,164</b>	<b>8,294,960</b>	<b>7,676,978</b>	<b>8,048,390</b>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Excess (deficiency) of revenues over (under) expenditures	\$ 273,396	\$ 286,665	\$ 369,129	\$ 35,764	\$ 196,609	\$ 877,560	\$ (58,936)	\$ (361,709)	\$ 440,340	\$ 265,669
Other financing sources (uses)										
NJSDA Grant deobligated	-	(31,556)	-	(34,068)	-	-	(79,054)	-	-	-
Transfers out	(10,000)	(40,000)	(10,000)	(20,000)	(10,000)	(10,000)	(10,000)	(15,000)	(20,000)	(64,500)
Total other financing sources (uses)	(10,000)	(71,556)	(10,000)	(54,068)	(10,000)	(10,000)	(89,054)	(15,000)	(20,000)	(64,500)
Net change in fund balances	\$ 263,396	\$ 215,109	\$ 359,129	\$ (18,304)	\$ 186,609	\$ 867,560	\$ (147,990)	\$ (376,709)	\$ 420,340	\$ 201,169
Debt service as a percentage of non-capital expenditures	3.81%	3.73%	3.81%	3.49%	3.77%	3.96%	3.84%	3.76%	3.69%	3.60%

Source: District Records

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

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Interest income	\$ 26,623	\$ 16,435	\$ 12,909	\$ 18,220	\$ 9,412	\$ 10,940	\$ 10,856	\$ 10,757	\$ 12,583	\$ 29,488
Tuition	2,000	15,700	22,000	29,561	30,945	42,628	64,671	61,645	51,600	50,347
Building use fees	5,051	7,811	6,587	7,175	6,175	5,100	6,375	7,438	4,850	4,700
Prior year refunds	135	16,867	23,582	4,994	385	1,079	7,050	8,292	554	373
Accounts payable canceled	2,210	-	222	622	6,156	2,808	3,043	2,038	4,331	5,141
Miscellaneous other	657	1,649	27	30	-	-	41	117	113	404
Semi payments	-	1,167	1,850	298	-	-	-	-	-	-
Energy audit	-	-	3,240	-	-	-	-	-	-	-
Sale of assets	-	-	-	2,400	-	-	-	6,356	-	3,930
Training fees	-	-	-	-	3,075	-	-	-	-	-
Sale of textbooks	-	-	-	-	1,304	79	-	-	-	-
iPad reimbursements	-	-	-	-	6,370	5,880	5,420	5,220	4,640	4,160
Workshops	-	-	-	-	-	5,025	-	-	-	-
NJ School boards insurance	-	-	-	-	-	-	-	-	-	-
Safety incentive	-	-	-	-	-	1,000	-	-	1,000	3,700
Donations	-	-	-	-	-	-	-	95	-	-
Annual totals	<u>\$ 36,676</u>	<u>\$ 59,629</u>	<u>\$ 70,417</u>	<u>\$ 63,300</u>	<u>\$ 63,822</u>	<u>\$ 74,539</u>	<u>\$ 97,456</u>	<u>\$ 101,958</u>	<u>\$ 79,671</u>	<u>\$ 102,243</u>

Source: District records

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Vacant land	\$ 24,913,500	\$ 19,877,000	\$ 19,848,200	\$ 20,682,400	\$ 20,444,100	\$ 18,828,600	\$ 22,065,150	\$ 21,949,750	\$ 20,706,400	\$ 20,700,000
Residential	494,471,800	421,467,300	422,700,800	417,770,800	420,624,300	422,482,000	421,252,699	428,026,899	427,194,899	430,839,699
Farm regular	126,078,000	111,387,300	111,775,600	114,411,900	113,888,600	113,765,600	113,811,201	110,891,300	113,641,700	110,696,300
Qualified farm	5,910,000	5,862,400	5,809,900	5,810,800	5,711,500	5,624,100	5,480,300	5,381,800	5,300,000	5,292,300
Commercial	40,870,300	34,544,300	35,078,200	34,583,000	34,945,700	34,980,300	34,962,700	35,012,700	34,962,400	34,962,400
Industrial	10,401,900	9,346,600	9,346,600	9,346,600	9,346,600	9,381,100	9,381,100	8,921,900	8,921,900	8,921,900
Apartment	2,262,500	2,018,900	1,988,300	1,988,300	1,988,300	1,988,300	1,988,300	1,988,300	1,988,300	1,947,600
<b>Total assessed value</b>	<b>704,908,000</b>	<b>604,503,800</b>	<b>606,547,600</b>	<b>604,593,800</b>	<b>606,949,100</b>	<b>607,050,000</b>	<b>608,941,450</b>	<b>612,172,649</b>	<b>612,715,599</b>	<b>613,360,199</b>
Public utilities (a)	1,359,500	1,639,850	1,559,512	1,663,096	1,480,282	1,476,753	1,653,010	1,544,943	1,545,288	1,545,288
<b>Net valuation taxable</b>	<b>\$706,267,500</b>	<b>\$606,143,650</b>	<b>\$608,107,112</b>	<b>\$606,256,896</b>	<b>\$608,429,382</b>	<b>\$608,526,753</b>	<b>\$610,594,460</b>	<b>\$613,717,592</b>	<b>\$614,260,887</b>	<b>\$614,905,487</b>
Estimated actual county equalized value	\$704,115,651	\$697,873,317	\$660,555,194	\$639,241,772	\$629,713,705	\$613,859,175	\$618,887,553	\$601,302,608	\$608,735,456	\$623,130,814
Percentage of net valuation to estimated actual equalized value	100.31%	86.86%	92.06%	94.84%	96.62%	99.13%	98.66%	102.06%	100.91%	98.68%
Total direct school tax rate (b)	0.750	0.895	0.892	0.907	0.906	0.905	0.920	0.920	0.950	0.966

\*

Source: Municipal tax assessor

NOTE: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment.

- (a) Taxable value of machinery, implements and equipment of telephone and messenger system companies
- (b) Tax rates are per \$100

\* Revalued/Reassessed

See independent auditors' report.

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

Assessment Year	School District Direct Rate				Regional School Rate	Overlapping Rates		Fire District	Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate	Municipality		County			
2009	\$ 0.714	\$ 0.036	\$ 0.750	\$ 0.413	\$ 0.188	\$ 0.342	\$ -	\$ 1.693	
2010	* 0.853	0.042	0.895	0.506	0.222	0.391	-	2.014	
2011	0.851	0.041	0.892	0.549	0.221	0.373	-	2.035	
2012	0.869	0.038	0.907	0.571	0.225	0.373	-	2.076	
2013	0.865	0.041	0.906	0.588	0.231	0.378	-	2.103	
2014	0.865	0.040	0.905	0.613	0.241	0.371	-	2.130	
2015	0.879	0.040	0.919	0.611	0.252	0.377	-	2.159	
2016	0.891	0.041	0.932	0.625	0.259	0.366	-	2.182	
2017	0.909	0.041	0.950	0.617	0.265	0.368	-	2.200	
2018	0.925	0.041	0.966	0.652	0.295	0.383	-	2.296	

Sources: Municipal Tax Collector

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

- (a) The District's basic tax rate is calculated from the A4F Form which is submitted with the budget and the net valuation taxable.
- (b) Rates for debt service are based on each year's requirements.
- \* Revalued/Reassessed

See independent auditors' report.

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

	2018			2009		
	Taxable Assessed	Rank	% of Total District Net Assessed Value	Taxable Assessed	Rank	% of Total District Net Assessed Value
	Value			Value		
Buckeye Pipeline Co	\$ 4,575,000	1	0.74%	\$ 10,414,400	1	1.47%
Kingwood Flex LLC	4,188,100	2	0.68%	-		0.00%
Mel Chemicals Inc	3,498,200	3	0.57%	-		0.00%
Buckeye Pipeline Co	3,040,000	4	0.49%	-		0.00%
Perini Properties LLC	2,895,500	5	0.47%	-		0.00%
Frenchtown III Solar LLC	2,628,700	6	0.43%	-		0.00%
869 Associates LLC	2,324,100	7	0.38%	2,700,000	6	0.38%
Frenchtown III Solar LLC	1,657,500	8	0.27%	-		0.00%
Individual Property Owner	1,650,800	9	0.27%	-		0.00%
Frenchtown II Solar LLC	1,500,000	10	0.24%	-		0.00%
Horseshoe Bend LLC	-		0.00%	4,919,200	2	0.70%
Magnesium Elektron Inc	-		0.00%	3,699,500	4	0.52%
Lutz Welding & Fabricating Inc	-		0.00%	3,279,100	5	0.46%
Frenchtown Run LLC	-		0.00%	2,500,000	7	0.35%
Route 12 Business Park LLC	-		0.00%	4,464,500	3	0.63%
Individual Property Owner	-		0.00%	1,833,400	8	0.26%
Individual Property Owner	-		0.00%	1,760,300	9	0.25%
Individual Property Owner	-		0.00%	1,748,200	10	0.25%
	<u>\$ 27,957,900</u>		<u>4.55%</u>	<u>\$ 37,318,600</u>		<u>5.28%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

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

Year Ending June 30,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2009	\$ 5,171,062	\$ 5,171,062	100.00%
2010	5,299,358	5,299,358	100.00%
2011	5,425,640	5,425,640	100.00%
2012	5,425,640	5,425,640	100.00%
2013	5,496,052	5,496,052	100.00%
2014	5,510,208	5,510,208	100.00%
2015	5,506,608	5,506,608	100.00%
2016	5,618,171	5,618,171	100.00%
2017	5,720,786	5,720,786	100.00%
2018	5,833,355	5,833,355	100.00%

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

- (a) School taxes are collected by the Municipal tax collector. Under New Jersey State Statute, a municipality is required to remit to the School District the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

See independent auditors' report.



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

Fiscal Year Ending June 30,	Governmental Activities			Business-Type Activities		Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2009	\$ 2,770,000	\$ -	\$ -	\$ -	\$ -	\$ 2,770,000	0.93%	\$ 683
2010	2,635,000	-	-	-	-	2,635,000	0.91%	649
2011	2,495,000	-	-	-	-	2,495,000	0.91%	652
2012	2,425,000	-	-	-	-	2,425,000	0.87%	633
2013	2,250,000	-	-	-	-	2,250,000	0.78%	590
2014	2,070,000	-	-	-	-	2,070,000	0.72%	544
2015	1,890,000	-	-	-	-	1,890,000	0.64%	500
2016	1,700,000	-	-	-	-	1,700,000	0.56%	450
2017	1,510,000	-	-	-	-	1,510,000	0.49%	402
2018	1,310,000	-	-	-	-	1,310,000	N/A	349

NOTES: (1) Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

(a) See Exhibit J-14 for personal income and population data.  
 These ratios are calculated using personal income and population for the prior calendar year.

N/A Information Is Not Available

See independent auditors' report.

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

Fiscal Year Ending June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 2,770,000	\$ -	\$ 2,770,000	0.39%	\$ 683
2010	2,635,000	-	2,635,000	0.43%	649
2011	2,495,000	-	2,495,000	0.41%	652
2012	2,425,000	-	2,425,000	0.40%	633
2013	2,250,000	-	2,250,000	0.37%	590
2014	2,070,000	-	2,070,000	0.34%	544
2015	1,890,000	-	1,890,000	0.31%	500
2016	1,700,000	-	1,700,000	0.28%	450
2017	1,510,000	-	1,510,000	0.25%	402
2018	1,310,000	-	1,310,000	0.21%	349

NOTES: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

- (a) See Exhibit J-6 for property tax data.
- (b) Population data can be found in Exhibit J-14.
- \* Revalued/Reassessed

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2017**

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Municipality	\$ 2,657,194	100.00%	\$ 2,657,194
Regional High School	1,065,000	26.04%	277,321
County general obligation debt	85,249,037	2.85%	<u>2,433,482</u>
Subtotal, overlapping debt			5,367,996
School District direct debt			<u>1,310,000</u>
Total direct and overlapping debt			<u><u>\$ 6,677,996</u></u>

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

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

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

See independent auditors' report.

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

Legal Debt Margin Calculation for Fiscal Year 2018

	Equalized Valuation Basis	
	2017	\$ 620,911,633
	2016	606,652,115
	2015	596,591,996
		<u>\$1,824,155,744</u>
Average equalized valuation of taxable property		<u>\$ 608,051,915</u>
Debt limit (3.0% of average equalization value)	(a)	\$ 18,241,557
Total net debt applicable to limit		<u>1,310,000</u>
Legal debt margin		<u>\$ 16,931,557</u>

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt limit	\$ 18,749,237	\$ 18,506,704	\$ 18,215,184	\$ 18,185,391	\$ 18,241,557
Total net debt applicable	<u>2,070,000</u>	<u>1,890,000</u>	<u>1,700,000</u>	<u>1,510,000</u>	<u>1,310,000</u>
Legal debt margin	<u>\$ 16,679,237</u>	<u>\$ 16,616,704</u>	<u>\$ 16,515,184</u>	<u>\$ 16,675,391</u>	<u>\$ 16,931,557</u>
Total net debt applicable to the limit as a percentage of debt limit	11.04%	10.21%	9.33%	8.30%	7.18%

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	\$ 20,812,146	\$ 21,124,196	\$ 20,626,001	\$ 19,915,021	\$ 19,219,333
Total net debt applicable	<u>2,770,000</u>	<u>2,635,000</u>	<u>2,495,000</u>	<u>2,425,000</u>	<u>2,250,000</u>
Legal debt margin	<u>\$ 18,042,146</u>	<u>\$ 18,489,196</u>	<u>\$ 18,131,001</u>	<u>\$ 17,490,021</u>	<u>\$ 16,969,333</u>
Total net debt applicable to the limit as a percentage of debt limit	13.31%	12.47%	12.10%	12.18%	11.71%

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

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

See independent auditors' report.

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

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2009	4057	\$ 290,189,096	\$ 71,528	7.8%
2010	3828	272,748,828	71,251	8.0%
2011	3829	278,800,977	72,813	7.8%
2012	3812	288,377,800	75,650	8.0%
2013	3807	286,986,888	75,384	4.9%
2014	3778	295,821,178	78,301	4.9%
2015	3779	304,681,875	80,625	4.7%
2016	3759	308,647,731	82,109	3.9%
2017	3752	N/A	N/A	3.9%
2018	N/A	N/A	N/A	N/A

Sources:

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

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

2018

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

2009

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

See independent auditors' report.

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

	<u>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>2018</u>
Function/Program										
Instruction										
Regular	32.0	31.5	30.0	30.2	28.7	27.2	26.2	26.2	26.2	26.2
Special education	10.0	9.0	9.1	8.0	8.0	9.5	10.5	10.0	10.0	10.0
Other instruction - aides	5.0	4.5	3.5	3.1	4.0	4.5	4.5	3.0	6.0	4.0
Support services										
Student and instruction related services	10.8	10.6	10.6	9.8	9.6	7.8	7.9	7.9	9.4	9.7
General administration	2.0	2.0	2.0	1.5	1.5	1.2	1.6	1.6	1.6	0.8
School administration services	2.4	2.4	2.4	1.9	1.9	1.8	1.5	1.5	1.7	1.4
Central services	2.3	2.3	2.3	2.3	2.4	2.4	2.1	3.1	2.1	2.1
Plant operations and maintenance	6.0	6.0	5.6	5.6	5.7	5.7	5.6	4.8	4.8	4.6
Pupil transportation	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5
Total	<u>70.8</u>	<u>68.6</u>	<u>65.8</u>	<u>62.7</u>	<u>62.2</u>	<u>60.5</u>	<u>60.4</u>	<u>58.6</u>	<u>62.2</u>	<u>59.3</u>

Source: District Personnel Records

See independent auditors' report.

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

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff ( b )	Teacher Ratio	Average Daily Enrollment (ADE) ( c )	Average Daily Attendance (ADA) ( c )	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	456	\$ 6,650,105	\$ 14,584	-1.54%	50.8	1:10.06	454.0	436.0	-1.54%	96.04%
2010	456	6,785,320	14,880	2.03%	49.1	1:10.70	447.9	430.7	-1.34%	96.16%
2011	435	6,638,265	15,260	2.56%	50.7	1:10.48	428.3	411.1	-4.38%	95.98%
2012	396	6,814,791	17,209	12.77%	46.4	1:11.10	412.7	396.0	-3.64%	95.95%
2013	409	6,851,717	16,752	-2.65%	47.7	1:10.93	408.7	391.2	-0.97%	95.72%
2014	370	6,667,997	18,022	7.58%	45.5	1:11.76	367.9	353.5	-9.98%	96.09%
2015	365	6,796,854	18,622	3.33%	45.3	1:11.76	360.3	344.9	-2.07%	95.73%
2016	364	7,105,975	19,522	4.84%	44.8	1:12.31	342.2	328.2	-5.02%	95.91%
2017	344	7,112,317	20,675	5.91%	44.8	1:13.02	343.5	329.0	0.38%	95.78%
2018	336	7,400,283	22,025	6.53%	44.8	1:13.33	335.7	322.4	-2.28%	96.04%

Source: District Records

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

See independent auditors' report.



**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**School Building Information**  
**Last Ten Fiscal Years**

District Building	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Elementary (1948)</u>										
Square feet	67,519	67,519	67,519	67,519	67,519	67,519	67,519	67,519	67,519	65,719
Capacity (students)	607.0	607.0	607.0	607.0	607.0	607.0	607.0	607.0	607.0	607.0
Average daily enrollment	454.0	447.9	431.8	396.0	409.0	367.9	360.3	342.2	343.5	335.7

Number of schools at June 30, 2018:

Elementary	1
Middle School	-
High School	-
Other	-

Source: District Facilities Office

N/A = Not Available

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

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

Undistributed Expenditures - Required Maintenance for School Facilities

<u>Fiscal Year Ending</u>	<u>Amount</u>	<u>Total</u>
2009	\$ 47,910	\$ 47,910
2010	88,308	88,308
2011	56,596	56,596
2012	61,878	61,878
2013	62,723	62,723
2014	35,095	35,095
2015	31,968	31,968
2016	57,768	57,768
2017	182,472	182,472
2018	39,609	39,609
Total school facilities	<u>\$ 664,327</u>	<u>\$ 664,327</u>

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

Source: District Records

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Insurance Schedule**  
**June 30, 2018**  
**(Unaudited)**

	Coverage	Deductible
School Commercial Package Policy - New Jersey School Insurance Group (NJSIG)		
Property - Building Blanket and Contents (Policy Limit)	\$ 15,821,443	\$ 1,000
Comprehensive General Liability (Policy Limit)	16,000,000	-
Comprehensive Automobile Liability (Policy Limit)	16,000,000	-
School Board Legal Liability - New Jersey School Insurance Group (NJSIG)		
Directors and Officers Policy	16,000,000	5,000
Workmen's Compensation - New Jersey School Insurance Group (NJSIG)		
Per Accident, Disease and Disease Limit	2,000,000	-
Public Employees' Faithful Performance - New Jersey School Insurance Group (NJSIG)		
Blanket Position Bond	50,000	500
Treasurer of School Monies Bond	250,000	1,000
School Board Secretary Bond	250,000	1,000

Source: District Records

See independent auditors' report.

**SINGLE AUDIT SECTION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Kingwood Township School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 4, 2019.

Internal Control over Financial Reporting

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

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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



**BKC, CPAs, PC**



Michael Holk, CPA, PSA

February 4, 2019  
Flemington, New Jersey



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

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

Report on Compliance for Each Major State Program

We have audited the Kingwood Township School District's, (the District), 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, 2018. The District'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 state statutes, regulations, and the terms and conditions of its state awards 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; and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08. Those standards, and the OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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.

### Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

### Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 the 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 District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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. Accordingly, this report is not suitable for any other purpose.



**BKC, CPAs, PC**



Michael Holk, CPA, PSA

February 4, 2019  
Flemington, New Jersey

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards - Schedule A**  
**For the Fiscal Year Ended June 30, 2018**

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2017		Cash Received	Budgetary Expenditure	Adjust- ment	Repayment of Prior Year Balance	Balance June 30, 2018		
					From	To	(Acct Rec) Def Revenue	Carryover Amount					Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education passed through State Department of Education															
Special revenue fund															
Title I A	84.010A	S010A170030	ESSA-2450-18	\$ 25,737	07/01/17	06/30/18	\$ -	\$ -	\$ 25,737	\$ 25,737	\$ -	\$ -	\$ -	\$ -	\$ -
Title II A	84.367A	S367A170029	ESSA-2450-18	5,977	07/01/17	06/30/18	-	-	5,977	5,977	-	-	-	-	-
Title IV	84.424	S424A170031	ESSA-2450-18	10,000	07/01/17	06/30/18	-	-	10,000	10,000	-	-	-	-	-
Small, rural school achievement program	84.358	S358B170030	S358A170447	34,771	07/01/17	06/30/18	-	-	34,771	34,771	-	-	-	-	-
IDEA Basic	84.027A	H027A170100	IDEA-2450-18	70,941	07/01/17	06/30/18	-	-	70,941	70,941	-	-	-	-	-
IDEA Preschool	84.173A	H173A170114	IDEA-2450-18	3,542	07/01/17	06/30/18	-	-	3,542	3,542	-	-	-	-	-
Total special revenue fund							<u>-</u>	<u>-</u>	<u>150,968</u>	<u>150,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
U.S. Department of Agriculture passed through State Department of Agriculture															
Enterprise fund															
Child nutrition center															
National school lunch program non-cash assistance (commodities)	10.555	171NJ304N1099	N/A	8,977	10/01/16	09/30/17	772	-	-	772	-	-	-	-	-
National school lunch program non-cash assistance (commodities)	10.555	181NJ304N1099	N/A	7,034	10/01/17	09/30/18	-	-	7,034	6,001	-	-	-	1,033	-
National school lunch program cash assistance	10.555	171NJ304N1099	N/A	21,862	10/01/16	09/30/17	(1,298)	-	1,298	-	-	-	-	-	-
National school lunch program cash assistance	10.555	181NJ304N1099	N/A	20,981	10/01/17	09/30/18	-	-	19,488	20,981	-	-	(1,493)	-	-
Total enterprise fund							<u>(526)</u>	<u>-</u>	<u>27,820</u>	<u>27,754</u>	<u>-</u>	<u>-</u>	<u>(1,493)</u>	<u>1,033</u>	<u>-</u>
Total federal financial assistance							<u>\$ (526)</u>	<u>\$ -</u>	<u>\$ 178,788</u>	<u>\$ 178,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,493)</u>	<u>\$ 1,033</u>	<u>\$ -</u>

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Expenditures of State Financial Assistance - Schedule B**  
**For the Fiscal Year Ended June 30, 2018**

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2017		Cash Received	Budgetary Expenditure	Adjustments	Balance June 30, 2018			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General fund														
Transportation aid	18-495-034-5120-014	\$ 157,946	07/01/17	06/30/18	\$ -	\$ -	\$ 142,479	\$ 157,946	\$ -	\$ -	\$ -	\$ -	\$ 15,467	\$ 157,946
Special education categorical aid	18-495-034-5120-089	244,823	07/01/17	06/30/18	-	-	220,848	244,823	-	-	-	-	23,975	244,823
Equalization aid	18-495-034-5120-078	441,447	07/01/17	06/30/18	-	-	398,217	441,447	-	-	-	-	43,230	441,447
Security aid	18-495-034-5120-084	31,021	07/01/17	06/30/18	-	-	27,983	31,021	-	-	-	-	3,038	31,021
Adjustment aid	18-495-034-5120-085	274,896	07/01/17	06/30/18	-	-	247,976	274,896	-	-	-	-	26,920	274,896
School choice aid	18-495-034-5120-068	134,123	07/01/17	06/30/18	-	-	120,988	134,123	-	-	-	-	13,135	134,123
PARCC Readiness aid	18-495-034-5120-098	3,440	07/01/17	06/30/18	-	-	3,103	3,440	-	-	-	-	337	3,440
Per pupil growth aid	18-495-034-5120-097	3,160	07/01/17	06/30/18	-	-	2,823	3,160	-	-	-	-	337	3,160
Professional learning community aid	18-495-034-5120-101	3,440	07/01/17	06/30/18	-	-	3,131	3,440	-	-	-	-	309	3,440
Extraordinary special education costs aid	17-495-034-5120-044	102,761	07/01/16	06/30/17	(102,761)	-	102,761	-	-	-	-	-	-	102,761
Extraordinary special education costs aid	18-495-034-5120-044	59,735	07/01/17	06/30/18	-	-	-	59,735	-	(59,735)	-	-	-	59,735
Non-public transportation aid	17-495-034-5120-014	1,914	07/01/16	06/30/17	(1,914)	-	1,914	-	-	-	-	-	-	1,914
Non-public transportation aid	18-495-034-5120-014	2,900	07/01/17	06/30/18	-	-	-	2,900	-	(2,900)	-	-	-	2,900
Lead testing for schools aid	18-495-034-5120-104	1,310	07/01/17	06/30/18	-	-	1,310	1,310	-	-	-	-	-	1,310
Reimbursed TPAF Social security contribution	17-495-034-5094-003	191,064	07/01/16	06/30/17	(9,645)	-	9,645	-	-	-	-	-	-	191,064
Reimbursed TPAF Social security contribution	18-495-034-5094-003	201,210	07/01/17	06/30/18	-	-	201,210	201,210	-	-	-	-	-	201,210
On behalf TPAF Pension contribution - Teacher's pension & annuity fund	18-495-034-5094-002	395,168	07/01/17	06/30/18	-	-	395,168	395,168	-	-	-	-	-	395,168
On behalf TPAF Pension contribution - non-contributory insurance	18-495-034-5094-004	9,590	07/01/17	06/30/18	-	-	9,590	9,590	-	-	-	-	-	9,590
On behalf TPAF Pension contribution - long-term disability insurance	18-495-034-5094-004	436	07/01/17	06/30/18	-	-	436	436	-	-	-	-	-	436
On behalf TPAF Pension contribution - post retirement medical	18-495-034-5094-001	261,425	07/01/17	06/30/18	-	-	261,425	261,425	-	-	-	-	-	261,425
Total general fund					<u>(114,320)</u>	<u>-</u>	<u>2,151,007</u>	<u>2,226,070</u>	<u>-</u>	<u>(62,635)</u>	<u>-</u>	<u>-</u>	<u>126,748</u>	<u>2,521,809</u>
State Department of Agriculture														
Enterprise fund														
National school lunch program (St share)	17-100-010-3350-023	1,119	07/01/16	06/30/17	(68)	-	68	-	-	-	-	-	-	1,119
National school lunch program (St share)	18-100-010-3350-023	1,379	07/01/17	06/30/18	-	-	1,280	1,379	-	(99)	-	-	-	1,379
Total enterprise fund					<u>(68)</u>	<u>-</u>	<u>1,348</u>	<u>1,379</u>	<u>-</u>	<u>(99)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,498</u>
Total state financial assistance					<u>\$ (114,388)</u>	<u>\$ -</u>	<u>\$ 2,152,355</u>	<u>2,227,449</u>	<u>\$ -</u>	<u>\$ (62,734)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,748</u>	<u>\$ 2,524,307</u>
Less: On behalf TPAF pension system contributions								<u>(666,619)</u>						
Total for state financial assistance - major program determination								<u>\$ 1,560,830</u>						

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Fiscal Year Ended June 30, 2018**

Note 1 - General

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

Note 2 - Basis of accounting

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 (C) and 1 (D) to the District's Basic Financial Statements.

Note 3 - Relationship of financial statements

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$1,423 for the general fund and \$0 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Fiscal Year Ended June 30, 2018**

Note 3 - Relationship of financial statement (continued)

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

	Federal	State	Total
General fund	\$ -	\$ 2,227,493	\$ 2,227,493
Special revenue fund	150,968	-	150,968
Food service fund	27,754	1,379	29,133
Total awards and financial assistance	\$ 178,722	\$ 2,228,872	\$ 2,407,594

Note 4 - Relationship to federal and state financial reports

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

Note 5 - Other

Revenues and expenditures reported under the USDA Commodities Program represent current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2018. TPAF Social Security Contribution represents the amount reimbursed by the state for the employer's share of Social Security Contributions for TPAF members for the year ended June 30, 2018.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section I**  
**For the Fiscal Year Ended June 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

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

Noncompliance material to basic financial statements noted?

Yes  No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

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

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

Unmodified

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

Yes  No

Identification of Major Programs:

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

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

\_\_\_\_\_

Did the auditee qualify as a low-risk auditee?

Yes  No

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section I**  
**For the Fiscal Year Ended June 30, 2018**

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

State Awards

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

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

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

State Grant/Project Numbers	Name of State Program
<i>18-495-034-5120-089</i>	<i>State Aid Public Cluster:</i>
<i>18-495-034-5120-078</i>	<i>Special Education Categorical Aid</i>
<i>18-495-034-5120-084</i>	<i>Equalization Aid</i>
<i>18-495-034-5120-068</i>	<i>Security Aid</i>
<i>18-495-034-5120-097</i>	<i>School Choice Aid</i>
<i>18-495-034-5120-098</i>	<i>Per Pupil Growth Aid</i>
<i>18-495-034-5120-101</i>	<i>PARCC Readiness Aid</i>
<i>18-495-034-5120-085</i>	<i>Professional Learning Community Aid</i>
<i>18-495-034-5094-003</i>	<i>Adjustment Aid</i>
	<i>Reimbursed TPAF Social Security Contribution</i>

**KINGWOOD TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section II and III**  
**For the Fiscal Year Ended June 30, 2018**

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2018.

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

There were no findings or questioned costs for the year ended June 30, 2018.



**KINGWOOD TOWNSHIP SCHOOL DISTRICT  
Summary Schedule of Prior - Year Audit Findings  
and Questioned Costs as Prepared by Management  
For the Fiscal Year Ended June 30, 2018**

Status of Prior Year Findings

There were no prior year findings or questioned costs.