

**KINGWOOD TOWNSHIP
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2019

**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, 2019

TABLE OF CONTENTS

	<u>Page</u>
Introduction Section	
Letter of Transmittal	1 - 5
Organizational Chart	6
Roster of Officials	7
Consultants and Advisors	8
 Financial Section	
Independent Auditors' Report	9 - 11
 Required Supplementary Information - Part I	
Management's Discussion and Analysis	12 - 19
 Basic Financial Statements	
A. District-Wide Financial Statements	
A-1 Statement of Net Position	20
A-2 Statement of Activities	21
 B. Fund Financial Statements	
Governmental Funds	
B-1 Balance Sheet	22 - 23
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	24 - 25
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Proprietary Funds	
B-4 Statement of Net Position	27
B-5 Statement of Revenues, Expenses, and Changes in Net Position	28
B-6 Statement of Cash Flows	29
Fiduciary Funds	
B-7 Statement of Net Position	30
B-8 Statement of Changes in Net Position	31
 Notes to the Financial Statements	32 - 67

**KINGWOOD TOWNSHIP
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules	
C-1 General Fund - Budgetary Comparison Schedule	68 - 74
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	N/A
C-1b Community Development Block Grant - Budget and Actual	N/A
C-2 Special Revenue Fund - Budgetary Comparison Schedule	75
Notes to the Required Supplementary Information - Part II	
C-3 Budget-to-GAAP Reconciliation	76
Required Supplementary Information - Part III	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1 Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System	77
L-2 Schedule of District's Contributions - Public Employees Retirement System	78
L-3 Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund	79
L-4 Schedule of District's Contributions - Teacher's Pension and Annuity Fund	80
M. Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits (GASB 75)	
M-1 Schedule of the District's Proportionate Share of the Net Other Postemployment Employee Benefits Liability	81
Notes to the Required Supplementary Information - Part III	
	82

**KINGWOOD TOWNSHIP
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Other Supplementary Information	
D. School Based Budget Schedules	N/A
Combining and Individual Non-Major Fund Financial Statements	
E. Special Revenue Fund	
E-1 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis	83
F. Capital Projects Fund	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis	N/A
F-2a Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis	N/A
G. Proprietary Funds	
Enterprise Fund	
G-1 Statement of Net Position	N/A
G-2 Statement of Revenues, Expenses, and Changes in Fund Net Position	N/A
G-3 Statement of Cash Flows	N/A
H. Fiduciary Funds	
H-1 Combining Statement of Net Position	84
H-2 Statement of Changes in Net Position	85
H-3 Student Activity Agency Fund Schedule of Receipts & Disbursements	86
H-4 Payroll Agency Fund Schedule of Receipts & Disbursements	86
I. Long-Term Debt	
I-1 Schedule of Serial Bonds	87
I-2 Schedule of Obligations under Capital Leases	N/A
I-3 Debt Service Fund - Budgetary Comparison Schedule	88
Statistical Section	
J. Statistical Section	
J-1 Net Position by Component	89
J-2 Changes in Net Position	90 - 92
J-3 Fund Balances - Governmental Funds	93
J-4 Changes in Fund Balances - Governmental Funds	94 - 95

**KINGWOOD TOWNSHIP
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
J. Statistical Section (continued)	
J-5 General Fund - Other Local Revenues by Source	96
J-6 Assessed Value and Actual Value of Taxable Property	97
J-7 Direct and Overlapping Property Tax Rates	98
J-8 Principal Property Taxpayers	99
J-9 Property Tax Levies and Collections	100
J-10 Ratios of Outstanding Debt by Type	101
J-11 Ratios of Net General Bonded Debt Outstanding	102
J-12 Direct and Overlapping Governmental Activities Debt	103
J-13 Legal Debt Margin Information	104
J-14 Demographic and Economic Statistics	105
J-15 Principal Employers	106
J-16 Full Time Equivalent District Employees by Function/Program	107
J-17 Operating Statistics	108
J-18 School Building Information	109
J-19 Schedule of Required Maintenance Expenditures by School Facility	110
J-20 Insurance Schedule	111
Single Audit Section	
K. Single Audit Section	
K-1 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	112 - 113
K-2 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.	114 - 116
K-3 Schedule of Expenditures of Federal Awards, Schedule A	117
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	118
K-5 Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	119 - 120
K-6 Schedule of Findings and Questioned Costs - Section I	121 - 122
K-7 Schedule of Findings and Questioned Costs - Section II and III	123
K-8 Summary Schedule of Prior Year Audit Findings and Questioned Costs as Prepared by Management	124

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
Fax: (908) 996-7268

Michele McCann
Business Administrator/Board Secretary
Phone: (908) 996-2941 x 516
E-mail: bberiont@kingwoodschool.org
Fax: (908) 996-0075

November 13, 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, 2019 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 2018-2019 fiscal year with an average daily enrollment of 330.6 students, which is a 1.52 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>
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%)
2018-2019	330.6	(1.52%)

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 New Jersey Student Learning Assessments for English Language Arts/Literacy (NJSLA-ELA) and Mathematics (NJSLA-M).

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 2018-2019 academic school year were implementing Data Meetings for math and ELA and SEL. 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.

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, 2019.

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, 2019, the District's outstanding debt was \$1,105,000. 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, CPAs, PC, was appointed by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. The auditor's report on the general-purpose financial statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

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

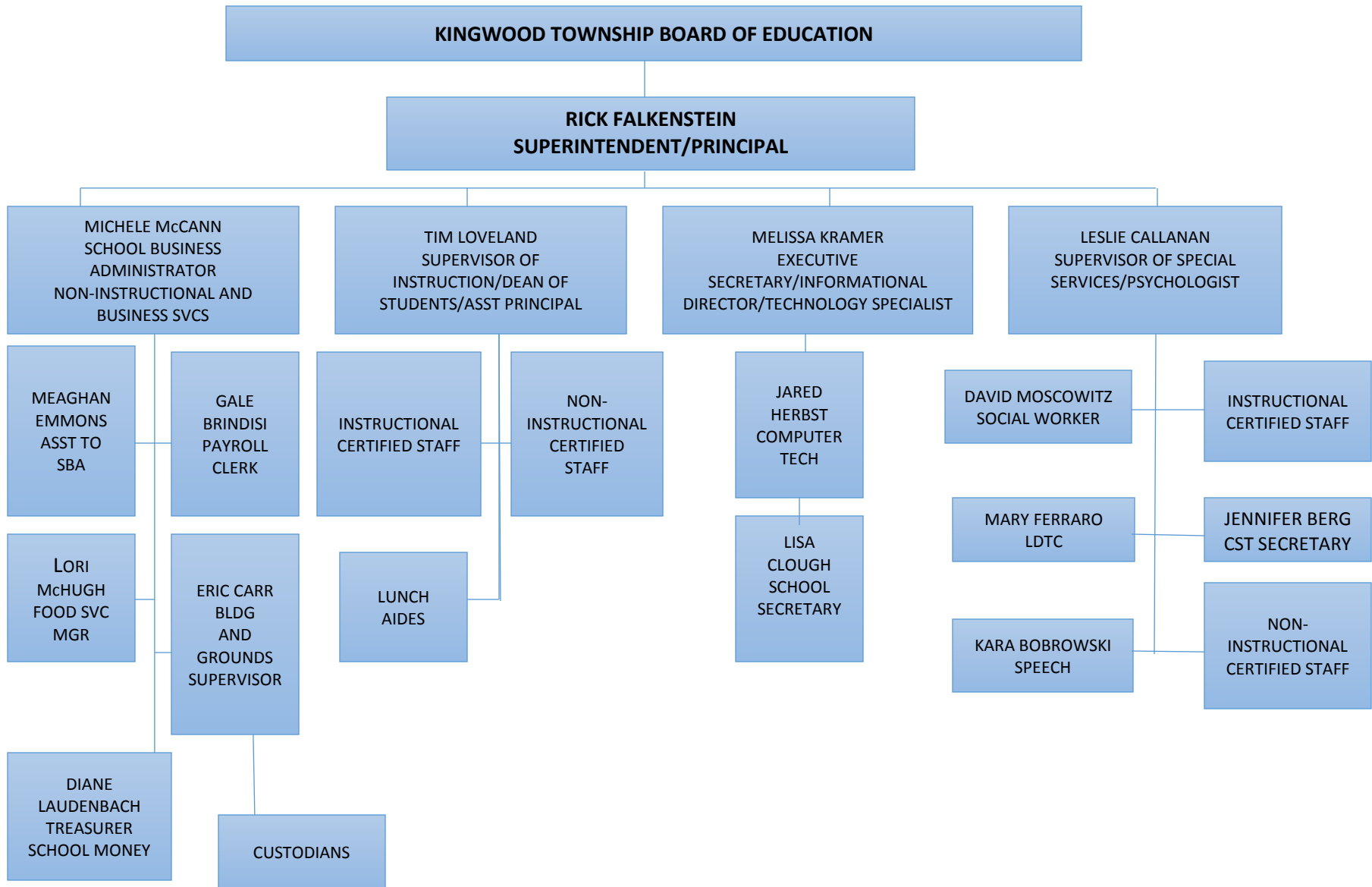
Respectfully submitted,



Dr. Rick Falkenstein
Chief School Administrator



Michele McCann
School Business Administrator/Board Secretary



KINGWOOD TOWNSHIP SCHOOL DISTRICT
880 County Road 519
Frenchtown, NJ 08825
June 30, 2019

Roster of Officials

Members of the Board of Education	Title	Term Expires
Paymon Jelvani	President	2021
Kevin Bloom	Vice President	2021
Sara Daly-Padron		2021
Jill Lonergan		2020
Donna Ray		2020
Shannon Sklodowsky		2020
Michael DeSapio		2019
Donna Herbel		2019
Russell Pitzner		2019
Other Officials		
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, 2019

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

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

OFFICIAL DEPOSITORY

Investors Savings Bank



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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kingwood Township School District (the District) in the County of Hunterdon, as of and for the year ended June 30, 2019, 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 Kingwood Township School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 November 13, 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
NO. 20CS00265600

November 13, 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, 2019
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, 2019. 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 2019 are as follows:

- In total, net position increased \$728,349, which represents a 10.07% increase from 2018.
- General revenues accounted for \$9,943,768 in revenue or 96.57% of all revenues. Program specific revenues in the form of charges for services, operating grants, and contributions accounted for \$353,374 or 3.43% to total revenues of \$10,297,142.
- Total assets of governmental activities increased by \$595,294, as cash and cash equivalents increased by \$489,695, receivables and other assets increased by \$53,364, and capital assets increased by \$52,235.
- The School District had \$9,568,793 in expenses; only \$353,374 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$9,943,768 were adequate to provide for these programs.
- Among major funds, the general fund had \$8,222,159 in revenues and \$7,598,142 in expenditures. After factoring in other financing uses of \$90,000, the general fund's balance increased \$534,017 from 2018.

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, 2019
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 2019?" 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, 2019
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, 2019 compared to June 30, 2018.

Table 1
Net Position

	06/30/19	06/30/18	Variance	
			Dollars	Percent
Assets				
Current & other assets	\$ 3,364,765	\$ 2,826,995	\$ 537,770	19.02%
Capital assets	7,837,605	7,790,759	46,846	0.60%
Total assets	11,202,370	10,617,754	584,616	5.51%
Deferred pension activity				
Total deferred outflow of resources	741,924	770,612	(28,688)	-3.72%
Liabilities				
Long-term liabilities	3,186,147	3,531,288	(345,141)	-9.77%
Other liabilities	117,299	119,243	(1,944)	-1.63%
Total liabilities	3,303,446	3,650,531	(347,085)	-9.51%
Deferred pension activity				
Total deferred inflow of resources	679,857	505,193	174,664	34.57%
Net position				
Net investment in capital assets	6,732,605	6,480,759	251,846	3.89%
Restricted	2,342,525	1,849,981	492,544	26.62%
Unrestricted	(1,114,139)	(1,098,098)	(16,041)	1.46%
Total net position	\$ 7,960,991	\$ 7,232,642	\$ 728,349	10.07%

Total assets increased \$584,616. Cash and cash equivalents increased by \$485,140, receivables and other assets increased by \$52,630, and capital assets increased by \$46,846. 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 decreased by \$16,041.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The negative balance in unrestricted net position 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, 2019 compared to June 30, 2018.

Table 2
Changes in Net Position

	06/30/19	06/30/18	Variance	
			Dollars	Percent
Revenues				
Program revenues				
Charges for services	\$ 174,376	\$ 136,913	\$ 37,463	27.36%
Operating grants and contributions	178,998	180,101	(1,103)	-0.61%
General revenues				
Property taxes	5,942,872	5,833,355	109,517	1.88%
Grants and entitlements	3,913,662	4,525,951	(612,289)	-13.53%
Other	87,234	43,516	43,718	100.46%
Total revenues	10,297,142	10,719,836	(422,694)	-3.94%
Expenses				
Instruction				
Regular	4,089,154	4,363,152	(273,998)	-6.28%
Special	1,101,860	1,283,334	(181,474)	-14.14%
Other	678,236	685,560	(7,324)	-1.07%
Support services				
Tuition	144,006	125,147	18,859	15.07%
Student & instructional related services	1,441,208	1,594,169	(152,961)	-9.60%
General & business administration	631,323	662,575	(31,252)	-4.72%
School administration	223,718	249,681	(25,963)	-10.40%
Maintenance	717,291	799,735	(82,444)	-10.31%
Transportation	372,903	374,274	(1,371)	-0.37%
Food service	118,002	116,586	1,416	1.21%
Interest on long-term debt	51,092	57,236	(6,144)	-10.73%
Total expenses	9,568,793	10,311,449	(742,656)	-7.20%
Increase (decrease) in net position	\$ 728,349	\$ 408,387	\$ 319,962	78.35%

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Governmental Activities

Local property taxes made up 57.71% of revenues for governmental activities for the Kingwood Township School District for fiscal year 2019.

Instruction comprises 61.34% of district expenses. Support services expenses make up 38.66% 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, 2019 compared to June 30, 2018.

Table 3
Cost of Governmental Services

	Total Cost of Services		Net Cost of Services	
	06/30/19	06/30/18	06/30/19	06/30/18
Instruction	\$ 5,869,250	\$ 6,332,046	\$ 5,720,420	\$ 6,216,149
Support services				
Tuition	144,006	125,147	74,232	54,206
Student & instructional staff	1,441,208	1,594,169	1,428,852	1,579,692
General & business administration	631,323	662,575	631,323	662,575
School administration	223,718	249,681	223,718	249,681
Plant operations & maintenance	717,291	799,735	710,041	795,035
Pupil transportation	372,903	374,274	372,903	374,274
Food services	118,002	116,586	2,838	5,587
Interest on long-term debt	51,092	57,236	51,092	57,236
Total expenses	<u>\$ 9,568,793</u>	<u>\$ 10,311,449</u>	<u>\$ 9,215,419</u>	<u>\$ 9,994,435</u>

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
For the Fiscal Year Ended June 30, 2019
Unaudited

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

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

The dependence upon tax revenues is apparent. For all activities, general revenue support is 96.5%. 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 \$8,619,214 and expenditures of \$7,995,197. The general fund had an increase in fund balance of \$534,017.

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 \$7,247,873, \$217,283 above original budgeted estimates of \$7,030,590. 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, 2019
Unaudited

The general fund revenues of the School District exceeded expenditures and other financing uses by \$532,326, due to excess revenues of \$217,283 and unspent budgetary lines. This enabled the capital reserve account to be increased by \$350,000, increase Emergency Reserve by \$44,446, and increase maintenance reserve by \$75,000. The financial position of the School District remains strong.

Capital Assets

At the end of the fiscal year 2019, the School District had \$7,837,605 invested in land, building, furniture and equipment. Table 4 shows June 30, 2019 balances compared to June 30, 2018.

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

	06/30/19	06/30/18	Variance	
			Dollars	Percent
Land	\$ 115,000	\$ 115,000	\$ -	0.00%
Construction in progress	-	22,770	52,010	83.18%
Land improvements	648,653	687,918	(645)	-66.70%
Buildings & improvements	6,829,349	6,694,649	(140,139)	-3.77%
Furniture & equipment	244,603	270,422	(30,406)	-15.06%
	<u>\$ 7,837,605</u>	<u>\$ 7,790,759</u>	<u>\$ (119,180)</u>	<u>-2.94%</u>

Overall capital assets increased \$46,846 from fiscal year 2018 to fiscal year 2019. Increases in capital assets were offset by depreciation expenses for the year.

Long-term liabilities

At June 30, 2019, the School District had \$3,186,147 of outstanding long-term liabilities. This amount is detailed in Table 5 below for June 30, 2019 compared to June 30, 2018.

At June 30, 2019, the legal debt limit is \$18,391,503. General obligation debt at June 30, 2019 is \$1,105,000 resulting in a legal debt margin of \$17,286,503.

Table 5
Long-Term Liabilities at Year End

	06/30/19	06/30/18	Variance	
			Dollars	Percent
General obligation bonds payable	\$ 1,105,000	\$ 1,310,000	\$ (205,000)	-15.65%
Compensated absences payable	281,322	281,957	(635)	-0.23%
PERS net pension liability	1,767,345	1,900,355	(133,010)	-7.00%
Bond premium	32,480	38,976	(6,496)	-16.67%
	<u>\$ 3,186,147</u>	<u>\$ 3,531,288</u>	<u>\$ (345,141)</u>	<u>-9.77%</u>

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
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. A flooring project updated the entire school's floors in the 2018-2019 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.

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, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 880,632	\$ 21,151	\$ 901,783
Receivables, net	117,191	1,346	118,537
Inventory	-	1,920	1,920
Restricted assets			
Capital reserve account - cash	1,727,525	-	1,727,525
Emergency reserve - cash	250,000	-	250,000
Maintenance reserve - cash	365,000	-	365,000
Capital assets, net			
Land	115,000	-	115,000
Other capital assets, net of depreciation	7,697,964	24,641	7,722,605
Total assets	<u>11,153,312</u>	<u>49,058</u>	<u>11,202,370</u>
Deferred outflows of resources			
Deferred amount on pension activity	<u>741,924</u>	<u>-</u>	<u>741,924</u>
Liabilities			
Accounts payable	91,978	-	91,978
Accrued interest	18,333	-	18,333
Unearned revenue	2,188	4,650	6,838
Other current liabilities	150	-	150
Long-term liabilities			
Due within one year	211,496	-	211,496
Due beyond one year	2,974,651	-	2,974,651
Total liabilities	<u>3,298,796</u>	<u>4,650</u>	<u>3,303,446</u>
Deferred inflows of resources			
Deferred amount on pension liability	<u>679,857</u>	<u>-</u>	<u>679,857</u>
Net position			
Net investment in capital assets	6,707,964	24,641	6,732,605
Restricted for			
Capital reserve	1,727,525	-	1,727,525
Emergency reserve	250,000	-	250,000
Maintenance reserve	365,000	-	365,000
Unrestricted	<u>(1,133,906)</u>	<u>19,767</u>	<u>(1,114,139)</u>
Total net position	<u>\$ 7,916,583</u>	<u>\$ 44,408</u>	<u>\$ 7,960,991</u>

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

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	\$ 1,968,966	\$ 2,120,188	\$ 81,980	\$ 44,339	\$ -	\$ (3,962,835)	\$ -	\$ (3,962,835)
Special education	515,721	586,139	-	3,584	-	(1,098,276)	-	(1,098,276)
Other special education	251,615	292,295	-	18,927	-	(524,983)	-	(524,983)
Other instruction	53,913	80,413	-	-	-	(134,326)	-	(134,326)
Support services								
Tuition	144,006	-	-	69,774	-	(74,232)	-	(74,232)
Students & instruction related services	727,386	713,822	-	12,356	-	(1,428,852)	-	(1,428,852)
General & business administration services	342,940	288,383	-	-	-	(631,323)	-	(631,323)
School administration services	110,062	113,656	-	-	-	(223,718)	-	(223,718)
Plant operations & maintenance	577,424	139,867	7,250	-	-	(710,041)	-	(710,041)
Pupil transportation	351,066	21,837	-	-	-	(372,903)	-	(372,903)
Interest on long-term debt	51,092	-	-	-	-	(51,092)	-	(51,092)
Total governmental activities	<u>5,094,191</u>	<u>4,356,600</u>	<u>89,230</u>	<u>148,980</u>	<u>-</u>	<u>(9,212,581)</u>	<u>-</u>	<u>(9,212,581)</u>
Business-type activities								
Food service	118,002	-	85,146	30,018	-	-	(2,838)	(2,838)
Total business-type activities	<u>118,002</u>	<u>-</u>	<u>85,146</u>	<u>30,018</u>	<u>-</u>	<u>-</u>	<u>(2,838)</u>	<u>(2,838)</u>
Total primary government	<u>\$ 5,212,193</u>	<u>\$ 4,356,600</u>	<u>\$ 174,376</u>	<u>\$ 178,998</u>	<u>\$ -</u>	<u>(9,212,581)</u>	<u>(2,838)</u>	<u>(9,215,419)</u>
General revenues, special items & transfers								
Property taxes levied for general purposes						5,694,797	-	5,694,797
Property taxes levied for debt service						248,075	-	248,075
Federal & state aid not restricted						3,913,662	-	3,913,662
Investment earnings						42,068	327	42,395
Miscellaneous income						44,839	-	44,839
Total general revenues, special items & transfers						<u>9,943,441</u>	<u>327</u>	<u>9,943,768</u>
Change in net position						730,860	(2,511)	728,349
Net position - beginning						7,185,723	46,919	7,232,642
Net position - ending						<u>\$ 7,916,583</u>	<u>\$ 44,408</u>	<u>\$ 7,960,991</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, 2019

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ 880,632	\$ -	\$ -	\$ -	\$ 880,632
Due from other funds	3,486	-	-	-	3,486
Receivables from other governments					
State	113,555	-	-	-	113,555
Federal	-	3,486	-	-	3,486
Other accounts receivable	150	-	-	-	150
Restricted cash and cash equivalents	2,342,525	-	-	-	2,342,525
Total assets	\$ 3,340,348	\$ 3,486	\$ -	\$ -	\$ 3,343,834
Liabilities and fund balances					
Liabilities					
Due from other funds	\$ -	\$ 3,486	\$ -	\$ -	\$ 3,486
Accounts payable	91,978	-	-	-	91,978
Unearned revenue	2,188	-	-	-	2,188
Other current liabilities	150	-	-	-	150
Total liabilities	94,316	3,486	-	-	97,802

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet (continued)
June 30, 2019

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures	\$ 153,997	\$ -	\$ -	\$ -	\$ 153,997
Excess surplus - current year	243,772	-	-	-	243,772
Capital reserve	1,727,525	-	-	-	1,727,525
Emergency reserve	250,000	-	-	-	250,000
Maintenance reserve	365,000	-	-	-	365,000
Committed fund balance					
Year-end encumbrances	277,226	-	-	-	277,226
Unassigned fund balance	228,512	-	-	-	228,512
Total fund balances	<u>3,246,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,246,032</u>
Total liabilities and fund balances	<u>\$ 3,340,348</u>	<u>\$ 3,486</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 \$12,149,732 and the accumulated depreciation is \$4,336,768.	7,812,964
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	62,067
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.	(3,186,147)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(18,333)</u>
Total net position of governmental activities	<u>\$ 7,916,583</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, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 5,694,797	\$ -	\$ -	\$ 248,075	\$ 5,942,872
Tuition					
Individuals	72,980	-	-	-	72,980
Other sources	9,000	-	-	-	9,000
Interest	42,068	-	-	-	42,068
Rents and royalties	7,250	-	-	-	7,250
Miscellaneous	44,839	-	-	-	44,839
Total local sources	<u>5,870,934</u>	<u>-</u>	<u>-</u>	<u>248,075</u>	<u>6,119,009</u>
State sources	2,351,225	-	-	-	2,351,225
Federal sources	-	148,980	-	-	148,980
Total revenues	<u>8,222,159</u>	<u>148,980</u>	<u>-</u>	<u>248,075</u>	<u>8,619,214</u>
Expenditures					
Current					
Instructional					
Regular instruction	1,924,627	44,339	-	-	1,968,966
Special education instruction	512,137	3,584	-	-	515,721
Other special instruction	232,688	18,927	-	-	251,615
Other instruction	53,913	-	-	-	53,913
Support service & undistributed costs					
Tuition	74,232	69,774	-	-	144,006
Student & instruction related services	715,030	12,356	-	-	727,386
General & business administrative services	342,940	-	-	-	342,940
School administrative services	110,062	-	-	-	110,062
Plant operations & maintenance	577,424	-	-	-	577,424
Pupil transportation	351,066	-	-	-	351,066
Unallocated benefits	2,379,289	-	-	-	2,379,289

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, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 307,402	\$ -	\$ -	\$ -	\$ 307,402
Debt service					
Principal	-	-	-	205,000	205,000
Interest & other charges	17,332	-	-	43,075	60,407
Total expenditures	<u>7,598,142</u>	<u>148,980</u>	<u>-</u>	<u>248,075</u>	<u>7,995,197</u>
Excess (deficit) of revenues over (under) expenditures	624,017	-	-	-	624,017
Other financing sources (uses)					
Operating transfers out	<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,000)</u>
Net change in fund balance	534,017	-	-	-	534,017
Fund balances, July 1	<u>2,712,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,712,015</u>
Fund balances, June 30	<u>\$ 3,246,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,246,032</u>

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
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, 2019

Total net changes in fund balances - governmental fund (from B-2)	\$	534,017
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	\$ 307,402	
Depreciation expense	<u>(255,167)</u>	52,235
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		205,000
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.		
		2,819
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.		
		(70,342)
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>635</u>
Change in net position of governmental activities	\$	<u><u>730,860</u></u>

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2019

	Food Service Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 21,151
Receivables from other governments	
State	76
Federal	1,270
Inventory	1,920
Total current assets	24,417
Noncurrent assets	
Capital assets	85,287
Less: accumulated depreciation	60,646
Total noncurrent assets	24,641
Total assets	49,058
Liabilities	
Current liabilities	
Accounts payable	1,286
Unearned revenues - commodities	1,112
Unearned revenues - prepaid sales	2,252
Total liabilities	4,650
Net position	
Invested in capital assets, net of related debt	24,641
Unrestricted	19,767
Total net position	\$ 44,408

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, 2019

	Food Service Fund
Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 61,613
Daily sales - non-reimbursable programs	23,533
Total operating revenues	85,146
Operating expenses	
Cost of sales - reimbursable programs	39,537
Cost of sales - non-reimbursable programs	5,888
Commodity food costs	7,469
Salaries	34,328
Supports services - employee benefits	4,671
Purchased professional/technical services	1,892
Purchased property services	674
Other purchased services	
Insurance	3,960
Management fee	7,678
Supplies and materials	6,393
Depreciation	5,389
Miscellaneous expenditures	123
Total operating expenses	118,002
Operating income (loss)	(32,856)
Non-operating revenues (expenses)	
State sources	
State school lunch program	1,297
Federal sources	
National school lunch program	
Cash assistance	21,252
Non-cash assistance (commodities)	7,469
Other sources	
Interest earned on investments	327
Total non-operating revenues (expenses)	30,345
Change in net position	(2,511)
Net position, beginning	46,919
Net position, ending	\$ 44,408

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

	Food Service Fund
Cash flows from operating activities	
Receipts from customers	\$ 86,440
Payments to Food Service Management Co.	(108,574)
Payments to vendors (net)	(5,543)
Net cash provided by (used for) operating activities	(27,677)
Cash flows from non-capital financing activities	
State sources	1,320
Federal sources	21,475
Net cash provided by (used for) non-capital financing activities	22,795
Cash flows from investing activities	
Interest earned on investments	327
Net cash provided by (used for) investing activities	327
Net increase (decrease) in cash and cash equivalents	(4,555)
Cash and cash equivalents, beginning	25,706
Cash and cash equivalents, ending	\$ 21,151
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating activities	
Operating income (loss)	\$ (32,856)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	5,389
Federal food donation program	7,469
Increase (decrease) in accounts payable	(9,541)
(Increase) decrease in inventory	488
Increase (decrease) in deferred revenue	1,374
Net cash provided by (used for) operating activities	\$ (27,677)

See accompanying notes to financial statements.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2019

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
Assets			
Cash and cash equivalents	\$ 345,516	\$ 11,708	\$ 450
Total assets	\$ 345,516	\$ 11,708	\$ 450
Liabilities			
Payroll deductions and withholdings	\$ -	\$ -	\$ 450
Due to student groups	-	11,708	-
Total liabilities	-	\$ 11,708	\$ 450
Net position			
Held in trust for unemployment claims & other purposes	\$ 345,516		

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, 2019

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee withholdings	\$ 6,196
Operating transfer in	90,000
Investment earnings - interest	3,146
Total additions	<u>99,342</u>
Deductions	
Unemployment claims	<u>17,737</u>
Change in net position	81,605
Net position, beginning of the year	<u>263,911</u>
Net position, end of the year	<u><u>\$ 345,516</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, 2019 of 331 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 postemployment 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
-----------	----------

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.

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 Year 2018-2019 are 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, 2019.

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 sum of assets and deferred outflows of resources, and the sum 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, 2019, 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 et. 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, 2019, the District's bank balances were exposed to custodial credit risk as follows:

Insured by the FDIC	\$ 250,000
Insured by GUDPA	3,643,402
Total bank balances	<u>\$ 3,893,402</u>

Deposits at June 30, 2019 appear in the financial statements as summarized below:

Cash		<u>\$ 3,601,982</u>
	<u>Ref.</u>	
Unrestricted cash		
Governmental funds, Balance Sheet	B-1	\$ 880,632
Enterprise funds, Statement of Net Position	B-4	21,151
Fiduciary funds, Statement of Net Position	B-7	357,674
Restricted cash		
Governmental funds, Balance Sheet	B-1	2,342,525
Total cash		<u>\$ 3,601,982</u>

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

Capital asset activity for the fiscal year ended June 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 115,000	\$ -	\$ -	\$ 115,000
Construction in progress	22,770	192,412	215,182	-
Total	<u>137,770</u>	<u>192,412</u>	<u>215,182</u>	<u>115,000</u>
Capital assets, being depreciated				
Land improvements	877,098	-	-	877,098
Building & improvements	10,048,150	312,534	-	10,360,684
Furniture & equipment	779,312	17,638	-	796,950
Total	<u>11,704,560</u>	<u>330,172</u>	<u>-</u>	<u>12,034,732</u>
Accumulated depreciation				
Land improvements	189,180	39,265	-	228,445
Building & improvements	3,353,501	177,834	-	3,531,335
Furniture & equipment	538,920	38,068	-	576,988
Total	<u>4,081,601</u>	<u>255,167</u>	<u>-</u>	<u>4,336,768</u>
Total capital assets, being depreciated, net	<u>7,622,959</u>	<u>75,005</u>	<u>-</u>	<u>7,697,964</u>
Transfers	-	(215,182)	(215,182)	-
Governmental activities capital assets, net	<u>\$ 7,760,729</u>	<u>\$ 52,235</u>	<u>\$ -</u>	<u>\$ 7,812,964</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 85,287	\$ -	\$ -	\$ 85,287
Less: accumulated depreciation	55,257	5,389	-	60,646
Business type activities capital assets, net	<u>\$ 30,030</u>	<u>\$ (5,389)</u>	<u>\$ -</u>	<u>\$ 24,641</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	\$	125,266
Special education		32,812
Other special instruction		16,009
Other instruction		3,430
Support services		
Student & instruction		46,285
General & business administration		21,819
School administration		7,003
Plant maintenance		2,543
Total depreciation expense, governmental activities	<u>\$</u>	<u>255,167</u>

Note 5 - Long-term debt

Long-term liability activity for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation					
bonds payable	\$ 1,310,000	\$ -	\$ 205,000	\$ 1,105,000	\$ 205,000
Compensated					
absences payable	281,957	-	635	281,322	-
PERS net pension					
liability	1,900,355	-	133,010	1,767,345	-
Bond premium	38,976	-	6,496	32,480	6,496
Total governmental					
activities long-term					
liabilities	<u>\$ 3,531,288</u>	<u>\$ -</u>	<u>\$ 345,141</u>	<u>\$ 3,186,147</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, 2019, 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>
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>\$ 1,105,000</u>	<u>\$ 109,250</u>	<u>\$ 1,214,250</u>

General Obligation Bonds - General obligation school building bonds payable at June 30, 2019, 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>\$ 1,105,000</u>
--	---------------------

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, 2019 is \$18,391,503. General obligation debt at June 30, 2019 is \$1,105,000, resulting in a legal debt margin of \$17,286,503.

Note 6 - Pension plans

Description of systems

Substantially all of the Board's employees participate in one of the following 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 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.

A. Public employees' retirement systems (PERS)

Plan description

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

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.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
A. Public employees' retirement systems (PERS) (continued)
Plan description (continued)

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.

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, 2018 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2018.

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)

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, 2018. 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 2018, 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 District's contractually required contribution rate for the year ended June 30, 2019 was 15.64% of the District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

The contribution rate was 7.20% effective July 1, 2016 and increased annually on July 1st until reaching 7.50% of base salary effective July 1, 2018. The District contributed \$89,844 for the year ended June 30, 2019.

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 the measurement date of June 30, 2018:

Total pension liability	\$ 3,808,692
Plan fiduciary net position	2,041,347
Net pension liability	\$ 1,767,345

Plan fiduciary net position as a percentage of the total pension liability 53.60%

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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, 2017 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, 2018) 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, 2018 measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018, 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 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, 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, 2018 measurement date, 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:

District's proportionate share of the net pension liability

At current discount rate (5.66%)	\$ 1,767,345
At a 1% lower rate (4.66%)	2,222,233
At a 1% higher rate (6.66%)	1,385,724

Collective deferred outflows of resources and deferred inflows of resources

At the June 30, 2018 measurement date, 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	\$ 33,704	\$ 9,113
Changes of assumptions	291,229	565,103
Net difference between projected and actual earnings on pension plan investments	-	16,578
Changes in proportion and differences between District contributions and proportionate share of contributions	327,708	89,063
District contributions subsequent to the measurement date	89,283	-
Total	<u>\$ 741,924</u>	<u>\$ 679,857</u>

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, 2019, the plan measurement date is June 30, 2018) of \$89,283 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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, 2018 measurement date:

	<u>Beginning Balance</u>	<u>Net Change in Activity</u>	<u>Ending Balance</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 44,747	\$ (11,043)	\$ 33,704
Changes of assumptions	382,856	(91,627)	291,229
Difference between projected and actual earnings on pension plan investments	12,940	(12,940)	-
Deferred inflows of resources			
Differences between expected and actual experience	-	(9,113)	(9,113)
Changes of assumptions	(381,452)	(183,651)	(565,103)
Difference between projected and actual earnings on pension plan investments	-	(16,578)	(16,578)
Net of deferred outflows	<u>\$ 59,091</u>	<u>\$ (324,952)</u>	<u>\$ (265,861)</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,

2019	\$ 12,266
2020	(16,983)
2021	(121,781)
2022	(105,562)
2023	(33,801)
Total	<u>\$ (265,861)</u>

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Pension expense

For the year ended June 30, 2019, the District recognized net pension expense of \$159,625, which represents the District's proportionate share of allocable plan pension expense of \$97,973, plus the net amortization of deferred amounts from changes in proportion of \$75,308, and less other adjustments to the net pension liability of \$13,656. 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, 2018 measurement date are as follows:

Service cost	\$	83,423
Interest on total pension liability		200,551
Member contributions		(47,905)
Administrative expense		1,327
Expected investment return net of investment expense		(125,914)
Pension expense related to specific liabilities of individual employers		(738)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		13,528
Amortization of expected versus actual experience		(15,575)
Amortization of projected versus actual investment earnings on pension plan investments		(10,724)
Pension expense	<u>\$</u>	<u>97,973</u>

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.

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.

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)

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

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 2018, the State's pension contribution was less than the actuarial determined amount.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are 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, 2018, the State of New Jersey contributed \$405,635 to the TPAF for normal pension benefits on behalf of the District.

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

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, 2018 measurement date is as follows:

State's proportionate share of net pension liability	\$	17,071,127
District's proportionate share of net pension liability		-
Employer pension expense and related revenue		995,187
Non-employer contribution		405,635
Allocable proportionate percentage		.0268338634%

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)

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, 2018 measurement date are as follows:

Service cost	\$ 596,474
Interest on total pension liability	1,032,242
Member contributions	(216,953)
Administrative expense	3,538
Expected investment return net of investment expense	(410,995)
Pension expense related to specific liabilities of individual employers	(93)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	52,863
Amortization of expected versus actual experience	(26,345)
Amortization of projected versus actual investment earnings on pension plan investments	(35,544)
Pension expense	<u>\$ 995,187</u>

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, 2018 measurement date is as follows:

Total pension liability	\$ 23,222,306
Plan fiduciary net position	6,151,179
Net pension liability	<u>\$ 17,071,127</u>

Plan fiduciary net position as a percentage of the total pension liability 26.49%

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases (based on age)	
2011 - 2026	1.55 - 4.55%
Thereafter	2.00 - 5.45%
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial study for the period July 1, 2012 to June 30, 2015.

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)

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Postretirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

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, 2018) 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, 2018 measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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%

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)

Discount rate

The discount rate used to measure the total pension liability was 4.86% as of June 30, 2018. 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 3.87% as of June 30, 2018, 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 50% 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 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, 2018 measurement date, 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:

District’s proportionate share of the net pension liability

At current discount rate (4.86%)	\$ 17,071,127
At a 1% lower rate (3.86%)	20,177,749
At a 1% higher rate (5.86%)	14,495,814

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 (\$8,400 in 2019) 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/njdcrp.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

C. Defined contribution retirement program (continued)

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 2019 was \$7,785.

D. Other pension plan information

During the year ended June 30, 2019, the State of New Jersey contributed \$240,790 to the TPAF for postretirement medical benefits, \$10,884 for non-contributory insurance premiums, \$606 for long-term disability insurance, and \$519,961 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 \$200,354 during the year ended June 30, 2019 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 Statement No. 68.

Note 7 - Postretirement benefits

The State provides postretirement medical (PRM) benefits for certain state and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2018, the State paid PRM benefits for 148,401 state and local retirees.

The State funds postretirement medical benefits on a pay-as-you-go basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2018, the State contributed \$1.909 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The increase in the State's pay-as-you-go contribution between Fiscal year 2017 and Fiscal Year 2018 is attributed to rising health care costs, an increase in the number of participants qualifying for state-paid PRM benefits at retirement and larger fund balance utilization in Fiscal Year 2017 than in Fiscal Year 2018. The Fiscal Year 2019 Appropriations Act includes \$1.921 billion as the State's contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. As such, the Fiscal Year 2017 total State OPEB liability to provide these benefits has been re-measured to \$97.1 billion, an increase of \$60.6 billion or 166 percent from the previous year's \$36.5 billion liability booked in accordance with GASB Statement No. 45. For Fiscal Year 2018, the total OPEB liability for the State is \$90.5 billion, a decrease of \$6.6 billion or 7 percent from the re-measured total OPEB liability in Fiscal Year 2017.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

Total OPEB liability

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. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASB Statement No. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the District. Note that actual numbers will be published in the NJ State CAFR at <https://www.nj.gov/treasury/omb/cafr.shtml>.

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.

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, 2018 measurement date is as follows:

State's proportionate share of the OPEB liability	\$ 46,110,832,982
District's proportionate share of the State's OPEB liability	14,308,755
Employer OPEB expense and related revenue	567,250
Allocable proportionate percentage	0.0310312221%

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)
Changes in the total OPEB liability

	Total OPEB Liability
Total OPEB liability at June 30, 2017	\$ 17,104,228
Service cost	585,458
Interest cost	626,737
Change of benefit terms	-
Differences between expected and actual experiences	(1,996,280)
Changes of assumptions	(1,642,001)
Member contributions	13,224
Gross benefit payments	(382,611)
Total OPEB liability at June 30, 2018	\$ 14,308,755

There were no changes of the benefit terms from June 30, 2017 to June 30, 2018.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The total non-employer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 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-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

Changes in the total OPEB liability (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 June 30, 2015, July 1, 2011 June 30, 2014, and July 1, 2010 June 30, 2013 for TPAF and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Health care trend assumptions

For Pre-Medicare Preferred Provider Organization (PPO) and Health Maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven 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, 2018 was 3.87%. 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.

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, 2018 measurement date, 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:

Total OPEB Liability (school retirees)

At current discount rate (3.87%)	\$	14,308,755
At a 1% lower rate (2.87%)		16,915,861
At a 1% higher rate (4.87%)		12,236,375

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:

Total OPEB Liability (school retirees)

Healthcare cost trend rate	\$	13,833,250
At a 1% lower rate (1% decrease)		11,827,019
At a 1% higher rate (1% increase)		17,590,945

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Postretirement benefits (continued)

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$567,250 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 GASB Statement No. 75 and in which there is a special funding situation.

In accordance with GASB Statement 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:

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

Note 9 - Inventory

Inventory in the food service fund as of June 30, 2019 consisted of the following:

Food	\$	1,685
Supplies		235
Total		\$ 1,920

Note 10 - Operating lease

At June 30, 2019, 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:

2020	\$	6,648
2021		6,648
2022		6,648
2023		6,648
2024		4,986
Total		\$ 31,578

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

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.

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:

<u>Fiscal Year</u>	<u>Board Contrib.</u>	<u>Interest Earnings</u>	<u>Employee Contrib.</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018 - 2019	\$ 90,000	\$ 3,146	\$ 6,196	\$ 17,737	\$ 345,516
2017 - 2018	64,500	1,770	6,477	8	263,911
2016 - 2017	20,000	729	6,883	-	191,172

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

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 Single Accountability Continuum (QSAC). 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 \$350,000 to their capital reserve account, \$44,446 to their emergency reserve, and \$75,000 to their maintenance reserve account by Board Resolution in June 2019 as summarized in the following schedule. The following schedule is a summarization of the legal reserve accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 1,356,252	\$ 350,000	\$ 15,853	\$ 5,420	\$ -	\$ 1,727,525
Emergency	203,729	44,446	1,825	-	-	250,000
Maintenance	290,000	75,000	-	-	-	365,000
Total	<u>\$ 1,849,981</u>	<u>\$ 469,446</u>	<u>\$ 17,678</u>	<u>\$ 5,420</u>	<u>\$ -</u>	<u>\$ 2,342,525</u>

Note 14 - Interfund receivable and payables

As of June 30, 2019, the special revenue Fund had an interfund payable for \$3,486 due to the General Fund for a loan as a result of cash flow issues relating to the delayed receipt of grant revenues.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 15 - Fund balance

As described in Note 1 (O), fund balance may be restricted, committed or assigned. An analysis of the general fund balance on June 30, 2019 is as follows:

Restricted

Excess surplus - Designated for subsequent year's expenditures. Amount appropriated in the succeeding year's budget to reduce tax requirements	\$ 153,997
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.	243,772
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	1,727,525
Emergency reserve account - Represents funds accumulated to finance unanticipated general fund expenditures required for a thorough and efficient education.	250,000
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).	365,000
Committed	
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30.	277,226
Unassigned	
Undesignated - Represents fund balance which has not been restricted or designated.	353,569
Total fund balance - Budgetary basis (Exhibit C-1)	3,371,089
Last state aid payments not recognized on GAAP basis	(125,057)
Total fund balance - GAAP basis (Exhibit B-1)	<u>\$ 3,246,032</u>

Note 16 - 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, 2019 is \$243,772.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 17 - 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 December 15, 2019, is not expected to have a material impact on the District's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement, which is effective for reporting periods beginning after December 15, 2018, is not expected to have a material impact on the District's financial reporting.

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2019 of (\$1,133,906) 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 19 - Subsequent events

The District has evaluated subsequent events through November 13, 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, 2019

	Unaudited		Final Budget	Actual	Variance Final to Actual
	Original Budget	Budget Transfers			
Revenues					
Local sources					
Local tax levy	\$ 5,694,797	\$ -	\$ 5,694,797	\$ 5,694,797	\$ -
Tuition from individuals	17,500	-	17,500	72,980	55,480
Tuition from other LEAs within the state	-	-	-	9,000	9,000
Rents and royalties	-	-	-	7,250	7,250
Unrestricted miscellaneous revenues	10,700	-	10,700	69,229	58,529
Interest earned on current expense emergency reserve	-	-	-	1,825	1,825
Interest earned on capital reserve funds	-	-	-	15,853	15,853
Total	<u>5,722,997</u>	<u>-</u>	<u>5,722,997</u>	<u>5,870,934</u>	<u>147,937</u>
State sources					
School choice aid	150,304	-	150,304	150,304	-
Categorical transportation aid	166,282	-	166,282	166,282	-
Extraordinary aid	-	-	-	100,901	100,901
Categorical special education aid	259,824	-	259,824	259,824	-
Equalization aid	441,447	-	441,447	441,447	-
Categorical security aid	31,021	-	31,021	31,021	-
Adjustment aid	258,715	-	258,715	224,260	(34,455)
Other state aid	-	-	-	2,900	2,900
TPAF Pension (on-behalf)	-	-	-	530,845	530,845
TPAF Social Security (reimbursed)	-	-	-	200,354	200,354
TPAF Post retirement benefits	-	-	-	240,790	240,790
TPAF Long-term disability insurance	-	-	-	606	606
Total	<u>1,307,593</u>	<u>-</u>	<u>1,307,593</u>	<u>2,349,534</u>	<u>1,041,941</u>
Total revenues	<u>\$ 7,030,590</u>	<u>\$ -</u>	<u>\$ 7,030,590</u>	<u>\$ 8,220,468</u>	<u>\$ 1,189,878</u>
Expenditures					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 57,405	\$ -	\$ 57,405	\$ 57,405	\$ -
Kindergarten	135,220	-	135,220	135,117	103
Grades 1-5	838,736	365	839,101	838,930	171
Grades 6-8	705,789	(59,165)	646,624	645,876	748
Home instruction					
Salaries of teacher	1,000	-	1,000	-	1,000
Regular programs - undistributed instruction					
Purchased professional - educational services	2,000	(2,000)	-	-	-
Purchased technical services	20,000	(7,952)	12,048	12,047	1
Other purchased services	98,812	(17,657)	81,155	68,578	12,577
General supplies	160,257	36,525	196,782	160,146	36,636
Textbooks	32,305	(24,171)	8,134	4,198	3,936
Other objects	3,881	971	4,852	2,330	2,522
Total	<u>2,055,405</u>	<u>(73,084)</u>	<u>1,982,321</u>	<u>1,924,627</u>	<u>57,694</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Special education					
Resource room/resource center					
Salaries of teachers	\$ 490,424	\$ (32,786)	\$ 457,638	\$ 425,973	\$ 31,665
Other salaries for instruction	72,971	6,301	79,272	76,364	2,908
Other purchased services	-	2,791	2,791	2,790	1
General supplies	5,715	5,037	10,752	4,607	6,145
Other objects	490	(100)	390	210	180
Total	<u>569,600</u>	<u>(18,757)</u>	<u>550,843</u>	<u>509,944</u>	<u>40,899</u>
Home instruction					
Salaries of teachers	-	2,925	2,925	1,575	1,350
Purchased professional - educational services	-	1,935	1,935	618	1,317
Total	<u>-</u>	<u>4,860</u>	<u>4,860</u>	<u>2,193</u>	<u>2,667</u>
Total special education	<u>569,600</u>	<u>(13,897)</u>	<u>555,703</u>	<u>512,137</u>	<u>43,566</u>
Basic skills/remedial					
Salaries of teachers	229,125	1,500	230,625	230,625	-
Other purchased services	119	(119)	-	-	-
General supplies	2,012	749	2,761	2,063	698
Total	<u>231,256</u>	<u>2,130</u>	<u>233,386</u>	<u>232,688</u>	<u>698</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	27,394	975	28,369	28,112	257
Supplies and materials	660	(342)	318	178	140
Other objects	1,000	(681)	319	319	-
Total	<u>29,054</u>	<u>(48)</u>	<u>29,006</u>	<u>28,609</u>	<u>397</u>
School-sponsored athletics - instruction					
Salaries	20,630	-	20,630	15,730	4,900
Purchased services	7,820	-	7,820	4,688	3,132
Supplies and materials	4,222	4,000	8,222	4,886	3,336
Other objects	200	-	200	-	200
Total	<u>32,872</u>	<u>4,000</u>	<u>36,872</u>	<u>25,304</u>	<u>11,568</u>
Total instruction regular	<u>\$ 2,918,187</u>	<u>\$ (80,899)</u>	<u>\$ 2,837,288</u>	<u>\$ 2,723,365</u>	<u>\$ 113,923</u>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to priv. school for the disabled in state	\$ 145,862	\$ (14,000)	\$ 131,862	\$ 74,232	\$ 57,630
Total	<u>145,862</u>	<u>(14,000)</u>	<u>131,862</u>	<u>74,232</u>	<u>57,630</u>
Undistributed expenditures - attendance & social work salaries	37,549	5,428	42,977	39,420	3,557
Total	<u>37,549</u>	<u>5,428</u>	<u>42,977</u>	<u>39,420</u>	<u>3,557</u>

See independent auditors' report.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019**

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Undistributed expenditures - health services					
Salaries	\$ 63,270	\$ 1,300	\$ 64,570	\$ 62,865	\$ 1,705
Purchased professional and technical services	3,150	(154)	2,996	2,810	186
Other purchased services	-	48	48	48	-
Supplies and materials	5,332	(1,146)	4,186	4,030	156
Total	<u>71,752</u>	<u>48</u>	<u>71,800</u>	<u>69,753</u>	<u>2,047</u>
Undistributed expenditures - speech, ot, pt & related services					
Salaries	49,250	-	49,250	46,856	2,394
Purchased professional - educational services	23,166	(4,860)	18,306	9,675	8,631
Supplies and materials	968	-	968	329	639
Total	<u>73,384</u>	<u>(4,860)</u>	<u>68,524</u>	<u>56,860</u>	<u>11,664</u>
Undistributed expenditures - guidance					
Salaries of other professional staff	44,142	-	44,142	44,142	-
Other salaries	5,169	-	5,169	2,592	2,577
Purchased professional - educational services	850	45	895	895	-
Other purchased professional & technical services	1,500	-	1,500	519	981
Supplies and materials	1,207	(45)	1,162	601	561
Total	<u>52,868</u>	<u>-</u>	<u>52,868</u>	<u>48,749</u>	<u>4,119</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	224,068	-	224,068	202,067	22,001
Salaries of secretarial and clerical assistants	52,064	500	52,564	46,982	5,582
Other purchased professional & technical services	4,206	3,315	7,521	7,521	-
Other purchased services	2,500	-	2,500	593	1,907
Miscellaneous purchased service	8,532	(3,815)	4,717	-	4,717
Supplies and materials	2,420	-	2,420	944	1,476
Other objects	1,300	-	1,300	349	951
Total	<u>295,090</u>	<u>-</u>	<u>295,090</u>	<u>258,456</u>	<u>36,634</u>
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	76,000	-	76,000	76,000	-
Salaries of other professional staff	5,000	1,652	6,652	6,651	1
Other purchased services	3,000	(2,490)	510	229	281
Supplies and materials	900	1,709	2,609	-	2,609
Other objects	2,559	(559)	2,000	588	1,412
Total	<u>87,459</u>	<u>312</u>	<u>87,771</u>	<u>83,468</u>	<u>4,303</u>
Undistributed expenditures - edu. media service/sch. library					
Salaries	62,612	(15,653)	46,959	46,117	842
Salaries of technology coordinators	74,824	27,482	102,306	101,235	1,071
Purchased professional and technical services	4,840	(1,263)	3,577	33	3,544
Other purchased services	2,777	(9)	2,768	2,197	571
Supplies and materials	3,184	1,271	4,455	3,818	637
Total	<u>148,237</u>	<u>11,828</u>	<u>160,065</u>	<u>153,400</u>	<u>6,665</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Undistributed expend. - instructional staff training services					
Purchased professional - educational services	\$ 3,000	\$ 2,464	\$ 5,464	\$ 352	\$ 5,112
Other purchased services	6,500	(2,701)	3,799	3,435	364
Supplies and materials	900	237	1,137	1,137	-
Total	<u>10,400</u>	<u>-</u>	<u>10,400</u>	<u>4,924</u>	<u>5,476</u>
Undistributed expend. - support service - general admin.					
Salaries	123,758	35	123,793	123,792	1
Legal services	18,000	(4,954)	13,046	3,561	9,485
Audit fees	18,000	(26)	17,974	17,750	224
Other purchased professional services	3,450	-	3,450	-	3,450
Purchased technical services	5,040	2,005	7,045	7,045	-
Communications/telephone	8,000	-	8,000	4,028	3,972
BOE other purchased services	3,598	(273)	3,325	673	2,652
Misc. purchased services	8,630	2,862	11,492	2,654	8,838
General supplies	2,993	-	2,993	564	2,429
BOE in-house training/meeting supplies	700	-	700	17	683
Judgments against the school district	-	1,000	1,000	1,000	-
Miscellaneous expenditures	2,050	(1,300)	750	560	190
BOE membership dues and fees	4,850	(357)	4,493	4,492	1
Total	<u>199,069</u>	<u>(1,008)</u>	<u>198,061</u>	<u>166,136</u>	<u>31,925</u>
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	84,484	-	84,484	83,764	720
Salaries of secretarial and clerical assistants	25,288	-	25,288	25,288	-
Other objects	-	1,010	1,010	1,010	-
Total	<u>109,772</u>	<u>1,010</u>	<u>110,782</u>	<u>110,062</u>	<u>720</u>
Undistributed expend. - central services					
Salaries	164,975	109	165,084	162,641	2,443
Purchased technical services	13,700	(326)	13,374	10,947	2,427
Miscellaneous purchased services	3,100	(30)	3,070	3,070	-
Supplies and materials	-	147	147	146	1
Total	<u>181,775</u>	<u>(100)</u>	<u>181,675</u>	<u>176,804</u>	<u>4,871</u>
Undistributed expend. - required maint. for school facilities					
Cleaning, repair, and maintenance services	59,316	-	59,316	46,885	12,431
General supplies	10,078	-	10,078	5,335	4,743
Total	<u>69,394</u>	<u>-</u>	<u>69,394</u>	<u>52,220</u>	<u>17,174</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Undistributed expend. - custodial services					
Salaries	\$ 242,376	\$ 12,876	\$ 255,252	\$ 242,256	\$ 12,996
Salaries of non-instructional aides	12,902	(12,902)	-	-	-
Purchased professional and technical services	56,680	17,251	73,931	54,861	19,070
Cleaning, repair, and maintenance service	23,689	57,699	81,388	38,918	42,470
Insurance	42,500	(2,259)	40,241	35,634	4,607
Miscellaneous purchased services	750	1,322	2,072	1,931	141
General supplies	35,708	1,324	37,032	32,577	4,455
Energy (natural gas)	50,000	(17,851)	32,149	28,005	4,144
Energy (electricity)	81,000	(17,410)	63,590	62,594	996
Other objects	2,900	-	2,900	2,018	882
Total	548,505	40,050	588,555	498,794	89,761
Undistributed expend. - care and upkeep of grounds					
Cleaning, repair, and maintenance service	20,000	613	20,613	16,523	4,090
General supplies	6,000	(440)	5,560	5,340	220
Total	26,000	173	26,173	21,863	4,310
Undistributed expend. - security					
Cleaning, repair, and maintenance service	3,000	3,653	6,653	3,898	2,755
General supplies	2,000	2,191	4,191	649	3,542
Total	5,000	5,844	10,844	4,547	6,297
Undistributed expend. - student transportation service					
Salaries for pupil trans (between home & school) - reg.	37,629	-	37,629	37,629	-
Contr service (oth. than between home & school) - vend	11,445	-	11,445	8,736	2,709
Contr service (between home & school) - joint agreements	260,509	-	260,509	241,912	18,597
Contr service (sp ed stds) - joint agreements	121,150	(43,120)	78,030	59,812	18,218
Miscellaneous purchased services - transportation	1,500	(380)	1,120	857	263
General supplies	1,100	400	1,500	-	1,500
Other objects	2,500	1,100	3,600	2,120	1,480
Total	435,833	(42,000)	393,833	351,066	42,767
Unallocated benefits - employee benefits					
Social Security contributions	75,000	2,583	77,583	77,583	-
Other retirement contributions - PERS	84,000	5,844	89,844	89,844	-
Other retirement contributions - regular	10,000	-	10,000	6,272	3,728
Workmen's compensation	37,800	(3,553)	34,247	34,246	1
Health benefits	1,567,053	(193,505)	1,373,548	1,167,491	206,057
Tuition reimbursement	28,400	-	28,400	14,559	13,841
Other employee benefits	10,001	100	10,101	6,699	3,402
Unused sick payment to terminated/retired staff	14,000	6,000	20,000	10,000	10,000
Total	1,826,254	(182,531)	1,643,723	1,406,694	237,029

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
On-behalf TPAF Pension contribution	\$ -	\$ -	\$ -	\$ 530,845	\$ (530,845)
On-behalf TPAF Post retirement medical benefits	-	-	-	240,790	(240,790)
On-behalf TPAF Long-term disability insurance	-	-	-	606	(606)
Reimbursed TPAF Social Security contribution	-	-	-	200,354	(200,354)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>972,595</u>	<u>(972,595)</u>
Total undistributed expenditures	<u>\$ 4,324,203</u>	<u>\$ (179,806)</u>	<u>\$ 4,144,397</u>	<u>\$ 4,550,043</u>	<u>\$ (405,646)</u>
Total current	<u>\$ 7,242,390</u>	<u>\$ (260,705)</u>	<u>\$ 6,981,685</u>	<u>\$ 7,273,408</u>	<u>\$ (291,723)</u>
Capital outlay					
Equipment					
Undistributed					
Undistributed expend. - custodial services	\$ 34,285	\$ 230,440	\$ 264,725	\$ 88,545	\$ 176,180
Undistributed expend. - non-instructional service	12,950	-	12,950	12,950	-
Total equipment	<u>47,235</u>	<u>230,440</u>	<u>277,675</u>	<u>101,495</u>	<u>176,180</u>
Facilities acquisition and construction service					
Construction services	211,328	-	211,328	205,907	5,421
Assessment for debt service on SDA funding	17,332	-	17,332	17,332	-
Total facilities acquisition and construction service	<u>228,660</u>	<u>-</u>	<u>228,660</u>	<u>223,239</u>	<u>5,421</u>
Total capital outlay	<u>\$ 275,895</u>	<u>\$ 230,440</u>	<u>\$ 506,335</u>	<u>\$ 324,734</u>	<u>\$ 181,601</u>
Total expenditures	<u>\$ 7,518,285</u>	<u>\$ (30,265)</u>	<u>\$ 7,488,020</u>	<u>\$ 7,598,142</u>	<u>\$ (110,122)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (487,695)</u>	<u>\$ 30,265</u>	<u>\$ (457,430)</u>	<u>\$ 622,326</u>	<u>\$ 1,079,756</u>
Other financing sources (uses)					
Operating transfer out					
Transfer to fiduciary fund - board contribution	-	(90,000)	(90,000)	(90,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	(487,695)	(59,735)	(547,430)	532,326	1,079,756
Fund balances, July 1	2,838,763	-	2,838,763	2,838,763	-
Fund balances, June 30	<u>\$ 2,351,068</u>	<u>\$ (59,735)</u>	<u>\$ 2,291,333</u>	<u>\$ 3,371,089</u>	<u>\$ 1,079,756</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (332,851)	\$ -	\$ (332,851)	\$ (332,851)	\$ -
Increase in capital reserve	-	355,420	355,420	355,420	-
Interest deposit to capital reserve	-	-	-	15,853	15,853
Increase in emergency reserve	-	44,446	44,446	44,446	-
Interest earned on emergency reserve	-	-	-	1,825	1,825
Increase in maintenance reserve	-	75,000	75,000	75,000	-
Budgeted fund balance	(154,844)	(534,601)	(689,445)	372,633	1,062,078
Total	\$ (487,695)	\$ (59,735)	\$ (547,430)	\$ 532,326	\$ 1,079,756
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 153,997	
Excess surplus - current year				243,772	
Capital reserve				1,727,525	
Emergency reserve				250,000	
Maintenance reserve				365,000	
Committed fund balance					
Year-end encumbrances				277,226	
Unassigned fund balance				<u>353,569</u>	
Fund balance per budgetary basis				3,371,089	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(125,057)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 3,246,032</u>	

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Revenues					
Federal sources	\$ 148,980	\$ -	\$ 148,980	\$ 148,980	\$ -
Total revenues	<u>\$ 148,980</u>	<u>\$ -</u>	<u>\$ 148,980</u>	<u>\$ 148,980</u>	<u>\$ -</u>
Expenditures					
Instruction					
Other salaries for instruction	\$ 3,584	\$ -	\$ 3,584	\$ 3,584	\$ -
Purchased professional & technical services	-	100	100	100	-
Other purchased services	3,427	-	3,427	3,427	-
Supplies	59,839	(100)	59,739	59,739	-
Total	<u>66,850</u>	<u>-</u>	<u>66,850</u>	<u>66,850</u>	<u>-</u>
Support services					
Tuition	69,774	-	69,774	69,774	-
Salaries	500	-	500	500	-
Purchased professional & technical services	7,356	-	7,356	7,356	-
Other purchased services	4,500	-	4,500	4,500	-
Total	<u>82,130</u>	<u>-</u>	<u>82,130</u>	<u>82,130</u>	<u>-</u>
Total expenditures	<u>\$ 148,980</u>	<u>\$ -</u>	<u>\$ 148,980</u>	<u>\$ 148,980</u>	<u>\$ -</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to Required Supplementary Information
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2019

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 8,220,468	\$ 148,980
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	126,748	-
State aid receivable current year	(125,057)	-
Total revenues (GAAP basis)	\$ 8,222,159	\$ 148,980
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 7,598,142	\$ 148,980
Total expenditures (GAAP Basis)	\$ 7,598,142	\$ 148,980

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**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 Pension Liability - Public Employees Retirement System
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset) - percentage	N/A	0.0089760800%	0.0081635962%	0.0085837715%	0.0069583328%	0.0074920040%	0.0068358854%	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	\$ -	\$ 1,767,345	\$ 1,900,355	\$ 2,542,267	\$ 1,562,006	\$ 1,402,708	\$ 1,306,474	\$ -	\$ -	\$ -
District's covered employee payroll	574,282	592,628	588,499	540,796	509,825	526,983	518,030	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	298.22%	322.92%	470.10%	306.38%	266.18%	252.20%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%	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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 89,283	\$ 75,627	\$ 76,257	\$ 59,823	\$ 61,763	\$ 51,507	\$ 63,410	\$ 64,113	\$ 62,818	\$ 50,063
Contributions in relation to the contractually required contribution	<u>(89,283)</u>	<u>(75,627)</u>	<u>(76,257)</u>	<u>(59,823)</u>	<u>(61,763)</u>	<u>(51,507)</u>	<u>(63,410)</u>	<u>(64,113)</u>	<u>(62,818)</u>	<u>(50,063)</u>
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	\$ 574,282	\$ 592,628	\$ 588,499	\$ 540,796	\$ 509,825	\$ 526,983	\$ 518,030	\$ 529,875	\$ 542,462	\$ 572,306
Contributions as a percentage of covered employee payroll	15.55%	12.76%	12.96%	11.06%	12.11%	9.77%	12.24%	12.10%	11.58%	8.75%

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ -	17,071,127	18,777,566	22,329,277	18,658,494	16,521,374	15,444,059	\$ -	\$ -	\$ -
Total	\$ -	\$ 17,071,127	\$ 18,777,566	\$ 22,329,277	\$ 18,658,494	\$ 16,521,374	\$ 15,444,059	\$ -	\$ -	\$ -
District's covered employee payroll	\$ -	\$ 2,889,756	\$ 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%	0.00%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%	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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 530,845	\$ 404,758	\$ 312,117	\$ 227,259	\$ 159,601	\$ 130,769	\$ 197,456	\$ 94,620	\$ 9,741	\$ 11,037
Contributions in relation to the contractually required contribution	<u>(530,845)</u>	<u>(404,758)</u>	<u>(312,117)</u>	<u>(227,259)</u>	<u>(159,601)</u>	<u>(130,769)</u>	<u>(197,456)</u>	<u>(94,620)</u>	<u>(9,741)</u>	<u>(11,037)</u>
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	\$ 2,894,119	\$ 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
Contributions as a percentage of covered employee payroll	18.34%	14.01%	11.49%	8.26%	5.60%	4.74%	6.84%	3.18%	0.33%	0.36%

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportionate share of the other postemployment employee benefits liability (asset) - percentage	N/A	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the other postemployment employee benefits liability (asset) - value	N/A	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the other postemployment employee benefits liability (asset) associated with the District	N/A	14,308,755	17,104,228	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 14,308,755	\$ 17,104,228	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 3,482,384	\$ 3,305,851	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the other postemployment employee liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	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%	0.00%	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, 2019

- Note 1 - Special funding situation - TPAF and other postretirement 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 postretirement 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 was 4.25% in State Fiscal Year 2017 and 4.86% in State Fiscal Year 2018. The inflation rate was 2.25% for State Fiscal Years 2017 and 2.25% in State Fiscal Year 2018.
- Note 3 - Changes in assumptions - PERS
The discount rate was 5.00% in State Fiscal Year 2017 and 5.66% in State Fiscal Year 2018. The inflation rate was 2.25% for State Fiscal Year 2017 and 2.25% for State Fiscal Year 2018.
- Note 4 - Changes in assumptions - other postretirement employee benefits
The other postretirement employee benefits discount rate increased from 3.58% in State Fiscal Year 2017 to 3.87% in State Fiscal Year 2018. The inflation rate was 2.50% for State Fiscal Year 2017 and 2018.
- Note 5 - Changes in healthcare trend assumptions - other postretirement employee benefits
For Pre-Medicare Preferred Provider Organization (PPO) and Health Maintenance Organization (HMO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven 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 postretirement employee benefits
There were no changes of the benefit terms from June 30, 2017 to June 30, 2018.

SPECIAL REVENUE FUND

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, 2019

	IDEA Basic	IDEA Preschool	ESSA IA	ESSA IIA	ESSA IV	REAP	Total
Revenues							
Federal sources	\$ 69,774	\$ 3,584	\$ 25,927	\$ 5,356	\$ 10,000	\$ 34,339	\$ 148,980
Total revenues	\$ 69,774	\$ 3,584	\$ 25,927	\$ 5,356	\$ 10,000	\$ 34,339	\$ 148,980
Expenditures							
Instruction							
Other salaries for instruction	\$ -	\$ 3,584	\$ -	\$ -	\$ -	\$ -	\$ 3,584
Purchased professional & technical services	-	-	-	-	100	-	100
Other purchased services	-	-	3,427	-	-	-	3,427
Supplies	-	-	15,500	-	9,900	34,339	59,739
Total	-	3,584	18,927	-	10,000	34,339	66,850
Support services							
Tuition	69,774	-	-	-	-	-	69,774
Salaries	-	-	500	-	-	-	500
Purchased professional & technical services	-	-	5,000	2,356	-	-	7,356
Other purchased services	-	-	1,500	3,000	-	-	4,500
Total	69,774	-	7,000	5,356	-	-	82,130
Total expenditures	\$ 69,774	\$ 3,584	\$ 25,927	\$ 5,356	\$ 10,000	\$ 34,339	\$ 148,980

See independent auditors' report.

CAPITAL PROJECTS FUND

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.

(NOT APPLICABLE TO THIS REPORT)

PROPRIETARY FUND

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.

See Statements B-4, B-5, and B-6.

FIDUCIARY FUNDS

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, 2019

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 345,516	\$ 11,708	\$ 450	\$ 357,674
Total assets	<u>\$ 345,516</u>	<u>\$ 11,708</u>	<u>\$ 450</u>	<u>\$ 357,674</u>
Liabilities				
Payroll deductions & withholdings	\$ -	\$ -	\$ 450	\$ 450
Due to students groups	-	11,708	-	11,708
Total liabilities	<u>-</u>	<u>\$ 11,708</u>	<u>\$ 450</u>	<u>12,158</u>
Net position				
Held in trust for unemployment claims & other purposes	<u>\$ 345,516</u>			<u>\$ 345,516</u>

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2019

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee withholdings	\$ 6,196
Operating transfer in	90,000
Investment earnings - interest	3,146
Total additions	<u>99,342</u>
 Deductions	
Unemployment claims	<u>17,737</u>
 Change in net position	 81,605
 Net position, beginning of the year	 <u>263,911</u>
 Net position, end of the year	 <u><u>\$ 345,516</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, 2019

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19
Assets				
Cash and cash equivalents	\$ 14,579	\$ 83,055	\$ 85,926	\$ 11,708
Total assets	\$ 14,579	\$ 83,055	\$ 85,926	\$ 11,708
Liabilities				
Due to student groups	\$ 14,579	\$ 83,055	\$ 85,926	\$ 11,708
Total liabilities	\$ 14,579	\$ 83,055	\$ 85,926	\$ 11,708

H-4

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund
Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2019

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19
Assets				
Cash and cash equivalents	\$ 1,238	\$ 3,860,056	\$ 3,860,844	\$ 450
Total assets	\$ 1,238	\$ 3,860,056	\$ 3,860,844	\$ 450
Liabilities				
Payroll deductions & withholdings	\$ 1,238	\$ 1,891,136	\$ 1,891,924	\$ 450
Net payroll	-	1,968,920	1,968,920	-
Total liabilities	\$ 1,238	\$ 3,860,056	\$ 3,860,844	\$ 450

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, 2019

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/18	Issued	Retired	Balance 06/30/19
			Date	Amount					
Refunding school bonds of 2011	07/15/11	\$ 2,270,000	07/15/19	\$ 205,000	3.00%	\$ 1,310,000	\$ -	\$ 205,000	\$ 1,105,000
			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>\$ 1,310,000</u>	<u>\$ -</u>	<u>\$ 205,000</u>	<u>\$ 1,105,000</u>	

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Revenues					
Local sources					
Local tax levy	\$ 248,075	\$ -	\$ 248,075	\$ 248,075	\$ -
Total revenues	<u>248,075</u>	<u>-</u>	<u>248,075</u>	<u>248,075</u>	<u>-</u>
Expenditures					
Regular debt service					
Interest on bonds	43,075	-	43,075	43,075	-
Redemption of principal	205,000	-	205,000	205,000	-
Total expenditures	<u>248,075</u>	<u>-</u>	<u>248,075</u>	<u>248,075</u>	<u>-</u>
Excess (deficiency) of revenues 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>
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	J-14 to J-15
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20
Sources:	Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year. The District implemented GASB Statement 34 in the fiscal year ending June 30, 2004; Schedules presenting District-wide information include information beginning in that year.

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Government activities										
Net investment in capital assets	\$ 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	\$ 6,707,964
Restricted	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	2,342,525
Unrestricted	452,699	409,879	267,171	255,780	(1,077,386)	(1,042,274)	(976,178)	(1,245,881)	(1,114,987)	(1,133,906)
Total governmental activities	<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>	<u>\$ 7,916,583</u>
Business-type activities										
Net investment in capital assets	\$ 35,925	\$ 31,822	\$ 40,471	\$ 37,818	\$ 32,100	\$ 26,886	\$ 21,671	\$ 31,323	\$ 30,030	\$ 24,641
Unrestricted	32,081	34,373	21,520	19,571	33,038	42,672	41,909	20,967	16,889	19,767
Total business-type activities	<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>	<u>\$ 44,408</u>
District-wide										
Net investment in capital assets	\$ 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	\$ 6,732,605
Restricted	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	2,342,525
Unrestricted	484,780	444,252	288,691	275,351	(1,044,348)	(999,602)	(934,269)	(1,224,914)	(1,098,098)	(1,114,139)
Total district-wide	<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>	<u>\$ 7,960,991</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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
Instruction										
Regular	\$ 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	\$ 4,089,154
Special education	856,655	896,165	857,343	867,963	877,529	1,175,540	1,097,366	1,406,699	1,283,334	1,101,860
Other special education	273,351	184,504	198,269	200,229	180,199	371,650	482,853	244,389	430,511	543,910
Other instruction	37,640	37,717	37,754	45,710	39,480	152,006	81,956	405,393	255,049	134,326
Support services										
Tuition	47,009	40,527	90,695	94,322	104,236	144,050	74,950	59,236	125,147	144,006
Student & instruction related services	878,051	850,416	945,903	944,407	975,555	1,071,434	1,230,493	1,328,133	1,594,169	1,441,208
General & business administrative services	569,588	550,843	738,839	586,221	528,792	563,365	529,713	583,854	662,575	631,323
School administration	205,387	208,129	185,949	197,010	169,340	199,112	219,729	196,937	249,681	223,718
Plant operations & maintenance	824,872	754,886	669,183	657,876	688,455	682,629	681,050	859,519	799,735	717,291
Pupil transportation	370,447	372,963	382,671	344,179	262,598	324,243	305,062	311,598	374,274	372,903
Interest on long-term debt	119,023	126,784	109,402	73,409	76,236	72,636	68,845	63,223	57,236	51,092
Total governmental activities expenses	<u>7,084,159</u>	<u>6,919,526</u>	<u>7,286,638</u>	<u>7,124,235</u>	<u>6,925,343</u>	<u>7,962,925</u>	<u>8,589,144</u>	<u>9,334,279</u>	<u>10,194,863</u>	<u>9,450,791</u>
Business-type activities										
Food services	130,382	130,560	118,836	112,744	95,055	100,249	106,740	117,841	116,586	118,002
Total business-type activities	<u>130,382</u>	<u>130,560</u>	<u>118,836</u>	<u>112,744</u>	<u>95,055</u>	<u>100,249</u>	<u>106,740</u>	<u>117,841</u>	<u>116,586</u>	<u>118,002</u>
Total district expenses	<u>\$ 7,214,541</u>	<u>\$ 7,050,086</u>	<u>\$ 7,405,474</u>	<u>\$ 7,236,979</u>	<u>\$ 7,020,398</u>	<u>\$ 8,063,174</u>	<u>\$ 8,695,884</u>	<u>\$ 9,452,120</u>	<u>\$ 10,311,449</u>	<u>\$ 9,568,793</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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Program revenues										
Governmental activities										
Operating grants & contributions	\$ 237,712	\$ 148,012	\$ 142,694	\$ 140,992	\$ 128,482	\$ 129,552	\$ 145,198	\$ 140,287	\$ 150,968	\$ 148,980
Capital grants & contributions	10,650	88,040	-	8,704	359,840	37,700	-	-	-	-
Total governmental activities	248,362	236,052	142,694	149,696	488,322	167,252	145,198	140,287	150,968	148,980
Business-type activities										
Charges for services										
Food service	109,742	104,647	90,233	81,418	76,986	75,889	71,933	74,080	81,866	85,146
Operating grants & contributions	21,999	23,975	24,152	26,646	25,729	28,641	28,615	32,226	29,133	30,018
Total business-type activities	131,741	128,622	114,385	108,064	102,715	104,530	100,548	106,306	110,999	115,164
Total district-program	\$ 380,103	\$ 364,674	\$ 257,079	\$ 257,760	\$ 591,037	\$ 271,782	\$ 245,746	\$ 246,593	\$ 261,967	\$ 264,144
Net (expense) revenues										
Governmental activities	\$ (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)	\$ (8,651,827)
Business-type activities	1,359	(1,938)	(4,451)	(4,680)	7,660	4,281	(6,192)	(11,535)	(5,587)	(2,838)
Total district-wide net expenses	\$ (6,834,438)	\$ (6,685,412)	\$ (7,148,395)	\$ (6,979,219)	\$ (6,429,361)	\$ (7,791,392)	\$ (8,450,138)	\$ (9,092,627)	\$ (9,994,435)	\$ (8,654,665)
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes	\$ 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	\$ 5,694,797
Taxes levied for debt service	253,373	252,873	252,173	232,894	247,050	243,450	249,750	245,000	249,150	248,075
Unrestricted grants & contributions	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	3,913,662
State capital projects grant deobligated	(31,556)	-	(34,068)	-	-	(79,054)	-	-	-	-
Tuition income	15,700	22,000	29,561	30,945	42,628	64,671	61,645	51,600	50,347	81,980
Investment earnings	16,435	12,909	18,220	9,412	10,940	10,856	10,757	12,583	29,488	42,068
Miscellaneous income	27,494	35,508	15,519	23,465	20,971	21,929	29,556	15,488	22,408	52,089
Loss on disposal of capital assets	-	-	-	-	(10,738)	-	-	-	(3,896)	-
Total governmental activities	7,221,375	7,163,658	7,359,747	7,473,022	7,446,498	8,329,627	8,927,322	9,654,765	10,457,653	10,032,671

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General revenues & other changes in net position (cont'd)										
Business-type activities										
Investment earnings	\$ 162	\$ 127	\$ 247	\$ 78	\$ 93	\$ 139	\$ 169	\$ 157	\$ 216	\$ 327
Miscellaneous income	-	-	-	-	-	-	45	88	-	-
Total business-type activities	<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>	<u>327</u>
Total district-wide	<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>	<u>\$ 10,032,998</u>
Change in net position										
Governmental activities	\$ 385,578	\$ 480,184	\$ 215,803	\$ 498,483	\$ 1,009,477	\$ 533,954	\$ 483,376	\$ 460,773	\$ 413,758	\$ 730,860
Business-type activities	1,521	(1,811)	(4,204)	(4,602)	7,749	4,420	(5,978)	(11,290)	(5,371)	(2,511)
Total district	<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>	<u>\$ 728,349</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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Restricted	\$ 845,293	\$ 999,020	\$ 890,398	\$ 1,419,146	\$ 1,483,952	\$ 1,320,429	\$ 1,476,274	\$ 1,856,119	\$ 2,158,822	\$ 2,740,294
Committed	134,170	102,862	90,441	140,885	95,156	130,289	212,013	78,557	332,851	277,226
Assigned	-	-	-	-	-	-	2	26,414	34,455	-
Unassigned	207,454	210,828	223,427	187,614	177,660	179,024	196,387	226,504	185,887	228,512
Total general fund	<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>	<u>\$ 3,246,032</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 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>\$ 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>	<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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Tax levy	\$ 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	\$ 5,942,872
Tuition charges	15,700	22,000	29,561	30,945	42,628	64,671	61,645	51,600	50,347	81,980
Interest earnings	16,435	12,909	18,220	9,412	10,940	10,856	10,757	12,583	29,488	42,068
Rents and royalties	-	-	-	-	-	-	7,438	4,850	4,700	7,250
Sale of property	-	-	-	-	-	-	6,356	-	3,930	-
Miscellaneous	27,494	35,508	15,519	23,465	20,971	21,929	15,762	10,638	13,778	44,839
State sources	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	2,351,225
Federal sources	319,358	148,012	192,273	140,992	128,482	130,034	145,198	140,384	150,968	148,980
Total revenues	7,501,293	7,399,710	7,536,509	7,614,014	7,945,558	7,681,228	7,933,251	8,117,318	8,314,059	8,619,214
Expenditures										
Instruction										
Regular instruction	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	1,924,627
Special education instruction	618,793	580,253	583,982	567,461	578,178	611,792	556,345	574,183	552,788	512,137
Other special instruction	119,624	125,322	131,687	131,117	119,166	200,577	223,682	218,369	200,585	232,688
Other instruction	35,894	36,518	36,543	44,079	37,973	40,191	47,208	50,864	48,571	53,913
Support services										
Tuition	504	23,527	11,830	11,149	25,707	69,899	74,950	-	54,206	74,232
Student & instructional related services	639,251	604,411	682,694	668,329	746,047	648,465	730,827	742,463	736,361	715,030
General administration	261,066	214,186	221,041	225,903	181,614	193,440	176,563	185,629	172,039	166,136
School administration services	154,388	147,524	133,608	138,048	124,734	118,735	121,898	116,533	125,634	110,062
Central services	188,998	202,975	203,615	188,170	196,183	189,072	211,340	170,201	179,217	176,804
Plant operations & maintenance	748,932	671,630	577,862	570,174	619,117	588,885	569,036	721,301	599,639	577,424
Pupil transportation	364,210	365,719	375,689	338,565	255,468	310,881	288,307	291,017	345,147	351,066
Employee benefits	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	1,406,694
On-behalf TPAF Pension & Social Security contributions	452,268	440,191	509,754	633,260	548,021	616,039	693,474	763,601	867,829	972,595
Capital outlay	51,086	57,973	40,857	49,783	94,456	11,786	55,464	104,251	86,125	307,402
Capital projects	124,849	81,470	407,258	257,903	41,163	670,742	866,439	198,078	295,500	-
Special revenue funds	237,712	148,012	142,694	140,992	128,482	129,552	145,198	140,287	150,968	148,980
Debt service										
Principal	135,000	140,000	145,000	175,000	180,000	180,000	190,000	190,000	200,000	205,000
Interest & other charges	118,373	112,873	92,839	83,002	84,382	80,782	77,082	72,332	66,482	60,407
Total expenditures	7,214,628	7,030,581	7,500,745	7,417,405	7,067,998	7,740,164	8,294,960	7,676,978	8,048,390	7,995,197

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Excess (deficiency) of revenues over (under) expenditures	\$ 286,665	\$ 369,129	\$ 35,764	\$ 196,609	\$ 877,560	\$ (58,936)	\$ (361,709)	\$ 440,340	\$ 265,669	\$ 624,017
Other financing sources (uses)										
NJSDA Grant deobligated	(31,556)	-	(34,068)	-	-	(79,054)	-	-	-	-
Transfers out	(40,000)	(10,000)	(20,000)	(10,000)	(10,000)	(10,000)	(15,000)	(20,000)	(64,500)	(90,000)
Total other financing sources (uses)	(71,556)	(10,000)	(54,068)	(10,000)	(10,000)	(89,054)	(15,000)	(20,000)	(64,500)	(90,000)
Net change in fund balances	\$ 215,109	\$ 359,129	\$ (18,304)	\$ 186,609	\$ 867,560	\$ (147,990)	\$ (376,709)	\$ 420,340	\$ 201,169	\$ 534,017
Debt service as a percentage of non-capital expenditures	3.73%	3.81%	3.49%	3.77%	3.96%	3.84%	3.76%	3.69%	3.60%	3.58%

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Interest income	\$ 16,435	\$ 12,909	\$ 18,220	\$ 9,412	\$ 10,940	\$ 10,856	\$ 10,757	\$ 12,583	\$ 29,488	\$ 42,068
Tuition	15,700	22,000	29,561	30,945	42,628	64,671	61,645	51,600	50,347	81,980
Other school districts - shared services	-	-	-	-	-	-	-	-	-	39,055
Building use fees	7,811	6,587	7,175	6,175	5,100	6,375	7,438	4,850	4,700	7,250
Prior year refunds	16,867	23,582	4,994	385	1,079	7,050	8,292	554	373	607
Accounts payable canceled	-	222	622	6,156	2,808	3,043	2,038	4,331	5,141	2,180
Miscellaneous other	1,649	27	30	-	-	41	117	113	404	237
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	2,760
Workshops	-	-	-	-	5,025	-	-	-	-	-
NJ School boards insurance	-	-	-	-	-	-	-	-	-	-
Safety incentive	-	-	-	-	1,000	-	-	1,000	3,700	-
Donations	-	-	-	-	-	-	95	-	-	-
Annual totals	<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>	<u>\$ 176,137</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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Vacant land	\$ 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	\$ 20,041,000
Residential	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	430,083,000
Farm regular	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	113,957,800
Qualified farm	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	5,289,900
Commercial	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	35,339,300
Industrial	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	8,921,900
Apartment	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	2,009,500
Total assessed value	604,503,800	606,547,600	604,593,800	606,949,100	607,050,000	608,941,450	612,172,649	612,715,599	613,360,199	615,642,400
Public utilities (a)	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	1,545,288
Net valuation taxable	\$ 606,143,650	\$ 608,107,112	\$ 606,256,896	\$ 608,429,382	\$ 608,526,753	\$ 610,594,460	\$ 613,717,592	\$ 614,260,887	\$ 614,905,487	\$ 617,187,688
Estimated actual county equalized value	\$ 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	\$ 615,407,488
Percentage of net valuation to estimated actual equalized value	86.86%	92.06%	94.84%	96.62%	99.13%	98.66%	102.06%	100.91%	98.68%	100.29%
Total direct school tax rate (b)	\$ 0.895	\$ 0.892	\$ 0.907	\$ 0.906	\$ 0.905	\$ 0.920	\$ 0.920	\$ 0.950	\$ 0.966	\$ 0.981

*

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)			Municipality	County		
			Total Direct School Tax Rate						
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	
2019	0.940	0.041	0.981	0.634	0.324	0.376	-	2.315	

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**

	2019			2010		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Buckeye Pipeline Co	\$ 4,575,000	1	0.74%	\$ 4,575,000	1	0.75%
Kingwood Flex LLC	4,188,100	2	0.68%	-		0.00%
Mel Chemicals Inc	3,498,200	3	0.57%	3,463,700	3	0.57%
Buckeye Pipeline Co	3,040,000	4	0.49%	3,040,000	5	0.50%
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%	2,324,100	8	0.38%
Frenchtown III Solar LLC	1,657,500	8	0.27%	-		0.00%
Individual Property Owner	1,650,800	9	0.27%	1,628,200	10	0.27%
Frenchtown II Solar LLC	1,500,000	10	0.24%	-		0.00%
Route 12 Business Park LLC	-		0.00%	4,188,100	2	0.69%
Horseshoe Bend LLC	-		0.00%	3,110,300	4	0.51%
Lutz Welding & Fabricating Inc	-		0.00%	2,895,500	6	0.48%
Frenchtown Run LLC	-		0.00%	2,500,000	7	0.41%
Horseshoe Bend LLC	-		0.00%	1,750,000	9	0.29%
	<u>\$ 27,957,900</u>		<u>4.53%</u>	<u>\$ 29,474,900</u>		<u>4.86%</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
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%
2019	5,942,872	5,942,872	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	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Activities Capital Leases			
2010	\$ 2,635,000	\$ -	\$ -	\$ -	\$ -	\$ 2,635,000	0.94%	\$ 649
2011	2,495,000	-	-	-	-	2,495,000	0.93%	652
2012	2,425,000	-	-	-	-	2,425,000	0.88%	634
2013	2,250,000	-	-	-	-	2,250,000	0.79%	591
2014	2,070,000	-	-	-	-	2,070,000	0.73%	545
2015	1,890,000	-	-	-	-	1,890,000	0.64%	502
2016	1,700,000	-	-	-	-	1,700,000	0.56%	451
2017	1,510,000	-	-	-	-	1,510,000	0.48%	403
2018	1,310,000	-	-	-	-	1,310,000	0.40%	351
2019	1,105,000	-	-	-	-	1,105,000	N/A	296

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		
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%	634
2013	2,250,000	-	2,250,000	0.37%	591
2014	2,070,000	-	2,070,000	0.34%	545
2015	1,890,000	-	1,890,000	0.31%	502
2016	1,700,000	-	1,700,000	0.28%	451
2017	1,510,000	-	1,510,000	0.25%	403
2018	1,310,000	-	1,310,000	0.21%	351
2019	1,105,000	-	1,105,000	0.18%	296

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, 2018

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Municipality	\$ 2,379,694	100.00%	\$ 2,379,694
Regional High School	530,000	26.08%	138,212
County general obligation debt	83,452,933	2.85%	<u>2,381,731</u>
Subtotal, overlapping debt			4,899,637
School District direct debt			<u>1,105,000</u>
Total direct and overlapping debt			<u><u>\$ 6,004,637</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 2019

		Equalized Valuation Basis
	2018	\$ 611,586,598
	2017	620,911,633
	2016	606,652,115
		\$ 1,839,150,346
Average equalized valuation of taxable property		\$ 613,050,115
Debt limit (3.0% of average equalization value)	(a)	\$ 18,391,503
Total net debt applicable to limit		1,105,000
Legal debt margin		\$ 17,286,503

		Fiscal Year				
		2015	2016	2017	2018	2019
Debt limit		\$ 18,506,704	\$ 18,215,184	\$ 18,185,391	\$ 18,241,557	\$ 18,391,503
Total net debt applicable		1,890,000	1,700,000	1,510,000	1,310,000	1,105,000
Legal debt margin		\$ 16,616,704	\$ 16,515,184	\$ 16,675,391	\$ 16,931,557	\$ 17,286,503
Total net debt applicable to the limit as a percentage of debt limit		10.21%	9.33%	8.30%	7.18%	6.01%

		Fiscal Year				
		2010	2011	2012	2013	2014
Debt limit		\$ 21,124,196	\$ 20,626,001	\$ 19,915,021	\$ 19,219,333	\$ 18,749,237
Total net debt applicable		2,635,000	2,495,000	2,425,000	2,250,000	2,070,000
Legal debt margin		\$ 18,489,196	\$ 18,131,001	\$ 17,490,021	\$ 16,969,333	\$ 16,679,237
Total net debt applicable to the limit as a percentage of debt limit		12.47%	12.10%	12.18%	11.71%	11.04%

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)
2010	3828	\$ 268,028,904	\$ 70,018	8.0%
2011	3826	275,093,226	71,901	7.8%
2012	3808	286,197,856	75,157	8.0%
2013	3800	284,696,000	74,920	4.9%
2014	3768	295,558,152	78,439	4.9%
2015	3767	304,475,309	80,827	4.7%
2016	3746	311,596,026	83,181	3.9%
2017	3737	323,583,093	86,589	3.9%
2018	3738	N/A	N/A	3.5%
2019	N/A	N/A	N/A	N/A

Sources:

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

See independent auditors' report.

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

2019

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>
-----------------	------------------	-------------	---

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2010

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>
-----------------	------------------	-------------	---

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>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>	<u>2019</u>
Function/Program										
Instruction										
Regular	31.5	30.0	30.2	28.7	27.2	26.2	26.2	26.2	26.2	25.2
Special education	9.0	9.1	8.0	8.0	9.5	10.5	10.0	10.0	10.0	9.0
Other instruction - aides	4.5	3.5	3.1	4.0	4.5	4.5	3.0	6.0	4.0	3.0
Support services										
Student and instruction related services	10.6	10.6	9.8	9.6	7.8	7.9	7.9	9.4	9.7	9.8
General administration	2.0	2.0	1.5	1.5	1.2	1.6	1.6	1.6	0.8	0.8
School administration services	2.4	2.4	1.9	1.9	1.8	1.5	1.5	1.7	1.4	1.1
Central services	2.3	2.3	2.3	2.4	2.4	2.1	3.1	2.1	2.1	2.1
Plant operations and maintenance	6.0	5.6	5.6	5.7	5.7	5.6	4.8	4.8	4.6	4.6
Pupil transportation	0.3	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Total	<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>	<u>56.1</u>

Source: District Personnel Records

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	June 30 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
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%
2019	331	7,422,388	22,424	1.81%	42.6	1:12:88	330.6	316.2	-1.51%	95.64%

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.

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Elementary (1948)</u>										
Square feet	67,519	67,519	67,519	67,519	67,519	67,519	67,519	67,519	65,719	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	447.9	431.8	396.0	409.0	367.9	360.3	342.2	343.5	335.7	330.6

Number of schools at June 30, 2019:

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.

See independent auditors' report.

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

Undistributed Expenditures - Required Maintenance for School Facilities

<u>Fiscal Year Ending</u>	<u>Amount</u>	<u>Total</u>
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
2019	52,220	52,220
Total school facilities	<u>\$ 668,637</u>	<u>\$ 668,637</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

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Insurance Schedule
June 30, 2019
(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



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

**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
Frenchtown Borough 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 Frenchtown Borough School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Frenchtown Borough 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 A. Holk, CPA, PSA
NO. 20CS00265600

November 13, 2019
Flemington, New Jersey



**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, 2019. 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, 2019.

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
NO. 20CS00265600

November 13, 2019
Flemington, New Jersey

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards, Schedule A
For the Fiscal Year Ended June 30, 2019

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2018		Cash Received	Budgetary Expenditure	Adjustment	Repayment of Prior Year Balance	Balance June 30, 2019																	
					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	S010A180030	ESSA-2450-19	\$ 25,927	07/01/18	06/30/19	\$ -	\$ -	\$ 25,927	\$ 25,927	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -													
Title II A	84.367A	S367A180029	ESSA-2450-19	5,356	07/01/18	06/30/19	-	-	5,356	5,356	-	-	-	-	-	-	-													
Title IV	84.424	S424A180031	ESSA-2450-19	10,000	07/01/18	06/30/19	-	-	7,054	10,000	-	-	(2,946)	-	-	-	-													
Small, rural school achievement program	84.358	S358B180030	S358A180849	34,339	07/01/18	06/30/19	-	-	34,339	34,339	-	-	-	-	-	-	-													
IDEA Basic	84.027A	H027A180100	IDEA-2450-19	69,774	07/01/18	06/30/19	-	-	69,234	69,774	-	-	(540)	-	-	-	-													
IDEA Preschool	84.173A	H173A180114	IDEA-2450-19	3,584	07/01/18	06/30/19	-	-	3,584	3,584	-	-	-	-	-	-	-													
Total special revenue fund							-	-	145,494	148,980	-	-	(3,486)	-	-	-	-													
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	181NJ304N1099	N/A	7,034	10/01/17	09/30/18	1,033	-	-	1,033	-	-	-	-	-	-	-													
National school lunch program non-cash assistance (commodities)	10.555	191NJ304N1099	N/A	7,548	10/01/18	09/30/19	-	-	7,548	6,436	-	-	-	1,112	-	-	-													
National school lunch program cash assistance	10.555	181NJ304N1099	N/A	20,981	10/01/17	09/30/18	(1,493)	-	1,493	-	-	-	-	-	-	-	-													
National school lunch program cash assistance	10.555	191NJ304N1099	N/A	21,252	10/01/18	09/30/19	-	-	19,982	21,252	-	-	(1,270)	-	-	-	-													
Total enterprise fund							(460)	-	29,023	28,721	-	-	(1,270)	1,112	-	-	-													
Total federal awards							\$ (460)	\$ -	\$ 174,517	\$ 177,701	\$ -	\$ -	\$ (4,756)	\$ 1,112	\$ -	\$ -	\$ -													

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2019

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2018		Cash Received	Budgetary Expenditure	Adjustments	Balance June 30, 2019			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	19-495-034-5120-014	\$ 166,282	07/01/18	06/30/19	\$ -	\$ -	\$ 149,949	\$ 166,282	\$ -	\$ -	\$ -	\$ -	\$ 16,333	\$ 166,282
Special education categorical aid	19-495-034-5120-089	259,824	07/01/18	06/30/19	-	-	234,302	259,824	-	-	-	-	25,522	259,824
Equalization aid	19-495-034-5120-078	441,447	07/01/18	06/30/19	-	-	398,085	441,447	-	-	-	-	43,362	441,447
Security aid	19-495-034-5120-084	31,021	07/01/18	06/30/19	-	-	27,974	31,021	-	-	-	-	3,047	31,021
Adjustment aid	19-495-034-5120-085	224,260	07/01/18	06/30/19	-	-	202,232	224,260	-	-	-	-	22,028	224,260
School choice aid	19-495-034-5120-068	150,304	07/01/18	06/30/19	-	-	135,539	150,304	-	-	-	-	14,765	150,304
Extraordinary special education costs aid	18-495-034-5120-044	59,735	07/01/17	06/30/18	(59,735)	-	59,967	232	-	-	-	-	-	59,735
Extraordinary special education costs aid	19-495-034-5120-044	100,669	07/01/18	06/30/19	-	-	-	100,669	-	(100,669)	-	-	-	100,669
Non-public transportation aid	18-495-034-5120-014	2,900	07/01/17	06/30/18	(2,900)	-	2,900	-	-	-	-	-	-	2,900
Non-public transportation aid	19-495-034-5120-014	2,900	07/01/18	06/30/19	-	-	-	2,900	-	(2,900)	-	-	-	2,900
Reimbursed TPAF Social Security contribution	19-495-034-5094-003	200,354	07/01/18	06/30/19	-	-	190,368	200,354	-	(9,986)	-	-	-	200,354
On behalf TPAF Pension contribution - teacher's pension & annuity fund	19-495-034-5094-002	519,961	07/01/18	06/30/19	-	-	519,961	519,961	-	-	-	-	-	519,961
On behalf TPAF Pension contribution - non-contributory insurance	19-495-034-5094-004	10,884	07/01/18	06/30/19	-	-	10,884	10,884	-	-	-	-	-	10,884
On behalf TPAF Pension contribution - long-term disability insurance	19-495-034-5094-004	606	07/01/18	06/30/19	-	-	606	606	-	-	-	-	-	606
On behalf TPAF Pension contribution - postretirement medical	19-495-034-5094-001	240,790	07/01/18	06/30/19	-	-	240,790	240,790	-	-	-	-	-	240,790
Total general fund					(62,635)	-	2,173,557	2,349,534	-	(113,555)	-	-	125,057	2,411,937
State Department of Agriculture														
Enterprise fund														
National school lunch program (St share)	18-100-010-3350-023	1,379	07/01/17	06/30/18	(99)	-	99	-	-	-	-	-	-	1,379
National school lunch program (St share)	19-100-010-3350-023	1,297	07/01/18	06/30/19	-	-	1,221	1,297	-	(76)	-	-	-	1,297
Total enterprise fund					(99)	-	1,320	1,297	-	(76)	-	-	-	2,676
Total state financial assistance					\$ (62,734)	\$ -	\$ 2,174,877	2,350,831	\$ -	\$ (113,631)	\$ -	\$ -	\$ 125,057	\$ 2,414,613
Less: On behalf TPAF Pension system contributions								(772,241)						
Total for state financial assistance - major program determination								\$ 1,578,590						

See independent auditors' report.

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2019

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 \$1,691 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 Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2019

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	\$ -	\$ 2,351,225	\$ 2,351,225
Special revenue fund	148,980	-	148,980
Food service fund	28,721	1,297	30,018
Total awards and financial assistance	\$ 177,701	\$ 2,352,522	\$ 2,530,223

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, 2019. 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, 2019.

**KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2019**

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, 2019**

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:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
	<i>State Aid Public Cluster:</i>
<u>19-495-034-5120-089</u>	<u><i>Special Education Categorical Aid</i></u>
<u>19-495-034-5120-078</u>	<u><i>Equalization Aid</i></u>
<u>19-495-034-5120-084</u>	<u><i>Security Aid</i></u>
<u>19-495-034-5120-068</u>	<u><i>School Choice Aid</i></u>
<u>19-495-034-5120-085</u>	<u><i>Adjustment Aid</i></u>
<u>19-495-034-5094-003</u>	<u><i>Reimbursed TPAF Social Security Contribution</i></u>

KINGWOOD TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section II and III
For the Fiscal Year Ended June 30, 2019

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2019.

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, 2019.

**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, 2019**

Status of Prior Year Findings

There were no prior year findings or questioned costs.